FOREWORD

The Reserve Bank of India regularly brings out the Report on Currency and Finance, which was traditionally considered as a comprehensive source and record of economic developments. The structure of this Report has been re-oriented since 1998-99 from just documenting the economic developments to a 'theme-based report'. The theme-based Report offers the professional economists working in the Bank, an opportunity to work on relevant topic every year and make incisive analysis of the theme both in the global and the Indian context and come out with an analytical Report offering possible policy solutions to the issues examined. The dissemination of these Reports to a wider section of the user-community is an important exercise. The Report pertaining to the period between 1935-36 and 1998-99 are available only in printed form. The Reports from 1999-2000 have been placed on the Reserve Bank's website. In these days of widespread use of information technology, it is felt useful to bring out the Reports in a single DVD. I hope this will be an invaluable collector's item among the policy makers and academia.

The digitization process of the Reports was undertaken by Shri Ashok Kapoor, Chief Archivist, Reserve Bank of India Archives and supported by the services of Smt. Sandhya Dhavale, Assistant Librarian, under the guidance of Shri K.U.B. Rao, Adviser, Department of Economic Analysis and Policy and Shri Sandip Ghose, Principal and Chief General Manager, College of Agricultural Banking, Pune. I place on record my deep appreciation of their efforts.

Mumbai
April 1, 2009

(Rakesh Mohan)
Deputy Governor
Reserve Bank of India

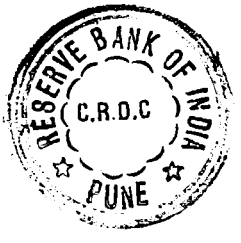
REPORT ON CURRENCY AND FINANCE





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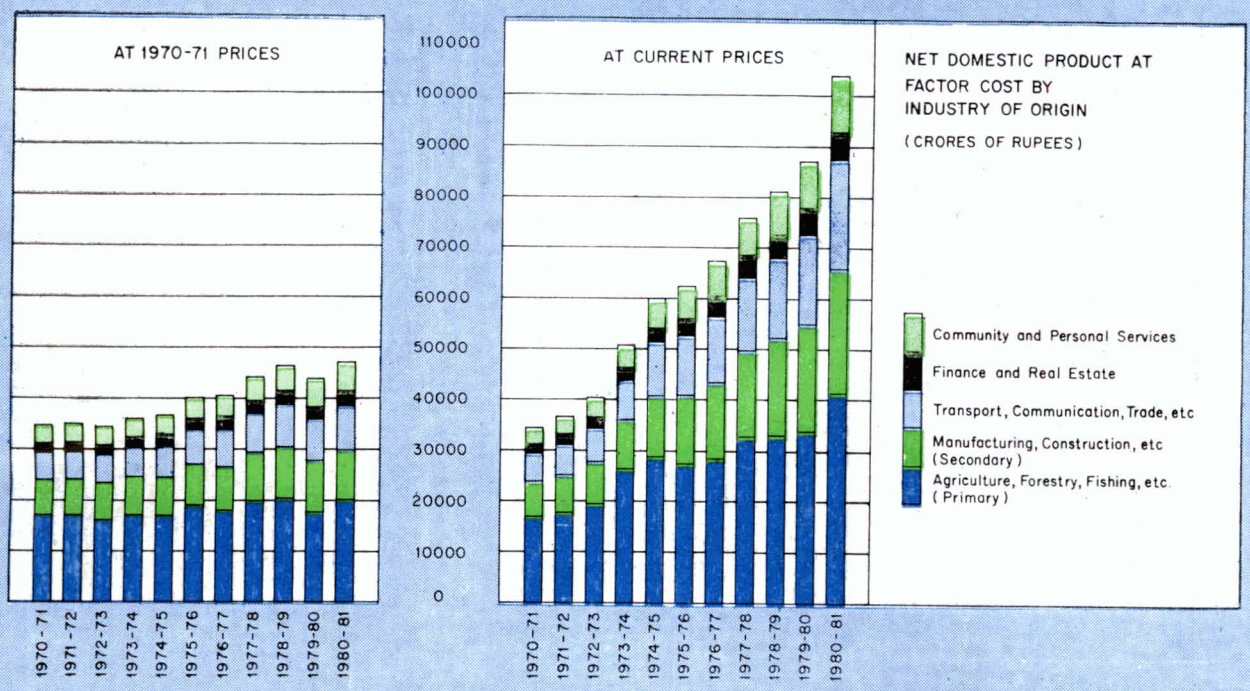
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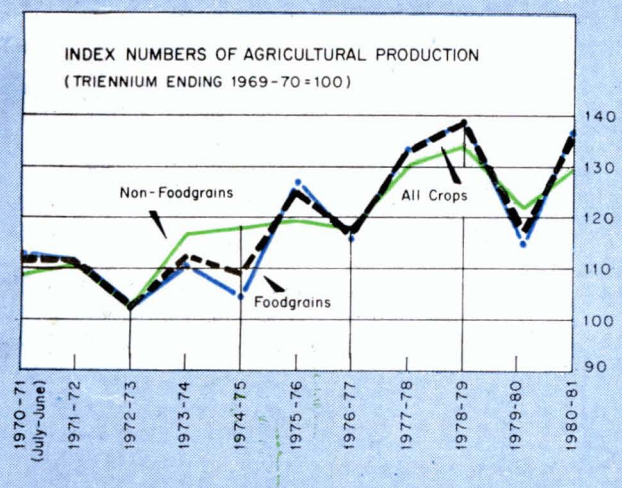
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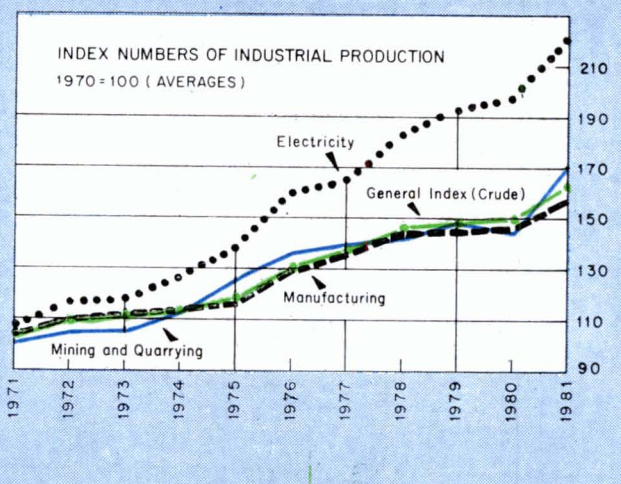
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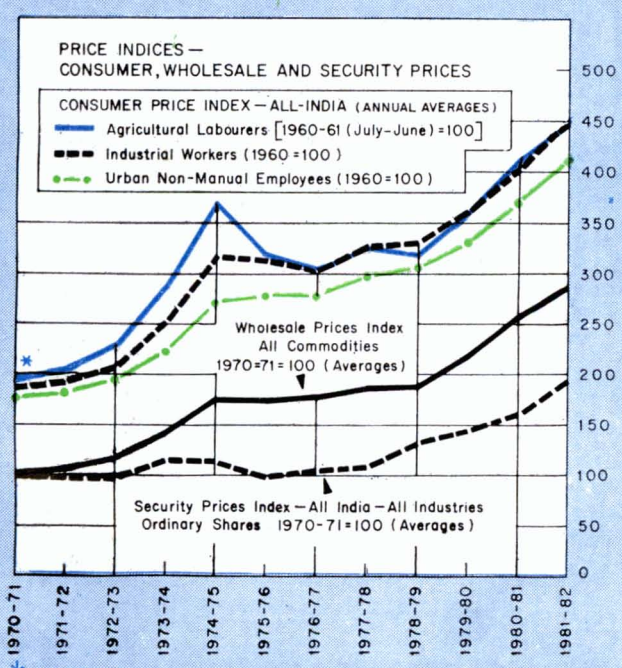
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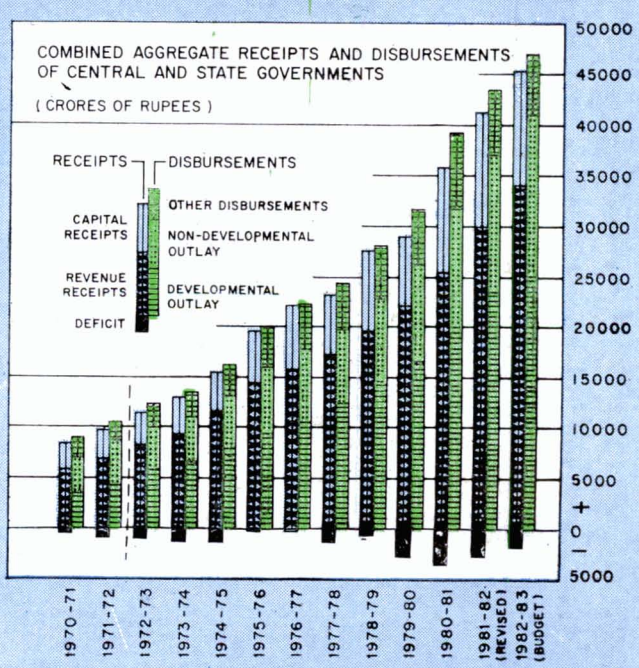
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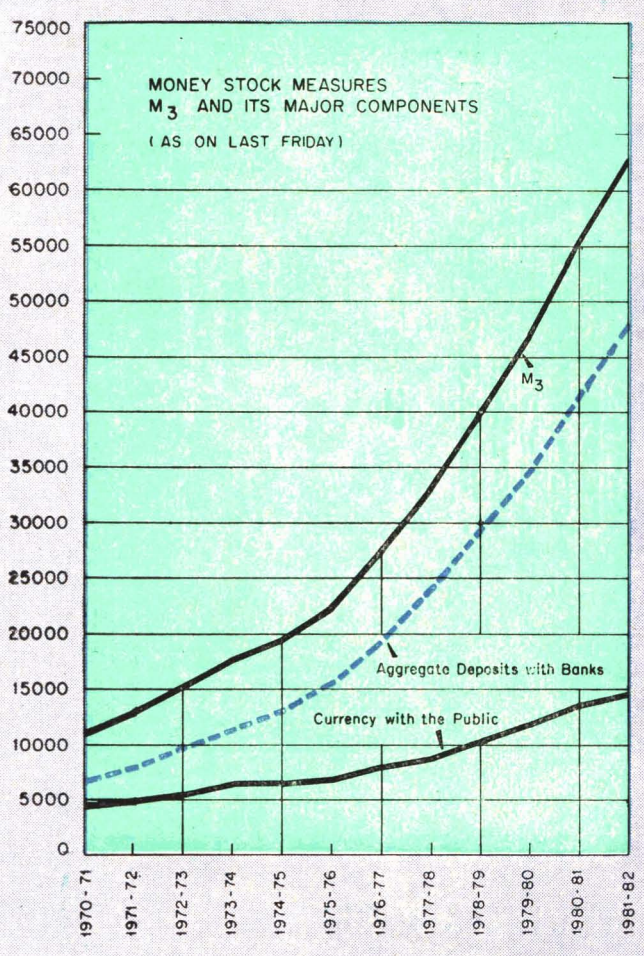


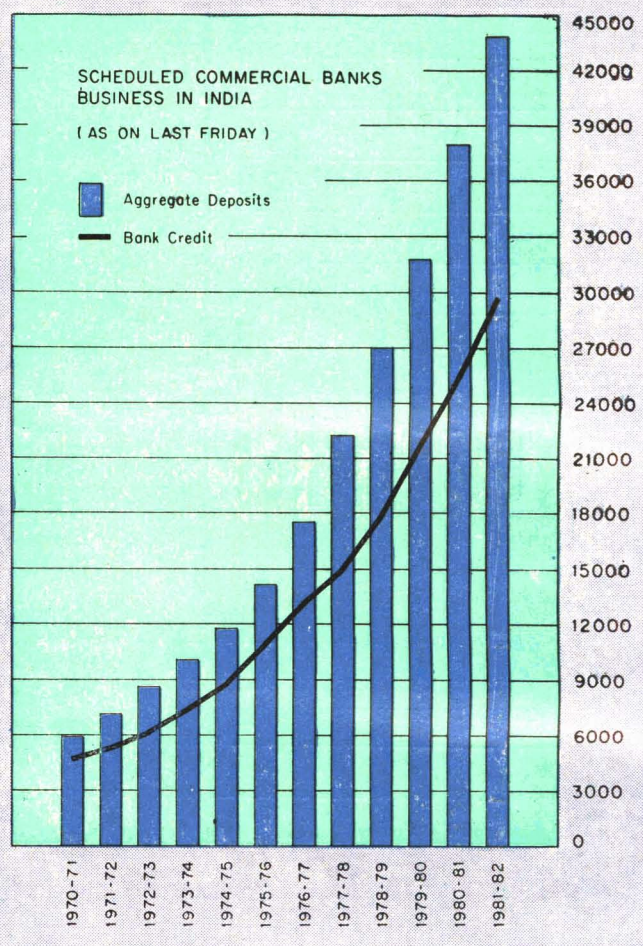


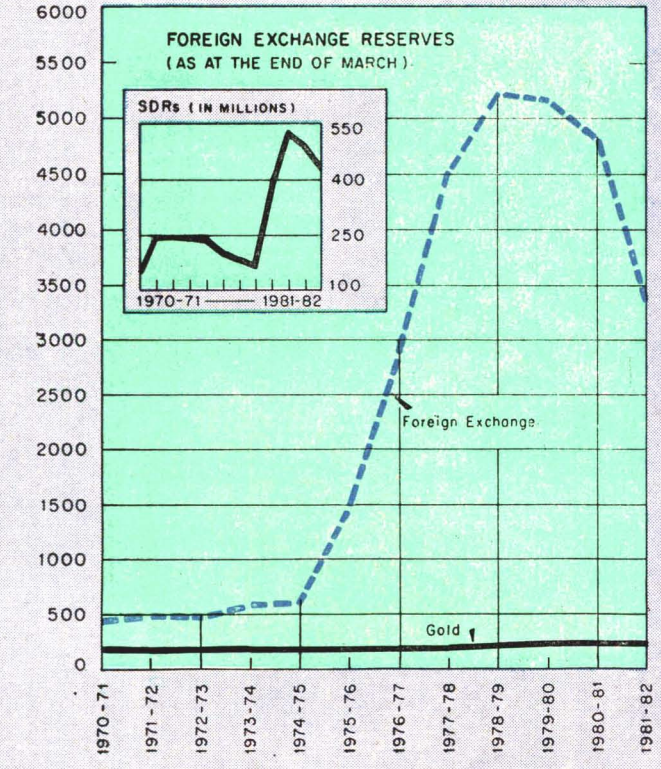


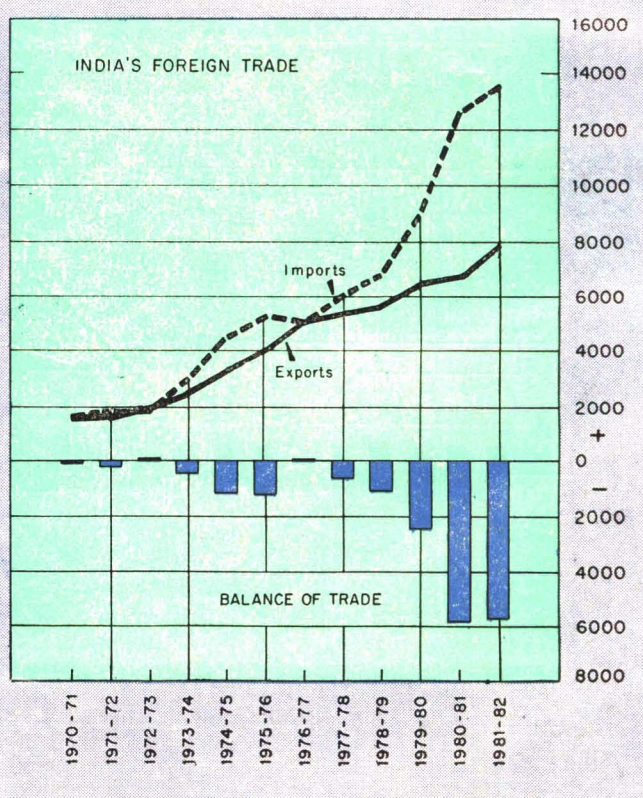
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Chapter I

Review and Outlook

During the year, July 1981-June 1982, the Indian economy recorded improvement on several fronts. Real national income rose further on top of the sizeable increase of 1980-81. Both agricultural and industrial output contributed to this increase in national output. Monetary expansion during the year was sharply reduced. The impact of these favourable developments was reflected in a marked deceleration in the rate of inflation. Price rise during the year, as measured by the Wholesale Price Index, was very small, as compared with the substantial increases registered in the preceding two years. On the external front, the trend of sharply increasing trade deficits over the last three years was arrested; however, overall payments situation deteriorated further with continued drop in foreign exchange reserves, mainly because of the reversal of the rising trend of net receipts on invisible account. The persisting strain on balance of payments coupled with the compulsions associated with structural adjustments in the economy to resolve the payments difficulties necessitated recourse to Extended Fund Facility of the International Monetary Fund.

Foodgrains production registered a further increase in 1981-82 (July-June). According to final estimates, the output of foodgrains increased by 3.5 million tonnes to touch a record level of 133.1 million tonnes, compared with the output of 110 million tonnes in 1979-80, when the production had suffered because of a serious drought situation. The 1981-82 *kharif* output touched the record level of 79.1 million tonnes as against 78 million tonnes in the preceding year. *Rabi* output also was higher at 54 million tonnes as against 52 million tonnes in the preceding year. Larger agricultural output was shared by commercial crops and production of sugarcane, oilseeds and raw cotton registered significant increases during the year.

In view of the high level of foodgrains output and the need for augmenting buffer stock, the food procurement drive was reinforced during the year. Thus, procurement of rice during the 1981-82 *kharif* marketing season reached an all time high of 7.3 million tonnes. Procurement of wheat during the *rabi* marketing season (upto end of July 1982) was also substantially higher than in the previous season. During 1981, 21,000 additional fair price/ration shops were opened over and above the 38,000 shops opened in the previous year. Offtake of foodgrains (excluding distribution under the National Rural Employment Programme) during 1981-82 was larger at 13.7 million tonnes as against 12.1 million tonnes in the preceding year. On the whole, thanks to good policies and competent management in regard to foodgrains, the consequences of the sharp decline in output in 1979-80 were absorbed in 1980-81 and 1981-82 without major disruption in recovery process in the economy.

The performance of the industrial sector during the year was also noteworthy. Industrial output as measured by the General Index of Industrial Production registered a substantial increase of 8.6 per cent during 1981-82 (April-March), signifying a further step up in the rate of increase of 4.0 per cent registered in the preceding year. It might be recalled that industrial output during 1979-80 had in fact registered a *decline* of the order of 1.4 per cent. The growth in the industrial output during the year under review was evenly spread. During 1981-82, industries accounting for a combined weight of 77.97 per cent in the General Index of Industrial Production registered increases in production as compared with industries accounting for 74.59 per cent in the General Index which showed increases in the preceding year. The encouraging performance of the industrial sector is attributable to the operation of several factors in the economy. Apart from the favourable impact of the agricultural production referred to earlier, the industrial sector also benefited substantially from the improve-

ment recorded in the crucial sectors like coal, power and transport, thanks to the several measures initiated by the Government. Infrastructural industries such as coal, power, saleable steel, petroleum, and cement with a combined weightage of 23.3 per cent in the General Index of Industrial Production registered an impressive increase of 12.4 per cent in 1981-82 which is more than three times the rate of increase registered in 1980-81. The increase in coal production during the year touched an all-time high of 10.9 million tonnes. Increase in the output and availability of coal combined with attention towards better maintenance enabled improved performance in the power sector, especially the thermal plants. Capacity utilisation in the power as also in other crucial sectors was larger during 1981-82 as compared with the preceding year. Total freight traffic carried by the railways touched a peak of 243 million tonnes surpassing the earlier record of 239 million tonnes in 1976-77. Availability of wagons and their utilisation showed marked improvement. Timely augmentation of the supply of inputs such as saleable steel and cement through imports also facilitated growth in output during the year.

The growth rate of the industrial sector, however, has not been maintained so far in 1982-83. A distinct deceleration in the expansion of industrial output emerged in the quarter April-June 1982, as has been pointed out in Chapter III. The index of industrial production showed a rise of 6.0 per cent only as compared with 11.3 per cent in the corresponding quarter of 1981. The deceleration in the growth rate was shared by the important sectors like manufacturing, electricity and mining. More recent trends have not shown any material improvement and the emergence of infrastructural bottlenecks, particularly in respect of power in a number of major States in the country are again acting as constraints on industrial output. Some of the industries have been facing sluggish demand owing to a variety of factors some of which are deepseated and thus, are of long-term nature. In the textile group of industries, for instance, consumer resistance to high prices seems to have affected demand at ruling prices. In the case of viscose and polyester fibres, low priced imports under the liberalised policy of OGL could have contributed to poor demand and consequent low capacity utilisation. In the jute textile industry, foreign demand was affected by sustained competition from cheaper synthetic substitutes and recessionary conditions abroad, while efforts at economising packing costs perhaps adversely affected domestic demand. In the case of tractors and trucks, one of the affected groups in the engineering industry, sales depend to a large extent on the availability of bank credit. In the steel industry demand was affected by the upward revision in the prices of steel products, besides the reduction in demand from engineering industry. Action has already been taken to liberalise the provision of bank credit for purchase of tractors and trucks.

In the long run, further improvement in output in several sectors would need expansion in installed capacity. Investments in the crucial sectors such as power, railways and coal would also be required to ensure continued growth of the industrial sector. In this connection, the need for improving labour relations in industry should also be emphasized.

Net national product (NNP), in real terms, registered an increase of about 5.0 per cent in 1981-82 (April-March), on top of the increase of 7.7 per cent in the preceding year. In 1979-80, net national product (NNP) had registered an absolute fall of 5.4 per cent. Real per capita income also rose by 2.9 per cent in 1981-82, further to the 5.3 per cent increase registered in 1980-81. In 1979-80, the per capita income had registered a sharp decline of the order of 7.6 per cent.

The most significant development during 1981-82 (July-June) was the abatement of the inflationary pressures in the economy. As discussed in Chapter IV, the General Index of Wholesale Prices registered an increase of 2.5 per cent as compared with the substantial price increases in the preceding three years, viz., 9.8 per cent in 1978-79, 23.2 per cent in 1979-80 and 11.7 per cent in 1980-81. There was a deceleration in the pace of the rise in consumer prices also. The All-India Consumer Price Index for Industrial

Workers (1960=100) registered an increase of 7.1 per cent in 1981-82 as against 13.7 per cent in the previous year. The corresponding figures for the increase in the Consumer Price Index for Urban Non-Manual Employees (1960=100) were 8.0 per cent and 13.0 per cent, respectively.

A notable feature of the price situation during 1981-82 was the further decline in the rate of price increase in foodgrains. The increase in the index for 'cereals' was 5.1 per cent as against 10.9 per cent in 1980-81 (on a point-to-point basis). In fact, in the case of the coarse cereals, namely, jowar and bajra, the indices showed *declines*, respectively, of 8.1 per cent and 1.4 per cent as against substantial increases of 33.0 per cent and 17.9 per cent in the preceding year. 'Pulses' also registered a decline, the index showing a *fall* of 11.7 per cent as against a rise of 20.3 per cent in the preceding year. In the recent months, however, the pace of increase in the prices of cereals has been somewhat accelerated reflecting the setback to the 1982 *kharif* foodgrains output. The outturn of *kharif* crop is placed substantially lower by 8 to 10 million tonnes because of inadequate rainfall under the south-west monsoon. With output under the *rabi* crop unlikely to make up this shortfall, the overall prospect for 1982-83 is one of a decline in foodgrains output. This underlines the need for continuation of the careful food management policy including ensuring timely and adequate build-up of stocks through augmentation of imports.

Monetary expansion during the year 1981-82 (July-June) was substantially lower than in the preceding year. Money supply (M_1) registered an increase of 9.7 per cent as compared with 18.7 per cent in 1980-81. Broad money (M_3) also showed a smaller increase of 12.0 per cent in 1981-82 as compared with 19.7 per cent in 1980-81. The deceleration in the expansion of money supply was shared by both currency with the public and aggregate deposits with banks, particularly the latter. The main factor behind the slowing down of monetary expansion was the substantial fall in the net foreign exchange assets of the banking sector of the order of Rs. 1,955 crores or 46.2 per cent over the year as against the fall of Rs. 720* crores or 14.5 per cent in the preceding year.

In line with the trends in real income, estimates showed that the saving rate during the year 1981-82 increased to 18.4 per cent (of NNP) from 18.0 per cent in 1980-81. Relatively to the saving rate, the rate of investment during the year was higher, being estimated at 21.1 per cent (of NNP) as against 20.0 per cent in 1980-81. This is explained by the net inflow of foreign resources.

Available data on India's balance of payments position in 1981-82 (April-March) point to a further substantial deterioration in the payments position during this year. The country's foreign exchange reserves excluding drawals under the IMF's Extended Fund Facility, fell during the year by Rs. 2,185 crores, over and above the sizeable decline of the order of Rs. 1,215 crores (excluding drawals from the IMF's compensatory financing facility and the Trust Fund Loan) in 1980-81. The performance on merchandise trade account was somewhat encouraging. The trade deficit on merchandise account which had been widening in the past three years, declined although marginally. On the other hand, the rising level of net receipts on invisibles account was reversed in 1981-82, contributing to the worsening of the payments position. As has been pointed out in Chapter IX, there was considerable improvement in the growth of exports to 16 per cent from about 4 per cent in 1980-81, accompanied by a deceleration in the growth of imports to 8 per cent in 1981-82 from 41 per cent in the preceding year. The performance of exports in the face of adverse international conditions is striking and reflects the improved availabilities following growth in output, besides sustained domestic efforts. The deceleration in imports is largely explained by improved production in several lines including petroleum, fertilisers and non-ferrous metals. More recent data on movements in the foreign

* This differs from the figure relating to the decline in the foreign exchange reserves given in a latter paragraph mainly because Trust Fund Loan borrowings from the IMF by the Government (amounting to Rs. 544 crores) are not netted against gross foreign exchange reserves here, the Trust Fund Loan being not the liability of the banking system. These are netted from gross reserves in a latter paragraph to arrive at decline in foreign exchange reserves of the country.

currency assets of the Reserve Bank since July 1982 (not reviewed in Chapter X) would appear to indicate a degree of improvement in the balance of payments situation. During the first ten months of the financial year 1982-83, i.e., upto January 1983, the foreign currency assets of the Reserve Bank rose by Rs. 328 crores having benefited by the receipt of Rs. 1,241 crores from the IMF under its Extended Fund Facility. These assets would have declined by Rs. 913 crores, but for the drawals under the Extended Fund Facility. During the corresponding period of the previous year, the foreign currency assets showed a fall of Rs. 1,929 crores, excluding the drawal of Rs. 637 crores from the Fund. The improvement recorded, specially on the export front, notwithstanding the unfavourable international environment, should be carried forward by sustained domestic efforts. The continued general stability in the domestic price level should be of assistance in this task. While import substitution should be pressed on with vigour, imports in crucial areas would have to be facilitated to sustain overall growth and quicken the process of structural adjustments in the economy.

The performance of the economy in 1981-82 should, on balance, give cause for some satisfaction, specially against the backdrop of the setback suffered in 1979-80. Trends in the economy during 1982-83 so far, however, have not been wholly satisfactory. On the positive side, the abatement in the rate of inflation has been maintained despite unfavourable developments on the production front. Further, overall balance of payments position as reflected in the movement in the foreign currency assets, seems to show a degree of improvement. On the other hand, with the adverse monsoon, there was a sharp decline in agricultural output in the 1982 *kharif* season, which is not expected to be fully compensated by the improvement in the *rabi* crop and overall foodgrains output in 1982-83 would, perhaps, register a decline of the order of 5 to 8 million tonnes. Several parts of the country have been suffering from drought conditions. Some segments of the industry are confronted with sluggish demand. Also, there has been constraint on availability of power in a number of States. In the result, the growth in industrial output has decelerated sharply. Notwithstanding some improvement, deficit in the balance of payments remains sizeable. Exports, specially of the non-traditional items might record some increase. On the other hand, substantially larger imports of wheat have been necessitated (around 4 million tonnes have been contracted, as against less than 1 million tonnes imported in the preceding year). These trends underscore the persisting weaknesses in some of the vital sectors of the economy, and action would have to be initiated to meet the basic causes underlying them.

The first of these concerns agriculture. Substantial achievement has been recorded in this sector over the last three decades. Much of the increase in agricultural output since 1964-65 should be mainly attributed to higher yield, thanks to greater inputs such as expansion in irrigation facilities, application of fertilisers, etc. While this should be regarded as significant, recent trends in regard to foodgrains output, however, cause some concern. After touching a level of 132 million tonnes in 1978-79, foodgrains output declined sharply in 1979-80 followed by a substantial increase in the next year and further improvement in the subsequent year, 1981-82. However, the level of production achieved in 1981-82 was almost the same as that of 1978-79. There is likely to be a fall in foodgrains output in 1982-83. Thus, over a five year period, from 1978-79 to 1982-83, foodgrains output has remained stagnant. This has occurred notwithstanding the fact that additional area of 9 million hectares was brought under irrigation during the four years beginning 1978-79. During the same period, the area under high-yielding varieties of foodgrains has been increased to 46.7 million hectares from 38.8 million hectares. Consumption of chemical fertilisers during this period has also increased to 6.13 million tonnes from 4.29 million tonnes. This seems to illustrate that despite rapid increase in the use of modern inputs, foodgrain production has remained stationary.

This calls for a careful reassessment of the agricultural strategy. It appears that the breakthrough in yield in the case of wheat has not spread to the other cereals, especially rice. There is also the need for breakthrough in terms of new regions, i. e., other than Punjab and Haryana and the better endowed ones.

Similar breakthrough in regard to oilseeds is also urgently called for. Also the prevalence of substantial surplus of sugar and long-staple cotton seems to emphasise the need for bringing about a balanced cropping pattern in agriculture.

Yet another area which should be of concern relates to the productivity of capital. One of the encouraging features of the economy in the past some years is the substantial stepping up of investment and saving in the economy. Particularly, the ratio of financial assets in the total saving of the household sector has improved significantly, which facilitated large transfer of resources from the household sector to other sectors for investment. Along with the increase in the gross saving, investment has also increased. In spite of the substantial increase in the ratio of investment to income, the trend rate of growth in income has remained more or less steady, reflecting the increase in the incremental capital-output ratio. According to the Sixth Plan document, in terms of 1970-71 prices, the incremental gross capital-output ratio has increased from 3.2 in the First Plan to 4.1 in the Second, to 5.4 in the Third and to 5.7 in the Fourth. Notwithstanding a decline during the Fifth Plan, the ratio has since increased to 6.0. Gross incremental capital-output ratio over time is influenced, among other factors, by—(1) change in the capital intensity of different sectors of the economy and (2) changes in investment pattern. Although these factors seem to have contributed to the steadily increasing ratio, careful and systematic analysis of the factors that have contributed to the increase in incremental capital-output ratio is called for. In the context of the developing constraints on the resources position and the continuing deficit in the balance of payments, investment choices and priorities would have to be re-examined carefully. Further, there is an urgent need for greater awareness in the management of capital assets in the economy. The aim should be to increase efficiency in the use of capital and maximisation of the return on the productive investment in the economy.

Finally, the balance of payments position continues to be a matter of concern. Hitherto, a sharply increasing trade deficit was offset to a considerable extent, by rising trend in net invisible receipts. The rising trend in regard to net invisible receipts has already been reversed owing mainly to a stagnation in private transfer payments. Prospects do not appear bright for a resumption of the upward trend. With continuing need for imports of petroleum oil products, the external payments position will continue to be under stress. Debt service payments are likely to impose increasingly larger burden in the coming years with the decline in the share of concessional assistance. Hopefully, major savings in foreign exchange should accrue from the oil exploration and production programme. Imports of petroleum oil products are expected to decline progressively, to account for about 50 per cent of the requirements in 1984-85 as compared with 70 per cent in 1980-81. Similarly the scope for reducing certain other imports for instance, edible oils, should be carefully assessed. All in all, policies designed towards import substitution and enlarging exports should be reinforced with vigour if the country is to prevent the availability of foreign exchange from becoming a constraint on growth. Notwithstanding the continued unfavourable international environment including the emergence of protectionist trend in the leading industrial countries, exports have registered significant growth in 1981-82. This should encourage renewed efforts for improving the export performance further. The scope of augmenting the flow of exports to other developing countries in particular, should receive special attention.

Chapter II

National Income, Saving and Investment

Estimates of key macro aggregates for the fiscal year 1981-82* portray a growth of about 5.0 per cent in national income at constant prices contributed largely by 3.0 per cent addition to agricultural output and 8.6 per cent spurt in industrial output, a marginal increase in domestic saving rate, and a significant improvement in the rate of capital formation. Improved investment was made possible by higher rate of foreign resources inflow which buttressed the moderate increase in domestic saving. Fuller details as regards the sectors which contributed to this improvement are not yet available. In the private corporate sector, however, inventory accumulation would appear to have constituted a higher proportion of total investment than in the previous year, thus reducing the proportion of investment in fixed assets formation.

*All estimates presented in this Chapter relate to the fiscal year (April-March).

A. Trends in National Income

1. Estimates for 1980-81

The *quick* estimates of national income and related aggregates prepared by the Central Statistical Organisation (CSO) indicate that the Net National Product (NNP) at 1970-71 prices grew from Rs. 43,822 crores in 1979-80 to Rs. 47,211 crores in 1980-81. This represented a growth of 7.7 per cent as against an absolute fall of 5.4 per cent in 1979-80; over the two-year period, the increase in *real* national income worked out to about 2.0 per cent.

The *real per capita* income at Rs. 696 in 1980-81 stood higher by 5.3 per cent than in the previous year but this should be tempered by the fact that (a) the rise followed a fall of 7.6 per cent in 1979-80; and (b) at the level of Rs. 696, the *per capita* income remained at what it was four years ago in 1977-78 (Table II-1).

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

Description	Financial Years (April-March)				
	1977-78	1978-79	1979-80	1980-81	1981-82
1	2	3	4	5	6
Net National Product (Rupees Crores)					
At 1970-71 Prices	44,062 (8.8)	46,306 (5.1)	43,822 (—5.4)	47,211 (7.7)	49,572 (5.0)
At Current Prices	75,935 (6.7)	80,992 (6.7)	87,253 (7.7)	104,201 (19.4)	117,519 (12.8)
Per Capita Income (Rupees)					
At 1970-71 Prices	695 (6.4)	715 (2.9)	661 (—7.6)	696 (5.3)	716 (2.9)
At Current Prices	1,198 (10.7)	1,250 (4.3)	1,316 (5.3)	1,537 (16.8)	1,698 (10.5)

Sources and Notes: 1. Estimates up to 1980-81 are as those published by the Central Statistical Organisation (CSO), Government of India; the same are provisional for 1978-79 and 1979-80 and quick estimates for 1980-81. These figures may differ from the subsequent revisions, if any, made by the CSO.
2. Figures for 1981-82 are tentative estimates.
3. Figures in brackets are percentage changes over the previous years.

At current prices, the NNP (at factor cost) jumped by 19.4 per cent to Rs. 104,201 crores reflecting, besides the *real* income growth, a rise of about 11.0 per cent in NNP deflator during 1980-81. Similarly, *per capita* income in *nominal* terms at Rs. 1,537 experienced an increase of 16.8 per cent over the level in 1979-80.

The marked improvement in national income during the year was primarily attributable to the impressive performance of the agricultural sector. The income generated in that sector at 1970-71 prices stood higher by 13.0 per cent in contrast to an equally steep decline of 13.4 per cent in 1979-80. In the result, the ratio of income originating in the 'primary sector' to the total Net Domestic Product (NDP) at 1970-71 prices moved up to 42.5 per cent from 40.8 per cent in 1979-80. The domestic product originating in the 'secondary sector' registered a moderate improvement of 2.2 per cent as against a fall of 2.8 per cent in 1979-80; its share in the total NDP declined from 22.4 per cent to 21.3 per cent. Industry-wise, while 'manufacturing' and 'electricity, gas and water supply' registered increases of 2.9 per cent (—0.5 per cent last year) and 5.2 per cent (2.1 per cent last year), respectively, 'construction' suffered absolute losses for the second year in succession.

A notable spurt in income generated in the 'services' sector (6.0 per cent as compared with 2.2 per cent in 1979-80) also contributed to the higher *real* income growth during 1980-81. All the three segments of this sector recorded increases over the year: 'transport, communication and trade' by 5.2 per cent in contrast to a fall of 1 per cent in 1979-80; 'finance and real estate' by 2.4 per cent as compared with 0.7 per cent; and 'community and personal services' by 9.1 per cent on top of 8.8 per cent in 1979-80.

2. *Performance during 1981-82*

Official estimates of national income for 1981-82 are not yet available. However, on the basis of the available indicators such as output trends in agriculture and industry, the growth in *real* national income has been tentatively placed at about 5.0 per cent during the year. Unlike the previous year, the year 1981-82 must have experienced a substantial recovery in income originating in the manufacturing sector and a moderate growth in that originating in the agricultural sector. This is evident from a 8.6 per cent rise in the index of industrial production (against 4.0 per cent in 1980-81) and 3.0 per cent rise in the index of agricultural production (against 13.0 per cent).

With the estimated increase of about 5.0 per cent in *real* national income during 1981-82, the average growth rate during the first two years of the Sixth Five-Year Plan works out to 6.4 per cent against the rate of 5.2 per cent* visualised for the Plan period as a whole.

B. Aggregate Saving and Investment

The Reserve Bank of India's provisional estimates of domestic saving and investment for 1981-82 show a marginal increase in the rate of aggregate saving followed by a significant improvement in the rate of aggregate investment in that year. The ratio of aggregate net domestic saving to NNP at current market prices edged up from 18.0 per cent in 1980-81 to 18.4 per cent in 1981-82, while that of net domestic investment to NNP rose from 20.0 per cent to 21.1 per cent. The latter was made possible by larger inflow of foreign resources.** Such resources as a proportion of NNP at current market prices are estimated to have steadily increased from 0.6 per cent in 1979-80 to 2.0 per cent in 1980-81 and further to 2.7 per cent in 1981-82 (Table II-2).

C. Trends in Domestic Saving

The *provisional* estimates place the total net domestic saving during 1981-82 at Rs. 24,678 crores which, in relation to NNP at current market prices, constituted, as stated above, a marginal improvement to about 18.4 per cent from 18.0 per cent in 1980-81. However, the same, in relation to the previous

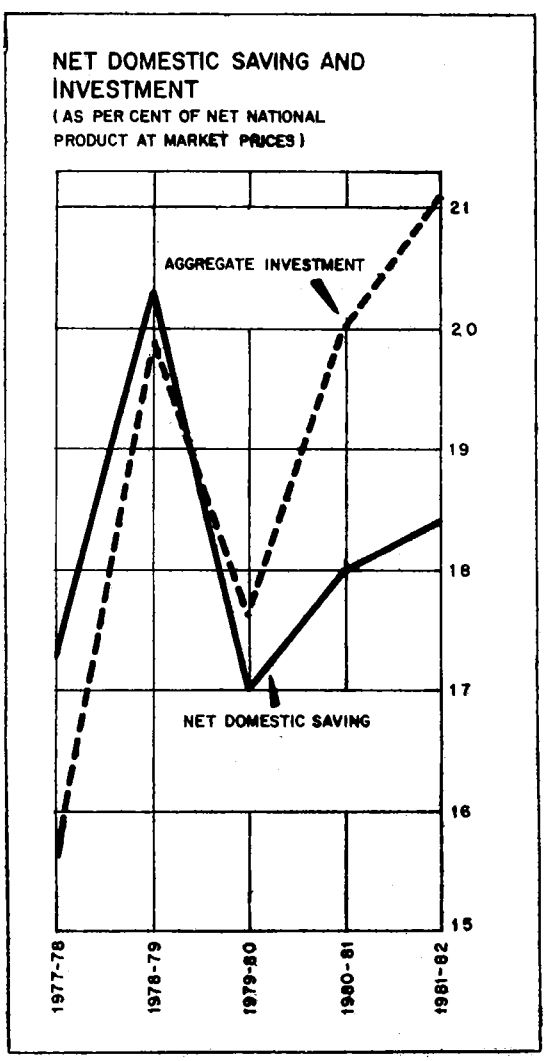
*The Plan target of 5.2 per cent is in terms of gross domestic product (GDP).

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

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

Description	Financial Year (April-March)		
	1979-80	1980-81	1981-82
1	2	3	4
1. Domestic Saving (Net)	17.0	18.0	18.4
2. Net Inflow of Foreign Resources	0.6	2.0	2.7
3. Aggregate Investment (Net) (1+2)	17.6	20.0	21.1

Note : The estimates presented here are somewhat at variance with those presented in the Reserve Bank's *Annual Report for 1981-82* as the same have been revised in the light of fresh data.



year's size of saving, registered a lower order of increase at 16.5 per cent against 25.6 per cent increase in 1980-81. These trends seem consistent with the trends in *real* and *nominal* national income during 1981-82. On the one hand, the *real* income growth was sustained which helped to keep the ratio of domestic saving at a level of over 18.0 per cent; on the other hand, the sharp decline in the growth of national income at current prices from about 19.4 per cent in 1980-81 to 12.8 per cent in 1981-82 tended to arrest the pace of expansion in the size of aggregate saving.

The bulk of domestic saving is generated by the *household sector* which accounts for about 75-80 per cent of the aggregate domestic saving. During 1981-82, the net saving of this sector at Rs. 18,680 crores rose but by a much smaller amount of Rs. 1,933 crores than in 1980-81 (Rs. 3,780 crores). Consequently, the rate of saving of the *household sector* (saving as a proportion of NNP at current market prices) fell from 14.2 per cent to 13.9 per cent in 1981-82. Net saving to NNP ratio of the *corporate sector* recorded a fractional improvement to 0.8 per cent and that of the *public sector* moved up by 0.6 percentage point to 3.7 per cent (Table II-3). In the following sections the details of sector-wise estimates are presented.

1. Saving of the Household Sector

The *household sector* comprises, apart from individuals, all non-Government non-corpo-

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

(Rupees crores at current prices)

Description	Financial Year (April-March)		
	1979-80	1980-81	1981-82
1	2	3	4
1. Public Sector	3,165 (18.8)	3,594 (17.0)	4,992 (20.2)
Per cent of Net National Product at Market Prices	*3.2*	*3.1*	*3.7*
2. Domestic Private Corporate Sector (including co-operatives)	737 (4.4)	842 (4.0)	1,006 (4.1)
Per cent of Net National Product at Market Prices	*0.7*	*0.7*	*0.8*
3. Household Sector	12,967 (76.8)	16,747 (79.0)	18,680 (75.7)
Per cent of Net National Product at Market Prices	*13.0*	*14.2*	*13.9*
4. Total Net Domestic Saving (1+2+3)	16,869 (100.0)	21,183 (100.0)	24,678 (100.0)
Per cent of Net National Product at Market Prices	17.0	18.0	18.4
5. Net National Product (NNP) at Current Market Prices	99,421	117,789	134,015

Notes: 1. Figures in brackets represent percentages to total.

2. The estimates presented here are somewhat at variance with those presented in the Reserve Bank's *Annual Report for 1981-82* as the same have been revised in the light of fresh data.

rate enterprises such as sole proprietorships, partnerships, and non-profit organisations like charitable and educational institutions and trusts. During 1981-82 there was a fall in the saving rate of the *household sector.* Apart from the fact that the estimated saving in the form of gross financial assets as well as physical assets were much lower than in 1980-81, the sector incurred financial liabilities by a higher amount in 1981-82 compared to the year 1980-81 (Table II-4). These factors combined to arrest the growth of net saving of the *household sector,* the percentage growth being 11.5 per cent in 1981-82 against 29.1 per cent in 1980-81.

(*a*) *Financial Assets*

Additions to the *household sector's* holdings of financial assets have been estimated at Rs. 12,968 crores, forming about 57.7 per cent of the gross financial saving (i.e., excluding financial liabilities) as compared with Rs. 11,720 crores or 58.1 per cent in 1980-81. Gross financial assets as a proportion of NNP at current market prices had reached the peak of 10.3 per cent in 1978-79 (as also in 1979-80) but steadily declined thereafter to 9.9 per cent in 1980-81 and further to 9.7 per cent in 1981-82.

The reduced pace of financial saving by the *household sector* was caused, in a large measure, by a drastic reduction in the sector's acquisition of 'currency', and to some extent, that of 'deposits'. Improvement was noticed in all other savings media which included claims on Government and investment in corporate shares and bonds, as well as contractual forms of saving such as, 'insurance' and 'provident funds'. The year 1981-82 saw a marked improvement in the households' 'claims on Government' following their purchases of Special Bearer Bonds; there was also a similar improvement in the sector's investment in corporate debentures (Table II-5).

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

(Rupees crores at current prices)

Description	Financial Year (April-March)		
	1979-80	1980-81	1981-82
1	2	3	4
1. Financial Assets (Gross)	10,260	11,720	12,968
Per cent of Net National Product at Market Prices	10.3	9.9	9.7
2. Physical Assets	6,271	8,441	9,495
Per cent of Net National Product at Market Prices	6.3	7.2	7.1
3. Financial Liabilities	3,564	3,414	3,783
Per cent of Net National Product at Market Prices	3.6	2.9	2.8
4. Total Net Saving (Net of financial Liabitaties) (1+2—3)	12,967	16,747	18,680
Per cent of Net National Product at Market Prices	13.0	14.2	13.9

Table II-5 : Composition of Saving of the Household Sector in the Form of Financial Assets (Provisional)

(Rupees crores at current prices)

Asset	Financial Year (April-March)		
	1979-80	1980-81	1981-82
1	2	3	4
Total Financial Assets	10,260 (100.0)	11,720 (100.0)	12,968 (100.0)
Per cent of Net National Product at Market Prices	10.3	9.9	9.7
1. Currency	1,332 (13.0)	1,685 (14.4)	892 (6.9)
Per cent of Net National Product at Market Prices	1.3	1.4	0.7
2. Deposits	5,135 (50.1)	5,947 (50.7)	6,125 (47.2)
Per cent of Net National Product at Market Prices	5.2	5.0	4.6
3. Insurance	773 (7.5)	908 (7.7)	1,025 (7.9)
Per cent of Net National Product at Market Prices	0.8	0.8	0.8
4. Provident/Pension Funds	1,749 (17.0)	1,982 (16.9)	2,415 (18.6)
Per cent of Net National Product at Market Prices	1.8	1.7	1.8
5. Claims on Government	738 (7.2)	759 (6.5)	1,578 (12.2)
Per cent of Net National Product at Market Prices	0.7	0.6	1.2
6. Compulsory Deposits	(—)207 (—2·0)	(—)94 (—0.8)	20 (0.2)
Per cent of Net National product at Market Prices	— 0.2	—0.1	—
7. Investment in Corporate and Co-operative Shares/Debentures, Units of U.T.I.	293 (2.9)	196 (1.7)	446 (3.4)
Per cent of Net National Product at Market Prices	0.3	0.2	0.3
8. Trade Credit (Net)	435 (4.2)	336 (2.9)	467 (3.6)
Per cent of Net National Product at Market Prices	0.4	0.3	0.3
9. Other Assets	12 (0.1)	1 (—)	— (—)
Per cent of Net National Product at Market Prices	—	—	—

Note : Figures in brackets are percentages to total.

(*i*) *Currency*

Currency holdings of the household sector were augmented by Rs. 892 crores, which was, however, significantly lower than the last year's addition of Rs. 1,685 crores. Its share in saving in the form of total financial assets steeply declined to 6.9 per cent from 14.4 per cent in 1980-81. The reduced preference for currency during the year has to be viewed in the context of a reduction in the inflation rate, new saving media like Bearer Bonds and in the context of a simultaneous jack-up of yields on some savings media which triggered off higher opportunity cost of holding currency; there was also a reduced deficit spending by Government implying lower order of transfer of *real* resources from private sector to the public sector.

(*ii*) *Deposits*

These include predominantly savings deposits and fixed deposits with commercial and co-operative banks and deposits mobilised by non-banking companies. Saving through this medium aggregated Rs. 6,125 crores in 1981-82, that is, a shade higher than that in 1980-81 (Rs. 5,947 crores). Addition to deposits with commercial banks at Rs. 4,600 crores showed a marginal decline of Rs. 26 crores over the addition made in 1980-81, thus arresting the rapid pace of expansion in such deposits that has been taking place since 1975-76. This has occurred, *inter alia*, in the wake of severe competition from alternative savings media made possible due to a levering up of their interest rates. The additional deposits held by households with the co-operative sector showed a modest increase from Rs. 760 crores in 1980-81 to Rs. 820 crores in 1981-82, while those with the non-banking companies (financial and non-financial) are estimated to have gone up by Rs. 140 crores to Rs. 705 crores. The share of all of these 'deposits' together in gross financial saving fell from 51 per cent to 47 per cent in the year under review. In relation to NNP at market prices, too, the proportion of these 'deposits' stood lower at 4.6 per cent than 5.0 per cent in 1980-81.

(*iii*) *Insurance and Provident Funds*

Saving in the form of insurance and provident funds, which are savings of a contractual nature, accounted for 24.6 per cent of the household sector's gross financial saving during the years 1979-80 and 1980-81. In 1981-82, these two media together accounted for 26.5 per cent of the gross financial savings.

Accrual to saving in the form of insurance is measured in terms of changes in the Life Fund of the Life Insurance Corporation of India (LIC) and in the accumulations of State Insurance and Postal Insurance Funds. During the year, the Life Fund of the LIC is estimated to have risen by Rs. 972 crores as compared with the rise of Rs. 849 crores in 1980-81. There was a reduction in saving through the Postal Insurance and State Insurance Funds compared with the position in the previous year. With the result, the proportion of 'insurance' to NNP at market prices continued to stagnate at 0.8 per cent, a rate touched in 1979-80.

Saving through provident funds comprising the Employees' Provident Fund, the State (Central & State Governments) Provident Funds, other provident funds and pension funds estimated at Rs. 2,415 crores in 1981-82 was sizeably larger than that in 1980-81. Marked improvements were noticed in the collection of Employees' Provident Funds, and other non-Government Provident Funds such as the Assam Tea Plantations Provident Fund, the Coal Mines Provident Fund and the Seamen's Provident Fund. Government Provident Funds including Public Provident Fund also registered increases somewhat larger than in 1980-81. The share of 'provident funds' in the financial savings moved up from 16.9 per cent to 18.6 per cent in 1981-82, and in relation to NNP, it edged up from 1.7 per cent to 1.8 per cent.

(*iv*) *Claims on Government*

This category includes 'small saving' collections from households, household investment in Government securities and the investments in Special Bearer Bonds issued under the Special Bearer Bonds Scheme, 1981. There was a dramatic improvement in the households' 'claims on Government' during 1981-82; the share of this asset in the gross financial saving, which averaged 6.8 per cent during the preceding two years, shot up to 12.2 per cent in 1981-82. The principal

factor behind this upturn was the Special Bearer Bonds Scheme, which netted an amount of Rs. 875 crores during 1981-82 as against Rs. 89 crores in 1980-81. The amounts collected under 'small savings'—adjusted for investment by Provident Funds—aggregated Rs. 700 crores during 1981-82 as against Rs. 671 crores during 1980-81.

(*v*) *Compulsory Deposits*

This instrument represents deposits mobilised under Compulsory Deposits (Additional Emoluments and Income-Tax Payers) Schemes, 1974. The net accretions under various schemes rose by Rs. 20 crores as against a fall of Rs. 94 crores in 1980-81. This net accretion is mainly due to a lower order of repayment of Rs. 24 crores against Rs. 121 crores under the Additional Dearness Allowance Account (Old). The share of Compulsory deposits in total gross financial assets showed a marginal increase 0.2 per cent as compared to a fall of 0.8 per cent in 1980-81.

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

These include household sector's investment in shares and debentures of the corporate sector, units of the Unit Trust of India (UTI), and investments in shares and debentures of co-operative institutions. Saving through all these instruments together registered a conspicuous increase of Rs. 446 crores (or 3.4 per cent of the total financial saving) during the year as compared with Rs. 196 crores (or 1.7 per cent) in 1980-81 and Rs. 293 crores (or 2.9 per cent) in 1979-80. The important contributory factor in this was the sizeable investment made by the household sector in shares and debentures of non-Government non-financial companies to the tune of Rs. 253 crores as against a meagre amount of Rs. 28 crores in 1980-81. Addition to the holding of units of UTI was also higher than that in the previous year.

(*vii*) *Trade Credit*

During 1981-82, there was a surge in net trade credit extended by the household sector to the other business sectors; it was estimated at Rs. 467 crores against Rs. 336 crores in 1980-81 and Rs. 435 crores in 1979-80. However, net trade credit formed about 0.3 per cent of NNP at market prices in 1981-82 as well as in 1980-81 as compared with a higher proportion of 0.4 per cent in 1979-80.

(*b*) *Saving in Physical Assets*

Additions to 'construction', 'machinery and equipment' and 'inventories' by the *household sector* represent the sector's saving in the form of physical assets. According to the CSO's estimates, investment in these assets during 1980-81 had amounted to Rs. 8,441 crores or 7.2 per cent of NNP at current market prices. Tentative projections made by the RBI indicate that there was no noticeable change in this form of household saving in relation to NNP during 1981-82, although the absolute level did record an increase (Table II-4).

(*c*) *Financial Liabilities*

Liabilities of the household sector comprise borrowings from commercial banks and co-operative institutions, the Life Insurance Corporation of India (LIC), the term-lending institutions and the Central and State Governments. These liabilities are estimated to have gone up by Rs. 3,783 crores in 1981-82 as compared with Rs. 3,414 crores in 1980-81. Borrowings from commercial banks as usual predominated and constituted about 61 per cent of the total in 1981-82, as against 59 per cent in 1980-81. Next in importance was credit from co-operative institutions followed by lendings of financial institutions, both of which recorded larger increases during the year. Household borrowings from the Central and State Governments at Rs. 135 crores were, however, significantly lower than that in 1980-81 (Rs. 208 crores).

2. Saving of the Public Sector

This sector comprises the Central and State Government administration, the departmental and non-departmental undertakings of these Governments, the statutory corporations and the local bodies. The *public sector's* contribution to the total saving pool improved by 3 percentage points to 20.2 per cent in 1981-82. Saving of this sector as a proportion of NNP at market prices rose from 3.1 per cent in 1980-81 to 3.7 per cent in 1981-82. This

improvement was brought about by a turn-round from negative to positive net saving by the Central Government administration and its departmental undertakings. The saving of the Union Government including departmental undertakings had turned negative in 1979-80 and remained in that state in the succeeding year (Table II-6). However, in 1981-82 the position was reversed and there was a net saving amounting to Rs. 242 crores in contrast to a large dissaving of Rs. 345 crores in 1980-81; the share of the Central Government administration net saving in 1981-82 amounted to Rs. 158 crores and that of departmental undertakings Rs. 84 crores (in the form of retained earnings and net depreciation provision—net of renewals and replacements).

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

(Rupees crores at current prices)

Item	Financial Year (April-March)		
	1979-80+	1980-81+	1981-82*
1	2	3	4
1. Central Government (including departmental undertakings)	—19	—345	242
2. State Governments and Local Authorities	2,782	3,634	3,769
3. Non-departmental Financial and Non-financial Undertakings	402	305	981
4. **Total (1+2+3)**	**3,165**	**3,594**	**4,992**
Per cent of Net National Product at Market Prices	3.2	3.1	3.7

+Accounts.
* Revised estimates.

Other constituents of the *public sector* such as non-departmental commercial undertakings and financial corporations including public sector banks recorded sizeable improvements in saving during the year. At Rs. 3,769 crores, the State Governments' saving registered an increase of Rs. 135 crores over the year which was substantially lower in relation to the performance in 1980-81 when it had recorded an increase of Rs. 852 crores.

3. Saving of the Domestic Private Corporate Sector

Estimates of the domestic non-Government corporate sector (including co-operative institutions) suggest an improvement in the sector's net saving. At about Rs. 1,006 crores, it experienced a rise of Rs. 164 crores in 1981-82 against a rise of Rs. 105 crores in 1980-81 (Table II-3). The share of the sector in aggregate domestic saving edged up from 4.0 per cent to 4.1 per cent; like wise, its saving in relation to NNP looked up from 0.7 per cent to 0.8 per cent. The improvement in the sector's saving reflected the buoyancy in corporate profits following a substantial increase in manufacturing output and sales during the major part of the year.

D. Trends in Domestic Investment

Overall domestic investment is measured as the sum of aggregate domestic saving and net inflow of resources from abroad. As stated earlier, during 1981-82 the ratio of net domestic investment to NNP at current market prices is estimated to have risen from 20.0 per cent in 1980-81 to 21.1 per cent in 1981-82, thus attaining a new peak.

(I) Estimates at Constant Prices

These estimates presented above are at current prices. An attempt is made in Table II-7 to present domestic investment at 1970-71 prices and relate it to NNP at 1970-71 market prices. Thus, the ratio of *real* investment to *real* NNP is estimated to have risen from 17.8 per cent in 1980-81 to 18.2 per cent in 1981-82. Though the increase in the investment ratio, when worked out in *real* terms, gets somewhat moderated as compared with that based on current prices, the level of 18.2 per cent still happens to be historically the highest ever reached.

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

(Tentative Estimates) (Rupees crores)

Financial Year	Net Investment at current prices	Net Investment at 1970-71 prices	NNP at 1970-71 Market prices	Ratio of (3) to (4)
1	2	3	4	5
1979-80	17,478	7,434	48,664	15.3
1980-81	23,583	9,230	51,897	17.8
1981-82	28,328	9,891	54,336	18.2

(II) Sectoral Investment

There are not as yet sufficient sector-wise data to pinpoint the areas where improvement in investment occurred during 1981-82. However, on the basis of available indicators, a brief account of the trends in investment activity in some of the sectors is presented below.

(a) Public Sector

Net investment in the *public sector* accounted for about 48 per cent of the aggregate net investment in 1980-81, which was substantially lower than the share of 56 per cent achieved in 1979-80. Also as a proportion of NNP at current market prices, such investment stood lower at 9.2 per cent as against 9.9 per cent in 1979-80.

For 1981-82, the picture of investment activities in different segments of the *public sector* appears to be a mixed one. On the one hand, the tempo of the Central Government's direct net investment was sustained, while on the other, the growth in the Centre's financial assistance for capital formation which constitutes a large proportion of public sector investment, decelerated. The Central Government's direct net fixed capital formation (i.e., direct capital outlays on buildings, public works equipment and other fixed assets *minus* expenditures on renewals and replacements) is estimated to have risen in *nominal* terms by 22.4 per cent to Rs. 1,908 crores as compared with 22.0 per cent increase in 1980-81 (Table II-8). Within the net fixed capital formation, while the outlay on buildings and construction showed a small fall, that on 'machinery and equipment' improved over the year. There was a sizeable reduction in the inventory accumulation and it formed only 1.9 per cent of the total gross capital formation as against 8.2 per cent in 1980-81 (Table II-9).

Contrariwise, the financial assistance rendered by the Union Government to the rest of the economy through loans, grants and investments in share capital aggregated Rs.8,358 crores, showing a lower order of increase of Rs. 1,250 crores (or 17.6 per cent) against Rs. 1,400 crores (or 24.6 per cent) in 1980-81. Assistance provided to the non-departmental commercial undertakings was stepped up by Rs. 797 crores to Rs. 3,963 crores and that to the State Governments and Union Territories by Rs. 303 crores to Rs. 3,969 crores. However, the order of increase during 1981-82 in both the cases was substantially lower than the respective increases of Rs. 930 crores and Rs. 422 crores in such assistance provided during 1980-81 (Table II-8).

Estimates of investment by the Union Government's non-departmental industrial undertakings in 1980-81 had totalled Rs. 4,081 crores which was fractionally lower in nominal terms than the corresponding investment of Rs. 4,099 crores in 1979-80. The decline had been accounted for by inventories as the gross fixed capital formation had risen from Rs. 2,644 crores in 1979-80 to Rs. 2,660 crores in 1980-81. For 1981-82, such details in respect of this segment of the *public sector* are not yet available.

(b) Private Corporate Sector

A consistent *albeit* preliminary account of the *sources and uses* of funds in respect of the private non-financial corporate sector for

Table II-8 : Capital Formation through Central Government Budget at Current Prices

(Rupees crores)

Description	Financial Year (April-March)		
	1979-80+	1980-81+	1981-82*
1	2	3	4
1. Gross Direct Fixed Assets Formation	1,443	1,751	2,427
2. Variation in Inventories	84	156	47
3. Net Direct Fixed Assets Formation (*i. e.*, gross direct fixed capital formation *minus* expenditures on renewals and replacements)	1,278	1,559	1,908
4. Financial Assistance for Capital Formation	5,701	7,105	8,358
(*a*) To States, Union Territories	3,244	3,666	3,969
(*b*) To Non-departmental Commercial Undertakings	2,235	3,166	3,963
(*i*) Financial Concerns	444	559	891
(*ii*) Others	1,791	2,607	3,072
(*c*) Other parties	222	273	426
5. Investments in Central Government's Non-Departmental Industrial and Commercial Undertakings	4,099	4,081	N.A.
(*i*) Gross Fixed Assets	2,644	2,660	N.A.
	(64.5)	(65.2)	N.A.
(*ii*) Variation in Inventories	1,455	1,421	N.A.
	(35.5)	(34.8)	N.A.

+Accounts.
* Revised estimates.

Table II-9 : Capital Formation in Union Government Administration and Departmental Commercial Undertakings—Asset-Wise

(Rupees crores)

Description	Financial Year		
	1979-80 (Accounts)	1980-81 (Accounts)	1981-82 (Revised Estimates)
1	2	3	4
I. Gross Fixed Capital Formation	1,443.3	1,751.2	2,427.4
	(94.5)	(91.8)	(98.1)
1. Building and Other Construction	858.4	1,067.5	1,445.4
Proportion to I above	59.5	61.0	59.5
(*a*) New Outlay	718.7	884.7	1,209.0
(*b*) Renewals and replacements	139.7	182.8	236.4
2. Machinery and Equipment	584.9	683.7	982.0
Proportion to I above	40.5	39.0	40.5
(*a*) New Outlay	475.1	518.0	651.9
(*b*) Renewals and replacements	109.8	165.7	330.1
II. Increase in Inventories	84.3	156.3	46.5
	(5.5)	(8.2)	(1.9)
III. Gross Capital Formation (I + II)	1,527.6	1,907.5	2,473.9
IV. Gross Capital Formation as Proportion of NNP at market prices	1.5	1.6	1.8

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

1981-82 along with somewhat firmer accounts for 1979-80 and 1980-81 are presented in Table II-10. The scenario that is discernible from these data is one of further improvement during 1981-82 in regard to both the availability of investible funds and the actual investment. Net capital formation in the private corporate sector is estimated to have gone up from Rs. 2,655 crores in 1979-80 to Rs. 2,960 crores in 1980-81 and further to about Rs. 3,380 crores in 1981-82. However, as a proportion of NNP at current market prices, the same remained at the previous year's level of 2.5 per cent as compared with 2.7 per cent in 1979-80.

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

(Rupees crores)

Sources	Financial Year (April-March)			Uses	Financial Year (April-March)		
	1979-80	1980-81	1981-82		1979-80	1980-81	1981-82
1	2	3	4	5	6	7	8
1. Capital raised	163	98	387	1. Gross capital formation ..	3,718 (3.7)	4,192 (3.6)	4,803 (3.6)
1.1 Fresh Share Capital	102	67	166				
1.2 Debentures ..	61	31	221	1.1 Net capital formation	2,655 (2.7)	2,960 (2.5)	3,382 (2.5)
2. Savings	697	743	889	1.1.1 Net fixed assets formation ..	638	1,375	1,577
2.1 Retained Profits ..	571	702	815	1.1.2 Increase in inventories ..	2,017	1,585	1,805
2.2 Change in tax provision	126	41	74	1.2 Depreciation provision	1,063	1,232	1,421
3. Borrowings	1,252	1,765	1,686	2. Investments	52	68	77
3.1 Banks	648	742	693				
3.2 Others	604	1,023	993	3. Cash & bank balances ..	61	193	117
4. Sundry creditors and other dues (net)	656	615	614				
5. Depreciation provision	1,063	1,232	1,421				
6. **Total**	**3,831**	**4,453**	**4,997**	4. **Total**	**3,831**	**4,453**	**4,997**

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

In some other respects too, the above improvement was not an unmixed one. On the *sources* side, while the amount of capital raised improved dramatically from Rs. 98 crores in 1980-81 to Rs. 387 crores and that of retained profits from Rs. 702 crores to Rs. 815 crores, the quantum of borrowings experienced an absolute reduction from Rs. 1,765 crores to Rs. 1,686 crores, which is true of borrowings from banks as well as from other financial institutions. Likewise, on the *uses* side, about one-half of the increase in net capital formation in 1981-82 was absorbed by additional inventory accumulation rather than in the build-up of fixed assets; in 1980-81, there was a reduction in the size of inventory accumulation concurrently with a noticeable increase in the quantum of fixed assets formation over that in 1979-80.

Chapter III

Agricultural and Industrial Output

I AGRICULTURAL SECTOR

The commodity-wise targets of agricultural production for the first three years of the Sixth Five Year Plan (together with the projections for 1984-85—the last year of the Plan) and the achievements during the first two years are indicated below:

Agricultural Production: Sixth Five Year Plan
(Targets and Achievements)

Commodities	1980-81		1981-82		1982-83 Target	1984-85 Projection
	Target	Actual	Target	Actual		
Rice (Million tonnes) ..	55.0	53.6	58.0	53.6	58.0	63.0
Wheat ,, ,, ..	36.0	36.3	38.0	37.8	39.0†	44.0
Other cereals ,, ,, ..	30.0	29.1	30.0	30.3	31.0	32.1
Pulses ,, ,, ..	14.0	10.6	12.5	11.4	13.0	14.5
Total Foodgrains ,, ,, ..	135.0	129.6	138.5	133.1	141.5	153.6
Sugarcane (in terms of cane) ,, ,, ..	180.0	150.5	180.0	180.0	190.0	215.0
Cotton (Million bales)	8.2	7.8£	8.4	8.4**	8.6	9.2
Jute and Mesta ,, ,, ...	8.3	8.2	8.4	8.4	8.5	9.1
Oilseeds (aggregate) (Million tonnes)	11.0	9.3	11.2	12.3*	12.0	13.0
Tea@ (Million Kgs.)	610.0	571.6	610.0	560.7††	640.0	N.A.
Coffee$ (Million Kgs.)	128.7	118.6	135.8	155.0	143.3	159.5

N.A.=Not Available.

* Expected achievement.

** Latest estimate by the Cotton Advisory Board.

£ Provisional.

†† Estimated.

@ Figures relate to calendar year.

† Revised target is 42.0 million tonnes.

$ Figures relate to October-September.

Source: Annual Report 1981-82, Ministry of Agriculture, Government of India.

During 1981-82, which was a year of recovery and restoration after the severe drought of 1979-80, the Government took several result-oriented and positive initiatives to realise the targets laid down for agricultural production. The thrust of agricultural strategies and policies centred around measures to step up productivity, to provide remunerative prices to producers and to generate employment opportunities in the rural areas.

As regards the strategies and measures to step up agricultural productivity, emphasis was continued to be laid on the following production programmes: (*i*) the High Yielding Varieties Programmes, (*ii*) effective utilisation of existing irrigation facilities and speedy creation of further potentials; (*iii*) increase in fertilizer consumption; and (*iv*) the Central Sector Schemes such as minikit demonstration programmes, community nurseries pro-

grammes for paddy, replacement of rust-susceptible varieties of wheat, etc. The price policy for agricultural commodities was directed towards establishment of an appropriate price structure taking into account factors such as productivity, cost of cultivation, demand and supply, and the need for providing incentive for higher production. The minimum support/procurement prices announced by the Government for 1981-82 were consistent with the policy of ensuring remunerative prices to the farmers and compensating them for upward movement in input prices. As regards programmes for increasing employment and enhancing earning capacity of weaker sections in rural areas, mention may be made of the following special programmes, viz., Integrated Rural Development Programme (IRDP), the National Rural Employment Programme (NREP), the Drought-Prone Areas Programme (DPAP), the Desert Development Programme (DDP), etc. The revised 20-Point Programme includes the following points relating to agriculture and allied sectors : (*i*) increase of irrigation potential, development and dissemination of technologies and provision of inputs for dry land agriculture; (*ii*) special efforts to increase production of pulses and vegetable oilseeds; (*iii*) strengthening and expansion of coverage of IRDP and NREP ; (*iv*) implementation of agricultural land ceilings and distribution of surplus land; (*v*) effective enforcement of minimum wages for agricultural labourers; and (*vi*) vigorous implementation of afforestation programmes, social and farm forestry and development of bio-gas and other alternative energy sources. Details of the agricultural production strategy, minimum support/procurement prices and special measures for increasing rural employment are given in the later sections.

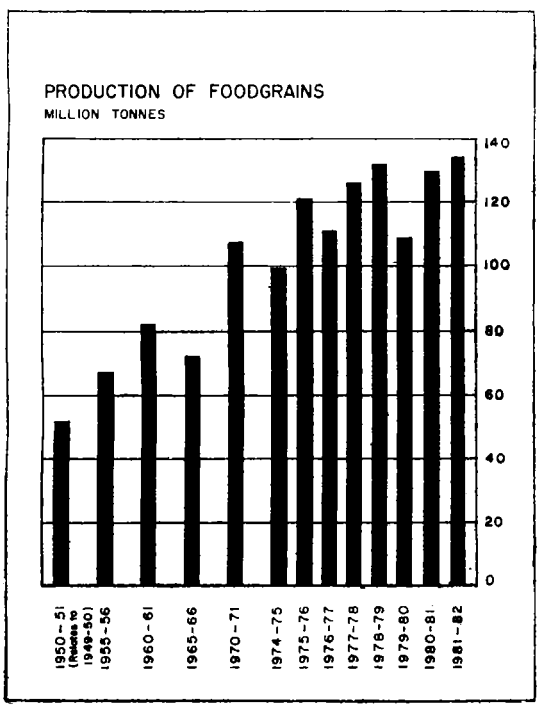
Despite incidence of aberrant weather conditions, agricultural output showed further improvement in 1981-82. During the year, the south-west monsoon started almost on time in Kerala; however, its advance was delayed by 8-12 days in the early period of the season, *i.e.*, the first fortnight of June. In the latter half of June 1981, the monsoon became active and covered almost the entire country. The break-monsoon conditions which developed in north-west India from the middle of August resulted in continued dry spell of 5-6 weeks in the states of Punjab, Haryana, Rajasthan, West Uttar Pradesh and West Madhya Pradesh at a crucial time in the growth of *kharif* crops. During the last week of September 1981, however, there were widespread rains throughout the country including North India. Timely action taken by the Central and State Governments to provide irrigation to standing *kharif* crops reduced to a great extent the impact of the prolonged dry spell. As regards *rabi* crops, although unseasonal rains during April-May 1982 caused some damage to wheat crop, the overall crop outturn was satisfactory. The estimate of foodgrains production in 1981-1982 is placed at 133.1 million tonnes, which is about 3.5 million tonnes higher than the previous year's output. The production of commercial crops, particularly that of sugarcane, cotton, jute and oilseeds, recorded significant increases. Aggregate oilseeds production in 1981-82 is estimated at 12.3 million tonnes as against 9.3 million tonnes in 1980-81. Sugarcane production which had slumped to 129 million tonnes in 1979-80 increased substantially to 150.5 million tonnes in 1980-81 and to 180 million tonnes in 1981-82. Cotton production is also estimated to have increased to 84.0 lakh bales from 78.0 lakh bales in 1980-81.

Production and Distribution

Foodgrains

Although the year 1981-82 was the second year following drought and hence the effects of drought continued to be felt, foodgrains production showed a marked improvement. As against 129.6 million tonnes during 1980-81, aggregate foodgrains production during 1981-82 is placed at the record level of 133.1 million tonnes. This represents an increase of 2.7 per cent over the 1980-81 output. *Kharif* foodgrains output touched an all time record level of 79.1 million tonnes, 1.5 million tonnes higher than the output of 1980-81 and 1.0 million tonnes higher than the earlier record output of 78.1 million tonnes in 1978-79. It may be mentioned in this context that this record output was attained despite the break-monsoon

conditions in north-west India from mid-August, due to the timely action taken by the Central and State Governments in providing adequate irrigation facilities. *Rabi* foodgrains output is placed at 53.9 million tonnes which is higher than the output during 1980-81 *rabi* season by 2 million tonnes (3.9 per cent).



For the year 1982-83, a tagret of 141.5 million tonnes has been fixed for foodgrains production. However, delay in the onset of the south-west monsoon and its tardy progress has adversely affected *kharif* production prospects considerably.

The overall net availability of foodgrains which increased from 101.2 million tonnes in 1980 to 114.5 million tonnes in 1981 is anticipated to increase further to 116.5 million tonnes (excluding imports) in 1982 due to increase in production. (Table III-1). As a result, the per capita daily availability of foodgrains which increased from 416.9 grammes in 1980 to 459.5 grammes in 1981 could be expected to go up further during 1982.

The public distribution system (PDS) was expanded further. The number of fair price/ration shops functioning in the country was increased from 2.77 lakhs (covering a population of 607 million) as at end-1980 to 2.98 lakhs (covering a population of 641 million) by the close of 1981. During 1981, 13.1 million tonnes of foodgrains (including a small quantity of 2.73 lakh tonnes under the National Rural Employment Programme) were distributed through the public distribution system as against 15.0 million tonnes (including 2.1 million tonnes under the NREP) in the preceding year. The

Table III—1 : Availability of Foodgrains (January-December)

(Million tonnes)

Year	Gross output	Net output	Net imports	Change in Government stocks	Net availability	Per capita net availability per day (in gms.)			Procurement	Public distribution
						All foodgrains	Cereals	Pulses		
1	2	3	4	5	6	7	8	9	10	11
1976 ..	121.0	105.9	6.4	+10.7	101.7	453.3	402.5	50.8	12.9	9.2
1977 ..	111.2	97.3	0.4	— 1.6	99.5	435.4	391.9	43.5	9.9	11.7
1978 ..	126.4	110.6	— 1·0	— 0.2	109.6	470.5	426.2	44.3	11.1	10.2+
1979 ..	131.9	115.4	— 0.9	+ 0.4	114.1	480.3	435.4	41 9	13.8	11.7+
1980 ..	109.7	96.0	— 0.4	— 5.7	101.2	416.9	386.0	30.9	10.2	15.0+
1981 ..	129.6	113.4	0.5	— 0.6	114.5	459.5*	420.4*	39.1*	12.9*	13.1+*
1982 ..	133.1	116.5	..	+ 0.3£	116.5	..	..	..	15.0£	12.0+£

* Provisional. £ Upto end-October1982.
\+ Includes quantities released under the National Rural Employment Programme.

Notes: (1) Output data relate to agricultural year July-June.
(2) Net output has been taken as 87.5 per cent of the gross output, 12.5 per cent being provided for feed, seed requirements and wastage.
(3) Net availability=Net production+Net imports—Change in Government stocks.
(4) Figures in respect of change in stocks with traders and producers are not available. The estimates of net availability should not, therefore, be taken to be strictly equivalent to consumption.

Source: Economic Survey 1981-82, Government of India.

off-take during the first ten months of 1982 was higher at 12.0 million tonnes as compared to 10.8 million tonnes during the corresponding period of 1981.

RATIONING—STATUTORY AND INFORMAL

There was no change in the policy with regard to foodgrains movement and statutory rationing during 1981-82; population covered under statutory rationing in Greater Calcutta and the Durgapur industrial complex increased marginally to 9.7 million from 9.6 million in the preceding year.

PROCUREMENT AND BUFFER STOCKS

Rice procured during the 1981-82 *kharif* marketing season was a record high at 7.3 million tonnes as against 5.5 million tonnes during the previous season. Aggregate procurement of *kharif* foodgrains (including coarse grains) during 1981-82 amounted to 7.5 million tonnes as against 5.6 million tonnes during 1980-81. Wheat procured during the 1981-82 *rabi* marketing season aggregated 6.6 million tonnes as against 5.9 million tonnes during the preceding season. For the 1982-83 *rabi* marketing season no target was fixed for wheat procurement. Wheat procured during the *rabi* marketing season of 1982-83 (Upto October 30, 1982) amounted to 7.7 million tonnes as against 6.6 million tonnes during the corresponding period last season.

The building up and maintenance of buffer stocks are major planks of the National Food Policy as these stocks ensure stability in supplies and prices over the years. It may be recalled in this context that in January 1978, the Government decided to build up and maintain a buffer stock of 12 million tonnes over and above the operational stocks needed for running the public distribution system on the basis of recommendations of the Technical Group on Buffer stocks. The quantum of operational stocks as estimated by the Technical Group varied at different points of time, ranging from 3.5 to 3.8 million tonnes as on April 1, and 8.2 to 8.8 million tonnes as on July 1. According to "Sixth Five Year Plan (1980-85) Framework," a buffer stock of 15 million tonnes was considered necessary to minimise the impact of weather fluctuations on prices of foodgrains. In April 1981, a new Technical Group was appointed to work out a national buffer-stock policy for the Sixth Plan period and its report is awaited. As at end October 1982, foodgrains stocks with the Governments (buffer and operational) were higher at 11.6 million tonnes (comprising 3.3 million tonnes of rice, 8.1 million tonnes of wheat and 0.2 million tonnes of coarse grains) as against 9.9 million tonnes (4.2 million tonnes of rice, 5.6 million tonnes of wheat and 0.1 million tonnes of coarse grains) a year ago.

Commodity-wise Review

RICE

Rice production recorded a substantial improvement from 42.3 million tonnes in 1979-80 to 53.6 million tonnes in 1980-81. During 1981-82, the production of rice was 53.6 million tonnes, same as in the 1980-81. (Table III-2). For the year 1982-83, a target of 58 million tonnes has been fixed.

Rice procurement measures were tightened during 1981-82 with emphasis on more purchase of paddy by traders and imposition of levy on their stocks. Simultaneously, movement of paddy was subjected to careful scrutiny to ensure collection of levy. As regards procurement prices, the Agricultural Prices Commission (APC) recommended higher procurement prices in order to provide remunerative return to the farmers. For the coarse/common varieties of paddy, an increase of Rs. 10 was recommended taking the procurement price to Rs. 115 per quintal. Accepting the recommendation of the APC, the Government enhanced the procurement price of common variety of paddy by Rs. 10 to Rs. 115 (Table III-3). The procurement prices of fine and superfine varieties of paddy were raised by Rs. 4-8 per quintal. In line with the increase in procurement prices and also with a view to keeping down the burden of subsidies, the issue prices of rice were enhanced by Rs. 10 a quintal with effect from October 1981. With this enhancement, the issue prices of common, fine and superfine varieties stood at Rs. 175, Rs. 187 and Rs. 202, respectively, as

Table III-2 : Basic Data Relating to Major Foodgrains

(Million tonnes)

Year	Production			Procurement			Imports			Public Distribution $		Year-end stocks		
	Rice	Wheat	Coarse grains	Rice	Wheat	Coarse grains	Rice	Wheat	Coarse grains	Rice	Wheat	Rice	Wheat	Coarse grains
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1977-78 ..	52.7	31.8	30.0	4.9	5.5	Neg.	..	..	..	3.2	6.9	8.0	9.0	0.1
1978-79 ..	53.8	35.5	30.4	6.3	8.0	Neg.	..	..	..	4.0	7.5	9.0	8.3	0.1
1979-80 ..	42.3	31.8	27.0	3.8	5.9	0.1	..	..	..	6.1	8.8	6.7	5.0	0.1
1980-81 ..	53.6	36.3	29.1	5.5	6.6	0.1	..	..	..	6.4	6.5	6.1	5.1	0.1
1981-82 ..	53.6	37.8	30.3	7.3	7.7	0.2	..	@@	..	6.2@	5.7@	3.3@	8.1@	0.2@

$ Includes quantities released under the National Rural Employment Programme.
@ Upto end-October 1982.
@@ The Union Government contracted for import of 2.265 million tonnes of wheat during 1981-82.
..: Nil. Neg: Negligible
Notes: i) Production figures relate to agricultural year.
ii) Procurement figures relate to the marketing season.
iii) Imports, public distribution and year-end stocks relate to the calendar year.
Sources : (1) Economic Survey 1981-82, Government of India.
(2) Bulletin on Food Statistics, Government of India.

against Rs. 165, Rs. 177 and Rs. 192, before October 1, 1981.

Aggregate rice procurement during the 1981-82 *kharif* marketing season was placed at 7.3 million tonnes as against 5.5 million tonnes during the preceding season (Table III-4). Rice distributed through the public distribution system (PDS) (including issues for the National Rural Employment Programme) during the calendar year 1981 amounted to 6.4 million tonnes as against 6.1 million tonnes in 1980. In the first ten months of 1982 (January to October), 6.2 million tonnes were distributed as against 5.2 million tonnes during the corresponding period of 1981.

There was no import of rice during the year but a quantity of 65,835 tonnes was received from Bangla Desh as partial repayment of 1.50 lakh tonnes exported to it on a commodity loan basis in 1979-80. The Government decided to allow export of 6.0 lakh tonnes of non-Basmati rice during the year. The Indo-USSR Agreement signed on April 30, 1981, envisaged export of 5 lakh tonnes of rice (including 1.5 lakh tonnes of Basmati rice) to the USSR between July 1981 and June 1982 against additional supplies of crude oil and petroleum products.

WHEAT

Final estimates have placed wheat production during 1981-82 at 37.8 million tonnes, which is 1.5 million tonnes higher than the output in 1980-81. For the year 1982-83, a revised target of 42 million tonnes has been fixed.

The APC recommended a procurement price of Rs. 142 per quintal for wheat during 1982-83 *rabi* marketing season which was Rs. 12 higher than the price fixed for the preceding season. The Government accepted the price as recommended by the APC. The issue prices of wheat were enhanced by Rs. 15 to Rs. 160 per quintal for PDS and by Rs. 30 to Rs. 185 for roller flour mills with effect from August 1, 1982.

Wheat procured during the 1982-83 *rabi* marketing season (upto end-October 1982) aggregated 7.7 million tonnes as against 6.6 million tonnes during the corresponding period of the preceding season. In the calendar year 1981, 6.5 million tonnes (including issues under the NREP) were distributed through the PDS as against 8.8 million tonnes in 1980. During the first ten months of 1982 (upto

Table III-3 : Minimum Support, Procurement and Issue Prices

(Rupees per quintal)

Commodity	1978-79			1979-80			1980-81			1981-82		
	Minimum Support Price	Procure-ment Price	Issue Price	Minimum Support Price	Procure-ment Price	Issue Price	Minimum Support Price	Procure-ment Price	Issue Price	Minimum Support Price	Procure-ment Price	Issue Price
1	2	3	4	5	6	7	8	9	10	11	12	13
Paddy (Coarse Variety) ..		85.00			95.00			105.00			115.00	
Rice (Standard Variety) ..			135.00—172.00			150.00—172.00@			165.00—192.00			175.00—202.00
Rice (Coarse Variety) ..												
Wheat*		115.00	130.00		117.00	130.00		130.00	145.00		142.00	160.0@@
Jowar		85.00			95.00			105.00			116.00	
Bajra		85.00			95.00			105.00			116.00	
Maize		85.00			95.00			105.00			116.00	
Ragi		85.00			95.00			105.00			116.00	
Barley*	N.A.			105.00			116.00			..		
Gram*	140.00			145.00			N.A.			..		
Moong*	175.00			200.00			N.A.			..		
Urad*	175.00			200.00			N.A.			..		
Tur*	165.00			190.00			N.A.			..		

@Represents the prices of common and superfine varieties.

* Rabi marketing season (April-March).

N.A. Not announced. .. Not available.

@@Rs. 160 for public distribution system and Rs. 185 for roller flour mills.

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

Table III-4: Procurement of Rice and Wheat£

(Thousand tonnes)

State	1977-78		1978-79		1979-80		1980-81		1981-82	
	Rice	Wheat	Rice	Wheat	Rice	Wheat	Rice	Wheat	Rice	Wheat@
1	2	3	4	5	6	7	8	9	10	11
Andhra Pradesh	612	—	1042	—	469	—	685	—	1088	—
Assam	21	—	32	—	10	—	37	—	44	—
Bihar	7	29	12	88	—	9	65	13	49	16
Gujarat	—	—	—	—	—	—	—	—	19	—
Haryana	740	933	887	1389	553	1002	670	1121	882	1261
Jammu & Kashmir	49	13	58	22	50	28	61	20	53	20
Karnataka	50	—	106	—	71	—	77	—	157	—
Kerala	12	—	1	—	1	—	—	—	—	—
Madhya Pradesh	180	19	306	100	90	1	241	167	367	65
Maharashtra	1	—	31	—	2	—	67	—	25	—
Orissa	80	—	58	—	29	—	119	—	115	—
Punjab	2190	3206	2725	4192	2292	4269	2523	3763	3092	4825
Rajasthan	Neg.	77	17	301	—	17	5	10	35	135
Tamil Nadu	94	—	71	—	133	—	175	—	573	—
Uttar Pradesh	566	1164	837	1883	73	522	588	1496	707	1380
West Bengal	245	16	145	3	69	—	138	—	45	—
Others	6	20	10	14	1	5	1	—	7	7
Total	**4853**	**5477**	**6333**	**7992**	**3843**	**5852**	**5552**	**6590**	**7258**	**7709**

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

@ Upto end-October 1982. Neg.—Negligible·

Source: Bulletin on Food Statistics, Government of India.

end-October) 5.7 million tonnes were distributed through the PDS which was marginally higher than the quantum distributed during the corresponding period of 1981.

With a view to building up buffer stocks and curbing speculative activities of traders/hoarders, the Government arranged for import of 22.65 lakh tonnes of wheat from the USA and Australia during 1981-82 (15.15 lakh tonnes from the USA and 7.50 lakh tonnes from Australia).

Coarse Grains

Output of coarse grains during the year 1981-82 amounted to 30·3 million tonnes as compared with the previous year's production of 29.1 million tonnes. A target of 31 million tonnes has been fixed for the year 1982-83.

Under the *kharif* procurement policy for the 1981-82 marketing season, procurement price of coarse grains was enhanced from Rs. 105 to Rs. 116 a quintal. Procurement of coarse grains amounted to 220.2 *thousand* tonnes as against 101.2 *thousand* tonnes during the preceding season. Issues through the PDS aggregated 1.82 lakh tonnes during the calendar year 1981 as against 1.17 lakh tonnes in 1980. During January—October 1982, issues through the PDS were placed at 0.97 lakh tonnes as against 1.0 lakh tonnes during the corresponding period of 1981.

Pulses

As a result of the sustained efforts by the Central and State Governments, pulses output increased to 11.4 million tonnes in 1981-82 from 10.6 million tonnes in 1980-81 and 8.4 million tonnes in the drought year 1979-80. The target for 1982-83 has been fixed at 13.0 million tonnes.

The measures initiated by the Centre for augmenting pulses production were: (*i*) multiplication and use of improved seeds; (*ii*) adoption of plant protection measures; (*iii*) use of phosphatic fertilizers and treatment of seed with rhizobium culture and other package of practices; (*iv*) increase in the irrigated area under moong, urad, gram and *arhar*, bringing additional area under short duration varieties of urad, moong, etc., in rice fallows by utilising the residual moisture in *rabi* season and cultivation of short duration varieties of moong in summer after oilseeds, sugarcane, potato, wheat with irrigation as catch crop; and (*v*) inter-cropping of *arhar* in soyabean, bajra, cotton, and groundnut, both under irrigated and unirrigated conditions. About 40,000 quintals of certified and 25,370 quintals of truthfully labelled seeds of gram, 10,000 quintals of summer moong and *rabi* moong/urad seeds were distributed to various State Governments at subsidised rates ranging between Rs. 100-150 per quintal so as to enable the farmers to get the seeds at reasonable rates. The minikit demonstration programme was extended to pulses for the first time in 1981-82 to popularise newly evolved improved varieties and bring larger area under pulses without competing with any other crop or cropping system. Further, a pilot project was taken up to bring additional area under summer moong in 20 potential districts in the states of Uttar Pradesh, Bihar, Rajasthan, Haryana, Punjab, Madhya Pradesh and Gujarat with a provision of Rs. 5.73 crores.

Cotton

The Government has not yet released final estimates of area and production of cotton for the 1980-81 season. However, according to official sources, production is expected to be 78.12 lakh bales. As regards the 1981-82 season, preliminary estimates have placed cotton production at about 80.00 lakh bales as against a target of 84 lakh bales. The latest estimate of the Cotton Advisory Board (CAB), however, has placed cotton production during the 1981-82 season at 84.00 lakh bales. This is about 5.88 lakh bales (7.5 per cent) higher than the expected production for 1980-81 and 6.00 lakh bales (7.7 per cent) higher than the CAB's own estimate for the preceding season. For 1982-83, the production target fixed by the Government is 86 lakh bales. The supply-demand position of cotton for the past few years is presented in Table III-5.

The 1981-82 season, according to the CAB estimates, commenced with an opening stock of 16.35@ lakh bales. Adding the season's

@Opening stock of 16.35 lakh bales has been arrived at by the CAB taking 12.92 lakh bales of stock lying with mills and balance stock lying with traders.

Table III-5: Trends in Availability of Cotton

(In '000 bales of 170 kgs each)

Year (September-August)	Production	Yield per hectare (In kgs)	Imports	Exports	Mill consumption	Extra factory consumption	Stock with mills as at the end of the season
1	2	3	4	5	6	7	8
1976-77	5,839	144	578	39	6,752	550	991
1977-78	7,243	157	661	5	6,616	550	1,173
1978-79	7,958	167	26	141	6,981	550(P)	1,487
1979-80	7,698*	162	..	529(P)	7,412	250(P)	1,512
1980-81	7,812$	N.A.	..	663(P)	7,678	350(P)	1,292
1981-82**	8,400	N.A.	50	375	7,035	400	1,258£

* Final Official Estimate. N.A.: Not Available. $ Likely Estimate.

** Latest CAB estimates. £ As at the end of July 1982.

Source: Directorate of Cotton Development for 1976-77 to 1980-81 and the Cotton Advisory Board for 1981-82.

output of 84.00 lakh bales and imports of 0.50 lakh bales, aggregate availability during the season worked out to 100.85 lakh bales. On the demand side, mill consumption is expected to show a significant fall to 70.35 lakh bales from 76.78 lakh bales during the 1980-81 season, as a result of the prolonged strike in textile mills in Bombay from January 18, 1982. Extra-factory consumption is assumed as 4.00 lakh bales (3.00 lakh bales extra-factory consumption and 1.00 lakh bales used by the waste spinning units) and exports are placed at 3.75 lakh bales. Thus, aggregate demand is placed at 78.10 lakh bales which is lower than the aggregate demand of the preceding season by 9.10 lakh bales. The closing stock at the end of the season (end-August 1982) estimated at 22.75 lakh bales would be higher than that of the preceding season (16.35 lakh bales).

For attaining the targeted output of 84 lakh bales in 1981-82, the production strategy adopted in the earlier years was continued. The production strategy of the Government consisted of (*i*) raising the per hectare productivity of both irrigated and unirrigated crop through intensive cultivation measures; (*ii*) stepping up of area under the irrigated crop by fully exploiting the potential under the command of new irrigation projects; and (*iii*) accelerating the spread of high-yielding varieties/ hybrids to their maximum potential area. The comprehensive Centrally sponsored scheme for the Intensive Cotton Development Programme (ICDP), which was implemented in all the major cotton growing states, included the strategy mentioned above.

The area covered (including irrigated projects and non-traditional areas) under the ICDP during the 1981-82 season is placed at 1.7 million hectares (roughly 21 per cent of total area under cotton in the country estimated at 8 million hectares spread over 26 potential districts in 13 states). Improved seeds and fertiliser supply in these districts covered an area aggregating 1.6 million hectares and 1.8 million hectares, respectively. Aerial spraying of cotton plants covered an area of 2.09 lakh hectares, exceeding the target by 9,000 hectares. Ground spraying/ dusting introduced in the rainfed districts under the ICDP, however, could be implemented only in 8,000 hectares as against a plan of 1.40 lakh hectares due to delays in sanction by states. Production of high yielding hybrid cottons continued in Madhya Pradesh, Gujarat, Maharashtra, Andhra Pradesh and

Karnataka; the area covered was 3,802 hectares as against the target of 2,405 hectares.

In addition to the Centrally sponsored ICDP, a few states continued to implement their own package programme. The Directorate of Cotton Development continued to act as a liaison between the Centre and the states and assisted the latter in the formulation and implementation of the various development programmes.

During the 1981-82 season, the APC recommended a support price of Rs. 380 per quintal for the basic variety of J-34/ 414F in the medium staple grade. As compared with the price recommended for the same variety during the preceding season (Rs.300 per quintal), this represented an increase of about 25 per cent. However, no minimum support prices were announced by the Government during the 1981-82 season as the market prices ruled above the support levels.

The Cotton Corporation of India (CCI) continued to make commercial purchases during the 1981-82 season. Aggregate purchases by the CCI amounted to 9.96 lakh bales (up to end-June 1982) compared to 11.94 lakh bales during the 1980-81 season. The CCI's purchases during the year comprised mainly of long and superior long staple cotton which protected growers of these varieties from declining prices.

Under the Maharashtra State cotton monopoly procurement scheme (which was given an extension upto June 30, 1982 by the Central Government), the Maharashtra State Co-operative Marketing Federation (MSCMF) purchased 14.71 lakh bales of cotton during the 1981-82 season as against 12.61 lakh bales during the preceding season. For the 1981-82 season, no guaranteed prices were announced by the Cotton Co-ordination Committee appointed by the State Government under the scheme. However, the MSCMF effected procurement at the previous season's prices on an *ad hoc* basis pending fixation of guaranteed prices. As the scheme expired on June 30, 1982, the State Government sought the Centre's permission for extension of the scheme for a further period of 10 years. The Central Government has, however, permitted extension of the scheme by a further period of two years only subject to certain conditions such as appointment of a Co-ordination Committee for fixing guaranteed prices, recovery of co-operative dues, etc.

Raw Jute and mesta

Raw jute and mesta production showed a marginal increase to 81.60 lakh bales* (comprising 65.08 lakh bales of jute and 16.52 lakh bales of mesta) during the 1980-81 season. During 1981-82 season, production showed a further increase to 84.00 lakh bales, output of jute and mesta being 68.17 lakh bales and 15.83 lakh bales, respectively (Table III-6). Raw jute production has increased appreciably during the past few years. The increase in production during 1981-82 was due largely to the implementation of the Centrally Sponsored 'Intensive Jute Development Programme' (IJDP) previously called 'Intensive Jute District Programme'. This programme was spread over eight states of West Bengal, Orissa, Bihar, Assam, Uttar Pradesh, Meghalaya, Tripura and Andhra Pradesh and covered an area of 3.86 lakh hectares or 33.4 per cent of the total area under jute and mesta. Although 93 thousand hectares of the area under jute was brought under irrigation, the coverage in the 1981-82 season was lower as compared to the 1980-81 season (140 thousand hectares) due to adequate and timely precipitation. For the IJDP the Central Government made a budgetary provision of Rs. 164.96 lakhs in 1981-82 which was to be shared on a 50 : 50 basis between the Centre and the States.

The production target of 87.5 lakh bales for the 1982-83 season included in the Sixth Plan has been revised downward to 85.0 lakh bales.

As regards the demand-supply position of jute and mesta, the 1981-82 season commenced with an opening stock of 30.49 lakh bales as compared with 31.82 lakh bales at the commencement of the preceding season. There were no imports during the year as in the preceding four years. Together with the output of 84.00 lakh bales, aggregate availability during 1981-82 was estimated at around 114.49

* 1 bale=180 kgs.

Table III-6 : Trends in Availability of Jute and Mesta

('000 bales of 180 kgs. each)

Year (July-June)	Production	Imports	Exports	Consumption£	Closing stock $	Availability££
1	2	3	4	5	6	7
1975-76	5,808	292	121	7,723	767	7,750
1976-77	7,099	37	17	7,042	606	7,903
1977-78	7,154	—	18	7,055	434	7,760
1978-79	8,333	—	28	6,479	2,378	8,767
1979-80	8,023	—	Neg.	8,181	3,182	10,401
1980-81	8,160	—	102	8,293	3,049	11,342
1981-82	8,400	—	223**	7,019*	3,560	11,449

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

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

** Upto end-April 1982. * Upto May 1982. Neg.—Negligible.

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

lakh bales as against 113.42 lakh bales in the preceding season. On the demand side, mill consumption during the first 11 months of the 1981-82 season was placed at 67.19 lakh bales as compared to 73.24 lakh bales during the corresponding period of the preceding season and 79.93 lakh bales for the full year. Village level consumption was placed around 3.00 lakh bales. Exports till April 1982 at 2.23 lakh bales were more than double the quantity exported during the entire preceding season. The closing stocks for 1981-82 were estimated to be 35.60 lakh bales as compared with 30.49 lakh bales at the end of 1980-81season.

As regards price policy, the minimum support price of raw jute fixed on a statutory basis and the arrangement for the purchase of the fibre through the Jute Corporation of India (JCI) at that price continued during the 1981-82 the season.

On the recommendation of the APC, the minimum support price of raw jute (W-5 grade ex-Assam) was enhanced from Rs. 160.00 per quintal in the preceding season to Rs. 175.00 per quintal in the 1981-82 season. Based on this price, the Jute Commissioner worked out and statutorily fixed prices for other grades and varieties in different states under the Jute (Licensing and Control) Order, 1961.

With the harvesting of four bumper jute and mesta crops in succession and inadequate buying support from the industry and trade and the consequent larger carry-over stocks, a serious imbalance between supply and demand developed in the 1981-82 season as a result of which prices of raw jute and mesta, especially of medium and lower grades slumped, causing acute distress to the small and marginal growers. Despite doubling of purchases by the JCI along with the co-operatives, free market raw jute prices reportedly ruled well below the statutory minimum levels for prolonged periods. The persuasive efforts of the Government through the Monitoring Committee also failed to create the desired buying support from the industry. A series of meetings took place between the

Government and representatives of the industry with a view to impressing upon the industry the urgent need to provide necessary price support to growers by stepping up their purchases to a minimum of 6 lakh bales in October 1981 and 9 lakh bales each in November and December 1981, on ready delivery basis. Actual purchases by jute mills in West Bengal on ready delivery basis during this period were, however, not adequate and failed to produce the desired impact on the raw jute market.

As part of the price support scheme, the JCI expanded its activities during the 1981-82 season to make its market intervention more effective. At 17.59 lakh bales, its procurement touched an all-time record, forming about 22 per cent of aggregate production. With a view to identifying genuine growers and curbing smuggling of jute from Bangladesh into India, a system of identity cards was introduced for the first time in 1980-81 in West Bengal on a limited scale. The coverage was substantially extended in 1981-82 by issuing 6.5 lakh jute cards, particularly to growers in the border areas. The identity cards were issued by land revenue officials and panchayats. Schemes on more or less identical lines were introduced in Bihar and Tripura. Attempts are being made to introduce similar schemes in other jute and mesta growing states.

With the introduction of the scheme of jute cards, the benefit of price support operations reached a larger section of growers, though there were reports of misuse of the cards. However, on the whole the scheme was helpful for the orderly marketing of raw jute through the JCI and benefited the jute growers.

At the commencement of the 1981-82 season, the JCI had an unsold stock of 14.44 lakh bales. In order to help the Corporation to dispose of its old stock, the Government persuaded jute mills to purchase raw jute from the JCI against the purchase of B. Twills by the Government. The JCI was also authorised by the Government to export a maximum of 3 lakh bales of raw jute during the 1981-82 season without any restriction on grades or quality, etc.

OILSEEDS

Oilseeds@ production target for 1981-82 was fixed at 11.2 million tonnes. According to final estimates of the Government, oilseeds output (inclusive of rapeseed/mustard, which is a trade estimate) amounted to 12·3 million tonnes representing an increase of 32.6 per cent over the output of 1980-81 (9.3 million tonnes). Production of groundnut at 72·4 lakh tonnes was 22.4 lakh tonnes higher than the 1980-81 output (50.0 lakh tonnes). This marked improvement in output is attributed to the widespread rains over the major groundnut growing areas during the last *kharif* season and a good *rabi* crop. A record 26.0 lakh tonnes output was estimated by trade under mustard crop reflecting a sharp increase of 3.5 lakh tonnes (or 15.7 per cent) over the output during the 1980-81 season, viz., 22.5 lakh tonnes. Linseed production went up to 4.7 lakh tonnes from 4.2 lakh tonnes during the 1980-81 season.

The following measures were taken by the Government during the 1981-82 season for increasing oilseeds production. The on-going Centrally Sponsored Schemes, *viz.*, Intensive Oilseeds Development Programme, Extension of Oilseeds to New Irrigated Areas, Development of Soyabean and Development of Sunflower, were continued in various States during 1981-82. The Intensive Oilseeds Development Programme for increasing the productivity of two principal oilseeds, viz, groundnut and rapeseed/mustard covered 29.6 lakh hectares in 1981-82. In view of the higher productivity of oilseeds under irrigation, greater emphasis was laid on increasing the area under *rabi*/summer groundnut and rapeseed/mustard in command area of major irrigation projects as also under medium and minor irrigation in Andhra Pradesh, Karnataka, Tamil Nadu, Maharashtra, Orissa, Madhya Pradesh and Rajasthan. Concerted efforts were made to extend the area and production of the two non-traditional oilseeds viz., sunflower in Andhra Pradesh, Karnataka, Maharashtra, Orissa, Tamil Nadu, Uttar Pradesh and West Bengal and soyabean

@ Comprising groundnut (in shell), rapeseed mustard, sesamum, llnseed, castorseed, safflower seed nigerseed, soyabean and sunflower seed.

in Bihar, Gujarat, Himachal Pradesh, Rajasthan and Uttar Pradesh (in addition to Madhya Pradesh).

Two special projects for increasing production of groundnut in Saurashtra and soyabean in Madhya Pradesh continued during 1981-82. The Gujarat project aims at raising the production of groundnut in the State from 18 lakh tonnes in 1979-80 to 27 lakh tonnes in 1983-84 through distribution of quality seeds, adoption of plant protection measures, early sowing of crop with irrigation, provision of protective irrigation, expansion of area under *rabi*/summer irrigated groundnut, adoption of closer spacing, proper sowing depth, etc. During 1981-82, the project covered 22 lakh hectares (20 lakh hectares under *kharif* and 2 lakh hectares under *rabi*) which contributed to a substantial increase in groundnut output. Farmers were provided financial assistance for cost of seeds, irrigation, improved implements, plant protection equipments, etc. The aggregate outlay on the project was Rs. 35 crores which was met in full by the Government of India. The soyabean project in Madhya Pradesh aimed at increasing the area and production under the crop from 4.5 lakh hectares and 3.5 lakh tonnes, respectively, in 1980-81 to 18.0 lakh hectares and 14.4 lakh tonnes in 1985-86. The aggregate outlay on the project was fixed at Rs. 15 crores. During 1981-82, the project covered 6.48 lakh hectares.

The project for the development of co-operative structure for increasing oilseeds production through an integrated programme of production, marketing and processing under the National Dairy Development Board (NDDB) continued during 1981-82. The State-wise progress under the scheme at the end of 1981-82 (July-June) is as given below :

State	No. of oilseeds growers' co-operative societies at the village level		No. of villages covered		No. of farmer members		Area of the members (hectares)		Procurement of oilseeds (in tonnes)	
	1980-81	1981-82	1980-81	1981-82	1980-81	1981-82	1980-81	1981-82	1980-81	1981-82
Gujarat ..	499	969	699	1,129	16,990	64,851	56,972	2,53,672	23,995	78,650
Madhya Pradesh ..	40	91	243	791	3,150	9,045	16,197	56,933	4,337	10,834
Tamil Nadu..	—	50	—	116	—	2,689	—	3,676	—	565
Total ..	**539**	**1,110**	**942**	**2,036**	**20,140**	**76,585**	**73,169**	**3,14,281**	**28,332**	**90,049**

As regards extension of the project to other states, implementation plans are being prepared for Andhra Pradesh, while Maharashtra and Orissa have agreed to implement the vegetable oil project.

As regards processing plants set up under the project, the Gujarat Co-operative Oilseeds Growers' Federation has on hand (in addition to the processing plants at Bhavnagar and Jamnagar used for crushing solvent extraction and refining) a letter of intent for setting up a 500 metric tonnes per day crushing and solvent extraction plant at Junagadh and 200 metric tonnes per day rapeseed/mustard processing complex at Mehsana. The Madhya Pradesh State Co-operative Oilseeds Growers' Federation which so far had no processing plant of its own has arranged for the crushing of soyabean procured from members at the Modern Bakeries' Plant at Ujjain (Madhya Pradesh) and the co-operative processing unit at Anand (Gujarat). The Federation, however, proposes to set up a soyabean processing plant of 400 metric tonnes per day crushing capacity at Ujjain.

Out of 1,60,000 tonnes of edible oils committed for supply to the NDDB by the Co-operative League of USA, 82,689 tonnes of refined soyabean oil has been received so far. The Co-operative Union of Canada, has also supplied 15,725 tonnes of crude rapeseed oil. From these receipts, about

63,553 tonnes of soyabean oil and 1,498 tonnes of crude rapeseed oil were sold through co-operatives, public distribution system, etc. Of the total funds of Rs. 57.92 crores generated by sale of these products, an amount of Rs. 51.11 crores was utilised for the project including loans and share capital contributions, etc., to the co-operative federation.

The minimum support prices for oilseeds announced for 1982-83 and the corresponding prices for 1981-82 are as given below :

Oilseed Crop	Support price (Rs. per quintal)	
	1981-82	1982-83
Groundnut-in-shell ..	270	295
Soyabean (black) ..	210	220
Soyabean (yellow) ..	230	245
Sunflower seed ..	250	250

The ruling market prices were, however, substantially higher than the support prices fixed by the Government as the demand far exceeded the supply.

For the manufacture of vanaspati, the Government had prescribed the use of either indigenous cottonseed oil or indigenous minor oils or imported vegetable oils supplied through the State Trading Corporation (STC) or any combination thereof to the extent of 95 per cent of the industry's requirements. The balance was to be met by refined sesamum oil (as liquid oil). This restriction had been imposed with a view to avoiding strains on the supply of indigenously produced edible oils of mass consumption like groundnut and rapeseed/mustard. With effect from February 26, 1982, the share of imported vegetable oils supplied through the STC was brought down to 60 per cent of the industry's requirements. Therefore, the use of indigenous cottonseed oil or indigenous minor oils was raised to 35 per cent, the remaining 5 per cent being met as in the past by refined sesamum oil as liquid oil.

With a view to keeping the prices of edible oils in check, the Government arranged to augment edible oil supplies through import of 10.2 lakh tonnes from abroad during 1981-82 (November 1981—October 1982). Out of the imported oils, 2.1 lakh tonnes were allocated for public distribution to the States during the first seven months of the oil year 1981-82 (November 1981 to May 1982).

SUGARCANE

The area under sugarcane which showed a moderate increase of 1.5 per cent to 26.48 lakh hectares in 1980-81 (after the sharp decline of 4.78 lakh hectares or 15.5 per cent witnessed in 1979-80) increased significantly by 15 per cent to 30.44 lakh hectares in 1981-82. The States which largely accounted for this increase were Uttar Pradesh, Maharashtra, Haryana and Andhra Pradesh. The factors influencing the sharp increase in area under this crop in the above States were the high sugarcane and gur prices realised during 1980-81 which improved the investment capactiy of cane growers. These factors coupled with the annual action programme which laid emphasis on soil and seed treatment, distribution of improved seed cane and fertilizers, adoption of improved cultivation practices, better management of ratoon crop, adoption of plant protection measures, training of sugarcane workers, and extension drive were responsible for the marked improvement in production of cane. Cane output which had improved sizeably from the depressed level of 13.1 million tonnes (in terms of gur) in 1979-80 to 15.4 million tonnes in 1980-81 showed a sharp increase of 17 per cent to 18.0 million tonnes in 1981-82 (Table III-7). Productivity (in terms of cane) which was 49.4 tonnes per hectare in 1979-80 improved to 56.8 tonnes in 1980-81 and was estimated to have improved further to 59.1 tonnes in 1981-82.

For the 1982-83 season, a target of 19.0 million tonnes (in terms of gur) has been fixed.

For the year 1981-82, the APC had recommended a statutory minimum price of Rs. 15.50 per quintal of sugarcane linked to a basic recovery of 8.5 per cent, subject to a proportional premium for every 0.1 per cent increase in recovery above that level. However, the Government decided to retain for 1981-82 the statutory minimum price fixed for 1980-81 viz., Rs. 13.00 per quintal linked

to a recovery of 8.5 per cent or below with a premium of 15.2941 paise per quintal for every 0.1 per cent increase in recovery beyond 8.5 per cent. Actual prices paid by sugar factories were however, around Rs. 22 per quintal in the major sugar producing states.

Sugarbeet is presently grown on a commercial scale only in the area belonging to the Ganganagar Sugar Mills in Rajasthan. The area under this crop has shown a sharp decline from 743 hectares in 1979-80 to 660 hectares in 1981-82. On the other hand, production showed an uptrend, going up from 13,106 tonnes in 1979-80 to 19,369 tonnes in 1981-82, thanks to increase in productivity.

TEA

Production of tea recorded a fall of 11 million kgs. to 561 million kgs. in the calendar year 1981 due largely to a decline in South India tea output from 131 million kgs. in 1980 to 123 million kgs. in 1981. Adverse weather conditions and deterioration in industrial relations contributed to the decline in tea output in South India. The decline in North India tea production was marginal at 3 million kgs. from 441 million kgs. in 1980 to 438 millon kgs. in 1981.

Production during the first ten months of 1982 (January-October) in North India has been estimated lower at about 375 million kgs. as compared to 382 million kgs. during the corresponding period last year. In South India also production during this period is placed lower at 98 million kgs. as against 102 million kgs. in the corresponding period last year.

According to provisional estimates, export of tea from India during the financial year 1981-82 amounted to 224 million kgs. as compared to 232 million kgs. during 1980-81. In terms of value realised, exports showed a decline from Rs. 435 crores during 1980-81 to Rs. 403 crores during 1981-82 due to fall in unit value from Rs. 18.78 per kg. to Rs. 17.98 per kg..

COFFEE

Coffee production in 1981-82 (October-September), according to revised estimates released by the Coffee Board, is placed at 155.0 thousand tonnes. This represents a sharp increase of 36.4 thousand tonnes or 30.7 per cent over the preceding year's output, the increase being shared equally by Arabica and Robusta coffee (Table III-7). The marked increase in output is ascribed to increase in productivity from 604 kgs. to 776 kgs. per hectare. India's productivity rating among coffee growing nations is reported to have gone up to the second position from fifth.

The estimated release for internal consumption during the calendar year 1981 amounted to 50.8 thousand tonnes which was marginally higher than the releases during 1980 (47.7 thousand tonnes). Export of coffee during the financial year 1981-82 aggregated 81.2 thousand tonnes, exceeding marginally the target fixed of 80 thousand tonnes. However, as compared to the exports during the preceding financial year, this reflected a decline of 8.1 thousand tonnes or about 9 per cent. Export realisations also showed a continuous deterioration during this period due to fall in average unit value from Rs. 24.15 per kg. in 1980-81 (April-January) to Rs. 19.23 per kg. in 1981-82 (April-January). To enhance the competitiveness of Indian coffee in the world market, the export duty on coffee was brought down by the Government to Rs. 120 per quintal (June 1, 1982) from Rs. 300 per quintal as on February 17, 1982. However, it was again enhanced to Rs. 190 per quintal with effect from July 5,* 1982, in view of the spurt in international prices of coffee.

TOBACCO

According to final estimates for 1980-81, total area under tobacco showed a marginal increase of 0.7 per cent from 425.4 thousand hectares in 1979-80 to 428.2 thousand hectares in 1980-81. Tobacco output increased by 3.9 per cent from 438.5 million kgs. to 455.6 million kgs. during this period. However, the main tobacco growing state, *viz*,. Andhra Pradesh reported a decline both in area and production. Decline in area under the crop in this State was substantial from 171.6

* On September 20, 1982 and November 2, 1982 the duty was raised further to Rs. 300 per quintal and Rs. 440 per quintal, respectively.

Table III-7 : Trends in Production, Export, Consumption, etc., of Non-foodgrain Commodities

Years	Oilseeds@ [1]		Tea [2] (Million kgs.)		Coffee ('000 tonnes)			Sugarcane [1] (In terms of gur)		Tobacco [5] (Million kgs.)		
	Production (Million tonnes)	Yield per hectare (kgs.)	Production	Export	Production[4]	Export [3]	Internal consumption [2]	Production (Million tonnes)	Yield per hectare (Kgs.)	Production	Export	Internal consumption
1	2	3	4	5	6	7	8	9	10	11	12	13
1976-77	7.8	528	511.8	542.4	102.2	50.6	37.7	15.84	5,529	419	79.7	344.3
1977-78	9.0	585	556.3	221.5 [3]	125.1	55.8	44.1	17.96	5,699	494	80.0	361.0
1978-79	9.3	588	563.8	177.3 [3]	110.5	65.4	46.0	15.73	5,096	454	78.6	360.3
1979-80	8.0	534	551.9	208.4 [3]	149.7	62.0P	49.6	13.09	5,015	439	75.0	++
1980-81	9.3	537	571.6	231.7 [3]	118.6£	89.3P	47.7	15.40	5,816	456	76.9	++
1981-82	11.1	772	560.7	223.9 [3]	155.0££	81.2P	50.8P	18.00P	5,912	N.A.	83.4P*	++

@ Five major oilseeds viz., groundnut (in shell), sesamum, rapeseed/mustard, linseed and castorseed.
P: Provisional. * Relate to April-November, 1981.
++ As unmanufactured tobacco has been exempted from excise duty since 1979-80, data on raw tobacco cleared for home consumption which were maintained by the Central Excise are not available from 1979-80 onwards.
£ Final estimate.
££ Revised estimate.

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

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

thousand hectares in 1979-80 to 157.1 thousand hectares in 1980-81 or by 8.5 per cent. Production showed a decline from 154.9 million kgs. to 149.4 million kgs. during the period. As the yield rate of tobacco in this state had gone up markedly from 903 kgs. to 951 kgs. per hectare, the decline in production in terms of percentage was only 3.6 as compared to a decline of 8.5 under area. The increases in area and production under the crop in other states, particularly in Gujarat and Uttar Pradesh, more than offset the decline noticed in Andhra Pradesh, leading to an overall increase in area and production at the all-India level. As regards 1981-82, no official estimates are yet available either about the acreage or production.

As regards exports of tobacco and tobacco products, official data for the full year 1980-81 are not yet available. However, on the basis of available information, exports of unmanufactured tobacco during 1980-81 amounted to 76.9 million kgs. valued at Rs. 123.38 crores, which was higher than the quantity (75 million kgs.) and value (Rs. 102.25 crores) of unmanufactured tobacco exported during 1979-80. In 1981-82, exports are expected to go up to 90 million kgs. valued at Rs. 164 crores.

As regards prices, the Government had referred the question of price support policy for the 1982 Verginia Flue Cured (VFC) crop to the APC with a view to ensuring remunerative prices to growers and creating stable market conditions. The APC fixed minimum support price for Farm Grade F2 VFC tobacco of 1981-82 crop (to be marketed in 1982) at Rs. 8.50 per kg. (for tobacco grown in light soil areas); for tobacco grown in black soil areas, the minimum support price was fixed at Rs. 8.0 per kg. However, no price support operations were undertaken during the year 1981-82 as marketing did not pose any problems in view of the good demand for the crop. The average price realised in 1981-82 was around Rs. 12.50 per kg. as compared with less than Rs. 10 per kg. realised in 1980-81.

On the development side, emphasis continued to be given on programmes of production of exportable varieties of tobacco. Development of tobacco in the light soil areas continued to receive special attention. The area covered under this programme increased from 73,323 hectares in 1980-81 to 80,931 hectares in 1981-82. Schemes for production and distribution of seeds and seedlings and for imparting training in production techniques were implemented as non-plan schemes with 100 per cent Central assistance by the Directorate of Tobacco Development through the Andhra Pradesh State Seeds Development Corporation in Andhra Pradesh, the Gujarat Agricultural University in Gujarat, the Haryana Agricultural University in Haryana and the Tobacco Research Station, Dinhata in West Bengal. During 1981-82, seeds weighing 20,300 kgs and 45 lakh seedlings were distributed under the scheme among the growers.

Production Strategy and Measures

As already mentioned, the main thrust of agricultural production strategy centred around steps to increase productivity. The measures taken during 1981-82 are discussed below.

HIGH-YIELDING VARIETIES PROGRAMME

The coverage of area under the High Yielding Varieties Programme (HYVP) increased from 45.3 million hectares in 1980-81 to 46.7 million hectares in 1981-82. This was, however, 1.8 million hectares lower than the target fixed for the year. (Table III—8). The target for 1982-83 has been fixed at 51 million hectares of which paddy would account for 22.5 million hectares and wheat for 18.0 million hectares.

Under the Minikit Demonstration Programme (which was initiated to enable farmers to choose the right type of seeds evolved by research), 4.72 lakh minikits containing small quantities of seeds of high yielding varieties of paddy, wheat, barley and millets were distributed free of cost among farmers in different parts of the country. Under a special programme to popularise cultivation of high yielding varieties, 70,000 minikits of paddy seeds were distributed to farmers in Assam. An amount of Rs. 10.75 lakh was sanctioned under the special programme for

Table III-8: Crop-wise Coverage Under High Yielding Varieties

(Area in million hectares)

	1977-78	1978-79	1979-80	1980-81	1981-82		1982-83	1984-85
	Actuals	Actuals	Actuals	Actuals	Target	Anticipated achievement	Target	Target
1	2	3	4	5	6	7	8	9
Paddy	16.1	16.9	16.0	18.5	20.7	19.3	22.5	25.0
Wheat	15.8	15.9	15.0	17.4	17.8	17.7	18.0	19.0
Jowar	3.1	3.1	3.1	4.2	4.3	4.1	4.5	5.0
Bajra	2.6	2.9	3.0	3.8	3.7	4.1	4.0	5.0
Maize	1.2	1.4	1.4	1.4	2.0	1.5	2.0	2.0
Total	**38.8**	**40.1**	**38.5**	**45.3**	**48.5**	**46.7**	**51.0**	**56.0**

Sources : 1. Economic Survey, 1981-82, Government of India.
2. Annual Report, Ministry of Agriculture, Government of India.

distribution of paddy seeds to small farmers at subsidised rate. A special programme of wheat minikit demonstration was also sanctioned for spreading high-yielding varieties of wheat in Assam. To help the timely sowing of paddy in the major rice growing States, the programme of raising community nurseries of paddy at Government farms and tube-well points of farmers was continued. For this programme, a sum of Rs. 170.0 lakhs was sanctioned by the Government. Farmers in areas without irrigation facilities also could share the seedlings thus raised at a nominal cost. This programme, besides helping small and marginal farmers, facilitated the spread of technology and high yielding varieties. The adverse impact of the delayed monsoon could thus be neutralised to a great extent through the community nurseries. This also facilitated early harvesting of paddy and timely sowing of wheat. Under the scheme of replacement of rust susceptible varieties of wheat, a programme of gradual but complete replacement of rust-susceptible local varieties of wheat in hill areas of north as well as south was taken up. Under this scheme, 61 quintals of seed of rust resistant varieties of wheat were supplied to Uttar Pradesh, Himachal Pradesh and Jammu and Kashmir for free distribution to farmers.

The Central sector scheme of maize demonstrations in tribal areas in the selected districts of Gujarat, Madhya Pradesh, Orissa and Rajasthan initiated in 1979-80, continued to be implemented during the year 1981-82. The scheme was intended to encourage adoption of modern production technology by the tribals.

Quality Seeds

Production and distribution of seeds to farmers is the responsibility of State Governments and Union Territories. However, to supplement their efforts, the National Seeds Corporation and the State Farms Corporation had been set up by the Central Government. During 1981-82, it was anticipated that only about 24 lakh quintals of certified seeds of wheat, paddy, maize, jowar, bajra, oilseeds, pulses and potatoes would be distributed by the states as against 25 lakh quintals during 1980-81 due to the fall in certified seeds production on account of Karnal bunt disease in the case of wheat and adverse weather conditions in the case of other seeds during 1980-81. However, the shortfalls were made good by arranging distribution of ordinary wheat grain suitably graded and put to germination tests for seed purposes.

Under the Centrally Sponsored Schemes for development of quality seeds, oilseeds and pulses received special attention. Production of seeds of pulses and oilseeds by the National Seeds Corporation was targeted at 35,000 quintals and 13,000 quintals, respectively, in 1981-82. For 1982-83, the corresponding targets have been fixed at 40,415 quintals and 14,770 quintals, respectively. Besides undertaking production and distribution of certified seeds on a large scale within the country, the Corporation also exported 1,72,000 quintals of seeds in 1980-81 and 30,000 quintals in 1981-82.

IRRIGATION

Aggregate irrigation potential created through major, medium and minor irrigation projects which registered an increase of 2.3 million hectares to 58.9 million hectares in 1980-81 is anticipated to increase further by 2.4 million hectares to 61.3 million hectares in 1981-82 (Table III-9). The contribution of major and medium schemes in the aggregate irrigation potential is expected to be 1.0 million hectares as compared with 0.9 million hectares in 1980-81. The contribution from minor irrigation projects (both surface and ground water) is expected to increase by 1.4 million hectares which incidentally was the increase in area under minor irrigation in the preceding year also.

The approved financial outlay on major and medium irrigation schemes was stepped up from Rs. 1,225 crores in 1980-81 to Rs. 1,408 crores in 1981-82. The outlay on minor irrigation was fixed at Rs. 301 crores. Besides the above, an amount of Rs. 335 crores was to be disbursed by institutional agencies. The data on actual investment in major and medium irrigation schemes are not available. The State and Central sector investment in minor irrigation schemes is estimated at Rs. 296.44 crores (Rs. 275.27 crores in 1980-81). Funds provided by institutional agencies on minor irrigation schemes (placed at Rs. 265 crores in 1980-81) are estimated to have aggregated Rs. 275 crores in 1981-82. Besides, Central assistance amounting to Rs. 100 lakhs was also proposed to be provided to the States on a matching basis under the centrally sponsored schemes for strengthening surface/ground water (minor irrigation) organisations.

The highlights of the minor irrigation programme during 1981-82 were (*i*) a crash programme of construction of 5,000 private shallow tube wells in Assam; (*ii*) two pilot projects for construction of 500 tube wells in Uttar Pradesh and 130 irrigation tanks with improved water distribution system in

Table III-9 : Development of Irrigation Potential

(Million hectares)

	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82*
1	2	3	4	5	6	7
I. Surface Water						
(a) Major and Medium ..	23.5	24.8	25.9	26.6	27.5	28.5
(b) Minor	7.4	7.5	7.8	8.0	8.2	8.4
II. Ground Water	18.9	19.8	20.9	22.0	23.2	24.4
Total	**49.8**	**52.1**	**54.6**	**56.6**	**58.9**	**61.3**

* Anticipated.

Source: Ministry of Irrigation, Government of India.

Karnataka with World Bank assistance; and (*iii*) energisation of 4.22 lakh pumpsets.

COMMAND AREA DEVELOPMENT PROGRAMME

Under the Command Area Development Programme (CADP) (which was introduced at the commencement of the Fifth Five Year Plan to accelerate optimum utilisation of irrigation potential under selected major and medium irrigation projects), 45 CADP authorities have so far been established covering 71 of the 76 selected irrigation projects falling in 13 States and one Union Territory. Of these, one CADP authority for the Upper Penganga and Purna projects was set up during 1981-82. The activities undertaken by CADP were (*i*) on-farm development (OFD) works to render land fit for receiving irrigation water; (*ii*) construction of field channels from the irrigation outlets; (*iii*) introduction of a system of rotational distribution of water to ensure equitable and timely supplies to all farmers; (*iv*) provision of adequate inputs including credit; (*v*) strengthening of agricultural extension systems, ground water development for conjunctive use with surface water, and advice to farmers on optimum cropping pattern related to availability of water over a time frame; and (*vi*) strengthening the network of roads and regulated markets. As an integral part of the aforesaid programme, many States have adopted the "Training and Visit System" of intensive agricultural extension, while others have strengthened their extension organisations. The physical results of the CADP are indicated below item-wise:

(Area in lakh hectares)

Item	Achievements during 1980-81	Cumulative achievements upto end-March 1981	1981-82	
			Targets	Achievements upto end-September 1981
(i) Soil surveys	11.79	75.93	9.62	4.15
(ii) Topographical surveys	8.90	41.65	9.25	6.23
(iii) Planning, design of on farm development works	7.34	32.88	7.36	5.49
(iv) Construction of field channels	6.54	37.36	7.65	1.06
(v) Lining of field channels	1.04	5.59	1.89	0.25
(vi) Construction of field drains	1.15	6.45	2.20	0.22
(vii) Land levelling/shaping	0.87	10.24	1.18	0.43

Aggregate Central assistance to State Governments for the implementation of their programme between 1974-75 and 1980-81 amounted to Rs. 153.56 crores. The budget provision for 1981-82 was Rs. 40 crores but the State Governments spent more on this programme. Additionally, a sum of Rs. 32.08 crores was made available by institutional agencies since 1974-75.

According to some project reports, the main benefits derived from the programme in areas covered by field channels are considerably higher irrigation intensities (from 25 to 100 per cent) and increases in production. Controlled and timely application of water which is now possible with field channels, has improved the productivity of land and avoided wastage of water.

FERTILISERS AND MANURES

Fertilizer consumption which registered an average rate of growth of 20 per cent during 1976-77 to 1978-79, witnessed low growth of 2.7 per cent and 4.9 per cent, respectively, during 1979-80 and 1980-81. The unprecedented drought in many States during 1979-80 was mainly responsible for the sharp decline in consumption during that

year. In the year 1980-81, domestic production of fertilisers was low due to shortage of raw materials and power. Further, the Government enhanced fertiliser prices by about 38 per cent with effect from June 8, 1980. Despite these unfavourable factors, the growth rate of consumption improved from 2.7 per cent in 1979-80 to 4.9 per cent in 1980-81 (from 52.5 lakh tonnes in 1979-80 to 55.2 lakh tonnes in 1980-81). In 1981-82, consumption is likely to be 61.3 lakh tonnes, showing a growth rate of 11.1 per cent. The increase in consumption growth in 1980-81 and the anticipated increase in the following year (despite a 17.5 per cent increase in price in July 1981 and unfavourable weather conditions in Uttar Pradesh, Punjab, Haryana, Bihar, West Bengal, Rajasthan, etc.) may be attributed to special efforts and campaigns launched by the Government. For 1982-83, the consumption target is fixed at 72.0 lakh tonnes. (Table III-10).

Table III-10 : Consumption of Fertilisers

(Lakh tonnes)

Year (April-March)	Nitrogenous (N)	Phosphatic (P_2O_5)	Potassic (K_2O)	Total
1	2	3	4	5
1977-78	29.1	8.7	5.1	42.9
1978-79	34.2	11.1	5.9	51.2
1979-80	34.9	11.5	6.1	52.5
1980-81	36.8	12.1	6.2	55.2
1981-82	41.2	13.4	6.7	61.3
1982-83 (Target) ..	48.0	16.0	8.0	72.0

Source: Annual Report 1981-82, Ministry of Agriculture, Government of India.

Domestic production of fertilisers picked up from a level of around 30 lakh tonnes in the last three years to 41 lakh tonnes in 1981-82 owing to better capacity utilisation and improvement in availability of raw materials and power supply situation. Consequently, imports are estimated to have declined from 25.6 lakh tonnes in 1980-81 to 23.1 lakh tonnes in 1981-82 resulting in saving of valuable foreign exchange. The year also witnessed a significant increase in movement of fertilisers by rail. During April-November 1981, as much as 6.47 million tonnes of fertilisers were transported by rail as compared to 4.65 million tonnes in the corresponding period of the previous year. As a result of increased domestic production, (supplemented by imports and better delivery through rail) availability position of fertilisers was comfortable in 1981-82. Apart from ensuring that the requirements of the States were met in full, the Government initiated steps to improve the availability of fertilisers in the interior regions through delivery upto block headquarters. This measure became necessary as 2,900 out of the 5,000 blocks in the country were not covered by rail-heads.

As mentioned earlier, retail prices of fertilisers were enhanced by the Government on June 8, 1980 (by 38 per cent) and on July 11, 1981 (by 17.5 per cent). These hikes became necessary in the wake of steep rise in the prices of raw materials and of imported fertilizers as also increase in the cost of production and the need for containing the level of subsidy. To mitigate adverse impact of these hikes on fertiliser consumption, the following steps were taken by the Government. (*i*) The APC was advised to take the increased price of fertilisers into account while recommending support/procurement prices of agricultural commodities. (*ii*) It was decided to deliver fertilizers at block headquarters instead of

at railheads as was done hitherto. (*iii*) The distribution margin on fertilizers was enhanced by about 22 per cent with effect from August 15, 1981 to compensate the distribution agencies for increase in handling cost, rate of interest, etc. (*iv*) Cash credit limits of pool handling agencies were stepped up and co-operative banks were advised to revise suitably the scale of finance for purchase of fertilisers. (*v*) Short-term credit to State Governments for purchase and distribution of inputs was increased from Rs. 136 crores in 1979-80 to Rs. 200 crores each in 1980-81 and 1981-82.

For promoting balanced and efficient use of chemical fertilizers, the policy of encouraging greater use of organic manures in conjunction with chemical fertilisers was continued. The estimated production of rural and urban composts during 1981-82 was 228 million tonnes and 6 million tonnes as against 225 million tonnes and 6.5 million tonnes, respectively, in the previous year.

PLANT PROTECTION MEASURES

Effective management and control of plant diseases and depradation by insects and pests continued to form an essential part of the plant protection measures taken during the year. The organisation and promotion of plant protection coverage to agriculture is the responsibility of the Directorate of Plant Protection, Quarantine and Storage and the Directorate of Agricultural Aviation under the Ministry of Agriculture. Timely action was taken against breeding of gregarious locusts in the scheduled desert areas and as a a result of which the country remained free as in the previous year from desert locust swarms. The 19 Central surveillance stations and 13 Central plant protection stations located in different parts of the country continued to conduct surveys for monitoring pest/disease situation on important crops like rice, wheat, pulses, oilseeds, etc., for facilitating timely and appropriate plant protection measures. Twenty-six Plant Quarantine Stations located at different air and sea ports and frontier points screened about 62,000 tonnes of dry/fresh fruits seeds and germ plasm, 1,231 live plants and 41,786 cotton bales imported from various countries. Phyto sanitary certification was provided for rice, flowers, fruits, seed extraction, spices, etc. exported to different countries.

The consumption of technical grade pesticides for plant protection work was expected to be around 61,000 tonnes in 1981-82 as against 53,300 tonnes in 1980-81. About 13,000 tonnes of technical grade material of 18 commonly used indigenous pesticides were allocated to various States and Union territories to ensure timely availability in different parts of the country at reasonable prices. Central assistance amounting to Rs. 2.49 crores was also sanctioned to various States and Union Territories for covering an area of 10.78 lakh hectares by plant protection measures under the Centrally sponsored scheme for control and eradication of pests, weeds and diseases in endemic areas. Pest control measures were taken over an area of 1.13 lakh hectares by end-December 1981 (as against the target of 2 lakh hectares) by the Directorate of Agricultural Aviation with its fleet of 40 aircrafts including five helicopters.

AGRICULTURAL MACHINERY AND IMPLEMENTS

Attention continued to be provided for the promotion of use of appropriate agricultural implements and machines to serve the objective of increased agricultural production. Towards this end, arrangements were made for the testing of various agricultural machines and tools for their performance and quality control, training of farmers in the use, maintenance and repairs of these machines, import and distribution of machinery and promotion of indigenous development and manufacture of inexpensive farming aids for different agro-climatic zones in the country. Emphasis was placed on developing suitable implements needed by small and marginal farmers as well as ecologically handicapped areas. Efforts were made to co-ordinate and monitor the activities of research agencies and manufacturing units.

In the field of mechanisation of agricultural operations, much progress has been made from the stage of importing tractors and farm

machinery in the fifties and sixties and hundreds of thousands of tractors, power tillers, harvesters, seed drills, puddlers and small tools are now manufactured in the country and are extensively used in various areas. The Tractors Training and Testing Stations at Budni (Madhya Pradesh) and Hissar (Haryana) continued to provide necessary guidelines to manufacturers to bring about improvements in performance and optimise the use of a large range of agricultural machinery and implements. These stations had already tested 27 machines and 44 machines were under various stages of testing during 1981-82 (as against the target of 50 machines). The work on preparation of standards for manufacture of agricultural machinery and implements was continued by the Indian Standards Institution which finalised 10 standards till December 1981. Work on finalisation of 9 other standards was in progress.

In order to prevent accidents in the use of power threshers especially in wheat growing areas of the country, standards for manufacture and sale of power threshers with built-in safety devices have been prescribed.

INTEGRATED RURAL DEVELOPMENT PROGRAMME

The Integrated Rural Development Programme (IRDP) which was launched in 1978-79 with a view to providing assistance to identified families of the target group for raising their incomes to a level well above the poverty line was in operation in all the 5,011 development blocks in the country during 1981-82. The target group consisted of scheduled castes, scheduled tribes, agricultural and non-agricultural labourers, rural artisans, marginal and small farmers and those living below poverty line (*i. e.* below an annual income of Rs. 3,500). The Sixth Plan aimed at assisting at least 15 million families through this programme. An amount of Rs. 1,500 crores was allocated for this programme under the Sixth Plan of which, 50 per cent was to be provided by the Centre and the remaining was to be supplemented by the State Governments. This financial outlay (Rs. 1,500 crores) represented the subsidy part of investment under the programme. Adequate credit support for the programme was to be provided by the banking sector. Total credit requirements for the programme excluding subsidy will be of the order of Rs. 3,000 crores. Aggregate investment on the programme during the Sixth Plan would amount to Rs. 4,500 crores.

In order to improve the skills of beneficiaries, training programmes have been drawn up. Expenditure on such training programmes is being met out of IRD funds. During the year 1981-82, the minimum target of families to be covered from scheduled castes and scheduled tribes had been raised from 20 per cent to 30 per cent.

Guidelines were provided to the village level workers and others for conducting household surveys for identification of beneficiaries needing assistance. For meeing the cost of conducting household surveys, the outlay per block is Rs. 10,000. In the identification of beneficiaries, the gram sabhas, village panchayats, bankers, etc. are associated. Identified families are provided monitoring-cum-identity cards known as 'Vikas Patrika', which indicate the assistance received by the beneficiaries in the form of loans and subsidies and repayments of loans.

As the IRDP is a credit linked programme, the pace of implementation depends largely on the flow of credit. The banking institutions have been advised to streamline loan procedures and to step up their lending operations. A high power committee has been constituted at the national level under the chairmanship of the Member Secretary, Planning Commission to review the credit support for IRDP.

During 1980-81, Central allocation for the programme was Rs. 127.80 crores of which Rs. 82.58 crores was released to States and Union Territories as Centre's share. Aggregate utilisation of funds during 1980-81 was Rs. 150.45 crores. Term credit provided by banks amounted to Rs. 199.02 crores. The number of families assisted was 2.77 million of which 6,81,475 families belonged to SCs and STs. During 1981-82 (till November 1981), an amount of Rs. 52.17 crores was released to the States/Union Territories from the Central allocation of Rs. 153.36 crores. The progress of the IRDP during 1980-81 and 1981-82 is indicated in Table III-11.

Table III-11 : Progress of Integrated Rural Development Programme during 1980-81 and 1981-82

Items	1980-81P	1981-82@
1	2	3
1. Number of blocks (actuals)..	5011	5011
2. Central allocation (Rs. crores)	127.80	153.36
3. Central releases ,, ,,	82.58	52.17
4. Total utilisation ,, ,,	150.45	48.05
5. Number of families benefited (million)	2.77	0.60

P—Provisional.

@ Upto end-November 1981.

Source : Annual Report, 1981-82, Ministry of Rural Development, Government of India.

AGRO-INDUSTRIES CORPORATIONS

During the Third and Fourth Five Year Plans, 17 State Agro-Industries Corporations were set up as joint ventures of the State Governments and the Government of India with the objective of designing, developing and manufacturing suitable mechanical aids to agriculture, processing of agricultural produce and handling the manufacture and distribution of fertilisers, insecticides and small implements. They were directed to reorient their working and focus their activities towards the needs of small and marginal farmers and to enforce strict financial discipline in their working so as to improve their performance and increase their viability.

DROUGHT PRONE AREAS PROGRAMME

The Drought Prone Areas Programme (DPAP) was launched in the Fifth Plan for development and management of irrigation resource, soil and water conservation and afforestation, restructuring of the cropping pattern and pasture development, changes in agronomic practices, livestock development and development of small and marginal farmers and agricultural labourers. The programme covered 554 blocks in 73 districts of 13 states. The actual disbursements under the programme up to 1979-80 amounted to Rs. 339.89 crores against the Fifth Plan allocation of Rs. 336.94 crores. The allocation for years 1980-81 and 1981-82 was Rs. 39.99 crores and Rs. 40.00 crores, respectively; for the Sixth Plan the allocation is Rs. 175.00 crores.

As regards implementation of the programme, the guidelines are laid down by the Centre, actual implementation being the responsibility of the State Governments. The scheme being a new experiment in area planning, has aroused interest on a global basis. Th eWorld Bank has extended a loan of US $35 million for the programme in six districts *viz.*, Anantapur (Andhra Pradesh), Bijapur (Karnataka), Ahmednagar and Sholapur— (Maharashtra) and Jodhpur and Nagpur (Rajasthan). In addition, West Germany extended aid to the tune of Rs. 19.5 million for parts of Bankura district of West Bengal. The European Economic Community (EEC) also extended aid for the projects in the districts of Jalaun, Hamirpur and Mirzapur in Uttar Pradesh amounting to US $ 10 million.

Though some progress has been made under the scheme, it has as yet touched only the fringe of the problem and will, therefore, have to be continued for a longer period. The achievements of the programme upto end-March 1981 are set out below:

Indicators	Units	Achievements
1. Soil and moisture conservation	'00 hectares	1,397
2. Creation of irrigation potential	,,	446
3. Forestry and pasture ..	,,	822
4. Distribution of milch animals	Numbers	10,184
5. Milk societies established .	,,	538
6. Sheep societies established.	,,	49
7. Number of beneficiaries ..	Families	9,92,782
8. Man-days of employment created	'000	46,952

DESERT DEVELOPMENT PROGRAMME

The programme, launched in 1977-78, covers hot arid desert areas of Rajasthan, Haryana, Gujarat and cold arid desert areas of Ladakh, Jammu and Kashmir and Himachal Pradesh. It aims at the integrated development of the above areas by increasing productivity, income and employment opportunities for the inhabitants of the regions through optimum utilisation of available resources. The strategy under the programme is to arrest desertification through afforestation, ground water development, construction of water harvesting structures, rural electrification and development of agriculture, horticulture, animal husbandry, dairy and sericulture. The programme is implemented by State Governments through District Rural Development Agencies—(DRDA). The programme envisaged an outlay of Rs. 15 lakh per block, subject to a minimum of Rs. 25 lakhs per district, to be shared equally between the Centre and the States. The amounts released under the programme increased from Rs. 6.10 crores in 1977-78 to Rs. 9.08 crores in 1978-79 but came down to Rs. 7.31 crores and Rs. 7.98 crores in 1979-80 and 1980-81, respectively. Actual expenditure during these years amounted to Rs. 0.59 crore, Rs. 10.19 crores, Rs. 12.95 crores and Rs. 14.08 crores, respectively. A provision of Rs. 8 crores was made for 1981-82. Significant success has been achieved under the scheme in sand dune stabilisation, dairy development, development of sheep co-operatives and pastures.

NATIONAL RURAL EMPLOYMENT PROGRAMME

The Food-for-Work Programme, launched in 1977 to help the rural poor by generating additional employment through utilisation of available stocks of foodgrains and thereby creating durable community assets with a view to strengthening the infrastructure for socio-economic development, was restructured and renamed as the National Rural Employment Programme in October 1980. The programme is being implemented as a Centrally Sponsored Scheme on a 50 : 50 sharing basis by the Centre and the States.

The payment of wages in foodgrains during 1981-82 was restricted to 1 kg. per day per person and the balance was paid in cash. Ten per cent of the resources was earmarked for utilisation on programmes of direct benefit to scheduled castes and scheduled tribes.

During 1980-81, a total quantity of 20.48 lakh tonnes of foodgrains (including unutilised balances of previous years) was released to the States/Union Territories under the programme. In addition, cash funds amounting to Rs. 127.40 crores (Rs. 105.00 crores as material component and Rs. 22.40 crores as wage component) were made available to them. Against the available quantity of 20.48 lakh tonnes of foodgrains, 13.33 lakh tonnes were reported to have been utilised and against the release of cash funds of Rs. 127.40 crores, actual utilisation was Rs. 17.85 crores.

For 1981-82, a total quantity of 1.84 lakh tonnes of foodgrains was allocated. Actual utilisation upto January 11, 1982 was 0.71 lakh tonnes. Additional employment generated during this period was 66.3 million man days, the target for the full year being 350 million man days. Available information about the implementation of this programme is set out in Table III-12.

THE 20-POINT PROGRAMME

Action programme on the following points relating to agriculture under the new 20-Point Programme was intitiated during the year 1981-82.

(1) Development and dissemination of the technologies and inputs for dryland agriculture; (2) special efforts to increase production of pulses and vegetable oilseeds; (3) programmes for the development of Schedule Castes and Tribes; (4) programmes of afforestation, social and farm forestry and development of bio-gas and other alternative energy sources; (5) liberalisation of investment procedures and streamlining of industrial policies to ensure timely completion of projects; and (6) improvement in working of public enterprises, increase in efficiency, capacity utilisation and generation of internal resources.

Table III-12 : Progress of National Rural Employment Programme during 1980-81 and 1981-82

Items	Units	1980-81	1981-82*
1	2	3	4
1. Allocation of foodgrains	Lakh tonnes	20.88@	1.84
2. Releases	,,	20.48	N.A.
3. Utilisation	,,	13.33	0.71
4. Cash component			
(*a*) Released	Rs. crores	127.40	94.79
(*b*) Utilised	,,	17.85	64.51
5. Employment generated	Million man-days	450.00	66.30
6. Physical assets created (Main items)			
(a) Area brought under irrigation through major and medium irrigation	Hectares	246,263	N.A.
(b) Area covered under plantations	,,	200,414	N.A.
(c) School buildings constructed/repaired	Numbers	14,615	N.A.
(d) New roads constructed	Kms.	18,915	N.A.
(e) Construction of intermediate main drains, field channels and land levelling	Hectares	2,459	N.A.

@ Includes the unutilised balance from 1979-80.

* Up to January 11, 1982.

N.A.—Not Available

Source: Annual Report, 1981-82, Ministry of Rural Development, Government of India.

To implement the action programme, State-wise targets were worked out under each of the above items and specific strategies for achieving the targets were formulated. A Monitoring Cell was set up in the Department of Agriculture and Co-operation to keep a close watch on the implementation of the action programme. The State Governments/ Implementing Agencies were directed to submit periodical reports to the Cell. The Cell ensured that timely steps were taken to overcome the problems and constraints from time to time.

SUGAR

During the 1981-82 season, there was a spectacular improvement in the overall sugar situation after the setback in the 1979-80 season and the partial recovery that followed in the succeeding season. Production of sugar, which had recovered from the depressed level of 38.59 lakh tonnes in 1979-80 to 51.48 lakh tonnes in the following season, hit an all-time high of 84.35 lakh tonnes during the 1981-82 season (according to latest estimates) accounting for an increase of 63.9 per cent over the preceding season's level of output. As compared with the previous peak of 64.62 lakh tonnes attained in the 1977-78 season, the increase during the 1981-82 season worked out to 19.73 lakh tonnes or 30.5 per cent. With this record production, India reportedly attained distinction as the leading manufacturer of sugar among the sugar producing countries of the world. New records were created in availability and stock position too. Together with the opening stock of 9.94 lakh tonnes, aggregate availability during the season amounted to 94.29 lakh tonnes as against the preceding season's aggregate availability of 60.44 lakh tonnes. The off-take for internal consumption and exports was

placed at 55.01 lakh tonnes and 4.15 lakh tonnes, respectively, as against 49.89 lakh tonnes and 0.61 lakh tonnes during the 1980-81 season (Table below).

Availability and Consumption of Sugar

(In lakh tonnes)

Year (October-September)	Opening stock	Production	Imports	Exports	Consumption
1977-78	16.24	64.62	—	2.02	45.48
1978-79	33.36	58.44	—	8.63	61.81
1979-80	21.36	38.59	1.80	2.90	52.03
1980-81	6.82	51.48	2.14	0.61	49.89
1981-82P	9.94	84.35	—	4.15	55.01

P= Provisional.

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

The sharp increase in sugar output during the 1981-82 season may be attributed mainly to the substantial increase in cane production [from 15.4 million tonnes in 1980-81 to 18.0 million tonnes in 1981-82 or by 17 per cent (in terms of gur)] due to a significant increase in area under this crop following realisation of high cane and gur prices during 1980-81.

With a view to encouraging sugar factories to crush more sugarcane and at the same time preventing sharp decline in sugar prices owing to improvement in overall supply position, the Government of India took a series of steps. These were : (1) The incentive of rebate in excise duty provided in the 1981-82 season to sugar factories for early commencement of crushing operations was extended to late crushing. Accordingly, sugar produced in a factory during the period commencing from May 1, 1982 and ending on September 30, 1982 which was in excess of the average production of the corresponding period of the preceding three sugar seasons was entitled to a rebate in excise duty at the rate of Rs. 40 per quintal for free sale sugar and Rs. 24.50 for levy sugar. (2) The incentives for setting up of new factories, as also for expansion of existing ones, which were in operation since 1975, *viz.*, excise duty concession and higher percentage of free sale quota were continued during 1981-82. (3) Despite the spectacular increase in production, monthly releases of free sale sugar during the 1981-82 season continued to be regulated in accordance with the demand and price trends prevailing from time to time.

On the export front, India was allotted an export quota of 8.57 lakh tonnes (raw value) during 1981 by the International Sugar Organisation (ISO). The effective quota amounted to 7.29 lakh tonnes only (based on the requirements of the importing countries). However, as a result of lower production during the 1980-81 season and depletion of stocks, India could export only a small quantity of 60,000 tonnes upto February 1981. Commencing from February 1981, export of sugar was banned despite the fact that India had contractual obligation to export 2.25 lakh tonnes. India also lost its export quota of 25,000 tonnes to EEC following the failure to honour its agreement in 1981 on grounds of greatly reduced production. (It may be recalled that during the 1980-81 season, 2.15 lakh tonnes of sugar had to be imported to augment domestic supply). With the spectacular increase in production in the 1981-82 season, the Government lifted the ban on exports with effect from November 2, 1981. After the lifting of ban on export, a quantity of 38,000 tonnes was exported upto December 1981, bringing aggregate exports in 1981 to 98,000 tonnes. For the year 1982, India has been assigned an export quota of 7 lakh tonnes (raw value) against which 4.15 lakh tonnes was exported upto September 1982.

The general policy with regard to sugar continued unchanged during the 1981-82 season with partial control and a dual price mechanism. Though the ratios of levy and free sale sugar were retained at 65 : 35, the Government enhanced the levy quota from

2.71 lakh tonnes to 2.94 lakh tonnes per month with effect from April 1982 in view of the sharp increase in production during the 1981-82 season. The monthly release of free sale quota which was 2.25 lakh tonnes in September 1981 was enhanced to 2.90 lakh tonnes in October 1981 in view of the festival season. This was progressively reduced to 2.00 lakh tonnes, 1.70 lakh tonnes and 1.40 lakh tonnes in November and December 1981 and January 1982, respectively. In February, the quota was retained at 1.40 lakh tonnes. In March it was enhanced to 1.50 lakh tonnes but was again brought down to 1.40 lakh tonnes in April. In May and June, the releases were raised to 1.50 lakh tonnes and 1.55 lakh tonnes, respectively. However, as the supply was not adequate to meet the summer demand (which incidentally gave a push to open market prices), supplementary quotas of 15,000 tonnes and 30,000 tonnes were released in June. The quota for July was retained at the same level as in June, viz., 2 lakh tonnes. In August the quota was raised to 2.50 lakh tonnes because of the approaching festival season. However, as there was considerable speculative hoarding by traders to take advantage of the increase in demand arising during the festival season, the Government released an additional quantity of 50,000 tonnes for August.

Helped by a sharp increase in production on the one hand and controlled releases by the Government for internal consumption on the other, sugar prices ruled generally steady during the 1981-82 season, (upto mid-August) barring the brief period between mid-December 1981 and mid-February 1982 and the last fortnight of July 1982 when some upsurge in price was noticed. In Bombay, the price of C-30 quality sugar which opened at Rs. 573-588 a quintal at the commencement of the 1981-82 season (October 1981) maintained a steady to declining trend till mid-December 1981. However, commencing from December 16, prices showed a buoyant trend lasting upto mid-February 1982. The peak price of the 1981-82 season, viz., Rs. 675-677 a quintal was reached during this period (on December 31, 1981). The main reasons for this upsurge in price were: (*i*) substantial reduction in free sale quota release from 2.00 lakh tonnes in November 1981 to 1.70 lakh tonnes in December 1981 and to 1.40 lakh tonnes each in January and February 1982, and (*ii*) cushioning effect provided by khandsari was absent during this period due to inadequate supply consequent to the late commencement of crushing by most of the khandsari plants. Commencing from February 16, 1982 prices came down steadily due to liberalised free sale quota releases and improved arrivals of khandsari. This trend continued till middle of July. Thereafter the uptrend re-emerged due largely to speculative hoarding of sugar by the traders in the wake of festival demand. As the substantial step-up in free sale quota release from 2.00 lakh tonnes in July to 2.50 lakh tonnes in August (announced in the second half of July) was not adequate to curb speculative hoarding of the commodity by the trade and the resulting increase in prices, the Government announced a supplementary quota of 50,000 tonnes for August by the first week of that month. With this announcement there was a marked fall in sugar prices. The lowest price of the season (up to mid-August 1982), viz., Rs. 497-514 a quintal was touched on August 16, 1982. It may be mentioned in this context that sugar prices during the 1981-82 season were far lower than those during the preceding season. As against the 1981-82 season's peak price of Rs. 675-677 a quintal (reached on December 31, 1981), the peak price of the preceding season was Rs. 941-951 a quintal (reached on November 17, 1980).

The levy prices for the 1981-82 season were worked out on the basis of the minimum statutory cane price announced for the season and on the conversion cost schedules recommended by the High Level Committee (headed by the Chairman, Bureau of Industrial Costs and Prices) in October 1980. The levy prices thus worked out and notified to factories ranged from Rs. 276.00 to Rs. 369.00 per quintal for D-30 grade of sugar. These prices were notified on November 10, 1981. (The levy prices notified for the 1980-81 season ranged from Rs. 271.03 to Rs. 345.75 per quintal). With the increase in levy prices during the 1981-82 season, the issue price for distribution to consumers through the public distribution system was enhanced from Rs. 3.50 a kg to Rs. 3.65 a kg with effect from November 15, 1981.

The excise duty on levy sugar and free sale sugar had been fixed at 13.475 per cent and 15.9 per cent advalorem, respectively, on December 17, 1979 and June 1, 1980. However, the excise duty on free sale sugar was refixed at 5 per cent basic and 6 per cent additional (ad valorem) for a four month period commencing from August 1, 1982.

The tariff values (for the purpose of assessment of excise duty on free sale sugar), the rate of excise duty and the amount of duty payable during 1981-82 are indicated in the Table below:

Month	Tariff value (Rs. per quintal)	Rate of excise duty Basic+ Additional— (% ad valorem)	Excise duty (Rs. per quintal)
June 1, 1981	640	15.9 (8.4+7.5)	101.76
August 1, 1981	590	15.9 (8.4+7.5)	93.81
September 1, 1981	550	15.9 (8.4+7.5)	87.45
October 1, 1981	490	15.9 (8.4+7.5)	77.91
November 1, 1981	475	15.9 (8.4+7.5)	75.52
December 1, 1981	460	15.9 (8.4+7.5)	73.14
January 1, 1982	465	15.9 (8.4+7.5)	73.94
February 1, 1982	485	15.9 (8.4+7.5)	77.12
March 1, 1982	490	15.9 (8.4+7.5)	77.91
April 1, 1982	480	15.9 (8.4+7.5)	76.32
May 1, 1982	445	15.9 (8.4+7.5)	70.76
June 1, 1982	430	15.9 (8.4+7.5)	68.37
July 1, 1982	440	15.9 (8.4+7.5)	69.96
August 1, 1982	440	11.25 (5.25+6.0)	49.50

With a view to helping sugar factories to rehabilitate and modernise and also for encouraging research and development work, the Government of India decided to levy a development cess of Rs. 5 per quintal. Legislation for the levy of cess has already been enacted. It is expected that the levy will bring in Rs. 30-35 crores per annum which would be used for the purposes mentioned earlier. This would help in increasing overall technical efficiency and performance of sugar factories.

During the 1981-82 season, the Government relaxed the curbs on sugar stock holding by recognised dealers. It may be recalled that effective from July 14, 1980, the Government had lowered the limits on stock holding by recognised dealers in the wake of sugar scarcity and the resulting increase in prices. In view of the spectacular increase in sugar production and the mounting stocks with factories, the Government raised the stock holding limits of sugar by recognised dealers from 250 quintals to 1,000 quintals in cities and towns with a population of 5 lakhs or more, from 250 quintals to 500 quintals in cities and towns with a population of 1-5 lakhs, and from 100 quintals to 250 quintals in cities and towns having a population of less than 1 lakh. The revised stock limits are as follows :—

(Quintals)

Population	Stock limits imposed on July 19, 1979	Stock limits effective from September 6, 1979	Stock limits effective from February 26, 1980	Stock limits effective from July 14, 1980	Stock limits effective from April 29, 1982
15 lakhs and above 5 lakhs to 15 lakhs	1,500	1,000	500 400	250	1,000
1 lakh to 5 lakhs	750	500	250		500
Less than 1 lakh	375	250	100	100	250
For Calcutta and Extended Areas					
Recognised dealers importing sugar from outside West Bengal	7,500	7,500	3,500	3,500	7,500

Under the Levy Sugar Price Equalisation Fund created in April 1976 (for securing recovery of the excess realisations made by sugar mills under the interim orders of the courts over and above the prices fixed under the Essential Commodities Act and refunding the same to rightful claimants) a sum of Rs. 39.95 lakhs was recovered from the mills during the year 1981-82 (April-March) bringing the total amount recovered since the commencement of the Act to Rs. 6.63 crores. In addition, under orders of the courts, the Food Corporation of India collected a sum of Rs. 10.95 crores.

With the sharp increase in production to over 84 lakh tonnes in the 1981-82 season, the Government created a buffer stock of sugar with a view to stabilising prices and consumption within reasonable limits and for enabling factories to pay the minimum price of cane without hardship. The buffer stock consists of 5 lakh tonnes built out of the free sale portion of sugar produced during the 1981-82 season. The stock is kept sequestered with the sugar mills (the share of each mill being fixed in proportion to its production).

In order to maintain the scheme as well as make it self-financing, the Sugar Cess Act 1982 and the Sugar Development Fund Act 1982 have been amended to enhance the cess. The buffer stock scheme, according to the Government, may involve an expenditure of about Rs. 49 crores per annum in addition to enhanced bank credit. The scheme would be financed out of the cess credited to the sugar development fund.

II INDUSTRIAL SECTOR

Trends in Industrial Production during 1981-82

Overall Trends

The recovery in industrial production witnessed since the second half of 1980-81 accelerated during the fiscal year 1981-82. The monthly average of general index of industrial production (Base :1970=100) compiled by the Central Statistical Organisation (CSO) at 167.2 during 1981-82, recorded a growth of 8.6 per cent compared to only 4.0 per cent during 1980-81. (Table III. 13). A feature of this year's industrial production was that the progress was allround and no sector of the industry had lagged behind in increasing production. Not only this, the proportion of industries (in terms of weight) recording a high growth rate (10 per cent and above) was very high as compared to last year. During 1981-82, industries accounting for a combined weight of 77.97 per cent in the general index of industrial production had recorded production increases as compared to industries with a weight of 74.59 per cent showing increases in 1980-81. Out of this, industries with a combined weight of 39.77 per cent had recorded growth rates of 10 per cent and above, and industries with 24.80 per cent of total weight had recorded growth rates of 5 to 10 per cent. Only industries with 13.40 per

Table III-13 : Trends in Industrial Production—Group-wise

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

Group	Weight	Increase (+)/Decrease (—) over the previous year (Per cent)		
		1979-80	1980-81	1981-82 (Provisional)
1	2	3	4	5
General Index (Crude)	100.00	— 1.4	+ 4.0	+ 8.6
A. Use-based Classification :				
1. Basic Industries	32.28	— 0.5	+ 3.9	+12.6
2. Capital Goods Industries	15.25	— 2.6	+ 7.0	+ 7.2
3. Intermediate Goods Industries	20.95	+ 1.8	+ 1.3	+ 4.3
4. Consumer Goods Industries	31.52	— 4.3	+ 4.4	+ 8.0
(a) Durables	3.41	+ 5.6	+ 1.8	+ 0.6
(b) Non-durables	28.11	— 5.7	+ 4.8	+ 9.1
B. Input-based Classification :				
1. Agro-based Industries	33.68	— 3.8	+ 6.0	+ 6.0
2. Metal-based Industries	21.93	— 1.0	+ 4.1	+ 5.6
3. Chemical-based Industries	12.86	— 0.4	+ 1.7	+13.4
C. Sectoral Indicators :				
1. Transport Equipment and Allied Industries	10.79	— 0.1	+ 2.4	+11.0
2. Electricity and Allied Industries	14.53	+ 1.1	+ 7.2	+ 8.0
3. Energy Output@	18.51	+ 2.0	+ 4.9	+13.6

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

cent of total weight had recorded growth rates of less than 5 per cent. This was in sharp contrast to the trend in 1980-81 when industries accounting for 13.38 per cent, 34.45 per cent and 26.76 per cent of total weight had recorded growth rates of more than 10 per cent, 5 to 10 per cent and less than 5 per cent, respectively (Table III. 14).

The process of industrial growth in 1981-82 was speeded up by the efforts made by the Government in the recent past to remove bottlenecks in infrastructural facilities by bringing about a better co-ordination in the three sectors of coal, power and transport. Further, in pursuance of the Industrial Policy Statement of July 1980, a number of wide ranging policy measures were initiated to create the required conditions for rapid and harmonious growth in industrial output. The five per cent automatic expansion of capacity per annum (introduced with effect from August 15, 1980)

Table III-14 : Classification of Industries by their Growth Rates

Range of Growth Rates	In terms of Weights in General Index of Industrial Production (Base: 1970=100)	
	1980-81	1981-82 (Provisional)
1	2	3
A. Increase		
1. Moderate: Less than 5%	26.76	13.40
2. Marked: 5% and above	47.83	64.57
Of which: 10% and above	13.38	39.77
3. Total Weights (1+2)	74.59	77.97
B. Decline		
1. Moderate: Less than 5%	15.18	7.90
2. Marked: 5% and above	7.60	11.50
Of which:		
10% and above	3.66	5.45
3. Total Weights (1+2)	22.78	19.40
Total (A+B)	**97.37**	**97.37**

was further extended during the year under review to all the basic and core industries. This was in addition to 15 engineering industries which were already enjoying the facility of automatic growth in capacity from 1975. The Government also decided to recognise additional capacities on a selected basis in respect of 34 industries.

Besides, with a view to dealing with industrial sickness more effectively, the Government issued revised guidelines to Central Ministries, State Governments and financial institutions under which responsibility has been assigned to the concerned administrative ministries for the prevention of sickness in industrial sector within their respective charge. Also, financial institutions have been asked to ensure effective utilisation of credit they provide to sick units by asking sick units to submit returns periodically.

A number of incentives were provided by the Government for accelerating industrial growth and investment in the Budget for 1981-82 such as the removal of fourteen groups of industries from the Eleventh Schedule of Income Tax Act so that they now qualify for specified investment related concessions like investment allowance and tax holiday. Further, with a view to improving industrial investment, the ceiling on interest rate on debentures was raised from 12 per cent to 13.5 per cent. These and various other policy measures such as the streamlining of procedures for processing of applications for industrial licences, foreign collaboration and capital goods approval along with generally improved industrial relations had a cumulative and positive impact on industrial growth.

The impact of various measures taken by the Government was reflected in the substantial improvement in the performance of infrastructural industries such as power, coal, saleable steel, crude petroleum, petroleum products and cement. This sector which accounts for a combined weight of 23.3 per cent in the general index of industrial production showed a growth rate of 12.4 per cent during 1981-82

as compared to only 4.0 per cent in the previous year.

Among individual infrastructural industries, power generation during 1981-82 was higher by 10.2 per cent as compared to 5.7 per cent in the preceding year. Improvement noticed in power generation was due to better supply of coal to thermal plants and special efforts made to improve their maintenance and performance.

Coal output rose by 9.6 per cent — same as in 1980-81. This coupled with significant improvement in railway movement helped in increasing supplies of coal to power plants as well as to important industries *viz.*, steel, cement, etc. Saleable steel output in integrated steel plants increased by 13.9 per cent (4.0 per cent in 1980-81), crude petroleum by 54.6 per cent (as against a decline of 10.7 per cent in the preceding year), petroleum products by 16.9 per cent (as against a decline of 6.5 per cent in 1980-81) and cement by 16.7 per cent (2.5 per cent in 1980-81).

Movement of freight by railways, which started picking up in the latter half of 1980-81, gathered momentum and showed substantial improvement in 1981-82. The total originating revenue earning traffic, which increased by only 1.5 per cent in 1980-81, rose by 12.3 per cent in 1981-82 and exceeded the annual plan target of 215 million tonnes by 5 million tonnes. The total traffic carried by railways at 243 million tonnes was even higher than the earlier record level of 239 million tonnes in 1976-77. Capacity utilisation in railways showed a marked improvement. The total traffic in terms of net tonne kilometres rose to 175 billion which was much higher than the previous best of 163 billion in 1977-78. The increased movement of traffic by railways had an all-round beneficial effect on the other sectors of the economy.

Industry Group-wise Analysis

The improvement of 8.6 per cent in industrial production in 1981-82 was shared by all the broad industry groups with the 'Basic' industries group contributing about 47 per cent to the increase followed by 'Consumer Goods' industries (30 per cent), 'Capital Goods' industries (13 per cent) and 'Intermediate Goods' industries (10 per cent).

The 'Basic' industries group (weight 32.28 per cent), the single largest among the four groups in terms of weight, recorded a high growth rate of 12.6 per cent in 1981-82 as against 3.9 per cent achieved in 1980-81. All industries classified under this group generally bettered their performance in 1981-82. The fertiliser industry recorded the highest growth rate of 28.2 per cent followed by cement 16.7 per cent, mining and quarrying 15.7 per cent and electricity 10.2 per cent. The iron and steel basic industry which had shown a negative growth rate of 1.3 per cent during 1980-81 recorded a positive growth rate of 7.6 per cent. The next important group viz. 'Consumer Goods' (weight 31.52 per cent) recorded an increase of 8.0 per cent in output during 1981-82 over the increase of 4.4 per cent recorded in the preceding year. Within this group, while the output of 'consumer non-durables' (weight 28.11 per cent) registered a growth rate of 9.1 per cent over and above the growth rate of 4.8 per cent during the preceding year, that of 'consumer durables' (weight 3.41 per cent) showed a further deceleration in its growth rate from 1.8 per cent to 0.6 per cent. Among the consumer non-durable industries, while the output of sugar, vanaspati, beverages, tobacco, footwear, other wearing apparel and made-up textile goods, razor blades and electrical lamps showed sizeable increases, the output of cocoa, cotton weaving (mill sector), rubber footwear and photographic and optical goods decelerated. Among the consumer durable goods the impressive growth rate of 36.1 per cent recorded by motor car industry was more than offset by the negative growth rates achieved in the output of electric fans, telecommunication goods and professional and scientific measuring and controlling instruments.

The 'Intermediate Goods' industries group (weight 20.95 per cent) registered a growth rate of 4.3 per cent during 1981-82 as compared to 1.3 per cent in 1980-81. The output of petroleum refinery products recorded a marked increase of 16.9 per cent as against a fall of 6.5 per cent during the preceding year. Similarly, the output of insecticides, fine

chemicals, man-made fibres, storage batteries and newsprint in this group achieved high growth rates. The jute textiles industry, however, showed a decline of 4.2 per cent in output in contrast to an increase of equal magnitude in the previous year due to demand constraints. Cotton and blended yarn recorded a nominal increase of 0.7 per cent in 1981-82 as against an increase of 7.6 per cent during the previous year.

The 'Capital Goods' industries group (weight 15.25 per cent) recorded a growth rate of 7.2 per cent during 1981-82 on top of an increase of 7.0 per cent recorded in the preceding year. In this group, while the production of commercial vehicles (buses, trucks and jeeps), agricultural machinery (tractors), air conditioners, refrigerators, internal combustion engines and machine tools increased, the output in respect of ship building and repairing, electrical cables and wires and general items of machinery industries decreased.

Industrial Growth during April-June 1982

The impressive growth in industrial production achieved during the year 1981-82, however, could not be sustained in the first quarter of 1982-83 (April-June), with the index of industrial production at 166.6 (monthly average) showing a rise of only 6.0 per cent in contrast to the growth of 11.3 per cent achieved in the same quarter last year. The deceleration in industrial output during April-June 1982 was accounted for by declines in growth rates in all the three sectors *viz.*, 'manufacturing,' 'electricity' and 'mining.'

The output in 'mining' sector increased during April-June 1982 at 12.3 per cent which was lower by 3.4 percentage points when compared with a rise of 15.7 per cent achieved in the corresponding quarter of the last year. The comparatively lower growth rate in the mining sector was mainly due to decline in the growth rate of crude petroleum which increased by only 26.1 per cent in April-June 1982 as against 64.5 per cent in April-June 1981. The output of coal, however, increased by 8.0 per cent during the period as compared to a rise of 6.3 per cent during the corresponding period of last year.

The 'manufacturing' sector, which accounts for the highest weight of 81.08 per cent in the general index, also showed a decline in the growth rate to 5.2 per cent from 9.6 per cent during the corresponding quarter of the last year. The decline in the growth rate was mainly brought about by the fall in production in some of the important industries, *viz.*, saleable steel, yarn, cloth (mill sector), jute manufactures, man-made fibres and railway wagons. The fall in the production of yarn, cloth (mill) and man made fibres in turn was the result mainly of the long-drawn strike in textile mills in Bombay.

The overall growth rate in the 'electricity' sector was also lower at 5.9 per cent during the period under review when compared to an increase of 19.4 per cent witnessed in the corresponding quarter last year.

Capacity Utilisation

Due to sustained improvement in infrastructural facilities such as power, coal, transport etc., capacity utilisation during 1981-82 improved as compared to the previous year. However, information on installed capacity is available only for 26 industries accounting for a weight of 27.1 per cent in the General Index of Industrial Production (Table III- 15). The analysis of the trend in capacity utilisation is given on the basis of these 26 industries. The number of industries reporting capacity utilisation at 70 per cent and above numbered 15 in 1981-82 as compared to 12 in 1980-81 (Table III. 16).

In the 'Basic' industries group, all the 10 industries showed increases in capacity utilisation ratio during 1981-82. However, in the group of 'Capital Goods' Industries, while machine tools and electric motors showed increase in capacity utilisation ratio, power transformers showed decline.

'Intermediate Goods' and 'Consumer Goods' groups presented a mixed trend in capacity utilisation ratios during 1981-82. In the case of the former, while storage batteries, dry cells and automobile tubes and tyres recorded improvement in capacity utilisation, industries manufacturing paints and varnishes, cycle tyres

Table III-15 : Production, Installed Capacity and Capacity Utilisation Ratios of Selected Industries

Group/Industry	Accounting Unit	1979-80 (Monthly Average)			1980-81 (Monthly Average)			1981-82 (Provisional) (Monthly Average)		
		Production	Installed Capacity	Ratio	Production	Installed Capacity	Ratio	Production	Installed Capacity	Ratio
1	2	3	4	5	6	7	8	9	10	11
I. Basic Industries										
1. Cement	'000 Tonnes	1468.3	2034.0	72.2	1504.8	2250.0	66.9	1755.3	2438.0	72.0
2. Steel Castings	,,	6.0	13.9	43.2	5.9	13.9	42.4	6.8	13.9	48.9
3. Copper (Virgin Metal) ..	,,	1.9	3.3	57.6	2.1	3.2	65.6	2.9	3.3	87.9
4. Aluminium (Virgin Metal)	,,	16.1	27.1	59.4	16.7	27.1	61.6	17.4	27.1	64.2
5. Aluminium Sheets and Circles	,,	4.0	6.3	63.5	3.9	6.3	61.9	4.4	6.3	69.8
6. Sulphuric Acid	,,	180.1	296.0	60.8	161.5	301.0	53.7	174.8	301.0	58.1
7. Nitrogenous Fertilisers (N Content)	,,	185.5	469.0	39.6	189.0	469.0	40.3	262.0	469.0	55.9
8. Phosphatic Fertilisers (P_2O_5)	,,	62.6	131.0	47.8	69.6	131.0	53.1	79.0	131.0	60.3
9. Saleable Steel	,,	503.3	727.4	69.2	523.6	725.0	72.2	596.3	725.0	82.2
10. Ingot Steel	,,	669.0	950.0	70.4	612.8	950.0	64.5	716.3	950.0	75.4
II. Capital Goods Industries										
1. Power Transformers ..	'000 KVA	1500.3	1856.0	80.8	1621.5	2475.0	65.5	1749.3	2880.0	60.7
2. Electric Motors ..	'000 H.P.	308.6	561.0	55.0	342.7	572.0	59.9	381.5	559.0	68.2
3. Machine Tools	Rs. Crores	14.2	13.8	102.9	16.9	16.3	103.7	21.7	19.2	113.0

Table III-15 : Production, Installed Capacity and Capacity Utilisation Ratios of Selected Industries—(*Concld.*)

Group/Industry	Accounting Unit	1979-80 (Monthly Average)			1980-81 (Monthly Average)			1981-82 (Provisional) (Monthly Average)		
		Production	Installed Capacity	Ratio	Production	Installed Capacity	Ratio	Production	Installed Capacity	Ratio
1	2	3	4	5	6	7	8	9	10	11
III. Intermediate Goods Industries										
1. Tyres—Automobiles ..	'000 Nos.	504.6	698.3	72.3	565.0	761.6	74.2	630.4	789.9	79.8
2. Tyres—Cycles	,,	2354.0	2883.0	81.7	2291.8	2883.0	79.5	2171.9	2858.0	76.0
3. Tubes—Automobiles ..	,,	430.0	751.8	57.2	484.2	851.3	56.9	502.3	872.2	57.6
4. Storage Batteries ..	,,	138.8	129.0	107.6	146.4	220.0	66.5	164.7	222.0	74.2
5. Dry Cells	Million Nos.	70.9	101.1	70.1	82.9	121.3	68.3	92.2	125.3	73.6
6. Paints and Varnishes ..	Lakh Kgs.	64.7	97.9	66.1	75.7	97.9	77.3	80.8	124.7	64.8
7. Cotton Spinning* ..	—	—	—	75.7	—	—	77.0	—	—	76.9
IV. Consumer Goods Industries										
(*a*) *Durables:*										
1. Electric Fans ..	'000 Nos.	327.4	257.0	127.4	346.8	267.1	129.8	334.5	408.0	82.0
(*b*) *Non-durables:*										
1 Foot-wear (Rubber).	Lakh Pairs	32.8	46.5	70.5	36.8	45.7	80.5	31.5	45.7	68.9
2. Electric Lamps (Incandescent Filament)	Million Nos.	17.0	16.1	105.6	16.8	19.6	85.7	22.2	21.4	103.7
3. Penicillin	M.M.U.	25.5	30.3	84.2	27.0	30.3	89.1	30.6	30.3	101.0
4. Streptomycin ..	Tonnes	17.4	21.4	81.3	15.5	21.4	72.4	19.9	21.4	93.0
5. Cloth Weaving (Mill Sector)*	—	—	—	77.4	—	—	77.7	—	—	73.7

* Capacity utilisation ratio indicates the ratio of spindles/looms worked to spindles/looms installed.
Sources : C.S.O., Ministry of Industry and Steel Authority of India Ltd.

Table III-16 : Frequency Distribution of Capacity Utilisation Ratios of Selected Industries

Range of Capacity Utilisation Ratio in 1981-82	Industry	Capacity Utilisation Ratio			Percentage Variation	
		1981-82	1980-81	1979-80	1981-82 over 1980-81	1980-81 over 1979-80
1	2	3	4	5	6	7
	A. Basic Industries					
Above 80	1. Copper (Virgin Metal)	87.9	65.6	57.6	+34.0	+13.9
	2. Saleable Steel	82.2	72.2	69.2	+13.9	+ 4.3
Between 70 to 80	3. Ingot Steel	75.4	64.5	70.4	+16.9	— 8.4
	4. Cement	72.0	66.9	72.2	+ 7.6	— 7.3
Between 60 to 70	5. Aluminium Sheets and Circles	69.8	61.9	63.5	+12.8	— 2.5
	6. Aluminium (Virgin Metal)	64.2	61.6	59.4	+ 4.2	+ 3.7
	7. Phosphatic Fertilisers (P_2O_5)	60.3	53.1	47.8	+13.6	+11.1
Below 60	8. Sulphuric Acid	58.1	53.7	60.8	+ 8.2	—11.7
	9. Nitrogenous Fertilisers (N Content) ..	55.9	40.3	39.6	+38.7	+ 1.8
	10. Steel Castings	48.9	42.4	43.2	+15.3	— 1.9
	B. Capital Goods Industries					
Above 80	1. Machine Tools	113.0	103.7	102.9	+ 9.0	+ 0.8
Between 60 to 70	2. Electric Motors	68.2	59.9	55.0	+13.9	+ 8.9
	3. Power Transformers	60.7	65.5	80.8	— 7.3	—18.9
	C. Intermediate Goods Industries					
Between 70 to 80	1. Tyres—Automobiles	79.8	74.2	72.3	+ 7.5	+ 2.6
	2. Cotton Spinning	76.9	77.0	75.7	— 0.1	+ 1.7
	3. Tyres—Cycles	76.0	79.5	81.7	— 4.4	— 2.7
	4. Storage Batteries	74.2	66.5	107.6	+11.6	—38.2
	5. Dry Cells	73.6	68.3	70.1	+ 7.8	— 2.6
Between 60 to 70	6. Paints and Varnishes	64.8	77.3	66.1	—16.2	+16.9
Below 60	7. Tubes—Automobiles	57.6	56.9	57.2	+ 1.2	— 0.5
	D. Consumer Goods Industries					
	(*a*) *Durables:*					
Above 80	1. Electric Fans	82.0	129.8	127.4	—36.8	+ 1.9
	(*b*) *Non-durables:*					
Above 80	1. Electric Lamps(Incandescent Filament)	103.7	85.7	105.6	+21.0	—18.8
	2. Penicillin	101.0	89.1	84.2	+13.4	+ 5.8
	3. Streptomycin	93.0	72.4	81.3	+28.5	—10.9
Between 70 to 80	4. Cloth Weaving (Mill Sector)	73.7	77.7	77.4	— 5.1	+ 0.4
Between 60 to 70	5. Rubber Footwear	68.9	80.5	70.5	—14.4	+14.2

and cotton yarn reported decline. Electric fans in the 'consumer durable goods' industry group recorded a substantial fall in the capacity utilisation ratio. While electric lamps, penicillin and streptomycin in the 'non-durable consumer' goods industry group recorded improvement in capacity utilisation ratio, there was a decline in capacity utilisation ratio in the case of rubber footwear and cotton weaving industry.

Small-Scale Sector

During 1981-82, the small-scale industrial sector registered an impressive rise in terms of production, exports and generation of employment. While the estimated production at Rs. 25,920 crores (at 1979-80 prices) in 1981-82 rose by 10 per cent, exports rose by 9 per cent to Rs. 1,686 crores from Rs. 1,543 crores in the previous year. The annual employment generated was also higher by 6 per cent and as at the end of 1981-82, 75 lakh persons were employed in the small-scale sector as against 67 lakhs employed in 1979-80 and 71 lakhs in 1980-81. A target of Rs. 27,500 crores of production, Rs. 1,430 crores of exports and 78 lakhs of generation of employment has been set for 1982-83 (Table III.17).

Table III-17 : Small-Scale Sector

Item	(April-March)			
	1979-80	1980-81 (Estimated)	1981-82 (Estimated)	1982-83 (Target)
1	2	3	4	5
Production (Rupees Crores) (at 1979-80 Prices)	21,635	23,566	25,920	27,500
Exports (Rupees Crores)	1,050	1,543	1,686	1,430
Employment (Lakh persons) ..	67	71	75	78

Source : Report of the Small Industries Development Organisation, 1981-82.

In accordance with the Government's policy to give stimulus to the growth of small-scale industries, the policy for reservation of industries for development exclusively in this sector was continued and a Committee of Secretaries headed by the Secretary (Industrial Development) was appointed to review the policy on a continuing basis. During the year 1981-82, 8 new items were added to the list of reserved industries while 14 items were deleted. The nomenclature of 53 items was changed and redefined. The number of reserved items stood at 832 by the end of January 1982. Other measures taken by the Central Government for the growth of small-scale industries included reservation of 384 items for exclusive purchase from this sector by D.G.S. & D., exemption from paying registration fees, restructuring of District Industries Centres liberalisation of import policy and streamlining the distribution system of various critical raw materials. The limit of repeat import licence without production of consumption certificate was raised from Rs. 50,000 to Rs. 1 lakh for this sector. Recognition was accorded to small-scale industries as priority sector, and banks were advised by the Reserve Bank to give special attention to the credit requirements of these industries and also to ensure that 12.5 per cent of the total advances to small-scale industries is provided to the weaker sections comprising rural artisans, village craftsmen, etc.

The tax incentives were further enhanced and exemption from excise duty was allowed to small-scale industries on clearances upto Rs. 30 lakhs per annum on goods included under tariff item 68. Under the general exemption scheme for small-scale manufacturers of 72 specified commodities, the existing limit for duty clearance was raised from Rs. 5 lakhs to Rs. 7.5 lakhs.

District Industries Centres

The District Industries Centres Programme launched in May 1978 was continued during the year. However, in order to make the District Industries Centres (DICs) more effective, a review of the Programme was undertaken and discussions were held with the State Governments, Planning Commission and other agencies of the Central Government. As a result it was decided to modify the organisational structure of the DICs with effect from April 1, 1981. Accordingly each District Industries Centre would consist of one General Manager, four Functional Managers and three Project Managers who will be drawn from disciplines considered relevant to the needs of the district. The present pattern of sharing of costs equally by the State Government and the Central Government on each financial component of the scheme would continue. However, the total liability of the Government of India in respect of reimbursement on account of staff would be restricted to Rs. 2.5 lakhs per District Industries Centre per annum as at present. It was also decided

to monitor the programme both at the State and the Central levels through the co-ordination committees set up for the purpose.

By the end of March 1982 as many as 384 DICs were sanctioned covering 394 districts out of 406 districts in the country. In other words, 97 per cent of the districts in the country had already been covered by DICs. Progress reports available for 324 DICs for 1980-81 show that 2.93 lakh new entrepreneurs were identified and 82,243 Project Profiles were prepared. In all 2.38 lakh new units comprising of 1.77 lakh artisan-based and 0.60 lakh small-scale units were established (Table III. 17A). An amount of Rs. 286.8 crores was provided to these units in the form of institutional credit assistance. With the establishment of these units, additional employment opportunities for 8.07 lakh persons have been created. As per the scheme of assisting sick industrial units under the DICs Programme, 939 sick units were assisted and another 1.70 lakh units were provided with technical and other assistance. The value of exports during 1980-81 in respect of 324 DICs amounted to Rs. 499.76 crores.

Table III-17A : Performance of District Industries Centres

Item	Total Achievements			Per DIC Achievement		
	1979-80	1980-81	1981-82 (Estimated)	1979-80	1980-81	1981-82 (Estimated)
1	2	3	4	5	6	7
1. No. of DICs reporting	275	324	N.A.	—	—	—
2. New Registrations done (Nos.)	1,16,970	1,53,197	1,98,640	425	473	520
3. New Units established						
(*i*) Artisans	1,49,920	1,77,236	2,29,200	545	547	600
(*ii*) SSI	46,852	60,328	76,400	170	186	200
Total	1,96,772	2,37,564	3,05,600	715	733	800
4. Sick Units assisted (Nos.)	1,257	939	N.A.	5	3	N.A.
5. Credit assistance provided by financial institutions (Rupees in crores)	183.39	286.80	374.36	0.67	0.89	0.98
6. Cash Subsidy (Rupees in crores)	22.05	72.91	N.A.	0.08	0.23	N.A.
7. Additional Employment generated (No. of persons)	6,65,488	8,07,145	10,46,680	2,420	2,491	2,740

N.A. : Not available.

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

It is estimated that during 1981-82, 3.1 lakh units comprising of 2.3 lakh artisan-based and 0.8 lakh small-scale units would have been established. The additional employment opportunities guaranteed by these units is estimated at one million. The credit assistance provided by financial institutions to these units amounted to Rs. 374.4 crores.

Industrial Sickness

Latest data (upto June 1981), on industrial sickness show a further rise in the number of sick units, as also in total bank credit outstanding against these units. The number of large industrial units availing of bank credit of Rs. 1 crore and above and identified by banks

as sick units rose to 422 in June 1981 from 389 in June 1980 (Table III. 18). The outstanding bank credit against these units at end-June 1981 at Rs. 1,453.29 crores also showed a rise of Rs. 220.6 crores over end-June 1980. Industry-wise, the incidence of sickness was more pronounced in the case of textiles with 94 units and outstanding bank credit of Rs. 406.48 crores, followed by engineering and electrical industries with 92 units and outstanding bank credit of Rs. 319.61 crores.

The number of sick units identified by banks in the small-scale industries sector marginally rose to 22,360@ at the end of June 1981 from 22,325 a year ago. The outstanding bank credit against these units also rose to Rs. 321.52@ crores from Rs. 292.8 crores over the same period.

By the end of June 1981, out of 23,742 sick industrial units (large, medium and small), 6,211 units with bank credit of Rs. 1,390.16 crores had been identified by the financing banks as potentially viable, while 11,778 units with total bank credit of Rs. 325.06 crores were considered non-viable. Banks had not taken a decision regarding viability of the remaining 5,753 sick units with total bank credit of Rs. 196.75 crores. Viable sick units accounted for about 72.7 per cent of the total bank credit at Rs. 1,911.97 crores outsta ding against all sick units, whereas non-viable units accounted for only about 17 per cent thereof. Sick units in case of which banks have yet to take a decision regarding viability accounted for 10.3 per cent. Of the 6,211 units considered viable, 2,636 units were taken up for the nursing programme by the financing banks.

In October 1981, the Government announced revised guidelines for Central Ministries, State Governments and financial institutions regarding the sick industrial undertakings. Under the guidelines, responsibility has been assigned to the concerned administrative ministries for the prevention of sickness in industrial sector within their respective charge, as also for co-ordinated remedial action by them in this regard. Banks and other financial institutions providing credit facilities to the sick units have been requested to ensure that such credits are utilised effectively. The aided sick

@ Aggregate data on all sick units as at the end of June 1981 are provisional.

Table III-18 : Sick Industrial Units and Outstanding Bank Credit

(Rupees crores)

Industry	End-June 1980		End-June 1981	
	No. of Units	Amount of Outstanding Bank Credit	No. of Units	Amount of Outstanding Bank Credit
1	2	3	4	5
1. Engineering and Electricals	88	304.25	92	319.61
2. Iron and Steel	42	82.36	47	105.89
3. Textiles	89	349.56	94	406.48
4. Chemicals	22	146.16	26	186.12
5. Sugar	48	77.97	48	117.00
6. Jute	35	86.81	35	92.26
7. Rubber	9	42.50	12	64.95
8. Cement	3	11.83	3	13.20
9. Miscellaneous	53	131.26	65	147.78
Total	**389**	**1,232.70**	**422**	**1,453.29**

units are required to submit periodical returns to financial institutions. Directors nominated on the board of sick units are also required to submit periodical reports to financial institutions. Further, banks have been advised that they should hereafter refer the cases of sick units which have not been granted financial assistance by term lending institutions to the Industrial Reconstruction Corporation of India (IRCI) instead of the IDBI, for formulating rehabilitation package and other assistance required by such units. Accordingly, banks are required to refer the cases of all sick units to the IRCI where term lending institutions are not involved.

Mention was made in the last year's Report about the appointment of a committee by the Bank under the chairmanship of Shri T. Tiwari to look into the legal and other difficulties encountered by banks and financial institutions in rehabilitation of sick industrial undertakings and to suggest remedial measures including changes in the law. The Committee has since submitted an interim report and the same is under the consideration of the Government.

The Government also announced a 'margin money' scheme, effective from January 1, 1982, for reviving viable sick small-scale units. The scheme would remain in force till March 31, 1985. Under the scheme, a sick small-scale unit would be sanctioned a minimum loan of Rs. 1,000 and a maximum of Rs. 20,000 on the recommendations of the State Level Co-ordination Committee for Sick Units. The scheme is intended to supplement the efforts of the State Governments, commercial banks, etc., and would be dovetailed into a total package of assistance now being given to the sick small units.

Industrial Licensing Policies

During the year under review, the Government announced further policy decisions in regard to industrial development. The major thrust of the policy decisions was to ensure growth of industries in the core sector and the export-oriented industries, correction of regional imbalances, as also optimum utilisation of installed production capacity. Some of the major changes in the industrial policy announced during the year are as given below:

(1) Five more industries have been added to the core sector industries in appendix-I of the industrial licensing policy, thereby throwing open five more areas to large houses and FERA Companies. The additions to appendix-I are: (1) high technology reproduction and multiplication equipment, (2) carbon and carbon products, (3) pre-tensioned high pressure RCC pipes, (4) rubber machinery and (5) printing machinery.

Large Houses and multinational companies will also be permitted to set up units outside the appendix-I list of industries, provided the units are predominantly export-oriented i.e., they export 60 per cent of their produce in respect of items not reserved and 75 per cent in respect of items reserved for small-scale sector.

(2) To prevent mushroom growth and pre-emption of capacity which causes wastage of resources, sixty-six more industries under Schedule V were brought under the purview of industrial licensing (*e. g.* T.V. receivers, caustic soda, ferro-alloys, etc.). Accordingly, no automatic registration of capacity with the DGTD will be allowed in respect of these industries. They have been given a period of six months from January 25, 1982 for obtaining a licence from the Government.

(3) In order to achieve the objectives of declaration of 1982 as the 'Year of Productivity' and liberalisation of investment procedures as per the revised 20-point programme, the Government announced a scheme on April 21, 1982 to increase production. The salient features of the scheme are briefly stated below:

(*a*) All industrial units (except industries in the small-scale sector or industries subject to special regulation and licensing) should report their best production in the five financial years ending and including 1981-82. On scrutiny of production data, where production plus 1/3rd thereof in any year is higher than the licensed capacity plus 25 per cent thereof, capacity shall be re-endorsed on the licence to the extent of the best production achieved plus 1/3rd thereof.

(*b*) In case the production of units is higher than the capacity thus re-endorsed, they would be free to submit their licences for futher re-endorsement on March 31, 1983, whereupon the capacity would be further enhanced on the basis of best production on March 31, 1983 plus 1/3rd thereof.

(*c*) All units will be freely allowed to add balancing equipment subject to the condition that it does not result in increase in capacity by more than 25 per cent.

(*d*) The scheme will be reviewed after one year.

(4) In accordance with the declared policy of correction of regional industrial imbalances, the Government decided that applications for industrial licences for location in 'no-industry districts' will be given overriding preference to applications for all other locations. All over the country 83 districts have been identified as 'no-industry districts' wherein no large or medium-scale industrial units exist. Priority will be given to these identified districts in establishing industrial ventures and infrastructural development. Further, the Government will normally not allow any change of location of units from 'no-industry district' to any other district, including industrially backward districts.

(5) With a view to promoting conservation of energy and utilisation of alternate sources of energy, the Government have de-licensed setting up of units for production of equipment for exploitation of alternate sources of energy like solar insolation, wind power, bio-mass including bio-gas, geo-thermal energy, tidal power and sea power.

Annual Plan 1982-83-Outlay for Industry and Minerals

The Annual Plan for 1982-83 provides for a total outlay of Rs. 5,242.1 crores which is higher by about Rs. 1,537.0 crores or by 41.5 per cent than the outlay provided for the Central industrial and mineral projects in the previous year (Table III. 19). This has been done in order to ensure that the various industrial and mineral projects which were taken up in the earlier plan period and are either nearing completion or in an advanced stage of implementation, are completed according to schedule. In addition to the provision in the Central sector, an outlay of Rs. 294.8 crores has been provided for industries and minerals in the Plans of States and Union Territories. In view of the great importance attached to augmenting infrastructural inputs in the economy, around 78 per cent of the outlay in the Central sector is earmarked for iron and steel, cement, petroleum, coal and fertilizers. A large part of the outlay provided in the Plans of States and Union Territories under industry and minerals is for institutions like State Industrial Development Corporations and State Financial Corporations, etc. in order to enable them to expand their promotional activities for undertaking programmes of development of industrial areas as well as for providing financial assistance to industrial units in the private sector.

Some of the important industries in which additions to capacity are envisaged in 1982-83 are steel, cement, fertilizers, heavy chemicals, D.D.T., methanol, viscose staple fibre, polyester staple fibre, polyester filament yarn, rubber footwear, paper and paper board, industrial machinery, commercial vehicles, motor cycles, scooters, bicycles, ball and roller bearings, watches, ACSR conductors, storage batteries, GLS lamps and electronic goods.

As a result of the creation of new capacity as well as better utilisation of the existing capacities, substantial increases in production are envisaged in 1982-83 in a number of industries. Some of the important industries in which sizeable increases in production is envisaged are coal, crude oil, iron ore, steel. sponge iron, petroleum products, fertilizers, drugs and pharmaceuticals, industrial machinery, commercial vehicles, motorcycles, scooters and electronic goods.

Selected Industries : A Review

The performance of selected industries under the four broad groups, *viz.*, *basic*, *capital goods*, *intermediate goods* and *consumer goods* is briefly reviewed in this sub-section.

Table III-19 : Outlay for Selected Industries in the Central Sector under Annual Plan

(Rupees crores)

Industry	1980-81	1981-82	1982-83
1	2	3	4
Iron and Steel	803.00 (+33.8)	795.56 (—0.9)	859.90 (+8.1)
Petroleum	780.42 (+35.6)	1003.26 (+28.6)	1938.86 (+93.3)
Coal and Lignite	473.38 (+29.9)	625.03 (+32.0)	877.00 (+40.3)
Power	490.42 (+34.8)	674.00 (+37.4)	929.26 (+37.9)
Fertilisers	266.48 (+5.1)	272.96 (+2.4)	355.14 (+30.1)
Non-ferrous metals	106.40 (+49.1)	195.85 (+84.1)	248.50 (+26.9)
Petro-chemicals	56.50 (+21.5)	73.87 (+30.7)	106.14 (+43.7)
Cement	37.25 (+122.4)	32.35 (—13.2)	42.00 (+29.8)
Paper and Newsprint	77.11 (—24.2)	103.17 (+33.8)	97.32 (—5.7)
Drugs and Pharmaceuticals	30.61 (—3.8)	29.84 (—2.5)	15.82 (—47.0)
Textiles	22.00 (—16.3)	18.00 (—18.2)	17.33 (—3.7)
Total for Industry and Minerals	**3143.90 (+21.3)**	**3705.11 (+17.9)**	**5242.12 (+41.5)**

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

Source: Plan Budget, Government of India.

A. Basic Industries

(a) COAL

Output of coal (excluding lignite) at 124.9 million tonnes during 1981-82 (April-March) increased by 9.6 per cent for the second year in succession, marginally exceeding (0.7 per cent) the revised target of 124 million tonnes set for the year (Table III. 20). In 1980-81 also, coal production at 114 million tonnes had exceeded the target by 0.5 million tonnes. The sustained growth in coal output was largely due to various measures initiated by the Government to provide adequate supply of power to coal mines on a priority basis and to ensure speedy despatches of coal from pitheads by improving railway wagon movement. The tempo of increased coal production has so far been maintained during 1982-83 also. Total output of coal during April-June 1982 at 29.6 million tonnes was 7.6 per cent higher than that of 27.5 million tonnes in the corresponding period of 1981.

Company-wise, output of coal by Coal India Ltd. (CIL) at 109.6 million tonnes in 1981-82 exceeded the revised target of 108.7 million tonnes by about one million tonnes and was higher by 8.5 per cent than the production of 101.0 million tonnes reached in the preceding year. The improvement in production of coal by CIL was brought about by higher output per manshift which rose

Table III-20 : Performance of Coal Industry

(Million tonnes)

Item	1979-80	1980-81	1981-82 (Provisional)
1	2	3	4
1. Production			
(a) Coal (i+ii)	104.0 (+2.0)	114.0 (+9.6)	124.9 (+9.6)
(i) Coking Coal	30.0 (+33.3)	31.9 (+6.3)	35.2 (+10.3)
(ii) Non-coking Coal	74.0 (—6.9)	82.1 (+10.9)	89.7 (+9.3)
(b) Lignite	5.1 (+54.5)	5.1 (—)	6.3 (+23.5)
2. Imports (Coking Coal)	**0.9**	**0.4**	**0.7**
3. Despatches (i+ii)	**95.2** (—0.6)	**101.7** (+6.8)	**113.6** (+11.7)
(i) Coking Coal	25.5 (+18.6)	26.8 (+5.1)	30.8 (+14.9)
(ii) Non-coking Coal	69.7 (—6.2)	74.9 (+7.5)	82.8 (+10.5)
4. Exports	**0.1**	**0.1**	**0.2**
5. Year-end Pit-head Stocks (i+ii)	**14.0** (—5.4)	**18.3** (+30.7)	**21.3** (+16.4)
(i) Coking Coal	5.7 (+103.6)	8.0 (+40.4)	9.0 (+12.5)
(ii) Non-coking Coal	8.3 (—30.8)	10.3 (+24.1)	12.3 (+19.4)

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

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

Source: Department of Coal, Ministry of Energy.

from 0.72 tonne in 1980-81 to 0.78 tonne in 1981-82. Despite frequent strikes, Singareni Collieries Co. Ltd. (SCCL), Andhra Pradesh, also exceeded the target of 11.5 million tonnes with a record output of 12.1 million tonnes of coal, showing an increase of nearly 20 per cent over the preceding year.

Despatches of coal to various consumers improved by 11.7 per cent to 113.6 million tonnes in 1981-82 from 101.7 million tonnes in 1980-81. The larger despatches were facilitated by effective co-ordination between the Energy Ministry and the Railway Board, monitored by the special co-ordination machinery set up by the Government for maintaining uninterrupted transportation of coal by railways. As a result, daily average loading of coal increased from 10,265 wagons in March 1981 to 11,080 wagons in March 1982. During the year, offtake of coal by power sector at 44.2 million tonnes showed an increase of 27.4 per cent and by cement plants at 5.4 million tonnes of 23.2 per cent. Despatches of coal by road remained stagnant at the level of the previous year (25 million tonnes) be-

cause of improved rail movement during 1981-82. During April-June 1982, coal despatches at 30.1 million tonnes showed an increase of 7.5 per cent over the level reached in the corresponding months in 1981.

The problem of inadequate supply of coking coal which had been a major constraint on steel production was overcome to some extent in 1981-82 as a result of increased despatches of coking coal [14.6 million tonnes (provisional) in 1981-82 compared to 14.0 million tonnes in 1980-81]. The total requirement of coking coal by steel plants in 1982-83 has been assessed at 18.4 million tonnes. To augment domestic supply, the Government has planned to import about 1.6 million tonnes of coking coal during 1982-83, compared to imports of 0.7 million tonnes in 1981-82.

The sustained increase in output of coal in 1981-82 resulted in higher pithead stocks amounting to 21.3 million tonnes by end-March 1982, compared to 18.3 million tonnes a year ago. At end-June 1982, pithead stocks of coal stood at 19.6 million tonnes.

As part of the productivity drive, the Department of Coal has raised the target of coal production for 1982-83 to 135 million tonnes from 133 million tonnes fixed earlier by the Planning Commission. During 1981-82 (upto February 1982), 13 coal projects were sanctioned by the Government involving a capital outlay of Rs. 171.41 crores for a targeted production of 9.3 million tonnes. A low temperature carbonisation plant, which will be the first of its kind in the country, was sanctioned in July 1981. The plant will be located at Dankuni (West Bengal) at an estimated cost of Rs. 49.27 crores. Recently, eight sales centres have been opened by Bharat Coking Coal Ltd. (BCCL) in accordance with the CIL's new "off-the-shelf-scheme" for the sale of 10 million tonnes of coal from its collieries to consumers. As against 31 coal dumps presently functioning in various parts of the country to distribute coal and soft coke to industrial and domestic consumers, CIL plans to open a large number of rural dumps to meet the coal requirements of small-scale entrepreneurs and the soft coke requirements of domestic consumers in rural areas.

(b) IRON ORE

Iron ore production marginally increased by 0.5 per cent from 40.9 million tonnes in 1980 to 41.1 million tonnes in 1981 (Table III. 21). However, the pithead value of iron ore output was Rs. 129 crores, registering an increase of 11 per cent over that of 1980. The share of public sector mines in the aggregate ore production in 1981 was 49 per cent as compared with 44 per cent in 1980. The output of ore from the captive mines of steel plants formed 33 per cent of aggregate production as against 30 per cent in the previous year. Despatches of iron ore to steel plants for internal consumption were higher at 16.4 million tonnes in 1981 as compared with 14.6 million tonnes in 1980. Despatches for exports, however, were somewhat lower at 24.5 million tonnes in 1981 as compared with 25.9 million tonnes in 1980. The main reason for the fall in exports was the recession in international markets. Major buyers of iron ore like Japanese steel manufacturers have reportedly cut back their production.

The minehead stocks of iron ore at the end of 1981 remained at the level of 5.3 million tonnes, the same as at the end of 1980.

Mention was made in the last year's Report about the establishment of a pellet plant at Mangalore to convert the iron ore concentrates of the Kudremukh Iron Ore Co. into iron ore pellets for exports. The Kudremukh Iron Ore Co. has since signed an agreement (in September 1981) with the Uzine Export-Import, Romania, for the setting up of a pellet plant. The plant is likely to go into production by the last quarter of 1984.

(c) CEMENT

The increase in cement production noticed during 1980-81 improved further during 1981-82 with production rising by 16.7 per cent to 21.1 million tonnes (Table III. 22). This was on top of an increase of 2.5 per cent recorded in 1980-81. The capacity utilisation ratio in 1981-82 was higher at 72 per cent as compared to 67 per cent in 1980-81. The higher growth rate in cement production was achieved in the face of power cuts in some States, mainly due to better availability of

Table III-21 : Performance of Iron Ore Industry

(Million tonnes)

Item	1979	1980	1981
1	2	3	4
Production	39.9 (+1.5)	40.9* (+2.5)	41.1* (+0.5)
Despatches for Exports	24.4 (+12.4)	25.9 (+6.1)	24.5 (—5.4)
Year-end Stocks	4.7	5.3	5.3

* Provisional

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

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

Source : Indian Bureau of Mines.

Table III-22 : Performance of Cement Industry

(Million tonnes)

Item	1979-80	1980-81	1981-82 (Provisional)
1	2	3	4
Installed Capacity	24.41 (+8.2)	27.00 (+10.6)	29.26 (+8.4)
Production	17.62 (—8.9)	18.06 (+2.5)	21.08 (+16.7)
Capacity Utilisation Ratio (per cent)	72.18	66.89	72.04
Imports (Provisional)	1.19	1.97	2.00
Year-end Stocks	0.29	0.31	0.32

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

Sources : Central Statistical Organisation and Cement Manufacturers' Association.

other infrastructural facilities. The availability of coal and transport facilities, etc. were monitored regularly by the Infrastructural Committee of the Cabinet. Further, the installed capacity in cement industry has been increased by about 8 per cent from 27 million tonnes to a little over 29 million tonnes; this also contributed to the increase in production.

The tempo of growth in cement output has been maintained during 1982-83 also. During the first quarter (April-June 1982) of 1982-83, cement production at 5.68 million tonnes was higher by 21.4 per cent than the level of production in the corresponding period of the previous year. With the commissioning of additional capacity of about 7.5 million tonnes planned for 1982-83, the availability of indigenous cement would rise to around 25 million tonnes at the current level of capacity utilisation. This would narrow down the gap between demand and supply which was estimated at about 7 million tonnes during 1981-82.

Government announced a scheme of partial decontrol* with effect from February 28, 1982. According to the scheme, cement production in excess of the specified levy quota (66.6 per cent of the installed capacity in case of existing units and 50 per cent in case of new and sick units) can be sold in the open market. Simultaneously, the retention price* applicable to levy cement also was raised. The better price realisation by way of higher retention and free sale prices are expected to help the cement units to generate additional internal resources. It also provides an incentive to them to raise output in order to derive maximum benefit out of open market sales.

In order to augment domestic supply, about 2 million tonnes of cement were imported during 1981-82 as against 1.97 million tonnes in the previous year. With a view to meeting the deficit in the cement supply in the short run, the State Trading Corporation of India will be freely allowed to import cement on their own account or on account of other users. Ban on export of cement except for Nepal and Bhutan continued.

(d) IRON AND STEEL

The fall in the output of iron and steel industry noticed in 1980-81 was arrested during 1981-82 with substantial increase in the output of steel ingots, saleable steel as well as finished steel. The recovery is appreciable for it was achieved in the face of infrastructural constraints such as restrictions on power supply, poor quality as well as inadequate availability of coking coal, transport bottlenecks, etc.

Output of *saleable steel* at the integrated steel plants rose by 13.9 per cent to the level of 7,156 thousand tonnes in 1981-82, compared to 6,283 thousand tonnes in the preceding year (Table III. 23). At a total rated capacity of 8,700 thousand tonnes, the capacity utilisation of saleable steel in the six integrated steel plants was higher at 82.2 per cent, as compared with 72.2 per cent in 1980-81. Production of saleable steel in the five integrated steel plants in the public sector (Bhilai, Durgapur, Rourkela, Bokaro and IISCO) managed by the Steel Authority of India Ltd. (SAIL), at 5,652 thousand tonnes, registered a steeper increase of 18.5 per cent, compared to the output of 4,768 thousand tonnes in 1980-81.

Capacity utilisation of these plants also increased to 78.5 per cent in 1981-82 from 65.9 per cent in 1980-81. For 1982-83, a production target of 8,020 thousand tonnes has been fixed, comprising 6,470 thousand tonnes for the SAIL and 1,550 thousand tonnes in respect of the Tata Iron and Steel Company (TISCO). However, due to power restrictions, total output of saleable steel in April-June 1982 dropped by 5.0 per cent to the level of 1,564 thousand tonnes, as compared to 1,647 thousand tonnes during the corresponding period of 1981.

Output of *ingot steel* at integrated steel plants at 8,596 thousand tonnes in 1981-82 increased by 16.9 per cent, in contrast to a decline of 8.4 per cent to 7,353 thousand tonnes in 1980-81. However, production of ingot steel during April-June 1982 declined by 4.9 per cent to the level of 1,924 thousand tonnes from 2,024 thousand tonnes in the corresponding quarter of 1981. A production target of 10,200 thousand tonnes has been fixed for integrated steel plants for 1982-83.

The first stage of the Salem Steel Plant under the public sector to produce 32 thousand tonnes per annum of cold rolled stainless steel sheets and coils from imported hot bands was commissioned on September 13, 1981. During the six months of 1981-82, the plant produced 3,214 tonnes of rolled products, as against the target of 3,180 tonnes. A target of 11 thousand tonnes of saleable products has been set for 1982-83 for the Salem Plant.

The electric arc furnace units (popularly known as mini-steel plants) produced an estimated 2.02 million tonnes of ingot steel during 1981-82 which was nominally higher than the output of 2.00 million tonnes in 1980-81. At present, there are 157 mini-steel units in the country having a licensed capacity of 3.5 million tonnes per annum. During 1981-82, 144 units with a capacity of about 3.3 million tonnes were operating. Besides these units, there are about 50 other mini-steel units licensed for production of steel castings. The

*For details please refer Chapter IV of this Report.

Table III-23 : Production of Steel

(Thousand tonnes)

Year	Bhilai	Durga-pur	Rour-kela	Bokaro	TISCO	IISCO	Total (2 to 7)	VISL	ASP	Total (9+10)
1	2	3	4	5	6	7	8	9	10	11
Production of Steel Ingots										
1978-79	2200	945	1319	1195	1865	628	8152	117	97	214
1979-80	2108	883	1268	1426	1779	565	8029	118	77	195
1980-81	2041	741	1165	923	1874	609	7353	108	70	178
1981-82 (Provisional) ..	2115	930	1203	1792	1956	600	8596	104	86	190
Production of Saleable Steel										
1978-79	1846	778	1042	931	1516	481	6594	84	49	133
1979-80	1706	605	1045	849	1447	430	6040*	93	46	139
1980-81	1818	598	985	844	1537	523	6283*	81	41	122
1981-82 (Provisional) ..	1819	782	1091	1472	1605	488	7156*	77	52	129
Production of Finished Steel										
1978-79	1370	534	1029	894	961	315	5103	84	49	133
1979-80	1174	315	1030	846	777	278	4420	93	46	139
1980-81	1264	347	894	732	749	366	4352	81	42	123
1981-82 (Provisional) ..	1145	504	1063	1392	945	339	5388	77	52	129

* For 1979-80, 1980-81 and 1981-82, plant-wise figures of saleable steel output would not add up, as inter-plant transfers of HR Coils for further processing are excluded from the total (Column 8) to avoid duplication.

Source: Steel Authority of India Ltd.

average capacity utilisation of the mini-steel plants was between 65 per cent and 70 per cent. A higher capacity utilisation could not be achieved because of inadequate availability of the main inputs, *viz.*, melting scrap and electric power. With a view to helping mini-steel plants become financially viable units they have been given the following facilities: (*a*) liberal import of melting scrap and sponge iron without import duty, (*b*) free diversification into all grades of carbon and alloy steels, including stainless steel, (*c*) installation of captive rolling mills and (*d*) addition of balancing facilities like continuous casting machines, heat treatment furnaces, etc. With these facilities, mini-steel plants are expected to reach a production level of about 2.6 million tonnes by 1984-85.

During 1981-82, domestic sales of saleable steel including imports by SAIL were 9.2 per cent higher at 6,187 thousand tonnes as compared to 5,664 thousand tonnes in 1980-81. Despite record increase in offtake, unsold stocks with plants and stockyards accumulated to the level of about 1,070 thousand tonnes by end-March 1982, compared to 640 thousand tonnes a year ago. Smooth disposal of steel to consumers was hampered to some extent by inability to move steel in smaller lots over the railway system and higher cost of transportation by road.

In view of easy availability, the Government announced on February 13, 1982, relaxation of distribution guidelines for steel. The Joint Plant Committee (JPC) distribution procedure in vogue would continue to apply only in respect of plates, structurals and pig iron. Earlier, the JPC had announced on August 29, 1981 relaxation in its guidelines for distribution of all items of steel, except plates and structurals. Under the present policy, a new system of registration of demand from and supply with main producers and their stockyards as regards different groups of customers has been introduced. Special provisions have also been made for compact groups of industries such as re-rolling, forging, wire drawing and bright bar manufacturing units and other industries. The Government has also decided to increase supply of steel to small industries to 625 thousand tonnes in 1982-83 from 496 thousand tonnes in 1981-82.

The Steel Development Fund, set up in 1978 to ensure certain minimum and sustained flow of funds for the purpose of modernisation and development programme of the iron and steel industry, received contribution amounting to Rs. 411.44 crores (excluding Rs. 243.42 crores adjusted towards cost escalations) up to December 31, 1981. Out of this, Rs. 298.90 crores had been advanced as loans (upto December 31, 1981) for financing capital schemes and Rs. 44.68 crores as grants towards cost compensation and other dues. As regards prices, JPC raised the prices of controlled items of steel by Rs. 75 per tonne with effect from August 1, 1981. The proceeds from the hike in prices are credited to the Export Assistance Fund set up by the Government to promote exports of engineering goods. The last revision in steel prices was effected in February 1981. Another major development was the Government's announcement abolishing the system of administered prices for pig iron and all categories of steel produced by integrated steel plants. Accordingly, the JPC entrusted with the role of determining steel prices announced a new set of prices for various steel items, effective from April 2, 1982. The revisions included increase in prices of items comprising 36 per cent of tonnage planned to be produced during the fiscal year and reduction in prices of 20 per cent of the tonnage, while for 40 per cent of the tonnage there was no change. The remaining 4 per cent of tonnage contained items such as tin plates, pipes and electrical steel sheets which always remained outside the purview of JPC. The rationale behind the new price structure was to avoid a price spiral through cost push factors, ensure a higher return to the main producers, mop up the premium appropriated by the private trade and to reduce the burden on consumers.

The annual plan for 1982-83 provides an outlay of Rs. 859.90 crores for various schemes under the Department of Steel. A major part of the outlay has been earmarked for the Visakhapatnam Steel Plant, expansion of Bokaro and Bhilai to 4 million tonnes capacity each and Silicon Steel Plant at Rourkela. Adequate provision has been made for captive power plants at Bokaro, Bhilai and Durgapur. The major units under the expansion at Bhilai are expected to be completed during 1982-83. At Bokaro, except Blast Furnace No. 5 and CRM complex, all the other units are scheduled to be completed in 1982-83. Adequate provisions have also been made for various schemes of additions, modifications and replacements and modernisation in the existing plants so as to achieve better utilisation of existing capacity.

(e) ELECTRICITY

The improvement in the electricity generation noticed during the second half of 1980-81 continued during 1981-82 with total electricity generation for the year increasing by 10.2 per cent to 122.9 billion Kwh. which was 0.7 per cent higher than the target set for the year (Table III. 24). The increase in electricity generation was contributed mainly by thermal and hydel power generation which increased by 13.4 per cent and 6.5 per cent respectively. Nuclear power generation, on the other hand, was almost stagnant, increasing only marginally by 0.4 per cent. The share of thermal, hydel and nuclear power in total power generation was 57.2 per cent, 40.3 per cent, and 2.5 per cent, respectively, in 1981-82 as compared to 55.6 per cent, 41.7 per cent and 2.7 per cent, respectively, in 1980-81.

The significant improvement in the overall performance of the power sector, particularly

Table III-24 : Source-wise Break-up of Generation of Electric Power

(Million Kilo Watt Hours)

Source	1979-80		1980-81		1981-82	
	Power Generation	Percentage	Power Generation	Percentage	Power Generation	Percentage
1	2	3	4	5	6	7
1. Thermal	57,155 (+7.0)	54.2	62,031 (+8.5)	55.6	70,346 (+13.4)	57.2
2. Hydel	45,501 (—3.5)	43.1	46,532 (+2.3)	41.7	49,558 (+6.5)	40.3
3. Nuclear	2,876 (+3.8)	2.7	3,009 (+4.6)	2.7	3,021 (+0.4)	2.5
Total	**105,532 (+2.1)**	**100.0**	**111,572 (+5.7)**	**100.0**	**122,925 (+10.2)**	**100.0**

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

Source: Central Electricity Authority.

that of thermal power, was brought about mainly by the measures taken by the Government to improve the performance of thermal power stations. These measures included (*i*) assistance to the State Electricity Boards (SEBs) to identify the deficiencies in the plant and equipment, etc. and undertake plant betterment programmes in a time bound manner; (*ii*) adoption of preventive maintenance techniques for reducing the outage periods; (*iii*) arranging timely supply of spare parts from suppliers and advising power stations to place orders for spares well in time; (*iv*) supply of adequate quantity of coal of requisite quality ; (*v*) improving the performance of 200 MW units by setting up of a task force to identify their deficiencies to achieve early stabilisation and (*vi*) undertaking training programmes for engineers/ technical personnel manning the power stations. These measures had a beneficial impact on capacity utilisation of thermal plants which rose to 47 per cent in 1981-82 as against 44.7 per cent in 1980-81.

With the generation of 122.9 billion Kwh as compared with the requirement of 137.0 billion Kwh, the power shortage moved down from 12.7 per cent in 1980-81 to 10.8 per cent in 1981-82. However, the power shortage was larger than the all India average in the Eastern region (18.7 per cent) followed by Northern and North-Eastern regions (14.0 per cent each), and in some States such as Rajasthan, Uttar Pradesh, Punjab, Bihar, Orissa, Madhya Pradesh and West Bengal.

During 1981-82, additional generating capacity of 2,175 MW was created, taking the total installed generating capacity to 32,446 MW (Table III. 25). The tentative target for commissioning new capacity in 1982-83 has been fixed at 3,482 MW, comprising 1,045 MW of hydel power, 2,302 MW of thermal power and 135 MW of gas power. In order to accelerate the pace of commissioning of new power projects, the project construction schedules of different projects have been reviewed closely by the Ministry of Energy in consultation with the Central Electricity Authority (CEA), project authorities and major equipment manufacturers and suppliers. The Energy Ministry has also been in constant touch with different SEBs and other project authorities with a view to minimising project slippages.

The requirement and availability of energy for 1982-83 has been estimated at 145 billion Kwh and 132 billion Kwh, respectively. Total power generation during the first quarter (April-June) of 1982-83 was 31.7 billion Kwh which was higher by 5.7 per cent than 30.0

Table III-25 : Installed Plant Capacity

(Mega Watt)

Year	Hydel	Steam	Gas Turbine Diesel	Nuclear	Total
1	2	3	4	5	6
1978-79	10,833 (+8.1)	14,875 (+17.3)	332 (+1.5)	640 (—)	26,680 (+12.7)
1979-80	11,384 (+5.1)	15,991 (+7.5)	433 (+30.4)	640 (—)	28,448 (+6.6)
1980-81 (Provisional) ..	11,791 (+3.6)	17,179 (+7.4)	441 (+1.8)	860 (+34.4)	30,271 (+6.4)
1981-82 (Provisional) ..	12,171 (+3.2)	N.A.	N.A.	860 (—)	32,446 (+7.2)

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

Sources : Economic Survey, 1981-82, Government of India, and Central Electricity Authority.

billion Kwh generated during the corresponding quarter of 1981-82.

(f) CRUDE OIL AND PETROLEUM REFINERY PRODUCTS

Total indigenous output of crude oil during 1981-82 was estimated at about 16.2 million tonnes — 54.6 per cent higher than the output recorded in 1980-81 (Table III. 26). The output comprised 13.16 million tonnes produced by the Oil and Natural Gas Commission (ONGC) (5.3 million tonnes from on-shore and 7.9 million tonnes from off-shore areas) and 3.0 million tonnes by Oil India Ltd. (OIL) and Assam Oil Co. (AOC). Compared with the target of 16.84 million tonnes, this represented a shortfall of 0.64 million tonnes or 3.8 per cent mostly in respect of the off-shore operations of ONGC resulting from non-availability of adequate number of drilling vessels. Restoration of normalcy in the North-Eastern region, however, led to a near fulfilment of the target in crude output from on-shore.

Efforts to find more oil fields were continued during the year under review. The most noteworthy achievement of the exploratory efforts made was the discovery of oil at PY-9 (Palk Bay) and B-57 (Bombay Off-shore) structures. Action has also been initiated on the accelerated programme of production from the off-shore envisaging total off-shore production of well over 19.0 million tonnes of crude oil by 1984-85 as against the earlier projection of 13.2 million tonnes. On land, the development of Balol-Santhal and Jorajan oil fields was continued besides assessment and development work on a number of other small structures.

Import of crude oil during 1981-82 amounted to 15.3 million tonnes as against 16.2 million tonnes in 1980-81. Lower imports of crude oil were on account of the increase in indigenous production.

Total production of petroleum refinery products at 28.2 million tonnes was also higher during 1981-82, recording an increase of 16.9 per cent over 1980-81. With the completion of the Mathura Refinery, the total installed refining capacity has reached the level of 37.8 million tonnes per annum. The refinery through-put in 1981-82 was about 29 million tonnes, compared to the target of 32.42 million tonnes. The shortfall in reaching the target was on account of delay in commissioning the Mathura Refinery and non-availability of suitable crude for coastal refineries.

A production target of 20.98 million tonnes of crude oil (8.87 million tonnes from on-shore and 12.11 million tonnes from off-shore fields) and 33.47 million tonnes of petroleum refinery products has been fixed for 1982-83.

Table III-26 : Crude Oil and Petroleum Refinery Products

(Thousand tonnes)

Item	1977-78	1978-79	1979-80	1980-81	1981-82*
1	2	3	4	5	6
A. Crude Oil					
(a) Production (i+ii)	**10,763** (+21.0)	**11,633** (+8.1)	**11,768** (+1.2)	**10,505** (—10.7)	**16,243** (+54.6)
(i) On-shore	8,689 (+2.3)	8,323 (—4.2)	7,346 (—11.7)	5,520 (—24.9)	8,350 (+51.3)
(ii) Off-shore	2,074 (+410.8)	3,310 (+59.6)	4,422 (+33.6)	4,985 (+12.7)	7,893 (+58.3)
(b) Imports	**14,507** (+2.1)	**14,657** (+1.0)	**16,121** (+10.0)	**16,248*** (+0.8)	**15,300** (—5.8)
B. Petroleum Refinery Products					
(a) Production	**23,219** (+8.3)	**24,193** (+4.2)	**25,794** (+6.6)	**24,123*** (—6.5)	**28,202** (+16.9)
Of which					
(i) Naphtha	2,120 (+6.7)	2,262 (+6.7)	2,415 (+6.8)	2,115* (—12.4)	N.A.
(ii) Kerosene	2,450 (—5.1)	2,514 (+2.6)	2,539 (+1.0)	2,396* (—5.6)	N.A.
(iii) HSD	7,129 (+11.4)	7,350 (+3.1)	7,975 (+8.5)	7,371* (—7.6)	N.A.
(b) Imports	**2,878** (+6.0)	**3,869** (+34.4)	**4,724** (+22.1)	**7,283*** (+54.2)	**5,470** (—24.9)
Of which					
(i) Naphtha	260 (+41.3)	301 (+15.8)	154 (—48.8)	231* (+50.0)	N.A.
(ii) Kerosene	1,281 (+66.4)	1,449 (+13.1)	1,546 (+6.7)	2,065* (+33.6)	N.A.
(iii) HSD	775 (+16.7)	1,120 (+44.5)	2,010 (+79.5)	3,219* (+60.1)	N.A.

* Provisional.

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

Sources: Ministry of Petroleum, Chemicals and Fertilisers (Department of Petroleum) and Annual Plan, 1982-83.

An outlay of Rs. 1,938.86 crores has been provided for various programmes of exploration, production, refining and marketing activities during the year.

The AOC, a private sector company, was taken over by the Government of India on October 14, 1981 and merged with OIL. With this take-over, the entire oil industry is now in the public sector.

B. Capital Goods Industries

(*a*) ENGINEERING INDUSTRIES

The engineering industry, which had staged a recovery from a negative growth rate of 1.7 per cent in 1979-80 to a positive growth rate of 3.7 per cent in 1980-81, continued to show progress during the year 1981-82 with a 5.6 per cent increase in output. This increase

was mainly the result of continued easing of infrastructural constraints such as supply of power and coal, transport facilities, etc., which helped the industry to increase its exports in 1981-82 to Rs. 1,100 crores or by 22.2 per cent.

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

(*i*) *Heavy Mechanical Engineering Industries*

During the year 1981-82, the output of the automobile industry (comprising passenger cars, commercial vehicles and jeeps and land-rovers) increased sharply by 28.1 per cent as compared to 15.2 per cent during the preceding year (Table III. 27). Within the group, the output of *passenger cars* at 42,610 went up by as much as 36.1 per cent in contrast to the continuous decline in the preceding three years. The resumption of production by one of the units which was earlier affected by industrial dispute helped to enhance production.

It has been estimated that the domestic demand for cars would go up to 60,000 cars by 1984-85 and further to 1,90,000 cars by 1989-90. With a view to meeting this increase in demand and also keeping in view the industry's potential to tap export market for

Table III-27 : Output of Selected Heavy Mechanical Engineering Industries

Item	Unit	1979-80	1980-81	1981-82 (Provisional)
1	2	3	4	5
1. Automobiles (i+ii+iii)	'000 Nos.	104.6 (+3.8)	120.5 (+15.2)	154.4 (+28.1)
(i) Passenger Cars	„	33.1 (—1.2)	31.3 (—5.4)	42.6 (+36.1)
(ii) Commercial Vehicles (Buses & Trucks) ..	„	57.4 (+4.0)	71.3 (+24.2)	91.1 (+27.8)
(iii) Jeeps and Land-rovers		14.1 (+16.5)	17.9 (+27.0)	20.7 (+15.6)
2. Scooters	„	155.2 (—10.8)	211.7 (+36.4)	199.6 (—5.7)
3. Light, Medium and Heavy Structurals	'000 Tonnes	131.0 (+2.3)	90.8 (—30.7)	97.5 (+7.4)
4. Steel Castings (including ferro-alloys)	„	297.3 (—18.2)	324.6 (+9.2)	354.5 (+9.2)
5. Diesel Engines (Stationary)	'000 Nos.	137.3 (—4.8)	153.0 (+11.4)	176.0 (+15.0)
6. Railway Wagons (in terms of 4 wheelers) ..	„	10.8 (—0.9)	12.3 (+13.9)	17.4 (+41.5)
7. Road Rollers	Nos.	828 (+10.1)	895 (+8.1)	1,001 (+11.8)
8. Machine Tools	Rs. Crores	170.7 (+23.6)	203.4 (+19.2)	245.7 (+20.8)

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

Source: Central Statistical Organisation.

passenger cars and generate employment, steps have already been taken by the Government to increase production of cars. Modernisation schemes involving change of body styling and other improvements to engine, steering, transmission, suspension, etc. of two of the existing passenger car manufacturing units have been approved by the Government.

The output of *commercial vehicles* at 91,115 also showed a rise of 27.8 per cent compared with 24.2 per cent during the previous year. With a view to meeting the growing demand for commercial vehicles, the existing units had undertaken expansion schemes. The expansion programmes of these units have been mostly completed. The output of *jeeps and land-rovers* also increased but the rate of growth of 15.6 per cent in 1981-82 was considerably lower than that of 27.0 per cent in 1980-81.

The production of *scooters*, however, declined by 5.7 per cent in 1981-82 in contrast to a substantial rise of 36.4 per cent in the preceding year. The fall in the production of scooters was mainly due to recurring labour trouble in the major producing units. Production of *railway wagons* (in terms of 4 wheelers) at 17,429 recorded a steep rise of 41.5 per cent as against the increase of only 13.9 per cent last year. The registration of one more unit with an annual production capacity of 4,000 wagons raised the effective licensed capacity to 30,040 wagons per year. Further, the railway workshops have a manufacturing capacity of 1,600 wagons. With a view to maintaining the tempo of increased production, the activities of various wagon producing units are being coordinated by the Government and orders are being placed on long-term basis. The output of *diesel engines (stationary)* rose by 15.0 per cent to 1,76,016 compared to an increase of 11.4 per cent last year. Output of *road rollers* also rose by 11.8 per cent as against an increase of only 8.1 per cent in 1980-81. *Machine tools* registered an increase of 20.8 per cent in 1981-82 compared to 19.2 per cent in the preceding year. The continued high level of production of machine tools was mainly on account of the expansion and modernisation being carried out by some major user industries such as automobiles, heavy electricals, railways, etc., as well as production of new and wider range of machine tools and higher exports. The output of *light, medium and heavy structurals*, which had slumped by 30.7 per cent in 1980-81, staged a recovery with 7.4 per cent increase in output during 1981-82. The production of *steel castings (including ferro-alloys)*, on the other hand, continued to increase and recorded a growth rate of 9.2 per cent in 1981-82—same as last year.

(*ii*) *Light Mechanical Engineering Industries*

The output of most of the industries in this group envinced a rising trend during 1981-82 (Table III. 28). The production of *bicycles* at 48.6 lakhs registered a higher increase of 16.8 per cent in 1981-82 against an increase of 7.0 per cent in the previous year. Production of *razor blades* and *sewing machines* which had declined by 29.8 per cent and 11.3 per cent, respectively, in 1980-81 revived to show increases of 16.7 per cent and 6.2 per cent, respectively, during 1981-82. The growth rate in the production of *hurricane lanterns* and *typewriters*, however, declined to 3.0 per cent and 0.7 per cent, respectively, in 1981-82 from 5.3 per cent and 6.9 per cent, achieved in 1980-81. The declining trend in the production of *stoves (pressure type)* witnessed in 1980-81 (when the production had declined by as much as 63.3 per cent) continued during 1981-82 also with production of stoves declining further by 12.1 per cent.

(*iii*) *Electrical Engineering Industries*

During 1981-82, all the industries coming under this group except *electric fans* and *radio receivers* recorded increases in production. A sharp increase of 32.5 per cent was recorded in the output of *GLS and other lamps* in contrast to the fall of 1.4 per cent in 1980-81. *Flourescent lamps* with 12.8 per cent growth in output came next but its growth rate declined from 19.0 per cent recorded in the previous year. While growth rate in the output of *storage batteries* improved to 12.5 per cent from 5.5 per cent, that of *dry cells* declined to 11.5 per cent from 16.8 per cent. The output of *domestic refrigerators* also grew at a lower rate of 12.8 per cent as compared to 26.0 per cent in the previous

Table III-28 : Output of Selected Light Mechanical Engineering Industries

Item	Unit	1979-80	1980-81	1981-82 (Provisional)
1	2	3	4	5
1. Typewriters	'000 Nos.	88.9 (+4.0)	95.0 (+6.9)	95.7 (+0.7)
2. Bicycles	„	3,891.7 (+5.6)	4,164.7 (+7.0)	4,864.2 (+16.8)
3. Sewing Machines	„	367.3 (+78.5)	325.9 (—11.3)	346.2 (+6.2)
4. Hurricane Lanterns	„	2,204 (—4.3)	2,320 (+5.3)	2,389 (+3.0)
5. Razor Blades	Million Nos.	1,704 (+34.8)	1,197 (—29.8)	1,397 (+16.7)
6. Stoves (Pressure Type)	'000 Nos.	3,240 (—)	1,188 (—63.3)	1,044 (—12.1)

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

Source: Central Statistical Organisation.

year. The output of *electric fans* and *radio receivers*, however, declined by 3.6 per cent and 10.2 per cent, respectively, in 1981-82 as against an increase of 5.9 per cent and a nominal decline of 0.7 per cent, in the previous year (Table III. 29). Stagnant domestic demand and inadequate export orders affected the output of electric fans. Demand constraint was also experienced by manufacturers of domestic refrigerators.

Among the heavy electrical engineering products, the output of *power transformers* witnessed a growth rate of 8.1 per cent in 1981-82—same as in the previous year, while that of *electric motors* slowed down somewhat. The growth rate in the production of electric motors was 10.0 per cent in 1981-82 as compared to 11.1 per cent in 1980-81.

(*b*) METALLURGICAL INDUSTRIES (OTHER THAN IRON AND STEEL)

Despite power shortage, the overall production of major non-ferrous metals (virgin metals), excepting lead, showed improvement in 1981-82 compared with the performance in the preceding year, largely facilitated by some favourable factors like better labour relations, improved transport facilities, etc.

Output of *aluminium* increased by 3.9 per cent from 200.4 thousand tonnes in 1980-81 to 208.2 thousand tonnes in 1981-82 as against the target of 250 thousand tonnes (Table III. 30). The capacity utilisation improved from 62.3 per cent in 1980-81 to 64.5 per cent in 1981-82. The overall production of aluminium would have been still higher but for a sharp decline of about 12 per cent in output during October 1981-March 1982 due to adverse factors such as erratic power supply to the state-owned Bharat Aluminium Company (BALCO) and the Madras Aluminium Company (MALCO), lower demand for the metal, etc.

Consumption of aluminium, which increased from 240 thousand tonnes in 1979-80 to 305 thousand tonnes in 1980-81, dropped to an estimated 240 thousand tonnes in 1981-82 mainly due to higher prices and poor offtake of aluminium by cable and conductor producers. There was reportedly a sharp fall in the offtake of cables by various State Electricity Boards (SEBs). The drop in demand led to increasing unsold stocks of aluminium with domestic producers as well as with the Minerals and Metals Trading Corporation (MMTC), the canalising agency for imports. Consequently, imports of aluminium were slashed to

Table III-29 : Output of Selected Electrical Engineering Industries

Item	Unit	1979-80	1980-81	1981-82 (Provisional)
1	2	3	4	5
A. Light Electrical Engineering				
1. Electrical Lamps				
(*i*) GLS and others	Million Nos.	204.3 (+12.4)	201.4 (— 1.4)	266.8 (+32.5)
(*ii*) Flourescent..	„	23.7 (+12.9)	28.2 (+19.0)	31.8 (+12.8)
2. Electric Fans	'000 Nos.	3,928.9 (+25.8)	4,161.4 (+ 5.9)	4,010.6 (— 3.6)
3. Radio Receivers	„	1,956.8 (— 0.1)	1,943.6 (— 0.7)	1,744.8 (—10.2)
4. Storage Batteries	„	1,666 (+ 1.8)	1,757 (+ 5.5)	1,977 (+12.5)
5. Dry Cells	Million Nos.	851.3 (— 3.3)	994.4 (+16.8)	1,108.6 (+11.5)
6. Domestic Refrigerators ..	'000 Nos.	230.3 (+23.8)	290.2 (+26.0)	327.3 (+12.8)
B. Heavy Electrical Engineering ..				
1. Power Transformers	'000 KVA	18,003 (—12.1)	19,458 (+ 8.1)	21,041 (+ 8.1)
2. Electric Motors	'000 HP	3,702 (+ 0.2)	4,113 (+11.1)	4,524 (+10.0)

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

Table III-30 : Production of Non-ferrous Metals

(Thousand tonnes)

Item	1979-80	1980-81	1981-82 (Provisional)
1	2	3	4
Virgin Metals			
Aluminium	193.8 (—10.3)	200.4 (+ 3.4)	208.2 (+ 3.9)
Copper	22.5 (— 5.1)	25.4 (+12.9)	27.4 (+ 7.9)
Lead	11.3 (+ 8.7)	14.9 (+31.9)	14.5 (— 2.7)
Zinc	52.6 (—18.2)	45.5 (—13.5)	57.7 (+26.8)
Semi-manufactures			
(*i*) Aluminium	48.1	46.4	52.8
(*a*) Sheets and Circles	(— 0.8)	(— 3.5)	(+13.8)
(*b*) Wire Rods for ASCR	22.8 (+ 5.1)	29.6 (+29.8)	20.4 (—31.1)
(*ii*) Copper Sheets and Circles, including Strips	1.6 (—20.1)	1.5 (— 6.2)	1.2 (—20.0)
(*iii*) Brass Sheets and Circles including Strips	12.2 (+10.9)	12.3 (+ 0.8)	11.4 (— 7.3)
(*iv*) Zinc Sheets and Strips	9.8 (— 1.0)	9.6 (— 2.0)	9.2 (— 4.2)

Note : Figures in brackets indicate percentage variations over the preceding year.
Source : Central Statistical Organisation.

about 40 thousand tonnes in 1981-82, compared to 118 thousand tonnes in 1980-81.

The Government has estimated the current year's production and demand for aluminium at 250 thousand tonnes and 225 thousand tonnes, respectively. Production of aluminium during the first quarter (April-June) of 1982-83 amounted to 52.4 thousand tonnes; this was marginally lower than the production of 52.6 thousand tonnes achieved during April-June 1981.

In order to compensate the producers for increases in input cost of aluminium industry, the Government, with effect from December 3, 1981, raised the retention price of aluminium by Rs.2,469 per tonne on an average and reduced the excise duty from 44 per cent to about 22-24 per cent. Besides, in May 1982, the Government permitted producers to divert a part of their production from electrolytic conductor grade (EC) metal to that of commercial grade (CG) aluminium and related products as a measure to tide over the problem of huge inventory of EC grade metal with the industry due to slow lifting by most of the (SEBs).

The production of *blister copper* at 27.4 thousand tonnes in 1981-82 by Hindustan Copper Ltd. (HCL), the only copper producing unit in the country, increased by 7.9 per cent on top of an increase of 12.9 per cent in 1980-81. As the domestic production of copper concentrates was adversely affected during the year due to power cuts, steps were taken to import adequate quantity of copper concentrates which in turn led to improved performance by the HCL, despite the operational problems in the convertor and heat boilers and severe power cuts ranging between 30 per cent and 100 per cent at Khetri and Ghatsila plants of the Corporation. The construction of the Malanjkhand Copper Project comprising of an open-cast mine of 2 million tonnes of ore per annum capacity and a matching concentrator plant is expected to go on stream during the current year. For the treatment of Malanjkhand concentrates, the capacity of Khetri complex is being expanded from 31 thousand tonnes to 45 thousand tonnes per annum. To augment the standby generating capacity at Khetri and Ghatsila plants, the HCL has taken steps for the installation of three diesel generating sets,

The production of *zinc*, which had been declining since the last two years, staged a smart recovery during 1981-82 and at 57.7 thousand tonnes was higher by 26.8 per cent than the production of 45.5 thousand tonnes achieved in 1980-81. A production target of 70 thousand tonnes has been fixed for 1982-83. However, production of zinc during the first quarter of 1982-83 (April-June) at 10.4 thousand tonnes was lower than the production of 12.6 thousand tonnes in April-June 1981.

Output of *lead* at 14.5 thousand tonnes in 1981-82 declined by 2.7 per cent compared to the impressive increase of 31.9 per cent recorded in 1980-81. A production target of 15 thousand tonnes has been fixed for 1982-83. During the first quarter (April-June 1982) output of lead at 3 thousand tonnes was slightly higher than that of 2.8 thousand tonnes in April-June 1981. As regards new projects, the Rajpura-Dariba and the Sargipalli lead projects are expected to go into production in 1982-83.

C. INTERMEDIATE GOODS INDUSTRIES

(*a*) JUTE TEXTILES

The output of jute textiles at 13.34 lakh tonnes in 1981-82 showed a decline of 4.2 per cent; this was in contrast to the growth of 4.2 per cent recorded in 1980-81 (Table III.31). The decline in production was mainly due to insufficient market outlets for the entire output, uneconomic market prices and insufficient power supply. The declining trend noticed during 1981-82 continued during 1982-83 also and the production of jute goods further declined by 7.6 per cent to 267.8 thousand tonnes during the first quarter of the year (April-June 1982) as compared to 289.8 thousand tonnes produced in the corresponding period of 1981.

Construction-wise, there was a steeper fall in the output of 'hessian' and 'other jute goods' which fell by 13.2 per cent and 8.3 per cent, respectively, as against the fall of 0.9 per cent in the production of 'sacking'. The production of carpet backing, on the other hand,

Table III-31 : Jute Textiles

(Thousand tonnes)

Item	Year (April-March)	Hessian	Sacking	Carpet Backing	Others	Total
1	2	3	4	5	6	7
Production	1979-80	365.9 (+31.1)	645.8 (+28.1)	144.5 (+28.0)	171.6 (+19.3)	1,336.8 (+27.7)
	1980-81	402.0 (+9.9)	732.0 (+11.8)	67.0 (—53.6)	191.4 (+11.5)	1,392.4 (+ 4.2)
	1981-82 (Provisional)	348.9 (—13.2)	725.1 (— 0.9)	84.1 (+25.5)	175.5 (— 8.3)	1,333.6 (— 4.2)
Exports	1979-80	254.0 (+37.9)	59.9 (+96.4)	145.2 (+59.9)	38.0 (—15.2)	492.1 (+40.5)
	1980-81	289.6 (+14.0)	44.2 (—26.2)	60.1 (—58.6)	46.0 (+21.1)	439.9 (—10.6)
	1981-82 (Provisional)	239.1 (—17.4)	68.0 (+53.8)	75.9 (+26.3)	21.6 (—53.0)	404.6 (— 8.0)
Domestic Consumption++ ..	1979-80	98.4 (— 0.3)	583.0 (+21.3)	—	142.9 (+19.8)	824.3 (+18.0)
	1980-81	121.1 (+23.1)	647.2 (+11.0)	—	153.7 (+7.6)	922.0 (+11.9)
	1981-82 (Provisional)	123.1 (+ 1.7)	634.2 (— 2.0)	—	156.1 (+ 1.6)	913.4 (— 0.9)
Year-end Stocks	1979-80	52.3 (+10.8)	31.8 (— 1.5)	17.5 (— 7.4)	13.3 (— 6.3)	114.9 (+ 2.0)
	1980-81	43.9 (—16.1)	39.9 (+25.5)	15.2 (—13.1)	18.5 (+39.1)	117.5 (+ 2.3)
	1981-82 (Provisional)	37.1 (—15.5)	54.7 (+37.1)	12.4 (—18.4)	15.4 (—16.8)	119.6 (+ 1.8)

— Nil
++ Figures represent despatches from mills for internal consumption.
Note : Figures in brackets represent percentage variations over the preceding year.
Source : Ministry of Commerce (Office of the Jute Commissioner)

showed an impressive growth of 25.5 per cent in 1981-82 in contrast to a sharp fall of 53.6 per cent in 1980-81. The pick-up in the production of carpet backing was mainly due to re-emergence of export demand. It may be mentioned here that practically the entire production of carpet backing is for exports.

Exports of jute goods, however, suffered a setback during 1981-82 mainly due to a fall of 17.4 per cent and 53 per cent in the export of hessian and 'other' jute goods, respectively, though export of carpet backing and sacking recorded increases. Not only that, the total quantity exported was lower at 405 thousand tonnes or by 8 per cent, the unit value realisation at Rs. 5,912 per tonne was also lower than the unit value of Rs. 7,420 per tonne realised in 1980-81. Consequently the total export earnings from jute goods fell from Rs. 326.40 crores in 1980-81 to Rs. 239.22 crores in 1981-82 or by about 27 per cent. The steep fall in exports earnings was owing to recession in the developed countries, competition from synthetic substitutes and other major jute goods producing countries, particularly Bangladesh which was reported to be offering lower prices in the context of static global demand. With a view to giving competitive edge to our exports, the scheme of cash compensatory support for exports of jute goods valid till March 31, 1982 was further extended until September 30, 1982.

Domestic demand for jute goods was also slack during 1981-82 and despatches for internal consumption declined by 0.9 per cent to 9.13 lakh tonnes, in contrast to a growth of 11.9 per cent in the preceding year, mainly due to lower average monthly purchases of sacking by Director General of Supplies and Disposals (DGS & D) which stood at 25 thousand bales in 1981-82 compared to 55 thousand bales in 1980-81.

There has not been much pick-up in domestic demand for jute goods in 1982-83 also, for total despatches of jute goods during the first quarter of the year (April-June 1982) were lower at 272.3 thousand tonnes compared to total despatches of 272.7 thousand tonnes in the corresponding period of 1981.

Reflecting lower offtake, mainly of sacking, the year-end (March-end) stocks at 119.6 thousand tonnes were somewhat higher than the closing stocks of 117.5 thousand tonnes a year ago. While the stocks of sacking increased by 37.1 per cent, those of hessian and carpet backing declined by 15.5 per cent and 18.4 per cent, respectively, during the year.

In order to arrest the fall in prices of jute goods and revive demand, the Government has initiated various short-term steps such as, (*i*) reintroducion of cash compensatory support for almost all varieties of jute goods exports since September 1981; (*ii*) special DGS&D purchases of 2 lakh sacking bags on a 'cost plus basis' since April 1982; (*iii*) advice to cement, fertiliser and other industries to use only new gunny bags for packing and (*iv*) sanction of additional credit to jute mills for purchase of raw jute from growers. Besides, the Government announced a package of financial assistance for sick jute mills under which those mills which could be revived within two years could get credit from banks and those which could be made viable within five years could get finance from Industrial Reconstruction Corporation of India (IRCI). The Government is also planning to enter into some consortium arrangements with the other major competitor, Bangladesh, so as to promote jute goods exports.

As a long-term perspective to assist jute industry, the Government has decided to raise cess on production of jute manufactures for setting up a separate Jute Fund from its proceeds. The jute Fund will be used to look after market promotion and export stabilisation. The Government has also decided to constitute a high power committee headed by Secretary (Textiles) in the Ministry of Commerce. The Committee will consider measures for revitalising jute industry with a long-term perspective and also for ensuring necessary co-ordination between various departments and field formations working for the jute sector.

(*b*) Rubber and Rubber Manufactures

Output of *natural rubber* at 152.9 thousand tonnes in 1981-82 (against the target of 157 thousand tonnes) was marginally lower (by 0.1 per cent) than the output of 153.1 thousand tonnes in the preceding year (Table III. 32). The setback in production was largely attributed to adverse climatic conditions. Consumption of natural rubber, however, continued to record an upward trend during 1981-82, increasing by 7.7 per cent to 186.9 thousand tonnes over the consumption of 173.6 thousand tonnes in 1980-81. As the indigenous output was not sufficient to meet the demand, imports of natural rubber were effected to the tune of 40.1 thousand tonnes during 1981-82 (which included spill-over from the quantity sanctioned during 1980-81) compared to only 9.3 thousand tonnes in 1980-81. The year-end stocks in 1981-82 at 39.7 thousand tonnes were thus higher by 6.0 thousand tonnes than those in 1980-81.

The anticipated production of natural rubber during 1982-83 has been placed at 162 thousand tonnes and consumption at 197 thousand tonnes. To fill the gap between demand and supply, the Government has so far sanctioned imports of 30 thousand tonnes of natural rubber during 1982-83. The 'Rubber Plantation Development Scheme', launched by the Government in 1980-81 to accelerate new planting and replanting of rubber trees through financial and technical support to planters, was continued during 1981-82.

The output of *synthetic rubber* increased by 12.6 per cent to 28.5 thousand tonnes in 1981-82, against a decline of 14.2 per cent in 1980-81. However, despite this improvement

Table III-32 : Rubber

(Thousand tonnes)

Item	1979-80	1980-81	1981-82
1	2	3	4
Production			
Natural	148.5 (+ 9.8)	153.1 (+ 3.1)	152.9 (— 0.1)
Synthetic	29.5 (+ 5.0)	25.3 (—14.2)	28.5 (+12.6)
Reclaimed	26.8 (— 2.9)	29.3 (+9.3)	23.9 (—18.4)
Imports			
Natural	21.1 (—18.5)	9.3 (—55.9)	40.1 (+331.2)
Synthetic	15.8 (+47.7)	15.8 (—)	23.4 (+48.1)
Consumption			
Natural	165.2 (+ 0.4)	173.6 (+ 5.1)	186.9 (+ 7.7)
Synthetic	40.6 (+ 8.0)	45.2 (+11.3)	46.4 (+ 2.7)
Reclaimed	22.5 (— 7.4)	22.5 (—)	24.4 (+ 8.4)
Stocks at the end of the period			
Natural	44.9 (+52.2)	33.7 (—24.9)	39.7 (+17.8)
Synthetic	15.2 (+42.1)	10.9 (—28.3)	16.2 (+48.6)
Reclaimed	2.5 (+ 8.7)	2.8 (+12.0)	2.4 (—14.3)

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

Source : Rubber Board, Government of India.

in production, the supply of synthetic rubber was not adequate, partly because of lower operating stocks, and thus imports of 23.4 thousand tonnes of synthetic rubber were resorted to as against the imports of only 15.8 thousand tonnes during 1980-81. The consumption of synthetic rubber, however, amounted to 46.4 thousand tonnes which was slightly higher than that reached in 1980-81. The year-end stocks of synthetic rubber thus amounted to 16.2 thousand tonnes, higher by 5.3 thousand tonnes as compared with the closing stocks of 1980-81.

In the organised sector, there were 109 units engaged in the manufacture of rubber goods. Performance of selected rubber goods industries showed a mixed trend during 1981-82 (Table III-33). While the production of automobile tyres and tubes increased, that of bicycle tyres and tubes and rubber footwears declined. Units producing *automobile tyres* recorded a sizeable growth of 11.5 per cent in 1981-82 on top of an increase of 11.9 per cent in 1980-81, owing to continued buoyancy in demand for commercial vehicles. Output of automobile tubes also increased during 1981-82; however, the rate of growth was lower at 3.8 per cent compared to 12.6 per cent in the preceding year. During April-June 1982, production of automobile tyres at 21.43 lakhs increased by 4.5 per cent over that in the corresponding months of 1981. During the year certain schemes were approved for the

Table III-33 : Production of Tyres, Tubes and Footwears

(Lakh numbers)

Year	Automobile Tyres		Automobile Tubes	Cycle Tyres	Cycle Tubes	Rubber Footwear (Pairs)
	Total	Of which Giant				
1	2	3	4	5	6	7
1979-80	60.6 (—1.1)	33.9 (— 4.0)	51.6 (—2.8)	282.5 (—10.4)	145.0 (—13.3)	393.8 (—5.3)
1980-81	67.8 (+11.9)	37.0 (+ 9.1)	58.1 (+12.6)	275.0 (— 2.7)	130.5 (—10.0)	441.6 (+12.1)
1981-82 (Provisional)	75.6 (+11.5)	40.5 (+ 9.5)	60.3 (+3.8)	260.6 (— 5.2)	122.1 (— 6.4)	377.6 (—14.5)

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

Source : Central Statistical Organisation.

manufacture of radial car tyres, conveyor beltings above 1600 mm. width and tread rubber to be used in tyre retreading. Output of *bicycle tyres and tubes* during the year further dropped by 5.2 per cent and 6.4 per cent, respectively, as two of the units producing these items discontinued production during the year. However, this trend was reversed in April-June 1982 when output of bicycle tyres increased by 11.5 per cent to 6.8 millions compared to 6.1 millions in April-June 1981. Bicycle tyres and tubes have been currently reserved for development in the small-scale sector. Production of *rubber footwears* declined sharply by 14.5 per cent in 1981-82 largely on account of the closure of one of the bigger units producing them in the organised sector. During April-June 1982, output of rubber footwear at 970 thousand pairs increased by 5.4 per cent over the output in the corresponding period in 1981.

In order to augment the supply of some basic raw materials used in rubber goods industry, imports of synthetic rubber, carbon black, etc. were allowed on a restricted basis to actual users.

(*c*) Chemicals and Chemical Products

The improvement in the production of chemicals and chemical products noticed during 1980-81 continued during 1981-82 also. The monthly average index number for this group, which had risen from 184.2 in 1979-80 to 188.2 in 1980-81 or by 2.2 per cent, forged ahead to 212.2 in 1981-82, showing an increase of 12.8 per cent over the year. The increase in output was made possible by the continued additions to installed capacity in some industries as also by the improvement in the supply of infrastructural facilities such as coal, power and transport.

During 1981-82, all the major chemicals and chemical products recorded increases over the previous year. The output of *nitrogenous fertilisers* in 1981-82 at 3,144 thousand tonnes was substantially higher by 38.6 per cent than the production of 2,268 thousand tonnes in 1980-81 when it had risen only by 1.9 per cent (Table III. 34). The satisfactory performance on the production front was attributed to improved plant operations following improvement in infrastructural facilities, better availability of inputs and additions to installed capacity. Production of *phosphatic fertilisers* also increased at a higher rate of 13.5 per cent to the level of 948 thousand tonnes in 1981-82 as compared to the growth rate of 11.2 per cent in 1980-81. Production of fertilisers would have been still better but for various mechanical and processing problems faced by the public sector fertiliser plants at Durgapur, Barauni, Namrup and Gorakhpur and power cuts in Punjab and Uttar Pradesh. Besides, the coal based fertiliser plants at Ramagundam and Talchar failed to

Table III-34 : Production of Major Chemicals and Chemical Products

(Thousand tonnes)

Item	1979-80	1980-81	1981-82 (Provisional)
1	2	3	4
1. Sulphuric Acid	2,161 (— 4.3)	1,938 (—10.3)	2,098 (+ 8.3)
2. Caustic Soda	541 (— 3.4)	568 (+ 5.0)	612 (+ 7.7)
3. Soda Ash	542 (— 6.1)	509 (— 6.1)	631 (+24.0)
4. Nitrogenous Fertilisers (N Content)	2,226 (+ 3.8)	2,268 (+ 1.9)	3,144 (+38.6)
5. Phosphatic Fertilisers ($P_2 O_5$)	751 (— 1.4)	835 (+11.2)	948 (+13.5)
6. Paints and Varnishes (Organised Sector)	78 (—11.4)	91 (+16.7)	95 (+ 4.4)
7. Soaps (Organised Sector)	318 (— 2.2)	315 (— 0.9)	335 (+ 6.3)
8. Synthetic Detergents (Organised Sector)	167 (+28.5)	156 (—6.6)	168 (+ 7.7)

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

Source : Central Statistical Organisation.

stabilise production. During the first quarter of 1982-83 (April-June 1982), output of nitrogenous fertilisers increased by 5.8 per cent to 730.7 thousand tonnes and that of phosphatic fertilisers by 18.3 per cent to 236.8 thousand tonnes compared to April-June 1981.

There are 36 large units producing a wide range of straight nitrogenous, complex and phosphatic fertilisers. Besides, 38 units are producing single super phosphate (SSP) and 6 units ammonium sulphate as by-product from steel plants. The expansion programme of fertiliser plant of Indian Explosives Ltd. at Kanpur and that of Indian Farmers' Fertilisers Co-operative (IFFCO) at Kandla was completed during the year. There were, however, some delays in the commissioning of fertiliser plants being set up at Baruch, Trombay—V and Haldia due to non-availability of power, etc. It is expected that these plants would be commissioned in 1982-83. The installed capacity for the production of nitrogenous fertilisers thus increased from 4,570 thousand tonnes in 1980-81 to 4,720 thousand tonnes in 1981-82 and that of phosphatic fertilisers from 1,280 thousand tonnes to 1,410 thousand tonnes during the same period. The capacity utilisation of fertiliser plants in respect of nitrogenous and phosphatic fertilisers was also higher during 1981-82 which increased to 66.6 per cent and 67.2 per cent from 49.6 per cent and 65.2 per cent, respectively, in 1980-81.

The capacity and production targets for nitrogenous fertilisers for 1982-83 have been fixed at 5.3 million tonnes and 3.6 million tonnes, respectively, and for phosphatic fertilisers at 1.48 million tonnes and 1.00 million tonnes, respectively. With the expected commissioning of three new fertiliser plants during 1982-83, the targets of installed capacity and production set for 1982-83 are likely to be reached.

With a view to further increasing the supply of fertilisers in the country, a new company in the public sector, *viz.*, Paradeep Phosphates Ltd., has been incorporated. The schemes for expanding the capacity of the phosphatic

fertiliser plants at Cochin, Tuticorin, Mangalore and Goa have been approved. In order to insulate the fertiliser plants from periodical power cuts/power shortage, action has been taken to set up captive power plants at Barauni and Haldia. The Annual Plan for 1982-83 has provided an outlay of Rs. 474.14 crores for fertilisers, which is higher by Rs. 202.18 crores than that provided in the Annual Plan for 1981-82.

Production of *industrial alcohol (ethyl alcohol)*, an important feedstock used by many chemical industries, during the alcohol year 1981-82 (December-November) has been estimated at 6,031 lakh litres, compared to the output of 4,044 lakh litres in the preceding year, largely due to adequate availability of molasses (placed around 29.31 lakh tonnes) following a sharp increase in the production of sugar. The installed capacity of the industry is 7,319 lakh litres, and the demand for alcohol during December 1981-November 1982 is estimated at 6,334 lakh litres. The better availability of alcohol is reflected in the higher production of alcohol based chemicals such as acetic acid, acetone and acetic anhydride.

As regards heavy inorganic chemicals, production of *sulphuric acid*, a main raw material used in the manufacture of Single Super Phosphate (SSP), phosphoric acid, rayon, iron and steel, etc., which had been declining for the past two years, staged a recovery and at 2,098 thousand tonnes registered a growth of 8.3 per cent in 1981-82 as against a decline of 10.3 per cent in 1980-81. There are 79 sulphuric acid units with an installed capacity of 4.03 million tonnes and the major portion of it is for captive use in the manufacture of phosphatic fertilisers. An additional capacity of 2 million tonnes, which has been approved, is in various stages of implementation.

Output of *caustic soda*, a basic inorganic chemical used in the manufacture of a wide variety of industrial products such as pulp and paper, viscose rayon, aluminium metal, soap, textile, vanaspati, etc., at 612 thousand tonnes showed a growth of 7.7 per cent during 1981-82 over the preceding year's level owing to improved power supply and additions to capacity. Total installed capacity in the industry reached the level of 826 thousand tonnes in 1981-82 as against the total installed capacity of 766 thousand tonnes in 1980-81. During April-June 1982, however, output of caustic soda at 147.5 thousand tonnes remained at the same level of output obtained in the corresponding months of 1981.

Production of *soda ash*, another important inorganic chemical used in the manufacture of glass, textile, bicromates, etc., increased sharply by 24.0 per cent to 631 thousand tonnes in 1981-82 in contrast to a decline of 6.1 per cent in 1980-81. The better performance was on account of easy availability of raw materials and power. The rapid increase in domestic output coupled with imports under OGL and lower offtake, particularly by textile mills, led to accumulation of unsold stocks of the chemical with producers. As a result, production of soda ash during April-June 1982 declined steeply by 16.9 per cent to 131.4 thousand tonnes compared to 158.2 thousand tonnes in April-June 1981.

The output of *paints and varnishes* in the organised sector at 95 thousand tonnes increased at a lower rate of 4.4 per cent compared to 16.7 per cent in 1980-81. During April-June 1982, production of paints and varnishes at 28.0 thousand tonnes shot up by 29.0 per cent compared to 21.7 thousand tonnes in the corresponding period of 1981.

Production of *drugs and pharmaceuticals* continued to record increases in 1981-82 also, despite continued difficulties faced by the industry, particularly by way of substantial increase in the cost of raw materials, packing materials, etc, and inadequate availability of power and water. Output of bulk drugs and formulations in 1981-82 was valued at Rs. 275 crores and Rs. 1,300 crores, respectively, compared to Rs. 240 crores and Rs. 1,200 crores in 1980-81. The pace of growth in the output of bulk drugs and formulations in 1981-82 was higher at 14.6 per cent and 8.3 per cent, respectively, compared to 6.2 per cent and 4.3 per cent in 1980-81. However, there was a decline in the output of some of the monitored items of drugs owing to industrial unrest, adversely affecting production and availability of newer and more

potent drugs belonging to the same category. The production target of bulk drugs and formulations for 1982-83 have been envisaged at Rs. 325 crores and Rs. 1,425 crores, respectively.

The Drug Policy announced by the Government on March 29, 1978 continued to be implemented during the year under review in all aspects such as grant of industrial approvals, regulation of activities of foreign firms, increasing the share of the public sector in the production of bulk drugs and formulations and pricing policy. In accordance with the Drug Price Control Order (DPCO), 1979 and the procedure evolved for adjustment of prices for bulk drugs and formulations, the Government till end-February, 1982, effected reduction in the prices of 72 bulk drugs and increase in the prices of 100 items. A provision of Rs. 15.82 crores has been made in the Annual Plan 1982-83 for the five public sector drugs and pharmaceuticals undertakings for completing on-going projects and carrying out the programme of renewals and replacements.

D. *Consumer Goods Industries*

(*a*) TEXTILES—COTTON AND SYNTHETIC

The overall performance of textile industry during 1981-82 was not very encouraging as both production and exports of textiles declined during the year. The production of textiles despite comfortable cotton supply position and steady prices was adversely affected by recurring labour problems in textile units, particularly strike in Bombay textile mills since the third week of January 1982.

During 1981-82, total production of *yarn* (cotton, blended and 100 per cent man-made fibre spun yarn) at 1,252 million kgs. declined by 3.5 per cent in contrast to an increase of 6.7 per cent in 1980-81 (Table III-35). The decline in production was brought about by a fall of 7.0 per cent or 75 million kgs. in cotton yarn output in contrast to a sharp rise of 12.2 per cent in the preceding year. Consequently, the share of cotton yarn in total yarn output dropped to 79.2 per cent in 1981-82 from 82.2 per cent in 1980-81. The overall decline in

Table III-35 : Production, Consumption and Export of Yarn

(Million kgs.)

Item	1979-80	1980-81	1981-82 (Provisional)
1	2	3	4
A. Production (*i*+*ii*+*iii*)	1,217 (— 4.2)	1,298 (+ 6.7)	1,252 (— 3.5)
(*i*) Cotton Yarn	951 (+ 0.4)	1,067 (+12.2)	992 (— 7.0)
(*ii*) Blended/Mixed Yarn	172 (—20.7)	144 (—16.3)	167 (+16.0)
(*iii*) 100 per cent Man-made Fibre Spun Yarn	94 (—12.1)	87 (— 7.4)	93 (+ 6.9)
B. Exports*			
Value (Rs. Crores)	15	21	15
Quantity	5	7	5
C. Domestic Consumption@ (all yarn) (*i*+*ii*) ..	1,205	1,263	1,229
(*i*) Mill Sector	538	538	474
(*ii*) Decentralised Sector	667	725	755
D. Year-end Stocks (unsold) (all yarn)	15	16	20

* Relates to cotton yarn only.
@ Data relate to civil deliveries and include deliveries to hosiery and other sectors.
Notes : 1) Figures of yarn exclude filament yarn.
2) Figures in brackets represent percentage variations over the preceding year.
Sources : Office of the Textile Commissioner and Indian Cotton Mills' Federation.

yarn output would have been much steeper but for the better performance of units producing blended and 100 per cent man-made fibre spun yarn whose output in 1981-82 increased by 16.0 per cent and 6.9 per cent, as against declines of 16.3 per cent and 7.4 per cent, respectively, during 1980-81. In spite of an overall decline in output of yarn, unsold stocks of yarn by end-March 1982 were higher at 20 million kgs., compared to 16 million kgs. by end-March 1981, mainly due to lower loom activity in weaving mills following recurrence of labour problems.

For 1982-83, production of yarn has been projected at 1,325 million kgs., which is higher by 73 million kgs. as compared to the production in 1981-82. However, output of yarn during the first quarter (April-June) of 1982-83 was 288 million kgs. or 8.6 per cent lower than the production of 315 million kgs. recorded in the corresponding quarter of 1981.

In 1981-82, the installed capacity of spindles increased to 21.64 million spindles, from 20.74 million in 1980-81. Capacity utilisation ratio in spinning mills, however, was marginally lower at 76.9 per cent in 1981-82 than that of 77.0 per cent in the preceding year. The scheme, introduced in September 1979, of permitting spinning mills to operate old replaced spindles was discontinued from April 1, 1982.

During the year under review, the Government continued to monitor the supply of yarn to the decentralised sector by implementing the obligation that all textile mills producing cotton yarn must pack in hank form at least 50 per cent of the yarn available for civil deliveries (as per the notification issued in June 1979) and this contributed to the easy availability of yarn to the handloom sector. The validity of this scheme has been extended for a further period of three years upto March 31, 1985. With a view to helping the decentralised sector further, the National Handloom Development Corporation has been set up at the Central level to undertake, *inter alia*, the functions of (*a*) procurement and distribution of hank yarn and other raw materials like dyes and chemicals to the handloom sector, (*b*) opening/assisting in opening marketing outlets and (*c*) financing, wherever necessary, spinning/reeling activities in the non-cooperative sector.

Total production of *cloth* (cotton, blended/mixed and 100 per cent man-made fibre fabrics) at 11,003 million metres in 1981-82 (against the target of 11,440 million metres) was nominally higher by 0.1 per cent as compared to 10,989 million metres produced in 1980-81 (Table III. 36). While the production of cloth by mill sector declined, that by decentralised sector increased. The stagnation in the total cloth production was thus mainly on account of the poor performance of the mill sector whose output of cloth at 3,841 million metres was 7.9 per cent lower than that in the preceding year. The fall in the output of mill cloth was mainly attributed to the strikes in textile mills in Bombay and some spinning mills in the South. Again, in the mill sector, while the output of cotton fabrics declined by 13.6 per cent, production of blended/mixed fabrics and 100 per cent man-made fibre fabrics increased by 18.6 per cent and 40.0 per cent, respectively. But for the increase in the production of blended/mixed fabrics, the fall in the production of mill cloth in the mill sector would have been still higher.

The installed capacity in the mill sector increased from 207.0 thousand looms in1980-81 to 209.2 thousand looms in 1981-82. However, capacity utilisation ratio was lower at 73.7 per cent during the year, compared to 77.7 per cent in 1980-81, largely on account of strikes and labour troubles in the cotton textile industry. At the end of November 1981, 47 cotton textile mills comprising 31 spinning mills and 16 composite mills were closed; this number swelled further as workers in all the 64 mills in Bombay went on strike from January 18, 1982. The unprecedented textile mill strike in Bombay continued throughout the remaining part of the year under review, adversely affecting the capacity utilisation and yarn and cloth production in the cotton textile industry during the year.

A production target of 11,765 million metres of cloth, 4,565 million metres by the mill sector and 7,200 million metres by the decentralised sector, has been set for 1982-83. However, as a result of continued strike in textile mills in Bombay, production of cloth (all varieties) totalled 732 million metres

Table III-36 : Production, Consumption and Exports of Cotton and Man-made Textiles

(Million metres)

Item	1979-80	1980-81	1981-82 (Provisional)
1	2	3	4
A. Production (*i*+*ii*)	10,382 (— 3.0)	10,989 (+ 5.8)	11,003 (+ 0.1)
(*i*) Mill Sector (a+b+c)	4,085 (— 5.6)	4,169 (+ 2.1)	3,841 (— 7.9)
(*a*) Cotton Fabrics	3,231 (— 2.6)	3,434 (+ 6.3)	2,968 (—13.6)
(*b*) Blended/Mixed Fabrics	851 (—14.7)	730 (—14.2)	866 (+18.6)
(*c*) 100 per cent Man-made Fibre Fabrics	3 (—76.9)	5 (+66.7)	7 (+40.0)
(*ii*) Decentralised Sector (a+b+c)	6,343 (— 0.6)	6,820 (+ 7.5)	7,182 (+ 5.0)
(*a*) Cotton Fabrics	4,302 (— 0.2)	4,934 (+14.7)	4,986 (+ 1.1)
(*b*) Blended-Mixed Fabrics	678 (—4.8)	540 (—20.4)	678 (+25.6)
(*c*) 100 per cent Man/made Fibre Fabrics	1,363 (+ 0.4)	1,346 (—1.2)	1,498 (+11.3)
B. Exports (all cloth)			
Value (Rs. Crores) @	671	737	913
Quantity	912	918	N.A.
C. Domestic Consumption (all cloth)*	9,470	10,071	N.A.
D. Year-end Stocks (unsold) (all cloth)+	130	122	160

@ Relates to cotton textiles only.

* Relates to total availability.

\+ Relates to mill sector only.

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

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

during April-June 1982 which was substantially lower by 27.9 per cent when compared with 1,015 million metres produced in the corresponding quarter of 1981.

On the export front also the performance of textile sector was not encouraging. Exports of cotton piece-goods (mill-made and power-looms) amounted to Rs. 181.7 crores; this was 4.5 per cent lower than the preceding year's level of exports and nearly 30 per cent behind the target of Rs. 235 crores fixed for the year. Similarly, value of cotton yarn exports in 1981-82 was lower at Rs. 15 crores as compared to the value of exports of Rs. 21 crores in 1980-81 and the target of Rs. 20 crores set for the year. The poor performance was largely attributed to adverse conditions with regard to exports to the EEC countries and the U.S.A., though there was increased demand for Indian textiles from the U.S.S.R.

As regards the performance of the National Textile Corporation (NTC), the total number of

mills under the NTC increased from 111 in 1980-81 to 112 in 1981-82 with the taking over of the Mohini Mills Ltd., Belgharia, Calcutta. The NTC mills produce mostly cheaper varieties (coarse and medium varieties) of cloth mainly used by the weaker sections of the society. Against the target of 1000 million metres of cloth and 73 million kgs. of yarn, NTC produced 903 million metres of cloth and the targeted quantum of yarn in 1981-82. The shortfall in the output of cloth was mainly due to prolonged strikes in NTC mills in Bombay, Uttar Pradesh, Madhya Pradesh and Andhra Pradesh.

The target of production for 1982-83 for NTC mills has been fixed at 1,004 million metres of cloth and 91 million kgs. of yarn. An outlay of Rs. 17.33 crores has been provided in the Annual Plan for 1982-83 for modernisation and renovation of NTC units.

Mention was made in the last year's Report about the introduction of a revised *Controlled Cloth Scheme* aimed at producing 650 million square metres of controlled cloth (only dhoties, sarees and long cloth) mainly to cater to the needs of the weaker sections of the society. The scheme became operative from July 1981 and the production target was equally distributed between the NTC and the handloom sector. The subsidy on sale of controlled cloth produced by handloom sector was raised from Rs. 1.25 to Rs. 1.50 per square metre with effect from July 1, 1981. Simultaneously, a 15 per cent increase was allowed in the maximum sale price of controlled cloth produced by this sector. In the case of controlled cloth produced by NTC mills, while the subsidy on sarees and dhoties was increased from Rs. 1.90 to Rs. 2.00 that on long cloth was reduced from Rs. 1.90 to Rs. 1.50 per square metre.

As an incentive to modernisation, the soft loan scheme, administered by the Industrial Development Bank of India (IDBI) continued to be in force during the year under review. Under the scheme, the IDBI disbursed a total amount of Rs. 245.39 crores upto March 31, 1982. The amount disbursed during 1981-82 (April-March) aggregated Rs. 95.29 crores compared to Rs. 74.10 crores during 1980-81. Besides helping the mills modernise, the scheme has also indirectly provided a steady supply of orders to indigenous textile machinery.

(*b*) Paper, Paper Boards and Newsprint

Output of paper, paper products and newsprint during 1981-82 increased at a higher rate than in the preceding year (Table III. 37). Despite creation of additional capacity during the last three years, overall capacity utilisation was lower mainly due to the setting up of a number of small paper mills based on agricultural residues whose optimum utilisation was only 65 per cent compared to 80 to 85 per cent for the larger integrated paper mills. Factors such as erratic supply of coal due to transport bottlenecks, power-cuts and industrial unrest were responsible for the lower utilisation of capacity. In order to monitor the supplies of important inputs to paper mills, an action group was set up in the Department of Industrial Development. However, in spite of efforts to increase production by opening more paper mills, the imbalance between demand and supply of paper and paper products remained and the deficit continued to be met through imports during the year under review.

(*i*) *Paper and Paper Products*

During 1981-82, total output of paper and paper boards at 1,218 thousand tonnes increased by 10.3 per cent compared to 8.6 per cent in the preceding year, largely on account of additions to installed capacity and improved supply of vital inputs such as railway wagons, coal, power, etc. to the paper mills. During 1981-82, an additional capacity of 158 thousand tonnes was created (bringing the total installed capacity to 1,815 thousand tonnes) as compared to the additional capacity of 119 thousand tonnes created in 1980-81. During April-June 1982, production of paper and paper boards amounted to 310 thousand tonnes—5.8 per cent higher than the level of 293 thousand tonnes reached in the corresponding period of 1981.

There was an increase in the production of practically all different varieties of paper. Output of writing and printing paper and paper boards in 1981-82 increased by 73 thousand tonnes and 29 thousand tonnes to 727 thousand tonnes and 209 thousand tonnes, respectively,

Table III-37 : Paper, Paper Boards and Newsprint

(Thousand Tonnes)

Year	No. of Units	Installed Capacity@	Production	Capacity Utilisation Ratio (Per cent)
1	2	3	4	5
A. Paper and Paper Boards				
1979-80	121	1,538	1,017 (+1.9)	66.1
1980-81	136	1,657	1,104 (+8.6)	66.6
1981-82 (Provisional)	159	1,815	1,218 (+10.3)	67.1
B. Newsprint ..				
1979-80	1	75	48 (—)	64.0
1980-81	1	75	51 (+6.3)	68.0
1981-82 (Provisional)	1	75	55 (+7.8)	73.3

@ Figures relate to the position as on 1st January of the respective financial year.

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

Sources : Central Statistical Organisation and Directorate General of Technical Development.

showing the same growth rate (11.2 percent) as was recorded in the preceding year. Similarly, production of wrapping paper increased by 10.9 per cent to 286 thousand tonnes, and that of special varieties of paper rose by 25.0 per cent to 5 thousand tonnes.

Offtake of paper did not match the supply during the latter part of the year owing to higher market prices which led to accumulation of stocks. Small paper mills based on unconventional raw materials and imports also contributed to larger supply of paper. Therefore, un-sold stocks with producers as at end-December 1981 mounted to around 50 thousand tonnes.

The Nagaland Pulp and Paper Project with an installed capacity of 33 thousand tonnes of writing, printing and craft wrapping paper was commissioned during the year. Two more big paper projects-one at Nowgong and the other at Cachar in Assam State—with an annual capacity of one lakh tonnes each are being established by Hindustan Paper Corporation Ltd., a public sector undertaking. The installed capacity of the industry is thus expected to go up to 2,050 thousand tonnes in 1982-83. A production target of 1,350 thousand tonnes of paper and paper boards has been envisaged for 1982-83.

(*ii*) *Newsprint*

Production of newsprint by the National Newsprint and Paper Mills (NEPA), a public sector undertaking and the only newsprint mill in the country, at 55 thousand tonnes in 1981-82, showed a rise of 7.8 per cent over the output of 51 thousand tonnes in 1980-81, thus achieving the production target for the year despite heavy power shortage in Madhya Pradesh and operational problems in some of the producing units. In order to bridge the gap in domestic supply, 316 thousand tonnes of newsprint were imported during 1981-82. During

1981-82, the Mysore Paper Mills with an installed capacity of 75 thousand tonnes of newsprint and Kerala Newsprint Project with a capacity of 80 thousand tonnes have been commissioned. Their likely output during 1982-83 has been placed around 50 thousand tonnes and 48 thousand tonnes, respectively.

The requirement of newsprint during 1982-83 has been estimated at 3.6 lakh tonnes. As against this, a production target of 150 thousand tonnes of newsprint has been envisaged for 1982-83. Further, the Government will import about 170 thousand tonnes of newsprint in 1982-83 to meet the shortfall in domestic supply. Production of newsprint registered an impressive increase of 86.7 per cent to 28 thousand tonnes in April-June 1982 compared to the production of 15 thousand tonnes in the corresponding months of 1981, mainly on account of the commissioning of two newsprint mills—one in Kerala and another in Mysore—during the last quarter of 1981-82.

Approval has been given by the Government to the Tamil Nadu Newsprint and Paper Ltd. for setting up a bagasse-based project for the manufacture of 50 thousand tonnes of newsprint and 40 thousand tonnes of writing and printing paper per annum.

Chapter IV

Price Trends and Price Policy

Price Trends : *The Main Features*

During the year July 1981-June 1982, the wholesale price index for 'all commodities' (1970-71=100) registered only a modest rise of 2.5 per cent from 280.7 at end-June 1981 to 287.8 by end-June 1982. The inflationary pressure remained low during the year under review in comparison with the last three years, i.e., 1978-79, 1979-80 and 1980-81, when the rise in the general price level was 9.8 per cent, 23.2 per cent and 11.7 per cent, respectively. On an annual average basis, the general index rose by 5.6 per cent in 1981-82 as against the much larger increase of 16.8 per cent in 1980-81.

Three distinct phases can be observed in the movement in the wholesale price index during the year under review. The first was a rising phase which lasted for a period of 8 weeks from end-June 1981 to August 22, 1981, with the general index recording a rise of 3.5 per cent; the second phase, of a longer duration of 35 weeks upto April 24, 1982, showed a decline in the index of 5.1 per cent and the last phase of the succeeding 9 weeks exhibited a rise of 4.4 per cent in the general index.

Table IV-1 shows the monthly variations in 'all commodities' index for the last two years. In the year 1981-82, the initial two months, *viz.*, July and August, recorded increases in the price level by 2.3 per cent and 1.0 per cent, respectively. Thereafter, there was a long spell of more or less steady decline upto April 1982; this coincided with the onset of the harvesting season when prices generally decline. In the concluding months of the year, May and June, the index rose by 0.7 per cent and 2.7 per cent, respectively. The average monthly rate of inflation for the year 1981-82 as a whole was 0.2 per cent as against 1.0 per cent in 1980-81.

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

Year	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	April	May	June
1980-81	+ 4.3	+ 1.0	+ 1.3	+ 0.3	— 2.3	— 0.6	+ 2.4	+ 2.1	+ 0.4	+ 2.1	+ 0.8	+ 0.7
1981-82	+ 2.3	+ 1.0	— 1.5	— 0.2	— 0.9	— 0.7	+ 0.6	— 0.9	— 0.8	Neg	+ 0.7	+ 2.7

The commodities/sub-groups which were mainly responsible for moderating the increase in the general price level during the year were jowar, bajra, gram, raw cotton, oilseeds, petroleum crude & natural gas, sugar, khandsari, gur, edible oils, tobacco manufactured, finished leather, soda ash and inedible oils all of which registered declines over the year.

On the other hand, some commodities/sub-groups in all the three major groups of the general index were responsible for an increase in the general price level. In 'primary articles', various sub-groups recorded rises ranging between 5.1 per cent in the case of cereals and 26.3 per cent in the case of 'condiments and spices'. However, important sub-groups like 'oilseeds', 'pulses', and 'petroleum crude and natural gas' declined sizeably by 6.8 per cent, 11.7 per cent and 7.2 per cent, respectively. In the case of 'fuel, power, light and lubricants' all the three groups, *viz.*, 'coal mining', 'mineral oils', and 'electricity' rose substantially by 16.5 per cent, 9.4 per cent, and 14.9 per cent, respectively. In the case of 'manufactured products', all the groups barring three recorded rise in prices ranging between 3.8 per cent in the case of 'chemicals and chemical products' and 26.7 per cent in the case of 'non-metallic mineral products'. The fall of 19.5 per cent in 'food products'

group, which was brought about largely by a fall of 29.8 per cent in the 'sugar, khandsari and gur' sub-group, not only neutralised the increases in the other commodities/groups in this major group but also contributed to the consequential decline. This decline was also assisted to some extent by a fall of 1.2 per cent in 'beverages, tobacco and tobacco products' and 3.0 per cent in 'leather and leather products'.

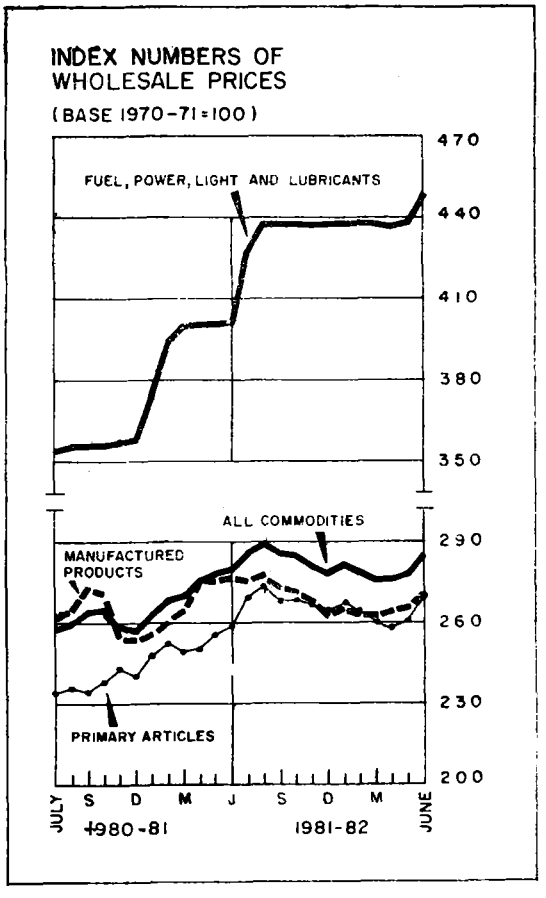
The larger foodgrains production of 133.1 million tonnes during the year 1981-82, on top of the satisfactory output in the previous year coupled with arrangements made to import commodities in short supply, eased the supply position and thus helped to improve the stock position with the public food distribution system. On the industrial front also the position was better following increased production of many basic and consumer goods particularly that of sugar which was largely responsible for the reduction in the pace of price increase.

Commodity/Group-wise Price Behaviour

Among the three major groups in the general index, the price index of 'primary articles' went up by 5.1 per cent over the year, its weighted contribution to the rise in the general index being significant at 78.4 per cent. The second major group, 'fuel, power, light and lubricants', recorded an increase of 11.4 per cent and contributed 54.4 per cent to the rise in the general index. The third major group 'manufactured products', on the other hand, declined by 1.7 per cent and made a negative contribution of 32.8 per cent to the overall increase in the general price level.

Primary Articles

Among 'primary articles', while the group 'minerals' declined by 5.5 per cent, the other two groups, *viz.*, 'food articles' and 'non-food articles' went up by 9.1 per cent and 0.7 per cent, respectively. In the preceding year, all these groups recorded increases of 10.8 per cent, 13.9 per cent and 15.8 per cent, respectively. In the group 'food articles' the price index of foodgrains moved up only marginally by 1.0 per cent thanks to increased



food output and comfortable availability. The price of cereals went up by 5.1 per cent with the prices of rice and wheat rising by 10.1 per cent and 4.8 per cent, respectively. Jowar and bajra, on the other hand, registered declines of 8.1 per cent and 1.4 per cent, respectively. The procurement prices of paddy and coarse cereals were raised by 9.5 per cent in the marketing year 1981-82 followed by corresponding increase in issue prices, the direct impact of which was reflected in the wholesale prices index for cereals. The rise in cereals' prices may also be attributed to the expectation of a much lower crop in the year 1982-83 following scanty rains in certain parts of the country and floods in certain others. Pulses declined by 11.7 per cent because of larger output of gram, the index of which came down by 20.1 per cent. (Table IV-2(a))

The index of 'fruits and vegetables' increased by 15.5 per cent, *i.e.*, by more or less the same magnitude as in last year. 'Milk and

Table IV-2 (a) : Index Numbers of Wholesale Prices : Primary Articles

(Base : 1970-71 = 100)

Items	Weight	End-June 1980	End-June 1981	End-June 1982	Percentage Variation		Weighted contribution to the change in the All Commodities Index	
					Col. 3 over Col. 2	Col. 4 over Col. 3	1980-81	1981-82
	1	2	3	4	5	6	7	8
ALL COMMODITIES	**1000.00**	**251.4**	**280.7**	**287.8**	**+ 11.7**	**+ 2.5**	**+100.0**	**+ 100.0**
PRIMARY ARTICLES	**416.67**	**229.1**	**260.9**	**274.2**	**+ 13.9**	**+ 5.1**	**+ 45.3**	**+ 78.4**
A. FOOD ARTICLES	**297.99**	**201.6**	**229.6**	**250.4**	**+ 13.9**	**+ 9.1**	**+ 28.5**	**+ 87.4**
Food Grains	129.22	207.1	234.1	236.5	+ 13.0	+ 1.0	+ 11.9	+ 4.3
(*i*) CEREALS	107.43	191.8	212.7	223.6	+ 10.9	+ 5.1	+ 7.7	+ 16.5
Rice	51.31	207.3	220.8	243.2	+ 6.5	+ 10.1	+ 2.4	+ 16.2
Wheat	34.17	165.8	182.6	191.3	+ 10.1	+ 4.8	+ 2.0	+ 4.2
Jowar	8.39	187.0	248.7	228.5	+ 33.0	— 8.1	+ 1.8	— 2.4
Bajra	6.64	193.8	228.4	225.3	+ 17.9	— 1.4	+ 0.8	— 0.3
(*ii*) PULSES	21.79	282.6	339.9	300.2	+ 20.3	— 11.7	+ 4.2	— 12.2
Gram	5.24	307.0	385.4	308.0	+ 25.5	— 20.1	+ 1.4	— 5.7
(*iii*) FRUITS & VEGETABLES	61.32	207.4	238.1	275.1	+ 14.8	+ 15.5	+ 6.6	+ 32.0
Vegetables	24.86	198.6	184.0	227.8	— 7.4	+ 23.8	— 1.2	+ 15.5
Fruits	36.46	211.9	275.0	307.2	+ 29.8	+ 11.7	+ 7.8	+ 16.5
(*iv*) MILK & MILK PRODUCTS	61.50	176.7	202.3	230.5	+ 14.5	+ 13.9	+ 5.4	+ 24.4
(*v*) EGGS, FISH & MEAT	18.97	260.8	292.1	354.0	+ 12.0	+ 21.2	+ 2.0	+ 16.5
Fish	6.31	258.7	327.7	460.4	+ 26.7	+ 40.5	+ 1.5	+ 11.8
Meat	8.46	317.6	334.0	362.5	+ 5.2	+ 8.5	+ 0.5	+ 3.4
(*vi*) CONDIMENTS & SPICES	10.94	122.1	152.8	193.0	+ 25.1	+ 26.3	+ 1.1	+ 6.2
(*vii*) OTHER FOOD ARTICLES	16.04	215.6	244.0	261.8	+ 13.2	+ 7.3	+ 1.6	+ 4.0
Tea	11.49	239.1	263.7	282.4	+ 10.3	+ 7.1	+ 1.0	+ 3.0
Coffee	1.61	121.5	139.8	139.9	+ 15.1	+ 0.1	+ 0.1	—
B. NON-FOOD ARTICLES	**106.21**	**208.2**	**241.1**	**242.7**	**+ 15.8**	**+ 0.7**	**+ 11.9**	**+ 2.3**
(*i*) FIBRES	31.73	166.1	218.1	206.3	+ 31.3	— 5.4	+ 5.6	— 5.3
Raw Cotton	22.46	164.2	228.6	209.2	+ 39.2	— 8.5	+ 4.9	— 6.1
Raw Jute	4.29	127.7	130.7	157.0	+ 2.3	+ 20.1	+ 0.1	+ 1.6
(*ii*) OIL SEEDS	42.01	217.6	263.4	245.4	+ 21.0	— 6.8	+ 6.6	— 10.7
Groundnuts	18.21	204.1	285.9	265.7	+ 40.1	— 7.1	+ 5.1	— 5.2
Rape & Mustardseed	8.22	260.8	282.8	221.2	+ 8.4	— 21.8	+ 0.6	— 7.1
Copra	4.49	204.1	194.6	195.2	— 4.7	+ 0.3	— 0.1	+ 0.1
(*iii*) OTHER NON-FOOD ARTICLES	32.47	237.4	234.9	274.9	— 1.1	+ 17.0	— 0.3	+ 18.3
Sugar cane	16.42	184.5	192.7	187.1	+ 4.4	— 2.9	+ 0.5	— 1.3
Rubber	1.28	228.0	299.5	315.2	+ 31.4	+ 5.2	+ 0.3	+ 0.3
Logs, Timber & Bamboo	3.34	392.2	457.1	748.8	+ 16.5	+ 63.8	+ 0.7	+ 13.7
Raw Tobacco	8.07	149.6	130.8	169.3	— 12.6	+ 29.4	— 0.5	+ 4.4
C. MINERALS	**12.47**	**1061.5**	**1175.7**	**1111.4**	**+ 10.8**	**— 5.5**	**+ 4.9**	**— 11.3**
(*i*) METALLIC MINERALS	2.29	231.9	248.9	252.2	+ 7.3	+ 1.3	+ 0.2	+ 0.1
Iron Ore	1.56	213.5	236.5	237.8	+ 10.8	+ 0.5	+ 0.1	+ 0.1
Lime Stone	2.30	228.2	239.2	300.0	+ 4.8	+ 25.4	+ 0.1	+ 2.0
(*ii*) OTHER MINERALS	4.16	239.1	260.9	291.5	+ 9.1	+ 11.7	+ 0.3	+ 1.8
(*iii*) PETROLEUM CRUDE/NATURAL GAS	6.02	1947.0	2162.3	2006.4	+ 11.1	— 7.2	+ 4.4	— 13.2

milk products' increased by 13.9 per cent. The price of 'eggs, fish and meat' increased by 21.2 per cent.

The sub-group 'other food articles' showed an increase of 7.3 per cent mainly owing to rise in tea prices. Tea prices rose by 7.1 per cent as against 10.3 per cent last year. It should be noted that despite a fall in tea production during the year, the price of tea rose less sharply this year influenced by the subdued trends in the global markets.

In the 'non-food articles' group, the index of 'fibres' declined by 5.4 per cent due to a fall in cotton prices. The raw cotton prices declined by 8.5 per cent because of a slump in the demand for cotton by the textile mills owing to the prolonged strike by textile workers in Bombay. However, the index of raw jute increased significantly by 20.1 per cent due to pick-up in demand from jute mills following increased domestic and overseas demand for jute goods. The index of 'oilseeds' dropped by 6.8 per cent this year in sharp contrast to the increase of 21.0 per cent last year due to comfortable supply position. Consistent with the easy trend in the international markets, the group 'minerals' also showed a decline by 5.5 per cent as against the increase of 10.8 per centl ast year. 'Petroleum crude & natural gas' declined by 7.2 per cent as against the rise of 11.1 per cent last year.

Fuel, power, light and lubricants

All the commodities comprising this major group recorded increases during the year, but in most of these the rise was smaller than that registered in the previous year. The prices of coal and coke were hiked by the Government in May 1982 and as a result they showed increases over the year by 16.2 per cent and 21.1 percent, respectively. The group 'mineral oils' recorded a rise of 9.4 per cent as against 11.8 per cent last year (Table IV-2 (b)). The rise in the index was the result of the 10 per cent hike effected by the Government in the prices of petroleum products in July 1981. Although the prices of all mineral oils rose, the rise was more marked in diesel oil furnace oil and petrol. The sub-group 'electricity' showed a comparatively larger rise of 14.9 per cent in the year under review owing to the increase in power tariffs effected by the State Electricity Boards.

Manufactured Products

Under this major group, except three groups, *viz.*, 'food products,' 'beverages, tobacco and tobacco products' and 'leather and leather products', all others showed increases.

The 'food products' group registered a sharp decline of 19.5 per cent as against a rise of 12.0 per cent last year. This resulted mainly from the fact that the index of the sub-group 'sugar, khandsari and gur' came down significantly by 29.8 per cent following the record production of sugarcane during the year. Sugar prices remained at a relatively low level during the greater part of the year owing to record output and larger releases of monthly sugar quota by the Government for the public distribution system. The index of sugar declined by 13.7 per cent; the index of khandsari, which is a close substitute for sugar, declined by 35.9 per cent and that of gur fell by 33.8 per cent. It would be observed from Table IV-2(c) that the decline in this sub-group alone was much larger than the increases registered in the other groups and thus was mainly responsible for bringing about an overall decline in the major group 'manufactured products'.

Among the other important 'manufactured products', the prices of 'edible oils' also eased in contrast to the persistent upward pressure they had exerted on the price level in the last few years. Edible oils prices moved down by 1.4 per cent against the increase of 22.4 per cent last year. Increased production of oilseeds during the year, adequate imports and removal of the ban by the Gujarat Government on inter-State movement of edible oil assisted the trend.

The index of the 'textiles' group increased by 2.7 per cent while that of the sub-group 'cotton textiles' rose by 2.3 per cent as against 7.9 per cent last year. The smaller increase in cotton textile prices in 1981-82 may be attributed to comfortable supply position of cotton as well as to improvement in the availability of cotton yarn in the wake of the prolonged strike by textile workers in Bombay. The index of cotton yarn declined by 0.9 per cent during the year. The index

Table IV-2(b) : Index Numbers of Wholesale Prices: Fuel, Power, Light and Lubricants

(Base 1970-71 = 100)

Items	Weight	End-June 1980	End-June 1981	End-June 1982	Percentage Variation		Weighted contribution to the change in the All Commodities Index	
					Col. 3 over Col. 2	Col. 4 over Col. 3	1980-81	1981-82
	1	2	3	4	5	6	7	8
FUEL, POWER, LIGHT & LUBRICANTS ..	**84.59**	**352.8**	**401.0**	**446.7**	**+ 13.7**	**+ 11.4**	**+ 14.0**	**+ 54.4**
A. COAL MINING	11.47	328.8	424.4	494.6	+ 29.1	+ 16.5	+ 3.7	+ 11.3
Coal	10.39	335.5	432.1	502.3	+ 28.8	+ 16.2	+ 3.4	+ 10.3
Coke	0.75	278.7	382.8	463.5	+ 37.4	+ 21.1	+ 0.3	+ 0.9
B. MINERAL OILS	49.12	418.5	468.0	511.9	+ 11.8	+ 9.4	+ 8.3	+ 30.4
Kerosene	8.35	272.8	293.4	320.5	+ 7.6	+ 9.2	+ 0.6	+ 3.2
Petrol	8.56	434.6	469.3	517.5	+ 8.0	+ 10.3	+ 1.0	+ 5.8
Aviation spirit	4.55	580.3	587.0	593.4	+ 1.2	+ 1.1	+ 0.1	+ 0.4
Light diesel oil	3.44	560.6	671.5	755.2	+ 19.8	+ 12.5	+ 1.3	+ 4.1
High speed diesel oil	13.74	285.7	339.4	385.9	+ 18.8	+ 13.7	+ 2.5	+ 9.0
Lubricating oil	6.48	377.8	404.4	420.4	+ 7.0	+ 4.0	+ 0.6	+ 1.5
Furnace oil	4.00	904.6	1065.1	1179.5	+ 17.7	+ 10.7	+ 2.2	+ 6.4
C. ELECTRICITY	24.00	229.7	252.7	290.4	+ 10.0	+ 14.9	+ 2.0	+ 12.7

Table IV—2(c) : Index Number of Wholesale Prices : Manufactured Products

(Base 1970-71 = 100)

Items	Weight	End-June 1980	End-June 1981	End-June 1982	Percentage variation		Weighted contribution to the change in the All Commodities Index	
					Co. 3 over Col. 2	Col. 4 over Col. 3	1980-81	1981-82
	1	2	3	4	5	6	7	8
MANUFACTURED PRODUCTS	**498.74**	**252.9**	**276.8**	**272.2**	**+ 9.5**	**— 1.7**	**+ 40.7**	**— 32.8**
A. FOOD PRODUCTS	133.22	300.3	336.4	270.7	+ 12.0	— 19.5	+ 16.4	—123.3
(*a*) SUGAR, KHANDSARI, AND GUR ..	72.41	371.1	403.5	283.4	+ 8.7	— 29.8	+ 8.0	—122.5
Sugar	21.91	223.9	276.5	238.5	+ 23.5	— 13.7	+ 3.9	— 11.7
Khandsari	4.92	358.3	424.4	272.0	+ 18.4	— 35.9	+ 1.1	— 10.6
Gur	45.58	440.8	462.3	306.2	+ 4.9	— 33.8	+ 3.3	—100.2
(*b*) MISCELLANEOUS FOOD PRODUCTS	49.16	219.5	261.7	256.8	+ 19.2	— 1.9	+ 7.1	— 3.4
(*i*) EDIBLE OILS	37.16	214.7	262.8	259.0	+ 22.4	— 1.4	+ 6.1	— 2.0
Vanaspati	7.52	206.2	231.2	259.5	+ 12.1	+ 12.2	+ 0.6	+ 3.0
Groundnut oil	14.15	206.4	289.0	275.4	+ 40.0	— 4.7	+ 4.0	— 2.7
Mustard oil	6.68	235.6	270.1	229.1	+ 14.6	— 15.2	+ 0.8	— 3.9
B. BEVERAGES, TOBACCO, AND TOBACCO PRODUCTS	27.08	210.5	218.4	215.7	+ 3.8	— 1.2	+ 0.7	— 1.1
C. TEXTILES	110.26	211.2	223.2	229.2	+ 5.7	+ 2.7	+ 4.5	+ 9.2
(*i*) COTTON TEXTILES	81.02	209.9	226.5	231.7	+ 7.9	+ 2.3	+ 4.6	+ 5.9
Cotton Yarn	13.82	242.6	249.6	247.4	+ 2.9	— 0.9	+ 0.3	— 0.4
Cotton Cloth (Mills)	38.04	203.7	225.2	243.0	+ 10.6	+ 7.9	+ 2.8	+ 9.5
(*ii*) JUTE, HEMP & MESTA TEXTILES	12.14	195.9	169.5	182.2	— 13.5	+ 7.5	— 1.1	+ 2.2
D. PAPER & PAPER PRODUCTS	8.51	259.8	270.9	302.4	+ 4.3	+ 11.6	+ 0.3	+ 3.8
Paper	5.59	242.7	248.7	283.1	+ 2.5	+ 13.8	+ 0.1	+ 2.7
E. LEATHER & LEATHER PRODUCTS ..	3.85	378.5	371.3	360.1	— 1.9	— 3.0	— 0.1	— 0.7
F. RUBBER & RUBBER PRODUCTS	12.07	241.5	277.7	304.1	+ 15.0	+ 9.5	+ 1.5	+ 4.5
(*i*) TYRES AND TUBES	9.84	245.0	284.6	313.3	+ 16.2	+ 10.1	+ 1.3	+ 4.0
Tyres	7.12	242.7	285.3	317.8	+ 17.6	+ 11.4	+ 1.0	+ 3.3
(*ii*) OTHER RUBBER PRODUCTS ..	2.23	226.0	247.1	263.6	+ 9.3	+ 6.7	+ 0.2	+ 0.5

Table IV-2 (c). Index Numbers of Wholesale Prices : Manufactured Products—(*Contd.*)

(Base 1970-71=100)

Items	Weight	End-June 1980	End-June 1981	End-June 1982	Percentage Variation		Weighted contribution to the change in the All Commodities Index	
					Col. 3 over Col. 2	Col. 4 over Col. 3	1980-81	1981-82
	1	2	3	4	5	6	7	8
G. CHEMICALS & CHEMICAL PRODUCTS ..	55.48	242.7	254.7	264.5	+ 4.9	+ 3.8	+ 2.3	+ 7.6
(*a*) BASIC INDUSTRIAL CHEMICALS ..	7.26	339.7	355.9	362.5	+ 4.8	+ 1.9	+ 0.4	+ 0.7
Caustic Soda	1.90	381.0	407.3	437.6	+ 6.9	+ 7.4	+ 0.2	+ 0.8
Soda Ash	1.36	334.8	351.1	295.2	+ 4.9	— 15.9	+ 0.1	— 1.1
(*b*) FERTILISERS	12.52	258.9	260.6	278.0	+ 0.7	+ 6.7	+ 0.1	+ 3.1
Nitrogenous	8.37	273.9	273.9	283.1	—	+ 3.4	—	+ 1.1
Phosphatic	3.52	226.8	238.4	271.5	+ 5.1	+ 13.9	+ 0.2	+ 1.6
Potassic	0.63	208.1	208.1	245.6	—	+ 18.0	—	+ 0.3
(*c*) INSECTICIDES	1.16	317.6	341.6	379.7	+ 7.6	+ 11.2	+ 0.1	+ 0.6
(*d*) PAINTS & VARNISHES	1.92	272.4	278.4	307.8	+ 2.2	+ 10.6	+ 0.1	+ 0.8
Paints	0.87	271.1	278.1	301.5	+ 2.6	+ 8.4	+ 0.1	+ 0.3
(*e*) DRUGS & MEDICINES	9.83	135.2	151.7	162.1	+ 12.2	+ 6.9	+ 0.6	+ 1.4
Formulated drugs	7.77	128.6	133.8	152.6	+ 4.0	+ 14.1	+ 0.1	+ 2.1
(*f*) COSMETIC, SOAP & DETERGENTS ..	5.86	238.0	244.6	247.8	+ 2.8	+ 1.3	+ 0.1	+ 0.3
Soap	3.65	233.4	234.2	234.2	+ 0.3	—	—	—
(*g*) INEDIBLE OILS	1.54	230.9	263.0	243.5	+ 13.9	— 7.4	+ 0.2	— 0.4
(*h*) SYNTHETIC RESIN/RESIN PLASTIC MATERIALS	8.30	238.2	261.5	260.4	+ 9.8	— 0.4	+ 0.7	— 0.1
P. V. C. Compounds	1.02	312.4	323.3	323.3	+ 3.5	—	+ 0.1	—
Synthetic Fibre	1.93	158.1	158.1	168.4	—	+ 6.5	—	+ 0.3
Synthetic Rubber	1.07	160.6	193.4	200.2	+ 20.4	+ 3.5	+ 0.1	+ 0.1
H. NON-METALLIC MINERAL PRODUCTS	14.15	275.5	291.2	368.9	+ 5.7	+ 26.7	+ 0.8	+ 15.4
(*a*) CEMENT, LIME, PLASTER	7.07	233.0	231.3	356.5	— 0.7	+ 54.1	— 0.1	+ 12.5
Cement	7.03	233.4	231.7	357.2	— 0.7	+ 54.2	— 0.1	+ 12.4
I. BASIC METALS, ALLOYS & METAL PRODUCTS	59.74	265.5	305.7	348.9	+ 15.1	+ 14.1	+ 8.2	+ 36.2
(*a*) IRON, STEEL & FERRO ALLOYS ..	34.73	266.2	315.3	378.8	+ 18.4	+ 20.1	+ 5.8	+ 31.0
Pig Iron	1.67	211.8	303.8	366.2	+ 43.4	+ 20.5	+ 0.5	+ 1.5
Structurals	4.72	222.3	267.7	352.7	+ 20.4	+ 31.8	+ 0.7	+ 5.7
Plates & Sheets	5.97	226.5	273.2	312.9	+ 20.6	+ 14.5	+ 1.0	+ 3.3
Bars & Rods	7.31	317.0	368.3	464.7	+ 16.2	+ 26.2	+ 1.3	+ 9.9
(*b*) NON-FERROUS METALS & ALLOYS	11.78	275.6	302.5	316.0	+ 9.8	+ 4.5	+ 1.1	+ 2.2
Aluminium	4.29	287.8	360.0	362.8	+ 25.1	+ 0.8	+ 1.1	+ 0.2
(*c*) METAL PRODUCTS	13.23	254.7	283.3	299.7	+ 11.2	+ 5.8	+ 1.3	+ 3.0
J. MACHINERY & TRANSPORT EQUIPMENT	67.18	234.2	259.0	275.4	+ 10.6	+ 6.3	+ 5.7	+ 15.4
(*a*) NON-ELECTRICAL MACHINERY ..	30.91	239.1	271.2	288.6	+ 13.4	+ 6.4	+ 3.4	+ 7.6
Diesel Engines	2.11	165.7	179.6	192.8	+ 8.4	+ 7.3	+ 0.1	+ 0.4
Machine Tools	4.50	295.1	313.3	342.2	+ 6.2	+ 9.2	+ 0.3	+ 1.8
(*b*) ELECTRICAL MACHINERY	19.54	207.4	213.2	226.7	+ 2.8	+ 6.3	+ 0.4	+ 3.7
Cables & Wires	5.74	206.0	206.0	206.0	—	—	—	—
(*c*) TRANSPORT EQUIPMENT	16.73	256.4	289.9	307.9	+ 13.1	+ 6.2	+ 1.9	+ 4.2
Trucks	6.25	270.0	309.8	316.9	+ 14.7	+ 2.3	+ 0.8	+ 0.6
K. MISCELLANEOUS PRODUCTS	7.20	223.7	239.0	240.7	+ 6.8	+ 0.7	+ 0.4	+ 0.2

of 'jute, hemp and mesta textiles' increased by 7.5 per cent as against the fall of 13.5 per cent last year due to increased demand for jute goods as also a cutback in production on account of power cuts and labour problems.

The index of 'paper and paper products' rose steeply by 11.6 per cent owing to the hike of Rs. 700/- per tonne effected by the Government in the price of white printing paper in December 1981.

The price index of 'rubber and rubber products' also recorded a rise of 9.5 per cent owing to continued imbalance in demand and supply of rubber.

The large increase in the group 'non-metallic mineral products' of 26.7 per cent as against only 5.7 per cent in the previous year is attributable to the sharp increase in cement prices by 54.2 per cent, following the increase in retention prices by Rs. 34.74 per tonne in July 1981.

The price index of 'basic metals, alloys and metal products' rose by 14.1 per cent—more or less the same magnitude as in the year before. The index of the sub-group 'iron, steel and ferro alloys' went up by 20.1 per cent principally due to the lifting of control on the prices of steel items by the Government and the subsequent decision of the Joint Plant Committee (JPC) to raise the prices of all steel items, as also the rise of Rs. 225/- per tonne in pig iron prices in February 1982. The periodical upward revisions in the prices of 'non-ferrous metals and other alloys' caused the index of this sub-group to rise by 4.4 per cent.

The other groups which recorded increases in their price indices were: 'chemical and chemical products' (3.8 per cent as against 4.9 per cent last year), 'machinery and transport equipment' (6.3 per cent as against 10.6 per cent last year), and 'miscellaneous products' (0.7 per cent as against 6.8 per cent last year). The price increases in the year under review in all these groups were lower than those in 1980-81.

Consumer Price Indices

The All-India Consumer Price Index for Industrial Workers (1960=100) increased from 439 in June 1981 to 470 in June 1982 registering a rise of 7.1 per cent over the year. In 1980-81, the index had recorded a larger increase of 13.7 per cent. On an average basis also, the rise during July 1981-June 1982 was smaller at 10.9 per cent as against 11.9 per cent last year. (Table IV-3). A feature of the year was the steady downward movement of the index from December 1981 upto March 1982, by 1.1 per cent over the four-month period. During the corresponding four-month period last year, the index had increased by 2.2 per cent. Since April 1982 the index again started moving upward and reached the peak level of 470 in June 1982. During the last three months of the year (April-June), the index went up by 2.8 per cent, more than offsetting the decline registered in the preceding quarter and commencing a rising trend again. A centre-wise analysis shows

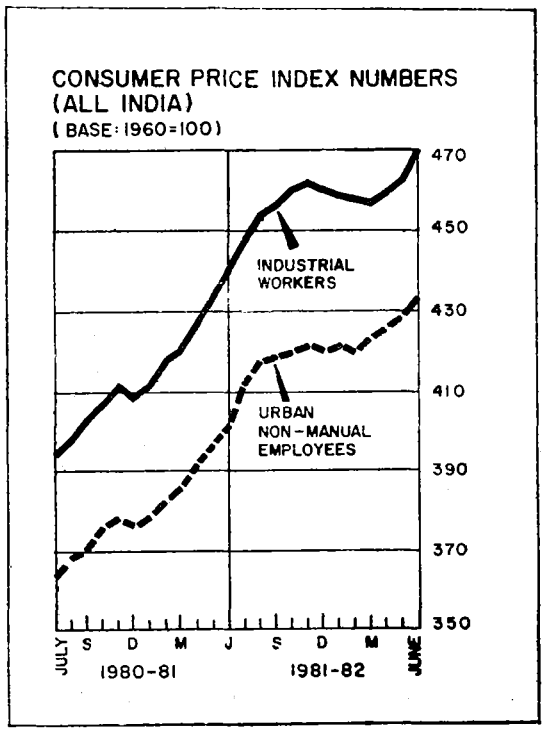
Table IV-3 : Consumer Price Indices

(July-June Average)

	1979-80	1980-81	1981-82
	1	2	3
1. Consumer Price Index for Industrial Workers (1960=100)	369.9	413.8	458.7
2. Per cent variation in (1)	(+10.3)	(+11.9)	(+10.9)
3. Consumer Price Index for Urban Non-Manual Employees (1960=100)	339.1	380.3	421.4
4. Per cent variation in (3)	(+9.6)	(+12.1)	(+10.8)

that increases were recorded at all the important centres. The highest rise was recorded by Ahmedabad (10.5 per cent), followed by Saharanpur (10.1 per cent), Delhi (8.5 per cent), Bombay (8.4 per cent), Jamshedpur (8.0 per cent), Calcutta (7.6 per cent), Bangalore (7.2 per cent), and Nagpur (6.2 per cent).

The Consumer Price Index for Urban Non-Manual Employees (1960=100) also rose to 433 in June 1982 from 401 in June 1981 showing a lower rise of 8.0 per cent compared with the rise of 13.0 per cent in 1980-81. On an average basis too, this index, like the index for industrial workers, showed a smaller rise of 10.8 per cent as against 12.1 per cent in the preceding year. Besides, as in the case of the index for industrial workers, this index also showed substantial increases at various important centres. Among these, Patna recorded the highest increase of 14.2 per cent, followed by Bombay (12.9 per cent), Jaipur (10.3 per cent), New Delhi (10.2 per cent), Lucknow (7.8 per cent), Hyderabad (7.7 per cent) and Chandigarh (6.3 per cent).



Price Policies

During the year under review, the Union Government, in pursuance of its anti-inflationary policies, adopted several measures for augmenting the supply of essential consumer items, streamlining the public distribution system and importing adequate quantities of commodities in short supply. The administered prices of some of the commodities were revised and necessary changes were effected in the import/export policies in accordance with the trends in international markets. Some of the important measures taken in respect of industrial commodities are listed in the following paragraphs.

The Union Government announced increases in the domestic prices of a number of petroleum products with effect from July 11, 1981. The price revision was done for financing the steeply rising costs of the accelerated oil exploration and development programme, and for promoting economic and efficient use of these products. The price of high speed diesel (HSD) was increased by 32 paise a litre; motor spirit (petrol) by 53 paise per litre; kerosene by 15 paise per litre; furnace oil by Rs. 235/- per kilolitre; and 15 kg. LPG cylinder by Rs. 5/-. Simultaneously, the Government announced a sharp increase in the price of indigenous crude oil—both onshore and offshore—which were uniformly priced at Rs. 1,182/- per tonne on par with imported crude oil price. This price was inclusive of the production cess of Rs. 100/- per tonne which was revised upwards on each tonne of crude produced domestically from Rs. 60/- to Rs. 100/- with effect from July 13, 1981. The prices of onshore and offshore crude before this revision were Rs. 324/- and Rs. 458.50 per tonne, respectively. The revised price of crude at Rs. 1,182/- a tonne is inclusive of the royalty of Rs. 61/- per tonne payable to the oil-producing States.

The Union Government increased the prices of fertilisers in July 1981 in order to contain the budgetary subsidy in this respect. The selling prices were increased from Rs. 2,000/- to Rs. 2,350/- per tonne for urea, from Rs. 3,050/- to Rs. 3,600/- per tonne for di-ammonium phosphate and from Rs. 1,100/- to Rs. 1,300/- per tonne for muriate of potash.

In terms of nutrients (NPK), the average increase worked out to Rs. 450/- per tonne. This was done to compensate for the increase in the cost of inputs of domestically produced fertiliser and distribution costs.

The Government raised the import duty on vegetable oils from 40 per cent to 125 per cent *ad valorem* in July 1981 in order to curb the activities of private trade taking advantage of loopholes in the import policy as well as with a view to mopping up excess profits earned by them.

Coffee which was exempted from export duty since June 19, 1981, was subjected to duty again with effect from August 21, 1981. The duty was levied at the rate of Rs. 75/- per quintal. From September 10, 1981 the Union Government wholly exempted coffee from export duty. However, it was reimposed with effect from November 12, 1981 at the rate of Rs. 85/- per quintal and raised to Rs. 300/- per quintal with effect from February 17, 1982 but was reduced to Rs. 120/- per quintal with effect from June 1, 1982. All these changes in export duty on coffee were effected taking into consideration the changes in prices of coffee in international markets.

During the year, the Union Government continued the scheme of monthly releases of sugar with a view to maintaining the prices at reasonable levels. The statutory minimum price for sugarcane at Rs. 13/- per quintal was retained for the 1981-82 season. The ban on export of sugar which was introduced in February 1981 was lifted in November 1981 and export of sugar was allowed through the State Trading Corporation mainly with a view to maximising foreign exchange earnings and honouring commitments under the International Sugar Agreement. The Government also increased the issue price of levy sugar from Rs. 350/- per quintal to Rs. 365/- per quintal from November 15, 1981 to compensate for higher input and other costs. The all-India ex-factory price of sugar was simultaneously raised by Rs. 15/- per quintal to Rs. 300/- per quintal. The Government also decided to continue the existing ratio of 65:35 of levy and free sale sugar for the 1981-82 season. The tariff value of free sale sugar which was Rs. 640/- per quintal in June 1981 was periodically revised downwards and was fixed at Rs. 430/- per quintal for June 1982. The Forward Markets Commission imposed a daily limit of Rs.5/- per quintal on June 7, 1982 on fluctuations in futures prices of gur to prevent speculative trading and consequent fluctuations in prices. Futures trading in gur was permitted at various centres in the country in April 1982 with a view to arresting the continuous fall in prices of gur following record production of sugarcane. In October 1981, the Union Government granted a rebate in Central excise duty at the rate of Rs. 23.55 per quintal for free sale sugar and Rs. 15.30 per quintal for levy sugar as an incentive for early crushing of sugarcane and also to ensure that there would be no diversion in the use of sugarcane from production of sugar in the 1981-82 season. The rebate in excise duty was applicable to the sugar output realised between October 28, 1981 and November 30, 1981 with the provision that output during this period should exceed the output realised during the corresponding period of the previous year. Again in April 1982, the Union Government announced an excise duty rebate for excess production of sugar during May-September 1982 as an incentive for late crushing in view of the record output of sugarcane. The rebates were Rs. 40/- per quintal for free sale sugar and Rs. 24.50 per quintal for levy sugar. The sugar produced in excess of the production in the preceding three sugar years was eligible for the rebate. In April 1982, the Government also relaxed the restrictions on the holdings of stocks of sugar and khandsari by recognised dealers in the wake of bumper production of sugar during the current year. The revised limits fixed were: 1,000 quintals for recognised dealers in cities and towns with population of 5 lakhs and more, 500 quintals in cities and towns with population between 1 lakh and 5 lakhs, and 250 quintals in other towns with population of less than 1 lakh. The maximum stock limit for khandsari dealers was raised to 1,000 quintals throughout the country.

The Union Government raised the retention prices of aluminium by Rs. 2,469/- per tonne on an average effective December 3, 1981. Consequently, the ex-factory prices worked out to Rs. 15,411/- per tonne for electrical conductor grade and Rs. 15,311/- per tonne for commercial grade aluminium and their

respective selling prices came to Rs. 18,802/- per tonne and Rs. 18,679/- per tonne following reduction in excise duty from 40 per cent to 22 per cent.

The selling prices of imported (standard) newsprint were raised by Rs. 480/- per tonne from July 1, 1981, and again by Rs. 385/- per tonne from October 1, 1981 in respect of both high-seas sales and sales from STC's buffer stock. They were further raised by Rs. 150/- a tonne for the quarter January-March 1982. These increases in prices were attributed to the appreciation in the value of U.S. dollar *vis-a-vis* the Indian rupee. The new prices effective from January 1, 1982 were Rs. 5,910/- per tonne in the case of high-seas sales and Rs. 6,010/- a tonne in the case of sales from the State Trading Corporation's buffer stock.

In December 1981, the Union Government reduced the selling price of imported writing and printing paper by Rs. 300/- per tonne to Rs. 8,200/- per tonne due to a fall in international prices. In the case of concessional grade indigenous white printing paper, the Government allowed an increase of Rs. 700/- a tonne with effect from December 24, 1981 with a view to compensating the manufacturers for rising costs of production. The administered price of white printing paper thus went up from Rs. 3,500/- per tonne to Rs. 4,200/- per tonne or by 20 per cent.

The Union Government raised the retention price of cement by Rs. 34.74 per tonne with effect from May 3, 1981 and the consumer price by Rs. 81.91 per tonne with effect from July 23, 1981 in view of the rising input costs. Thus, the price of cement went up by Rs. 1.74 per bag of 50 kgs. for producers, and that for consumers by Rs. 4.10 per bag. In consequence, the new three-tier retention prices were fixed at Rs. 233.39 per tonne for low cost units, Rs. 235.39 for medium cost units and Rs. 268.39 for high cost units. The retention price for new units was fixed at Rs. 344.39 per tonne. The revised f.o.r. price of cement (both indigenous and imported) inclusive of excise duty and packing charges was fixed at Rs. 532.53 per tonne. The Government at the same time extended the scope of the scheme of subsidy for generation of power from captive power plants to cover generating sets set up by cement plants after October 1978. The incidence on this account would be borne by the Cement Regulation Account in view of the continuing power cuts in a number of cement-producing States which affected production. Again, with effect from February 27, 1982, the Union Government introduced a dual pricing system for cement, one for levy cement (to match the requirements of State and Central Governments, corporations, industry's demand for factory construction and consumers' demand for constructing small dwelling units as well as to carry out small repairs to residential houses) and the other for free sale cement. Accordingly, factories set up before January 1982 were required to surrender production equivalent to 66.6 per cent of installed capacity as levy cement for distribution at controlled price. The units which started commercial production after January 1982 were required to give 50 per cent as levy quota on the basis of 75 per cent of licensed capacity in the first year of production and 85 per cent of licensed capacity in the second year (as new units would not be in a position to produce cement to the extent of 100 per cent of their installed capacity in the initial years). From the third year onwards, the levy quota would be determined on the basis of 100 per cent of installed capacity. Sick units would be required to give a levy quota to the extent of 50 per cent of their installed capacity. Thus, the ex-factory retention price in respect of levy cement for ordinary Portland slag cement (PSC) was fixed at Rs. 335/- a tonne and that of Pozzolana Portland cement at Rs. 320/- a tonne. The corresponding f.o.r. prices would be Rs. 440/- and Rs. 425/- a tonne, respectively. The earlier 3-tier pricing system was replaced by a single ex-factory price for all cement factories. Further, the Union Government decided to discontinue effective March 3, 1982 the scheme of priority allotment of cement against inward remittances of foreign exchange which was introduced in February 1975.

The Union Government increased in May 1982 the average pit-head prices of coal to Rs. 145.90 per tonne for Coal India Limited (an increase of 13.96 per cent) and to Rs. 154.75 per tonne for Singareni Collieries (an increase of 13.06 per cent); the price was Rs. 128.02 a tonne earlier for CIL and Rs. 136.85 per tonne for SCL.

Import of pig iron was canalised with effect from September 4, 1981 through the Steel Authority of India Ltd. (SAIL). Hitherto, the import of pig iron was allowed under Open General Licence (OGL). In April 1982, the Government abolished the system of administered prices for pig iron and all categories of steel produced by the integrated steel plants. Prices of pig iron and of all categories of steel thereafter were determined by the Joint Plant Committee (JPC) and the requirement of prior approval of the Government was given up. The JPC, accordingly, immediately announced revision in the prices of pig iron and other steel items. Pig iron price was increased by Rs. 225/- per tonne. Among other steel items, the price of HR coils was raised by Rs. 270/-; structurals by Rs. 880/-; plates by Rs. 375/- to Rs. 665/-; and railway items by about Rs. 3000/- per tonne. The weighted average increase in prices of railway materials came to Rs. 1,043/- per tonne. On the other hand, the prices were reduced for different varieties of semis by Rs. 100/- to Rs. 500/- per tonne. In the case of skelp there was a straight reduction of Rs. 200/- per tonne.

In January 1982 the Union Government restored the concessional import duty on soda ash to the normal level with a view to discouraging its indiscriminate import under the Open General Licence (OGL). The basic duty on soda ash (light) was 45 per cent and on soda ash (heavy) 25 per cent with 15.75 per cent countervailing duty since January 6, 1981. The auxiliary duty was waived with effect from January 1981. The revised basic duty on both light and heavy soda ash was fixed at 60 per cent, with an auxiliary duty of 20 per cent and a countervailing duty of 15.75 per cent.

In February 1982, cloth with a maximum retail selling price of Rs. 7.31 per metre was brought under the purview of the cheap cloth production scheme. Till then, cloth with a maximum selling price of Rs. 6.36 per metre was covered under this scheme.

The domestic prices of non-ferrous metals were periodically revised taking into account changes in their international prices and indigenous production. For some of the non-ferrous metals, the revisions made are given below:

Prices of Non-Ferrous Metals

(Excluding Sales Tax, Octroi, etc.)

(Rs. per tonne)

Dates	Copper Wire bars	Nickel cathodes/ pellets	Electrolytic Zinc (High grade)	Pig lead (99.97%)	Tin
As on					
July 1, 1981	32,300	90,000	16,000	11,100	1,80,000
August 1, 1981	32,300	94,000	16,000	13,000	1,95,000
October 1, 1981	32,300	94,000	17,500	12,500	2,15,000
November 1, 1981	31,300	90,000	17,000	12,000	2,40,000
December 1, 1981	31,300	85,000	17,000	11,250	2,45,000
February 1, 1982	30,800	87,000	16,700	11,250	2,35,000
March 1, 1982	30,800	90,000	18,000	11,250	2,30,000
April 1, 1982	29,800	90,000	18,000	11,250	2,20,000
June 1, 1982	29,300	90,000	17,500	10,500	2,15,000

Chapter V

Monetary Developments

The Overall Trends

During the year 1981-82 (July-June), the monetary expansion expressed in terms of all the four measures, viz., M_1, M_2, M_3 and M_4 was substantially lower than in the preceding year both in absolute and percentage terms.* Money supply in the broad sense, i.e., M_3 (comprising currency with the public, aggregate deposits with commercial and co-operative banks and 'other' deposits with the Reserve Bank), increased by Rs. 7,034 crores or 12.0 per cent in 1981-82 as against a much larger rise of Rs. 9,649 crores or 19.7 per cent in the previous year. Money supply in the narrow sense, i.e., M_1 (comprising currency with the public, demand deposits with commercial and co-operative banks and 'other' deposits with the Reserve Bank), registered an expansion of Rs. 2,329 crores or 9.7 per cent which was much smaller than the expansion of Rs. 3,795 crores or 18.7 per cent in 1980-81. The growth in M_2 (M_1+post office savings bank deposits) in 1981-82 at Rs. 2,357 crores or 9.0 per cent was about one-half of that in the previous year (Rs. 4,016 crores or 18.0 per cent). M_4 (M_3 + total post office deposits) also showed a smaller increase of Rs. 7,789 crores or 11.9 per cent in 1981-82 than that of Rs. 10,536 crores or 19.3 per cent in 1980-81 (Table V-1).

* The data on money supply used in this Report relate to June 30 for the Reserve Bank of India and to the last Friday of June for commercial and co-operative banks. This has been done mainly because the Statement of Affairs of the Reserve Bank of India for the last Friday of June 1982 did not reflect the true position of the Bank in view of the dislocation of work arising from uneasy industrial relations.

Table V—1 : Money Supply and Its Components

(Rupees crores)

Items	Outstandings as on the last day of			Variations during	
	June 1980	June 1981	June 1982@	1980-81	1981-82@
1	2	3	4	5	6
M_1	**20,273**	**24,068**	**26,397**	**+3795 (+18.7)**	**+2329 (+ 9.7)**
(a) Currency with the Public	12,097	13,884	15,592	+1787 (+14.8)	+1708 (+12.3)
(b) Demand Deposits with Banks	7,923	9,939	10,687	+2016 (+25.4)	+ 748 (+ 7.5)
(c) Other Deposits with R.B.I.	253	245	118	— 8 (— 3.2)	— 127 (—51.8)
Post Office Savings Bank Deposits	2,020	2,241	2,269	+ 221 (+10.9)	+ 28 (+ 1.2)
M_2 (M_1 +Post Office Savings Bank Deposits)	**22,293**	**26,309**	**28,666**	**+4016 (+18.0)**	**+2357 (+ 9.0)**
Time Deposits with Banks	28,617	34,471	39,176	+5854 (+20.5)	+4705 (+13.6)
M_3 (M_1 +Time Deposits with Banks)	**48,890**	**58,539**	**65,573**	**+9649 (+19.7)**	**+7034 (+12.0)**
Total Post Office Deposits	5,763	6,650	7,405	+ 887 (+15.4)	+ 755 (+11.4)
M_4 (M_3 +Total Post Office Deposits)	**54,653**	**65,189**	**72,978**	**+10536 (+19.3)**	**+7789 (+11.9)**

@ Data are provisional/partially revised.

Notes: 1. In regard to currency with the public, notes in circulation data are as on last day of June while the circulation of rupee and small coins data as also the deductible item 'cash on hand with banks' are on last Friday basis.

2. Data on demand and time deposits with scheduled commercial banks for June 1980 are reworked on a uniform basis of classification of their savings bank deposits.

3. Figures within brackets represent percentage variations.

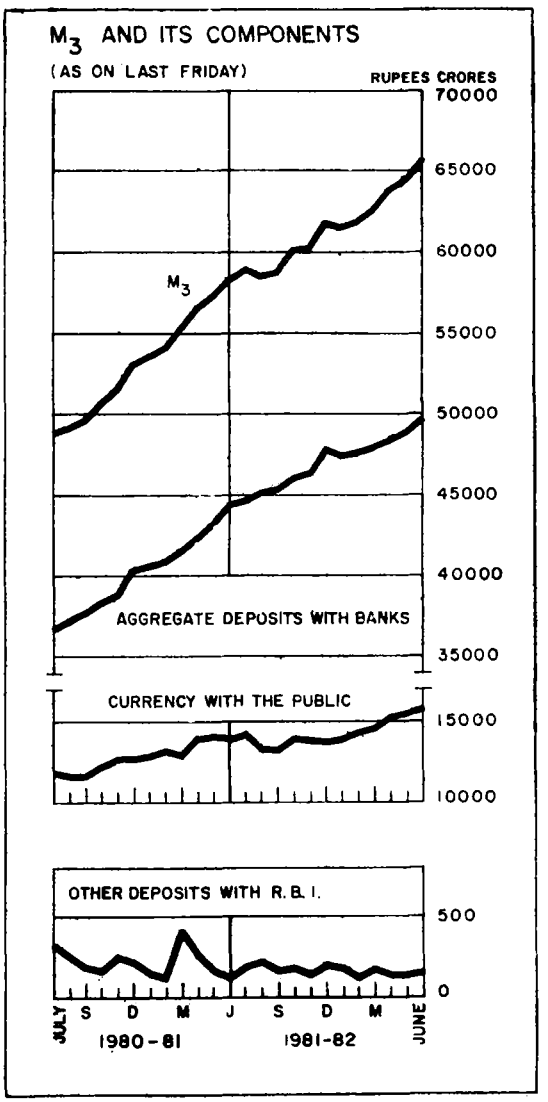
The lower order of monetary expansion was accounted for almost entirely by deceleration in deposit growth. Currency with the public increased by Rs. 1,708 crores, which was only a little lower than the increase of Rs. 1,787 crores in the preceding year. Aggregate deposits with banks rose by Rs. 5,453 crores or 12.3 per cent in 1981-82 as against a much larger rise of Rs. 7,870 crores or 21.5 per cent in 1980-81. The deceleration in deposit growth was particularly pronounced in demand deposits, which increased over the year by only Rs. 748 crores or 7.5 per cent as against a much larger rise of Rs 2,016 crores or 25.4 per cent in 1980-81. Time deposits rose by Rs. 4,705 crores or 13.6 per cent as against Rs. 5,854 crores or 20.5 per cent in 1980-81.

Reserve money also recorded a lower increase of only Rs. 2,004 crores or 9.6 per cent during the year under review as against a rise of Rs. 3,369 crores or 19.3 per cent in 1980-81.

Money Supply

The expansion in M_3 of Rs. 7,034 crores comprised an increase of Rs. 5,453 crores in aggregate deposits and of Rs. 1,708 crores in currency with the public, slightly offset by a decline of Rs. 127 crores in 'other' deposits with the Reserve Bank. The significantly smaller rise of Rs. 2,329 crores in M_1 as against the rise of Rs. 3,795 crores in 1980-81 was due to a much smaller accretion of only Rs. 748 crores in demand deposits in 1981-82 as against Rs. 2,016 crores in 1980-81.

Table V-2 sets out the sources of change in M_3. It will be seen from the Table that the increase in net bank credit to Government in 1981-82 was a little higher than in 1980-81 in absolute terms, but was lower in percentage terms. While the net Reserve Bank credit to Union and State Governments showed a smaller increase of Rs. 4,615 crores or 25.6 per cent against Rs. 4,681 crores or 35.1 per cent in 1980-81, the credit extended by the commercial and co-operative banks to the Government recorded a larger increase in amount of Rs. 1,691 crores as against Rs. 1,554 crores in 1980-81, but the rate of increase was slightly lower at 16.5 per cent as against 17.8 per cent in 1980-81. As a result, the overall net credit to Government increased by Rs. 6,306 crores or 22.3 per cent in 1981-82 as against the rise of Rs. 6,235 crores or 28.2 per cent in 1980-81.



The expansion in bank credit to the commercial sector at Rs. 6,028 crores or 15.9 per cent was smaller in both absolute and percentage terms than in 1980-81 (Rs. 6,539 crores or 20.9 per cent). Reserve Bank's credit to the commercial sector showed a larger increase of Rs. 417 crores or 23.6 per cent as against the rise of Rs. 237 crores or 15.5 per cent in 1980-81. The rise in the commercial and co-operative banks' credit to the commercial sector at Rs. 5,612 crores or

Table V—2 : Sources of Money Stock (M_3)

(Rupees crores)

Items	Outstanding as on last day of June				Variations during		
	1979	1980	1981	1982@	1979-80	1980-81	1981-82@
1	2	3	4	5	6	7	8
Sources of Money Stock (M_3) (1+2+3+4—5)							
1. Net Bank Credit to Government (A+B) ..	**16,725**	**22,073**	**28,308**	**34,614**	**+ 5,348** (+32.0)	**+ 6,235** (+28.2)	**+ 6,306** (+22.3)
(A) RBI's Net Credit to Government (i-ii) ..	9,621	13,348	18,029	22,644	+ 3,727 (+38.7)	+ 4,681 (+35.1)	+ 4,615 (+ 25.6)
(i) Claims on Government (a+b) ..	10,807	14,529	18,328	23,044	+ 3,722 (+34.4)	+ 3,799 (+26.1)	+ 4,716 (+25.7)
(a) Central Government	10,660	14,367	18,083	22,919	+ 3,707 (+34.8)	+ 3,716 (+25.9)	+ 4,836 (+ 26.7)
(b) State Governments	147	162	245	125	+ 15 (+10.2)	+ 83 (+51.2)	— 120 (—49.0)
(ii) Government Deposits with RBI (a+b)	1,186	1,181	300	400	— 5 (— 0.4)	— 881 (—74.6)	+ 100 (+33.3)
(a) Central Government	1,168	1,096	214	153	— 72 (— 6.2)	— 882 (—80.5)	— 61 (—28.5)
(b) State Governments	18	85	86	247	+ 67 (+372.2)	+ 1 (+ 1.2)	+ 161 (+187.2)
(B) Other Banks' Credit to Government ..	7,104	8,725	10,279	11,970	+ 1,621 (+22.8)	+ 1,554 (+17.8)	+ 1,691 (+16.5)
2. Bank Credit to Commercial Sector (A+B)	**27,359£**	**31,281**	**37,820**	**43,848**	**+ 3,922£** (+14.3)	**+ 6,539** (+20.9)	**+ 6,028** (+15.9)
(A) RBI's Credit to Commercial Sector ..	1,371	1,528	1,765	2,182	+ 157 (+11.5)	+ 237 (+15.5)	+ 417 (+23.6)
(B) Other Banks' Credit to Commercial Sector (i+ii+iii)	25,988£	29,753	36,054	41,666	+ 3,765£ (+14.5)	+ 6,301 (+21.2)	+ 5,612 (+15.6)
(i) Bank Credit by Commercial Banks.	19,694£	22,078	26,556	30,110	+ 2,384£ (+12.1)	+4,478 (+20.3)	+ 3,554 (+ 13.4)
(ii) Bank Credit by Co-operative Banks	3,464	3,908	4,835	5,878	+ 444 (+12.8)	+ 927 (+23.7)	+ 1,043 (+21.6)
(iii) Investments by Commercial and Co-operative Banks in Other Securities	2,830	3,767	4,663	5,678	+ 937 (+33.1)	+ 896 (+23.8)	+ 1,015 (+21.8)
3. Net Foreign Exchange Assets of the Banking Sector (A+B)	**5,518**	**4,955**	**4,235**	**2,280**	**— 563** (—10.2)	**— 720** (—14.5)	**— 1,955** (—46.2)
(A) RBI's Net Foreign Exchange Assets (i—ii)	5,566	5,000	4,280	2,325	— 566 (—10.2)	— 720 (—14.4)	— 1,955 (—45.7)
(i) Gross Foreign Assets	5,566	5,000	4,553	3,500	— 566 (—10.2)	— 447 (— 8.9)	— 1,053 (—23.1)
(ii) Non-monetary Foreign Liabilities..	—	—	273	1,175	—	+ 273	+ 902 (+330.4)
(B) Other Banks' Net Foreign Exchange Assets	—47	—45*	—45*	—45*	+ 2	—	—
4. Government's Currency Liabilities to the Public	**608**	**601**	**627**	**645**	**— 7** (— 1.2)	**+ 26** (+ 4.3)	**+ 18** (+ 2.9)
5. Banking Sector's Net Non-monetary Liabilities other than Time Deposits with Banks (A+B)	**7,706**	**10,020**	**12,451**	**15,814**	**+ 2,314** (+30.0)	**+ 2,431** (+ 24.3)	**+ 3,363** (+ 27.0)
(A) Net Non-monetary Liabilities of RBI	3,168	4,066	4,942	6,313	+ 898 (+28.3)	+ 876 (+21.5)	+ 1,371 (+ 27.7)
(B) Net Non-monetary Liabilities of other Banks (Derived)	4,538	5,954	7,509	9,501	+ 1,416 (+31.2)	+ 1,555 (+26.1)	+ 1,992 (+26.5)

@ Data are provisional/partially revised.
£ Inclusive of PCs issued by scheduled commercial banks to financial institutions.
* Provisional.

Notes: 1. Figures within brackets represent percentage variations.
2. Constituent items may not add up to totals due to rounding off.
3. Reserve Bank data are as on last day of June 1979, 1980, 1981 and 1982. Other data are as on last Friday of June 1979, 1980, 1981 and 1982.

15.6 per cent was much lower than that of Rs. 6,301 crores or 21.2 per cent in 1980-81. There was, however, a significant increase of Rs. 622 crores in the food procurement credit in contrast to a decline of Rs. 208 crores in 1980-81. On the other hand, the increase in non-food credit of commercial banks in 1981-82 at Rs. 2,932 crores was much smaller than the increase of Rs. 4,686 crores in 1980-81.

The downward trend in the net foreign exchange assets of the banking sector accelerated in 1981-82, with a sharp fall of Rs. 1,955 crores or 46.2 per cent as compared with the decline of Rs. 720 crores or 14.5 per cent in the preceding year. The deficit on the trade account, though large, was marginally lower in 1981-82 (April-March) than in 1980-81; the larger decline in net foreign exchange assets reflected the falling trend in receipts on the invisibles account.

Net non-monetary liabilities of the banking sector (other than time deposits with banks), a neutralising factor, increased by Rs. 3,363 crores or 27.0 per cent as against an increase of Rs. 2,431 crores or 24.3 per cent in 1980-81. Net non-monetary liabilities of the Reserve Bank increased by Rs. 1,371 crores as compared with the rise of Rs. 876 crores in the preceding year.

Seasonal Trends

Seasonal variations in M_3 along with its sources of change during the last two slack and busy seasons are presented in Table V-3. In the slack season (end-April to end-October) of 1981, M_3 registered a larger expansion than in the slack season of 1980. The expansion in M_3 was Rs. 3,599 crores or 6.4 per cent compared with the increase of Rs. 2,760 crores or 5.8 per cent during the slack season of 1980. The substantial increase in bank credit to the commercial sector of Rs. 3,214 crores or 8.8 per cent in the 1981 slack season, as against Rs. 1,891 crores or 6.2 per cent in the 1980 slack season, was mainly responsible for the larger monetary expansion. Food credit rose by Rs. 230 crores in the 1981 slack season in contrast to a decline of Rs. 149 crores in the slack season of 1980. Non-food credit of commercial banks recorded a sharp increase of Rs. 1,951 crores in the 1981 slack season as against the rise of Rs. 1,277 crores in the previous slack season. Net bank credit to Government also showed a larger rise of Rs. 1,887 crores or 7.1 per cent during the 1981 slack season as against an increase of Rs. 1,445 crores or 6.9 per cent in the previous slack season. The increase of Rs. 1,887 crores in net bank credit to Government was the net result of a sharp rise of Rs. 2,134 crores or 13.3 per cent in the Reserve Bank's net credit to Government and a decline of Rs. 248 crores or 2.3 per cent in other banks' credit to Government. In the 1980 slack season, the Reserve Bank's net credit to Government had increased by only Rs. 446 crores or 3.6 per cent while other banks' credit to Government had risen by as much as Rs. 1,000 crores or 12.0 per cent. The banking sector's net foreign exchange assets registered a steep fall of Rs. 1,065 crores or 23.3 per cent against a much smaller decline of Rs. 140 crores or 2.8 per cent in the 1980 slack season. Net non-monetary liabilities of the banking sector increased by Rs. 448 crores, which was marginally higher in absolute terms than in the 1980 slack season.

During the busy season (end-October to end-April) of 1981-82, expansion in M_3 was substantially smaller than in the busy season of 1980-81, being only Rs. 3,518 crores or 5.9 per cent as against the rise of Rs. 5,871 crores or 11.6 per cent in the 1980-81 busy season. The deceleration in M_3 growth was shared by both currency with the public and aggregate deposits with banks which recorded smaller increases than in the 1980-81 busy season; 'other' deposits with the Reserve Bank registered a small decline in contrast to an increase in the preceding busy season. Lower increases than in the preceding busy season in net bank credit to Government (Rs. 3,489 crores as against Rs. 4,416 crores) and in bank credit to the commercial sector (Rs. 3,162 crores as against Rs. 4,178 crores) and a larger decline in the net foreign exchange assets of the banking sector (Rs. 844 crores as against Rs. 344 crores) were responsible for the lower rate of growth in M_3 in the 1981-82 busy season. Food credit showed an increase of Rs. 189 crores in contrast to the decline of Rs. 146 crores in the 1980-81 busy season. The increase in non-food credit at Rs. 1,530 crores in the 1981-82

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

(Rupees crores)

Items	Variations during					
	Slack Season		End-April 1981 to End-June 1981	End-April 1982 to End-June 1982@	Busy Season	
	1980	1981			1980-81	1981-82@
1	2	3	4	5	6	7
I. **M_3 (a+b+c)**	**+ 2,760** (+ 5.8)	**+3,599** (+ 6.4)	**+2,013** (+ 3.6)	**+1,930** (+ 3.0)	**+5,871** (+11.6)	**+ 3,518** (+ 5.9)
(a) Currency with the Public	+ 48 (+ 0.4)	+ 87 (+ 0.6)	+ 26 (+ 0.2)	+ 368 (+ 2.4)	+1,661 (+13.6)	+1,279 (+ 9.2)
(b) Aggregate Deposits with Banks (i+ii) ..	+2,870 (+ 8.1)	+3,613 (+ 8.5)	+2,007 (+ 4.7)	+1,579 (+ 3.3)	+4,103 (+10.7)	+2,268 (+ 4.9)
(i) Demand Deposits	+ 81 (+ 1.0)	+ 555 (+ 5.9)	+ 545 (+ 5.8)	+ 484 (+ 4.7)	+1,423 (+17.9)	+ 254 (+ 2.6)
(ii) Time Deposits	+2,789 (+10.1)	+3,058 (+ 9.3)	+1,462 (+ 4.4)	+1,095 (+ 2.9)	+2,680 (+ 8.8)	+2,014 (+ 5.6)
(c) Other Deposits with RBI	— 158 (—50.0)	— 101 (—38.1)	— 20 (— 7.6)	— 17 (—12.6)	+ 107 (+67.7)	— 29 (—17.7)
II. **Sources of Money Stock (M_3) (1+2+3+4—5)**						
1. Net Bank Credit to Government (A+B) ..	**+1,445** (+ 6.9)	**+1,887** (+ 7.1)	**+1,655** (+ 6.2)	**+2,585** (+ 8.1)	**+4.416** (+19.9)	**+3,489** (+12.2)
(A) RBI's Net Credit to Government (i—ii)	+ 446 (+ 3.6)	+2,134 (+13.3)	+2,029 (+12.7)	+2,056 (+10.0)	+3,097 (+24.0)	+2,454 (+13.5)
(i) Claims on Government (a+b) ..	+ 263 (+ 1.9)	+2,105 (+13.1)	+2,239 (+13.9)	+1,025 (+ 4.7)	+1,890 (+13.3)	+3,825 (+21.0)
(a) Central Government ..	+ 203 (+ 1.5)	+1,846 (+12.1)	+2,864 (+18.8)	+3,421 (+17.5)	+1,484 (+10.8)	+2,433 (+14.3)
(b) State Governments ..	+ 60 (+14.9)	+ 259 (+29.8)	— 625 (—71.8)	—2,396 (—95.0)	+ 406 (+87.5)	+1,392 (+123.3)
(ii) Government Deposits with RBI (a+b)	— 183 (—12.4)	— 29 (—32.6)	+ 211 (+237.1)	—1,031 (—72.1)	—1,207 (—93.1)	+1,371 (+2285.0)
(a) Central Government ..	— 176 (—12.0)	— 25 (—31.3)	+ 134 (+167.5)	—1,277 (—89.3)	—1,206 (—93.8)	+1,375 (+2,500.0)
(b) State Governments ..	— 7 (—41.2)	— 4 (—44.4)	+ 77 (+855.6)	+ 246 (+24600.0)	— 1 (—10.0)	— 4 (—80.0)
(B) Other Banks' Credit to Government ..	+1,000 (+12.0)	— 248 (— 2.3)	— 374 (— 3.5)	+ 529 (+ 4.6)	+1,319 (+14.1)	+1,036 (+ 9.9)
2. Bank Credit to Commercial Sector (A + B)	**+1,891** (+ 6.2)	**+3,214** (+ 8.8)	**+1,094** (+ 3.0)	**+ 746** (+ 1.7)	**+4,178** (+12.8)	**+3,162** (+ 7.9)
(A) RBI's Credit to Commercial Sector ..	+ 20 (+ 1.3)	+ 66 (+ 3.9)	+ 56 (+ 3.3)	+ 153 (+ 7.5)	+ 185 (+12.1)	+ 254 (+14.3)
(B) Other Banks' Credit to Commercial Sector (i+ii+iii)	+1,871 (+ 6.4)	+3,148 (+ 9.0)	+1,037 (+ 3.0)	+ 593 (+ 1.4)	+3,993 (+12.9)	+2,908 (+ 7.6)
(i) Bank Credit by Commercial Banks	+1,128 (+ 5.2)	+2,181 (+ 8.5)	+ 779 (+ 3.0)	+ 433 (+ 1.5)	+3,039 (+13.4)	+1,719 (+ 6.1)
(ii) Bank Credit by Co-operative Banks	+ 235 (+ 5.9)	+ 254 (+ 5.2)	— 26 (— 0.5)	—	+ 672 (+16.0)	+ 763 (+14.9)
(iii) Investments by Commercial and Co-operative Banks in Other Securities	+ 508 (+14.2)	+ 713 (+16.3)	+ 284 (+ 6.5)	+ 160 (+ 2.9)	+ 282 (+ 6.9)	+ 426 (+ 8.4)

Table V-3 : Seasonal Variations in M_3 and Its Sources of Change—*Contd.*

1	2	3	4	5	6	7
3. Net Foreign Exchange Assets of the Banking Sector (A + B)	**— 140** (**— 2.8**)	**—1,065** (**—23.3**)	**— 328** (**— 7.2**)	**— 374** (**—14.1**)	**— 344** (**— 7.0**)	**— 844** (**—24.1**)
(A) RBI's Net Foreign Exchange Assets (i—ii)	— 140 (— 2.7)	—1,065 (—23.1)	— 327 (— 7.1)	— 374 (—13.9)	— 345 (— 7.0)	— 843 (—23.8)
(i) Gross Foreign Assets	+ 133 (+ 2.6)	—1,065 (—21.8)	— 327 (— 6.7)	— 374 (— 9.7)	— 345 (— 6.6)	+ 59 (+ 1.5)
(ii) Non-monetary Foreign Liabilities	+ 273	—	—	—	—	+ 902 (+330.4)
(B) Other Banks' Net Foreign Exchange Assets	—	—	—	—	—	—
4. Government's Currency Liabilities to the Public	**+ 9** (**+ 1.5**)	**+ 11** (**+ 1.8**)	**+ 6** (**+ 1.0**)	**+ 4** (**+ 0.6**)	**+ 17** (**+ 2.8**)	**+ 9** (**+ 1.4**)
5. Banking Sector's Net Non-monetary Liabilities other than Time Deposits (A+B)	**+ 445** (**+ 4.8**)	**+ 448** (**+ 3.7**)	**+ 414** (**+ 3.4**)	**+ 1,031** (**+ 7.0**)	**+2,396** (**+24.9**)	**+2,298** (**+18.4**)
(A) Net Non-monetary Liabilities of RBI ..	— 53 (— 1.4)	+ 456 (+ 9.1)	— 51 (— 1.0)	+ 262 (+ 4.3)	+1,376 (+38.0)	+ 602 (+11.0)
(B) Net Non-monetary liabilities of other Banks (Derived)	+ 498 (+ 9.0)	— 8 (—0.1)	+ 465 (+ 6.6)	+ 769 (+ 8.8)	+1,020 (+16.9)	+1,696 (+24.1)

@Data are provisional/partially revised.

Notes: 1. Figures within brackets represent percentage variations.
2. Constituent items may not add up to totals due to rounding off.
3. Reserve Bank data are as on last days of June 1981 and 1982. Other data are as on last Fridays of June 1981 and 1982. In regard to currency with the public, notes in circulation data are as on last day of June while the circulation of rupee and small coins data as also the deductible item 'cash on hand with banks' are on last Friday basis.
4. Data for October 1980, April 1981 and April 1982 do not represent correctly all the transactions actually put through the Reserve Bank of India during the period.
5. Data on demand and time deposits with scheduled commercial banks for April and October 1980 are reworked on a uniform basis of classification of their savings bank deposits.

busy season was, however, less than half of the increase of Rs. 3,185 crores in the 1980-81 busy season.

During the first two months of the 1982 slack season (i.e., between end-April and end-June 1982), M_3 showed a smaller expansion of Rs. 1,930 crores or 3.0 per cent than in the corresponding two-month period of 1981 (Rs. 2,013 crores or 3.6 per cent). While the increase in currency with the public at Rs. 368 crores was larger than the increase of Rs. 26 crores in the corresponding two-month period in 1981, the expansion in aggregate deposits at Rs. 1,579 crores was very much lower than in the same period in the previous year (Rs. 2,007 crores). Though net bank credit to Government registered a substantially larger increase of Rs. 2,585 crores as against Rs. 1,655 crores in May-June 1981, a smaller expansion than in the preceding year in bank credit to the commercial sector of Rs. 746 crores against Rs. 1,094 crores and a sizeable increase of Rs. 1,031 crores against Rs. 414 crores in net non-monetary liabilities of the banking sector, a neutralising factor, were responsible for the smaller increase in M_3.

Reserve Money

Reserve money registered a substantial deceleration in growth during 1981-82 (Table V-4). Compared with the reserve money expansion of Rs. 3,369 crores or 19.3 per cent in 1980-81, the increase in 1981-82 was only Rs. 2,004 crores or 9.6 per cent. The deceleration in reserve money growth was

brought about mainly by bankers' deposits with the Reserve Bank which increased by only Rs. 461 crores in 1981-82 as against a much larger expansion of Rs. 1,380 crores in 1980-81. The share of bankers' deposits with the Reserve Bank in overall expansion of reserve money came down sharply from 41 per cent in 1980-81 to 23 per cent in 1981-82. Currency with the public, which dominates the reserve money, also showed a marginally lower increase in 1981-82 than in 1980-81; its share in overall expansion of reserve money, however, recorded a substantial increase from 53 per cent in 1980-81 to 85 per cent in 1981-82. Cash on hand with banks which declined over the year by Rs. 38 crores in contrast to an increase of Rs. 211 crores in 1980-81 and 'other' deposits with the Reserve Bank which recorded a larger decline of Rs. 127 crores as against Rs. 8 crores in 1980-81 had an offsetting impact on reserve money growth.

The increase of Rs. 2,004 crores in reserve money was almost entirely brought about by the Reserve Bank's net credit to Government,

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

(Rupees crores)

Items	Out-standings as on the last day of June 1977	1977-78	1978-79	1979-80	1980-81	1981-82@	Out-standings as on the last day of June 1982@
Reserve Money (1+2+3+4)	**10,001**	**+ 2,237** (+22.4)	**+ 3,040** (+24.8)	**+ 2,148** (+14.1)	**+ 3,369** (+19.3)	**+ 2,004** (+ 9.6)	**22,799**
1. Currency with the Public	8,298	+ 930 (+11.2)	+ 1,662 (+18.0)	+ 1,207 (+11.1)	+ 1,787 (+14.8)	+ 1,708 (+12.3)	15,592
2. Other Deposits with R.B.I.	53	+ 54 (+101.9)	+ 125 (+116.8)	+ 21 (+ 9.1)	— 8 (— 3.2)	— 127 (—51.8)	118
3. Cash on hand with Banks	485	+ 204 (+42.1)	+ 124 (+18.0)	+ 59 (+ 7.3)	+ 211 (+24.2)	— 38 (— 3.5)	1,045
4. Bankers' Deposits with R.B.I.	1,165	+ 1,049 (+90.0)	+ 1,129 (+51.0)	+ 860 (+25.7)	+ 1,380 (+32.8)	+ 461 (+ 8.3)	6,044
Sources of Reserve Money (1+2+3—4)							
1. Reserve Bank's Claims on (a+b+c+d+e)	**9,699**	**+ 411** (+ 4.2)	**+ 2,162** (+21.4)	**+ 3,619** (+29.5)	**+ 4,940** (+31.1)	**+ 5,311** (+25.5)	**26,142**
(a) Government (Net)	7,929	+ 300 (+ 3.8)	+ 1,392 (+16.9)	+ 3,727 (+38.7)	+ 4,681 (+35.1)	+ 4,615 (+25.6)	22,644
(b) Scheduled Commercial Banks.	563	— 228 (—40.5)	+ 560 (+167.2)	— 237 (—26.5)	— 87 (—13.2)	— 3 (— 0.5)	568
(c) State Co-operative Banks	367	+ 112 (+30.5)	— 94 (—19.6)	— 28 (— 7.3)	+ 109 (+30.5)	+ 282 (+60.5)	748
(d) Financial Institutions (i+ii+iii)	724	+ 242 (+33.4)	+ 334 (+34.6)	+ 157 (+12.1)	+ 304 (+20.9)	+ 421 (+23.9)	2,182
(i) A.R.D.C.	158	+ 85 (+53.8)	+ 52 (+21.4)	+ 51 (+17.3)	+ 51 (+14.7)	+ 148 (+37.3)	545
(ii) I.D.B.I.	527	+ 161 (+30.6)	+ 197 (+28.6)	+ 199 (+22.5)	+ 239 (+22.0)	+ 288 (+21.8)	1,611
(iii) Others	39	— 4 (—10.3)	+ 85 (+242.9)	— 93 (—77.5)	+ 14 (+51.9)	— 15 (—36.6)	26
(e) Internal Bills Purchased and Discounted	116	— 15 (—12.9)	— 30 (—29.7)	—	— 67 (—94.4)	— 4	—
2. Net Foreign Exchange Assets of R.B.I.	**3,312**	**+ 1,260** (+38.0)	**+ 994** (+21.7)	**— 566** (—10.2)	**— 720** (—14.4)	**— 1,955** (—45.7)	**2,325**
3. Government's Currency Liabilities to the Public	**583**	**+ 30** (+ 5.1)	**— 5** (— 0.8)	**— 7** (— 1.2)	**+ 26** (+ 4.3)	**+ 18** (+ 2.9)	**645**
4. Net Non-monetary Liabilities of R.B.I.	**3,593**	**— 536** (—14.9)	**+ 111** (+ 3.6)	**+ 898** (+28.3)	**+ 876** (+21.5)	**+ 1,371** (+27.7)	**6,313**

@ Data are provisional/partially revised.

Notes: 1. Figures within brackets represent percentage variations.
2. Constituent items may not add up to totals due to rounding off.
3. Reserve Bank data are as on last day of June 1977 to 1982. Other data are as on last Friday of June 1977 to 1982. In regard to currency with the public, notes in circulation data are as on last day of June while the circulation of rupee and small coins data as also the item 'cash on hand with banks' are on last Friday basis.

to State co-operative banks and to financial institutions. The increase in the Reserve Bank's credit to Government in 1981-82 at Rs. 4,615 crores was marginally lower than the increase of Rs. 4,681 crores in 1980-81. The Reserve Bank's claims on scheduled commercial banks, which had declined by Rs. 87 crores during 1980-81 showed a further marginal decline of Rs. 3 crores during 1981-82. Claims on the State co-operative banks increased over the year under review by Rs. 282 crores as against the rise of Rs. 109 crores during 1980-81. The Reserve Bank's claims on other financial institutions increased by Rs. 421 crores in 1981-82 as against the increase of Rs. 304 crores in 1980-81. Its claims on the Agricultural Refinance and Development Corporation (ARDC) showed a substantial increase of Rs. 148 crores against Rs. 51 crores in 1980-81, and those on the Industrial Development Bank of India (IDBI) increased by Rs. 288 crores against Rs. 239 crores in the preceding year. As against this, the Reserve Bank's claims on the rest of the financial institutions declined by Rs. 15 crores during 1981-82 against the rise of Rs. 14 crores in 1980-81. Another source contributing to an increase, though marginal, in reserve money was Government's currency liabilities to the public which increased by Rs. 18 crores as against Rs. 26 crores in 1980-81. The remaining two sources of reserve money, namely, net foreign exchange assets and net non-monetary liabilities of the Reserve Bank had an offsetting impact on the growth of reserve money. Net foreign exchange assets of the Reserve Bank declined by Rs. 1,955 crores in 1981-82 as against the decline of Rs. 720 crores in 1980-81; the net non-monetary liabilities of the Reserve Bank—a neutralising factor—went up by Rs. 1,371 crores as against the rise of Rs. 876 crores in 1980-81.

Some Monetary Relationships

In 1981-82, the deceleration in the rate of growth of currency with the public was very much less than the deceleration in the rate of growth of aggregate deposits with banks and in M_3 with the result the incremental currency/aggregate deposits ratio and the incremental currency/M_3 ratio rose sharply—the former from 22.7 per cent in 1980-81 to 31.3 per cent in 1981-82 and the latter from 18.5 per cent to 24.3 per cent. During the five years 1977-78 to 1981-82, while the incremental currency/aggregate deposits and currency/M_3 ratios showed increases in two

Table V—5 : Monetary Ratios and Money Multiplier

Items	1977-78	1978-79	1979-80	1980-81	1981-82@
1	2	3	4	5	6
Monetary Ratios					
(a) Currency/Aggregate Deposits	36.2	34.7	33.1	31.3	31.3
(b) Currency/M_3	26.5	25.6	24.7	23.7	23.8
Incremental Ratios					
(a) Currency/ Aggregate Deposits	20.4	28.4	23.4	22.7	31.3
(b) Currency/M_3	16.8	21.7	18.9	18.5	24.3
Money Multiplier					
M_3/RM	2.848	2.782	2.806	2.815	2.876
Incremental Money Multiplier					
M_3/RM	3.214	2.516	2.973	2.864	3.510

@ Provisional.

years, viz., 1978-79 and 1981-82, and declines in the remaining three years, the general currency/aggregate deposits ratio showed a steady decline from 39.8 per cent at end-June 1977 to 31.3 per cent by end-June 1981 and remained at that level at end-June 1982, and the currency/M_3 ratio declined from 28.4 per cent at end-June 1977 to 23.7 per cent at end-June 1981 and increased marginally to 23.8 per cent at end-June 1982.

Owing to the much slower growth rate in the reserve money (RM) than in M_3, the money multiplier increased both in absolute and incremental terms. The general M_3/RM ratio increased from 2.82 at end-June 1981 to 2.88 at end-June 1982 and the incremental M_3/RM ratio increased from 2.86 in 1980-81 to 3.51 in 1981-82 (Table V-5).

Income Velocity of Money

During the financial year 1981-82, the income velocity of broad money, i.e., the ratio of net national income at factor cost (at current prices) to average M_3 worked out to 2.0 per cent—the same as in the preceding two years. The annual percentage increase in 1981-82 in national income was 12.8 per cent and in M_3 17.3 per cent. In 1978-79 and 1979-80, the annual increase in M_3 at over 20 per cent was substantially larger than the annual increase of 7—8 per cent in national income in those years, with the result the ratio had declined from 2.5 per cent in 1977-78 to 2.0 per cent in 1979-80 (Table V-6).

Currency and Coinage

During the fiscal year 1981-82, currency in circulation expanded by Rs. 1,085 crores or 7.6 per cent, which was much smaller than the expansion of Rs. 1,926 crores or 15.6 per cent in the preceding year. The increase in 'notes in circulation', as appearing in the balance sheet of the Issue Department of the Reserve Bank, was smaller at Rs. 1,066 crores or 7.8 per cent against Rs. 1,899 crores or 16.1 per cent in 1980-81. Circulation of rupee coins, however, showed a larger increase of Rs. 19 crores against only Rs. 9 crores in 1980-81. Small coins in circulation remained unchanged.

The proportion of notes in total currency in circulation moved up further from 95.7 per cent at end-March 1981 to 95.9 per cent at end-March 1982, thus continuing the long-term trend. The proportion of rupee coins, which had declined from 2.6 per cent at end-March 1980 to 2.3 per cent by end-March 1981, remained unchanged at that level in March 1982. The proportion of small coins declined steadily from 2.2 per cent at end-March 1980 to 2.0 per cent by end-March 1981 and further to 1.8 per cent by end-March 1982 (Table V-7).

Table V—6 : Income Velocity of Money

(Amounts in Rupees crores)

Financial Year (April-March)	Net National Income at Factor Cost (at Current Prices)		M_3		Income Velocity of M_3
	Amount	Annual% increase	Amount*	Annual% increase	
1	2	3	4	5	6
1977-78	75,935	13.2	30,263	20.1	2.5
1978-79	80,992	6.7	36,413	20.3	2.2
1979-80	87,253	7.7	43,756	20.2	2.0
1980-81	104,201	19.4	50,939	16.4	2.0
1981-82	117,519@	12.8	59,727(P)	17.3	2.0

* Average of outstandings as on last Friday of every month (April to March).
(P) Partially revised.
@ Tentative estimate.

Table V—7 : Details of Currency in Circulation

(Rupees crores)

Financial Year (April-March)	Notes in Circulation		Circulation of Rupee Coins		Circulation of Small Coins		Currency in Circulation		of which with Banks	
	Out-stand-ings	Variation over the previous year	Out-stand-ings	Variation over the previous year	Out-stand-ings	Variation over the previous year	Out-stand-ings	Variation over the previous year	Out-stand-ings	Variation over the previous year
1	2	3	4	5	6	7	8	9	10	11
1979-80 ..	11,789 (95.2)	+1557	324 (2.6)	—26	268 (2.2)	+15	12,381 (100.0)	+1546	682	+ 67
1980-81 ..	13,688 (95.7)	+1899	333 (2.3)	+ 9	286 (2.0)	+18	14,307 (100.0)	+1926	844	+116
1981-82 ..	14,754 (95.9)	+1066	352 (2.3)	+19	286(P) (1.8)	—	15,392 (100.0)	+1085	880(P)	+31

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

As in the previous year, the circulation of notes of all denominations except Rs. 10 increased over the year in absolute amount, but as proportion of total currency in circulation, only notes in the denominations of Rs. 20/- and Rs. 50/- showed a rise. Notes in the denomination of Rs. 100/- increased over the year 1981-82 by only Rs. 423 crores as against a substantially larger increase of Rs. 1,455 crores recorded during 1980-81; the percentage share of Rs. 100/- notes in the total currency in circulation, which had risen sharply from 48.0 per cent in March 1980 to 51.7 per cent in March 1981, declined to 50.9 per cent in March 1982. Notes in circulation in the denomination of Rs. 50/- recorded a larger expansion of Rs. 518 crores in 1981-82 as against the increase of Rs. 223 crores in 1980-81 and its share in total currency went up from 15.4 per cent at end-March 1981 to 17.7 per cent by end-March 1982. The circulation of Rs. 20/- notes at Rs. 1,214 crores at the end of March 1982 showed a marginally lower increase of Rs. 124 crores in 1981-82 as compared with the increase of Rs. 129 crores during 1980-81. As proportion of total currency in circulation, however, its share increased from 7.6 per cent in March 1981 to 7.9 per cent by March 1982. The circulation of notes of Rs. 10 denomination declined by Rs. 26 crores during 1980-81 and further by Rs. 106 crores during 1981-82; the share of Rs. 10 notes in total currency thus got further eroded to 12.9 per cent at end-March 1982 from 14.6 per cent at end-March 1981 and 17.1 per cent at end-March 1980 (Table V-8).

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

End of March	Percentage Share				Total (2 to 5)
	Rs. 10/-	Rs. 20/-	Rs. 50/-	Rs. 100/-	
1	2	3	4	5	6
1980	17.1	7.8	16.0	48.0	88.9
1981	14.6	7.6	15.4	51.7	89.3
1982	12.9	7.9	17.7	50.9	89.4

* Inclusive of circulation of small coins.

The circulation of Rs. 5/- and Rs. 2/- denomination notes increased both in absolute amount and as proportion of total currency in circulation. Circulation of Rs. 5/- notes increased by Rs. 58 crores as against the increase of Rs. 45 crores in 1980-81, and its share in total currency increased to 4.5 per cent from 4.4 per cent at end-March 1981; Rs. 2/- denomination notes increased by Rs. 93 crores compared with Rs. 84 crores during 1980-81, and its share in total currency went up from 2.1 per cent to 2.5 per cent. (Statement 116 of Vol. II).

Demonetised High Denomination Notes

The Ordinance demonetising high denomination notes was promulgated on January 16, 1978 but the data in this respect are still in the process of finalisation. As per the data available till December 1982, of the high denomination notes of Rs. 145.42 crores in circulation at the time of demonetisation, notes worth Rs. 125.11 crores (including notes amounting to Rs. 64.95 crores declared by banks and Government Treasuries) were tendered for exchange to the Reserve Bank. The value of notes passed by the Reserve Bank for exchange into lower denomination notes was Rs. 119.02 crores, and of this, Rs. 61.63 crores represented notes declared by banks and Government Treasuries.

Mintage

During 1981-82 (April-March), decimal coins of various denominations valued at Rs. 3.7 crores were minted. Since the introducion of decimal coinage in 1956-57 till the end of March 1982, the mintage of decimal coins amounted to Rs. 293.0 crores (Statement 125 of Vol. II). The decimal coins minted during the quarter April-June 1982 amounted to Rs. 0.9 crore.

New Series of Note/Coin Issue

During the year under review, the Government of India issued commemorative coins with the inscription "World Food Day" in the denominations of Rs. 100/-, Rs. 10/-, 25 paise and 10 paise. While coins in the denominations of 25 paise and 10 paise were issued for regular circulation through the Reserve Bank's offices and agencies, the coins in the denominations of Rs. 100/- and Rs. 10/- were sold by India Government Mint, Bombay, as proof sets/uncirculated coins.

A new series of one rupee currency notes bearing the picture of 'Sagar Samrat' was issued by the Government of India from July 1981. The words 'भारत सरकार' (Bharat Sarkar) in Hindi above the words 'Government of India' are printed on obverse and reverse of these notes. The numbering of these notes appears on the right hand side bottom on obverse.

Withdrawal of Small Coins

The minting of small coins in the denominations of 1 paisa, 2 paise and 3 paise has been discontinued and these are being withdrawn gradually from circulation by not re-issuing them once they are received in the currency chests.

Lost, Destroyed and Mutilated Notes

The number of claims in respect of lost, destroyed and mutilated notes received during the fiscal year 1981-82 was marginally higher at 1.79 lakh for 108.02 lakh pieces as against 1.77 lakh claims for 105.33 lakh pieces in 1980-81. In terms of value, too, the claims were higher in 1981-82 at Rs. 7.51 crores against Rs. 6.88 crores in 1980-81. During the year, claims approved for payment aggregated Rs. 6.67 crores and the payments against approved claims including those admitted during the previous years amounted to Rs. 6.34 crores; in the fiscal year 1980-81, claims approved and the amount paid against claims were higher at Rs. 6.88 crores and Rs. 6.54 crores, respectively (Statement 121 of Vol. II).

Note Forgeries

The total number of forged notes including one rupee notes received by the Reserve Bank, which had dropped from 5,811 pieces in fiscal year 1979-80 to 2,868 pieces in 1980-81, increased substantially to 9,472 pieces in 1981-82 (Statement 122 of Vol. II).

Trends in Gold and Silver Prices

Gold

In the international gold markets, except for occasional brief spells of firmness (as for

instance in the first three weeks of August and September, in early October and then again during the greater part of April), a generally easy tendency prevailed during 1981-82 (July-June), with gold prices registering a further sizeable decline. The price of gold in the London market declined over the year by $107.50 per fine ounce or 25.5 per cent from $421.50 to $314.00; the highest and the lowest levels touched during the year were $460.25 on September 22, 1981 and $297.00 on June 21, 1982, respectively. In the preceding year, the gold price in the London market had shown a larger decline of $241.00 per fine ounce or 36.4 per cent from $662.50 at the end of June 1980 to $421.50 by end-June 1981. The main factors which affected the market bearishly during the year under review were high interest rates in the USA, the strength of the U.S. dollar, Saudi Arabia's call for a reduction in OPEC oil prices, and large scale gold sales by the USSR, South Africa and some middle east countries. The occasional brief spells of firmness were induced by renewed tension in Poland and in the middle-east, some easiness at times in the US interest rates and the tense situation in Falkland Islands. Movements in the price of gold in the international markets are discussed in detail in Chapter X of the Report.

Domestic Market

In the gold market in Bombay, the distinctly firm tendency noticed during the greater part of 1980-81 (July-June) continued in the first four months of 1981-82; i.e., July-October 1981, the price of gold registering a further appreciable rise. From November, however, prices moved erratically both ways, but showed a generally steady undertone, excepting in March and greater part of June when they turned easy. Over the year, the gold price registered a small net increase of only Rs. 30 per 10 grammes or 1.9 per cent from Rs. 1,610 per 10 grammes at the end of June 1981 to Rs. 1,640 by end-June 1982. In the preceding year, the net rise in gold price in the Bombay market was substantially larger at Rs. 265 per 10 grammes or 19.7 per cent from Rs. 1,345 at the end of June 1980 to Rs. 1,610 by end-June 1981. The range of price variation during 1981-82 at Rs. 190 was also narrower than that in the preceding year when it was Rs. 400. The small increase of less than 2 per cent in the Bombay market in 1981-82 was, however, in sharp contrast to the decline of 25.5 per cent over the year in the London market. During the greater part of the year, the Bombay market generally resisted the depressing influences from abroad due to good seasonal demand in the face of limited supplies. Sentiment was, however, affected occasionally by the decline in gold prices abroad and also reported sales of gold by the USSR and middleeast countries and this resulted in a decline in prices.

The highest and the lowest levels touched in the Bombay market during the year were Rs. 1,795 per 10 grammes on October 17, 1981 and Rs. 1,605 per 10 grammes on March 22, 1982. In the London market, as already mentioned, the peak touched was $460.25 per fine ounce (equivalent to Rs. 1,353.04 per 10 grammes) on September 22, 1981 and the low touched was $297.00 per fine ounce (equivalent to Rs. 914.43 per 10 grammes) on June 21, 1982. In 1980-81, the peak and low touched were Rs. 1,738 and Rs. 1,338 per 10 grammes, respectively, in the Bombay market and $720.50 per fine ounce (equivalent to Rs. 1,798.58 per 10 grammes) and $421.50 per fine ounce (equivalent to Rs. 1,194.40 per 10 grammes), respectively, in the London market.

In the Bombay market, the gold price showed a more or less steady rise from Rs. 1,610 on June 30, 1981 to Rs. 1,685 by July 21 on increased demand. The quotation receded temporarily to Rs. 1,662 by early August but rose steadily thereafter to Rs. 1,780 by end-August. The uptrend was in tune with the behaviour of the yellow metal prices in the London and New York markets; sentiment in these markets was influenced by easiness in the U.S. interest rates, renewed tension in Poland and uncertainty about future petroleum prices. The quotation moved narrowly between Rs. 1,765 and Rs. 1,740 during September but rose during the first half of October touching a new peak of Rs. 1,795 by October 17. The rise was the result of festival demand in the face of shortage of supplies. The price eased temporarily to Rs. 1,765 by October 22, but moved up again to Rs. 1,787 by November 4. During the rest of November and in early December, the quotation moved narrowly

between Rs. 1,785 and Rs. 1,755 but thereafter it drifted to Rs. 1,710 by the 23rd on lack of support and lower upcountry advices. The market ruled firm during January and greater part of February but turned distinctly easy thereafter particularly during March, sentiment having been adversely affected by the sharp decline in gold prices abroad induced mainly by sales of gold by the USSR and middle-east countries. The gold price which had moved between Rs. 1,765 and Rs. 1,720 during January and greater part of February declined steadily touching the lowest level of the year at Rs. 1,605 by March 22, 1982. A recovery ensued on good seasonal demand while sentiment was also aided by encouraging overseas advices, the tense situation in Falklands, and the reported poor arrivals of smuggled gold. The quotation recovered to Rs. 1,770 by April 29. A steady tone prevailed in the first half of May but during the latter part of May and greater part of June, prices moved zigzag with an underlying easy tendency owing mainly to slack demand. The quotation which had stood at Rs. 1,750 in mid-May dipped to a low of Rs. 1,625 by June 23 and closed on the 30th at Rs. 1,640 as against the level of Rs. 1,610 a year ago.

Spread between the Indian and the International Price

Since November 1980, the gold price in Bombay has been quoted higher than the London gold price. On the basis of the monthly average price of gold in London and in Bombay, the premium commanded by the Bombay price over the London price widened from Rs. 66 or 4.22 per cent in November 1980 to Rs. 412 or 31.58 per cent by May 1981 and worked out to Rs. 369 or 28.85 per cent in June 1981. The widening of the premium by over Rs. 300 between November 1980 and June 1981 was the result of a sharp fall between November and June in the London price by over Rs. 280 and a rise of about Rs. 20 in the Bombay price over the same period.

Table V-9 gives monthly average gold prices in London and Bombay during 1981-82 and the spread between the two prices. It will be

Table V—9: Gold Prices in London and Bombay during 1981-82

(Monthly Averages)

(Rupees per 10 grammes)

Months	London (Morning fixing)	Bombay (Closing)	Spread between Bombay and London Prices	
			Absolute	Percentage
1	2	3	4	5
June 1981	1,280.45	1,649.92	+369.47	+28.85
July 1981	1,173.49	1,666.64	+493.15	+42.02
August 1981	1,191.99	1,721.83	+529.84	+44.45
September 1981	1,302.32	1,752.04	+449.72	+34.53
October 1981	1,287.79	1,773.87	+486.08	+37.75
November 1981	1,214.61	1,773.58	+558.97	+46.02
December 1981	1,207.92	1,737.08	+529.16	+43.81
January 1982	1,133.27	1,740.70	+607.43	+53.60
February 1982	1,111.80	1,743.09	+631.29	+56.78
March 1982	988.89	1,670.52	+681.63	+68.93
April 1982	1,056.98	1,723.86	+666.88	+63.09
May 1982	1,001.76	1,724.17	+722.41	+72.11
June 1982	959.67	1,650.80	+691.13	+72.02

seen that the premium commanded by the Bombay price over the London price almost doubled from Rs. 369 per 10 grammes in June 1981 to Rs. 722 per 10 grammes by May 1982 and worked out to Rs. 691 per 10 grammes in June 1982. In percentage terms, while in June 1981 the Bombay price was 29 per cent higher than the London price, in June 1982 it was as much as 72 per cent higher. The widening of the spread from Rs. 369 in June 1981 to Rs. 691 in June 1982 was brought about almost entirely by the equivalent fall in the London gold price; the average gold price in Bombay in June 1982 at Rs. 1,650.80 was about the same as in June 1981 (Rs. 1,649.92).

Silver

International Markets

In the international silver markets of New York and London, except for a distinct uptrend during August and the first half of September and again firm conditions in the early part of October, December, February and April, an easy tendency generally prevailed, the silver prices registering further substantial losses. The fall in silver prices during the year was a continuation of the general downtrend which had set in in the international silver markets in the early part of 1980.

Apart from the strength of the US dollar, the high US interest rates and continuing sluggish industrial demand, a new factor depressing market sentiment in the last quarter of 1981 was the announcement by the General Services Administration (GSA), USA on September 17, 1981 that they would commence sales of silver from the US stockpile from mid-October 1981—the GSA sold about 2 million ounces of silver over a period of two months and announced on December 17, 1981 that the sales would be suspended without further notice.

Over the year, the silver price in the New York market dropped from 862 cents per ounce in end-June 1981 to 594 cents by end-June 1982—a fall of 31.1 per cent, while that in the London market registered a decline of 23.0 per cent from 428.50 pence per ounce in end-June 1981 to 330.05 pence by end-June 1982.

The range of price variations in the New York and London silver markets during 1981-82, though substantial, was smaller than in the preceding two years as shown below.

July-June	New York (Cents per ounce)			London (New Pence per ounce)		
	Highest	Lowest	Variation	Highest	Lowest	Variation
1979-80	4,800	855	3,945	2,165	390	1,775
1980-81	2,425	857	1,568	979	429	550
1981-82	1,132	489	643	633	285	348

In the *New York* market, the price of silver which had stood at 862 cents per ounce at the close of June 1981, moved between 910 cents and 829 cents during July. The next one-and-half months witnessed a steady rise in silver price which touched the highest level of the year of 1,131.50 cents on September 15. The uptrend was attributed to the weakness of the US dollar, easing of the US interest rates, involvement of Soviet troops in Angola and political developments in Poland. However, the announcement on September 17 regarding proposed sales of silver out of the US stockpile led to a sharp decline in silver price which slipped to 1,005 cents on September 18. After recovering temporarily to 1,065 cents by the 21st, the quotation registered a steep fall, touching 875 cents by September 28; sentiment was mainly affected by the strength of the dollar. The market staged a partial recovery in the first week of October following civil unrest in Egypt, the quotation rising to 963 cents by October 9. The recovery, however, could not be maintained and the price

fell to 896 cents by October 27 and further to 803 cents by November 23. The quotation recovered to 892 cents in early December induced by a cut in the US discount rate and but for temporary oscillations, this level was maintained till December 18. An easy trend set in in the latter part of December, the quotation receding to 795 cents by December 29. After a temporary recovery to 832 cents by January 8, the quotation again declined to 780.50 cents by January 25. During the five-month period February to June, excepting a mild temporary revival in early February and again in early April, the market was distinctly bearish, the fall in prices becoming pronounced in May and June. The silver quotation which had revived to 866 cents in early February slumped to 779.50 cents by end-February and fell below 700 cents level during March. After recovering to 759 cents in early April, the price fell to 666.50 cents by May 13 and further to 488.50 cents—the lowest level of the year—by June 21. It closed on June 30, 1982 at 594 cents—a net fall of 268 cents per ounce or 31.1 per cent over the year.

In the *London* market, the trend in silver prices was more or less similar to that in New York, but the net decline over the year was of a lower magnitude than in the New York market. The silver price in the London market which had closed at 428.50 pence per ounce on June 30, 1981 opened appreciably higher at 442.50 pence on July 1 and moved between 435.30 pence and 477.55 pence during the rest of the month. From early August to mid-September, the London silver market was generally bullish, the price surging to 633.05 pence by September 14; sentiment was influenced mainly by the weakness of the dollar, easiness in the US interest rates and the tense situation in Poland. The uptrend, however, could not be sustained and the latter half of September witnessed a steep fall—the quotation dropping to 496.65 pence by September 30. Except for a temporary revival in early October and again in mid-October, an easy tendency prevailed which became pronounced in November and early December. The silver price which had recovered to 520 pence in mid-October receded to 412.80 pence by December 1. The price improved temporarily to 468.25 pence by December 18, but again drifted to 423.55 pence by December 30. During January 1982, the market evinced an erratic trend, the price fluctuating narrowly between 414.75 pence and 439.85 pence. The first half of February witnessed a rise in silver price to 467.85 pence, but a distinct downtrend set in thereafter and the price fell to 385.60 pence by March 15 and hovered around that level till the 31st. A small recovery ensued in the first half of April, but the earlier downtrend soon reasserted itself and the quotation slumped from 430.80 pence in mid-April to 354.70 pence by end-May and further to 285.10 pence by June 21, this being the lowest level of the year; sentiment was affected by the strengthening of the dollar. The price closed on June 30, 1982 at 330.05 pence as against 428.50 pence on June 30, 1981—a decline of 23.0 per cent.

Domestic Market

The price of silver in the Bombay market registered a sharp rise during July and the first half of August, the quotation rising from Rs. 2,375 per kg. on June 30, 1981 to Rs. 2,790 per kg. by August 12 and 13—i.e., by as much as Rs. 415 per kg. Thereafter, except for occasional brief spells of firmness, prices moved irregularly both ways and a part of the rise registered during July to mid-August was wiped out. Over the year, the silver price registered a net rise of Rs. 195 per kg. or 8.2 per cent from Rs. 2,375 per kg. in end-June 1981 to Rs. 2,570 per kg. by end-June 1982. In the preceding year, the price of the white metal had registered a net fall of Rs. 232 per kg. or 8.9 per cent. The trend prevailing in the silver market in Bombay during the year was in sharp contrast to the trend prevailing abroad—silver prices in both the New York and London markets registered sizeable declines of 31.1 per cent and 23.0 per cent over the year 1981-82.

The price of silver in the Bombay market which had closed at Rs. 2,375 on June 30, 1981 opened higher at Rs. 2,410 on July 3 and after easing to Rs. 2,320—the lowest level of the year—on July 8, shot up to Rs. 2,560 by end-July and further to Rs. 2,790 by August 12 and 13. The steep rise in July and up to mid-August was the result of reported hectic buying by stock exchange bull operators in the face of limited supplies. Sentiment was

influenced mainly by the firm trend in the New York silver market and also by the encouraging advices from upcountry centres. There was profit-taking at the higher levels and this brought down the quotation to Rs. 2,695 by August 17. The price, however, recovered to Rs. 2,790 on the 19th and after moving between Rs. 2,770 and Rs. 2,715 upto end-August, rose again to Rs. 2,790 by September 11. In the next three months or so, i.e., upto the third week of December, a mixed trend prevailed, the price of the white metal fluctuating between Rs. 2,730 and Rs. 2,605. Sentiment during this period was influenced both ways mainly by the trend in silver prices abroad, upcountry advices and also local demand. An easy tendency, however, set in in the latter part of December and the quotation receded to Rs. 2,530 by December 29 and 30 on subdued advices from abroad and slack local demand. After moving narrowly both ways during the early part of January 1982, the market firmed up in late January and the first three weeks of February on buying support from upcountry centres; the price rose to Rs. 2,795—the highest level touched during the year on February 19. The rise, however, could not be maintained and the quotation dipped to Rs. 2,675 by February 27 on increased offerings and easy overseas advices. Thereafter, silver prices again moved both ways, between Rs. 2,730 and Rs. 2,630 during March, Rs. 2,705 and Rs. 2,645 during April and Rs. 2,705 and Rs. 2,650 during greater part of May, but thereafter the price of the white metal slumped to Rs. 2,520 by June 4 and 5 on discouraging overseas advices and poor seasonal demand in the face of adequate supplies. The quotation moved thereafter between Rs. 2,630 and Rs. 2,520 and closed on June 30, 1982 at Rs. 2,570—i.e., a net rise of Rs. 195 per kg. or 8.2 per cent over the year.

Spread Between the Indian and the International Prices

Table V.10 shows average prices of silver (in Rs. per kg.) in the Bombay, London and New York markets for June in each of the years 1978 to 1982 and monthly prices for 1981-82.

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

(Rupees per Kg.)

Month	Bombay (Closing)	London	New York	Price difference between London & Bombay (3 minus 2)		Price difference between New York and Bombay (4 minus 2)	
				Absolute	Percentage	Absolute	Percentage
i	2	3	4	5	6	7	8
June 1978 ..	1,381.88	1,432.18	1,427.52	+ 50.30	+ 3.64	+ 45.64	+ 3.30
June 1979 ..	1,612.84	2224.75	2,219.19	+ 611.91	+37.94	+ 606.35	+ 37.60
June 1980 ..	2,574.04	3,988.72	3,976.11	+1414.68	+54.96	+ 1402.07	+ 54.47
June 1981 ..	2,495.92	2,777.32	2,780.27	+ 281.40	+11.27	+284.35	+11.39
1981-82							
July 1981 ..	2,454.09	2,462.94	2,476.51	+ 8.85	+ 0.36	+ 22.42	+ 0.91
August „ ..	2,701.88	2,588.45	2,590.03	— 113.43	— 4.20	— 111.85	— 4.14
September „ ..	2,733.26	2,947.34	2,944.31	+ 214.08	+ 7.83	+ 211.05	+ 7.72
October „ ..	2,682.61	2,719.34	2,720.52	+ 36.73	+ 1.37	+ 37.91	+ 1.41
November „ ..	2,667.46	2,512.45	2,545.92	— 155.01	— 5.81	— 121.54	— 4.56
December „ ..	2,606.60	2,492.06	2,489.75	— 114.54	— 4.39	— 116.85	— 4.48
January 1982 ..	2,622.43	2,352.58	2,369.04	— 269.85	—10.29	— 253.39	— 9.66
February „ ..	2,717.65	2,459.41	2,454.55	— 258.24	— 9.50	— 271.80	— 9.97
March „ ..	2,683.61	2,163.98	2,158.84	— 519.63	—19.36	— 524.77	—19.55
April „ ..	2,684.18	2,202.78	2,205.20	— 481.40	—17.93	— 478.98	—17.84
May „ ..	2,663.75	1,994.27	1,993.04	— 669.48	—25.13	— 670.71	—25.18
June „ ..	2,568.28	1,696.16	1,698.85	— 872.12	—33.96	— 869.43	—33.85

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

The premium commanded by the London and New York silver prices over the Bombay silver price widened from about Rs. 46-50 per kg. or around 3.5 per cent in June 1978 to over Rs. 600 per kg. or 38 per cent in June 1979 and further to over Rs. 1,400 or 55 per cent in June 1980. The premium, however, narrowed down to only a little over Rs. 280 or over 11 per cent by June 1981.

This trend of international silver prices namely, ruling above Bombay prices was completely reversed in 1981-82. Excepting three months in 1981-82, viz., July, September and October, in each of the remaining nine months, the monthly average silver prices in London and New York were quoted at a discount over the Bombay price; the discount at which London price was quoted ranged between Rs. 113 or 4.2 per cent and Rs. 155 or 5.8 per cent during August, November and December, but rose sharply thereafter to Rs. 520 or 19.4 per cent by March 1982 and to Rs. 872 or 34 per cent by June 1982.

The Table also shows that over the four-year period, June 1978 to June 1982, while the Bombay price rose by as much as 85.8 per cent from Rs. 1,382 to Rs. 2,568 per kg., the rise in the London price was only 18.4 per cent from Rs. 1,432 to Rs. 1,696. The average Bombay price for June 1982 at Rs. 2,568 per kg. showed hardly any net change over the June 1980 level, while the London and New York prices showed substantial declines from nearly Rs. 4,000 per kg. in June 1980 to only about Rs. 1,700 per kg. in June 1982.

Chapter VI

Banking Developments

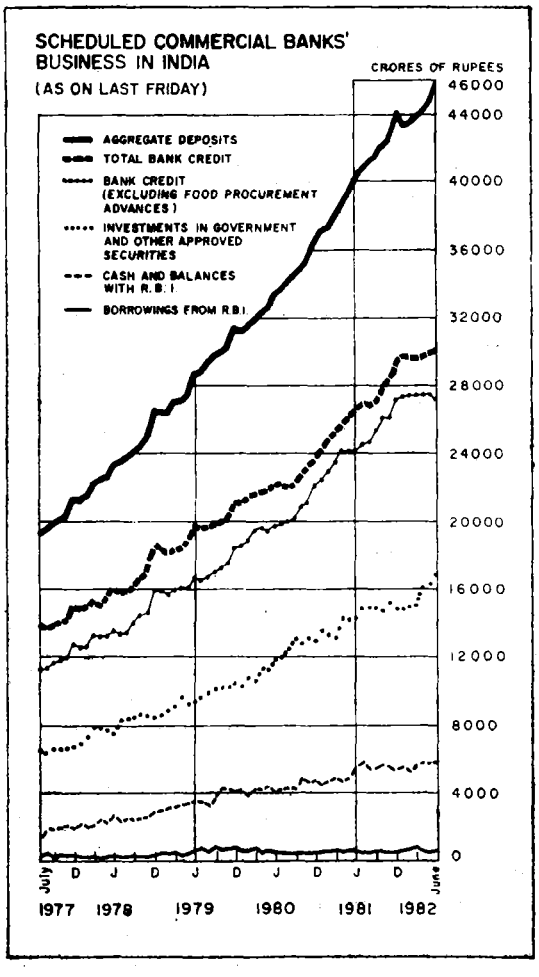
OVERALL REVIEW

A conspicuous slowdown in the rate of growth of both deposits and non-food credit was the salient feature of the operations of scheduled commercial banks in 1981-82. However, while deceleration in deposit growth was from the beginning of the year and became more pronounced in the latter half of the year, non-food credit actually recorded a disproportionately large expansion in the first four months of the year, a much smaller expansion than in the preceding year in the next six months (which covered the busy season) and a decline, in contrast to an increase last year, in the last two months of the year. The sharp fluctuations in the resources position of banks between the first half and the second half of the year necessitated a considerable degree of flexibility in the administration by the Reserve Bank of its credit policy which continued to be one of caution and restraint. While in the first half of the year, the Reserve Bank took several measures aimed at mopping up excess liquidity with the banking system and checking non-food credit expansion, in the latter half of the year, in view of the severe resource constraint faced by banks, the Reserve Bank modified some of the credit control measures taken earlier and also provided substantial discretionary and standby refinance accommodation to banks. The branch expansion programme of commercial banks, particularly regional rural banks, made further substantial progress during the year. Unbanked centres accounted for more than three-fourths of the total number of new offices.

Aggregate deposits of scheduled commercial banks increased in 1981-82 (July-June) by only Rs. 5,282 crores or 13.0 per cent as against a much larger expansion of Rs. 7,172 crores or 21.5 per cent in 1980-81. The 13.0 per cent growth rate in deposits is the lowest since 1967-68. The deceleration was more marked in demand deposits, which increased by only Rs. 689 crores or 8.3 per cent in 1981-82 as against Rs. 1,693 crores or 25.7 per cent in 1980-81. Demand deposits actually registered a sizeable fall of Rs. 252 crores during July-September 1981 and of Rs. 471 crores during January-March 1982 and this was mainly responsible for the deceleration in demand deposit growth for the year as a whole. Time deposits rose over the year by Rs. 4,593 crores or 14.2 per cent as against a rise of Rs. 5,479 crores or 20.5 per cent in 1980-81.

The expansion in bank credit in 1981-82 at Rs. 3,554 crores or 13.4 per cent was smaller than the expansion in the preceding year (Rs. 4,482 crores or 20.3 per cent). The deceleration was more pronounced in non-food credit which increased by only Rs. 2,932 crores or 12.0 per cent as against Rs. 4,690 crores or 23.9 per cent in 1980-81. The deceleration was not throughout the year; in fact, in the first four months covering the slack season, non-food credit registered an abnormally large increase of Rs. 1,808 crores, but the pace of expansion slowed down in the remaining eight-month period partly by way of correction to the earlier sharp rise and partly as a result of poor deposit growth.

A feature of Reserve Bank's credit policy during the year was the considerable degree of flexibility with which it was administered, though the basic stance of the credit policy continued to be one of restraint and caution. In the first half of the year, the Reserve Bank took further restrictive measures aimed at reducing excess liquidity in the banking system and checking non-food credit growth, and these included (*i*) raising of the Bank Rate and also the interest rate on various refinance facilities and (*ii*) stepping up of the statutory liquidity ratio and cash reserve ratio. In early 1982, however, the banks' resources position underwent a significant change. The sharp fall in deposits in early 1982 led the banking system into a liquidity bind and



several banks defaulted in the maintenance of the cash reserve ratio (CRR) and the statutory liquidity ratio (SLR), and also resorted to sharp cuts in their lending operations. With a view to providing some relief to banks, and also enabling them to meet the needs of vital sectors and thus restore normalcy in banking operations, the Reserve Bank reduced the CRR, provided sizeable discretionary and stand-by refinance to banks and enhanced refinance entitlement for food credit.

Two national targets are to be achieved by banks, viz., (1) advances to priority sectors should constitute 40 per cent of their total advances by 1985 and (2) 60 per cent of the deposits mobilised in rural and semi-urban areas should be deployed in those areas. As regards the first, data on sectoral deployment of credit of 50 major banks which account for about 96 per cent of total gross bank credit show that their total priority sector advances at the close of June 1982 constituted 35.9 per cent of their total advances as against 34.6 per cent a year ago.

In respect of the second target relating to credit-deposit ratio of 60 per cent to be achieved in rural and semi-urban areas, latest available data show that the rural offices of scheduled commercial banks achieved above 60 per cent credit-deposit ratio in 188 out of a total of 400 districts (i.e., in 47 per cent of the districts) in June 1981; at the close of June 1980, above 60 per cent ratio was achieved in 161 out of a total of 399 districts (i.e., in 40.4 per cent of the districts). As regards semi-urban offices, above 60 per cent ratio was attained in 112 out of 357 districts (i.e., in 31.4 per cent of the districts) in June 1981 as against in 86 out of 354 districts (i.e., in 24.3 per cent of the districts) in June 1980.

In the field of branch expansion, the thrust into unbanked centres continued; of the 3,484 new offices opened during the year, 78 per cent were in unbanked centres. The national average per bank office which was 65,000 in June 1969 was reduced to 19,000 by June 1981 (based on 1981 census) and further to 17,500 by June 1982.

A new branch licensing policy covering the period April 1982 to March 1985 has been formulated, which aims at achieving one bank office on an average for a population of 17,000 in rural and semi-urban areas.

In the field of rural credit, an important development just after the close of the year was the setting up on July 12, 1982 of the National Bank for Agriculture and Rural Development (NABARD). The NABARD will provide credit for promotion of agriculture, small-scale, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas. Conceived as an exercise in the decentralisation of the Reserve Bank's functions in the sphere of rural credit, NABARD has taken over the entire undertaking of Agricultural Refinance and Development Corporation (ARDC) as well as the refinancing functions from the Reserve Bank in relation to State co-operative banks (SCBs) and regional rural banks (RRBs).

CREDIT POLICY

The Reserve Bank's credit policy which had been one of restraint and caution since November 1978 remained basically unchanged during 1981-82. Its administration was, however, marked by a high degree of flexibility during the latter part of the year.

During the first half of the year, the Bank took further restrictive measures like raising of Bank Rate and stepping up of SLR and CRR with a view to siphoning off excess liquidity in the banking system. In the latter half of the year, there was a reversal and the banking system faced severe resource constraints. The Reserve Bank took several measures like reducing CRR, providing sizeable discretionary stand-by refinance and raising food refinance entitlement with a view to easing the tight liquidity faced by banks.

The following paras give in detail the measures taken by the RBI from time to time during the year.

July 1981 Measures

It would be recalled that the Reserve Bank had issued in May 1981 broad guidelines to banks regarding non-food credit expansion during the first half of 1981-82, the 1981 slack season as well as the financial year as a whole. In terms of those guidelines: (*a*) the increase in non-food credit in the first half of 1981-82 (i.e., April-September, 1981) was not to be in excess of the increase in the first half of 1980-81, and (*b*) non-food credit expansion in the 1981 slack season and in the full financial year 1981-82 was to be marginally lower than the expansion in the 1980 slack season and in the financial year 1980-81, respectively. Certain other measures taken by the Reserve Bank in May 1981 with a view to reducing the growth of primary liquidity in the banking system and slowing down the pace of monetary expansion were: (*i*) raising of the cash reserve ratio from 6 per cent of net demand and time liabilities (DTL) to 7 per cent, to be effective in two stages and (*ii*) raising of the interest rate on discretionary refinance and on rediscounting of bills from 11 per cent to 14 per cent.

Despite these measures, there was no abatement of the pace of monetary and credit expansion; the increase in M_3 in the financial year 1981-82 upto June 19 was larger than in the same period in 1980-81 in both absolute and percentage terms, while non-food credit expansion in the first quarter of the financial year 1981-82 was about three times the expansion in April-June 1980. Against this background, and so as to help contain inflationary pressures, the Reserve Bank took certain measures on July 11, 1981 viz., (1) the Bank Rate which was 9 per cent since July 23, 1974 was raised by one percentage point to 10 per cent effective the close of business on July 11, 1981; (2) the SLR which had remained unchanged at 34 per cent of total DTL since December 1978 was raised to 35 per cent of total DTL; the increase was to be effected in two stages—34.5 per cent from September 25, 1981 and 35 per cent from October 30, 1981; (3) the effective date of the second phase of the increase in cash reserve ratio from 6.5 to 7 per cent, which was earlier stipulated as September 11, 1981 was advanced to August 21, 1981; and (4) the minimum margins on advances against stocks of wheat, paddy/rice and other foodgrains were raised by 10 percentage points across the board with the exception of advances to roller flour mills against wheat.

Following the raising of the Bank Rate on July 11, 1981, upward adjustments were made in interest rates on certain refinance facilities provided by the Reserve Bank; for instance, the interest rate on refinance for food credit and export credit was raised from 9 per cent to 10 per cent effective July 18, 1981; the commercial banks' lending rates for food credit and export credit, however, were kept unchanged. The interest rates in respect of two other refinance facilities, viz., (*a*) refinance against shipping loans and (*b*) refinance against loans for import of capital goods are linked to Bank Rate. In respect of (*a*) the RBI provides refinance at 1.5 per cent above the Bank Rate and banks are permitted to lend at 2 per cent above the Bank Rate, while in respect of (*b*) refinance from RBI is at Bank Rate. Effective from the close of business on July 11, 1981, the interest rate on refinance against shipping loans was raised from 10.5 per cent to 11.5 per cent, and the lending rate of commercial banks from 11 per cent to 12 per cent. Interest rate on

refinance against loans for import of capital goods was also raised by one percentage point from 9 per cent to 10 per cent and the on-lending rate of commercial banks was raised from 11 per cent to 12 per cent; this scheme had been terminated from July 1, 1980, and banks were required to repay the outstanding refinance by October 31, 1981, which was done. As the banks' profitability was likely to be affected by the increase in interest rates on refinance facilities and by the raising of the reserve requirements, the Reserve Bank informed banks that they were free to raise such of their lending rates as were below the prescribed maximum to the maximum rates prescribed by the Reserve Bank. Banks were also urged that they should not accept large non-food credit expansion as a *fait accompli*, but should give positive and detailed instructions to their branches as to the specific internal measures to be taken to ensure that the guidelines on non-food credit expansion were not infringed.

October—November 1981 Measures

The growth in M_3 in the first half of the financial year 1981-82 was higher than that in the first half of 1980-81, notwithstanding the fact that the growth in real national income in 1981-82 was anticipated to be only 4.5 per cent as against 7.7 per cent in 1980-81. The large monetary expansion in April-September 1981 was a cause of concern particularly because it was despite a sizeable fall in foreign exchange reserves. The slowdown in the pace of inflation and a lower growth rate in national income called for a slower pace of monetary expansion.

The scheduled commercial banks' deposits showed a larger increase of Rs. 3,598 crores or 9.5 per cent in the first half of the financial year 1981-82 as against Rs. 2,725 crores or 8.6 per cent in the same period of 1980-81. The rapid growth of the resource base of banks enabled them to undertake a large credit expansion — non-food credit rose by Rs. 1,677 crores or 7.1 per cent in April-September 1981 as against Rs. 775 crores or 4.0 per cent in the first half of 1980-81. While the larger non-food credit expansion could be partly attributed to higher level of industrial production, the growth in credit was clearly excessive, and a deceleration was warranted. To mop up the excess liquidity of the banking system, the Reserve Bank raised in mid-October 1981 the cash reserve ratio from 7 per cent of net DTL to 8 per cent—the increase was to be effective in four phases : 7.25 per cent from November 27, 1981, 7.50 per cent from December 25, 1981, 7.75 per cent from January 29, 1982 and 8.00* per cent from February 26, 1982. Banks were asked to meet the increase in reserve requirement from their own resources and also to correct the excessive expansion in non-food credit.

It was observed at the start of the busy season of 1981-82, *i.e.*, in early November 1981, that while there was perceptible slowdown in the pace of deposit accretion, expansion of non-food credit had actually accelerated. These divergent trends led the banking system into a liquidity bind and it was realised that unless there was a correction in the pace of non-food credit expansion, banks would have difficulty in meeting their reserve requirements and the seasonal increase in food credit. Banks were therefore strongly advised to undertake a serious and critical appraisal of their lending programmes so as to ensure that they adhered to the non-food credit guidelines set out in May 1981. They were also informed that (1) access to commercial bills rediscounting facility was not to be available in the immediate forthcoming weeks, (2) the total amount of discretionary refinance available for the system as a whole would be very limited, and banks' access to this facility would be only under exceptional circumstances and for short periods, and (3) discretionary refinance would not be provided to banks whose credit expansion was clearly out of alignment with the guidelines.

February-April 1982 Measures

Between December 25, 1981 and February 19, 1982, deposits of scheduled commercial banks registered a sizeable fall in sharp contrast to a rise in the same period in the previous year. The fall in deposits caused a severe resource constraint and a large number of banks defaulted in the maintenance of CRR and SLR. Several banks also resorted to across-the-board cut in limits, while some banks restricted further drawals on limits

*The last phase of the increase in CRR was first postponed and later rescinded.

already sanctioned, with the result a number of seasonal industries and other vital sectors were affected. With a view to alleviating the impact of the adjustments and to enable banks to meet the needs of seasonal industries and other vital sectors like sugar, tractors, trucks and exports, the last phase of the increase in CRR which was to be effective from February 26, 1982 was initially deferred to April 30, 1982 and later rescinded on March 22.

The Reserve Bank also provided substantial refinance accommodation to banks on a selective case by case basis, taking into account the overall resources of the banks concerned and the credit needs of seasonal industries and other vital sectors.

The additional interest charge of 3 per cent on refinance in case of shortfall in reserve requirements was also not to be levied by the RBI during January-April 30*, 1982, since discretionary refinance was provided to banks to enable them to maintain an even flow of credit to vital sectors.

The steady downtrend in deposits which had set in from the beginning of January 1982 was arrested in the last week of February, but a clear uptrend did not emerge, and the banks continued to experience resource constraint. To ease the liquidity position of banks and also to enable them to meet the credit requirement of the 1982 rabi food procurement and the legitimate requirements of other vital sectors, the Reserve Bank modified on April 8, 1982 some of the credit policy measures. These included :

(1) the reduction in the CRR from 7.75 per cent of net DTL to 7.25 per cent effective April 9, 1982; the additional cash balance maintained with the Reserve Bank on October 31, 1980 under the incremental cash reserve ratio was, however, not to be withdrawn;

(2) the application of only the minimum CRR of 3 per cent from April 9, 1982 in respect of deposits under the Non-Resident External Rupee Accounts Scheme;@

(3) the enhancement in the food credit refinance entitlement during the ensuing rabi procurement from the existing 30 per cent of the increase in food credit over the level of Rs. 2,200 crores to 50 per cent of the increase in credit over the level of Rs. 2,200 crores and upto Rs. 2,800 crores; in the contingency of outstanding food credit going beyond Rs. 2,800 crores, the RBI was to provide to banks 100 per cent refinance over the level of Rs. 2,800 crores;

(4) the extension upto June 25, 1982 of the concession granted earlier upto April 30 of not levying 3 per cent additional interest on refinance in case of shortfall in reserve requirements.

With a view to offsetting the extra costs to the banks arising from rationalisation of interest rates on shorter term deposits which became effective from March 1, 1982, the Reserve Bank raised, the interest rate payable on banks' cash balances above the statutory minimum of 3 per cent maintained with it from 7 per cent to 8 per cent effective April 1, 1982. In view of the reduction in cash reserve ratio, banks were asked to phase out by end-June 1982 the outstanding discretionary and stand-by refinance.

The refinance facility for export credit was kept unchanged; the refinance entitlement continued to be equivalent to 50 per cent of the increase in export credit over the monthly average for 1979; the normal practice of bringing forward the base level by one year was not followed in 1982.

The Reserve Bank again impressed on banks the need to avoid excessive reliance on money market funds, as large and chronic reliance on volatile resources results in sharp disruptions when these resources dry up. They were also warned that refinance would not be provided to banks continuing to rely on unduly large money market borrowings. Regarding credit to priority sectors, banks were asked to give attention to qualitative aspects of such lending and also relate such lending to their overall resources. They were also urged to bear in mind the current problems of special priority requirements such as tractors, and make constructive use of the extra credit facilities provided by ARDC and Reserve Bank.

*This was later extended upto June 25, 1982.

@In respect of deposits under the Foreign Currency Non-Resident Accounts Scheme, the CRR was already 3 per cent.

The Reserve Bank again stressed the need for an effective implementation by banks of quarterly operating limits in the case of medium and large borrowers and for ensuring that borrowers meet a part of the working capital requirements out of their own resources.

The package of credit policy measures announced by the Reserve Bank on April 8 were specifically drawn up for the quarter April-June 1982 which was to be considered by banks as a period of restoration of normalcy in banking operations. The measures aimed at ensuring that (1) the sanctity of the CRR and SLR was made inviolate and banks were required to rectify CRR defaults by end-April 1982 and SLR defaults by end-June 1982; (2) banks fully met their commitments to the food consortium during the 1982 rabi procurement; (3) the legitimate credit requirements of seasonal industries and other vital sectors including exports were met without disruption and banks restored drastic across-the-board cuts in limits wherever introduced, and (4) banks adequately met the credit needs of the weaker sections as identified in the revised 20-Point Programme and under IRDP.

The Reserve Bank also stressed the need for banks to build back their liquidity during the ensuing slack season, so as to obviate the type of liquidity bind faced in the first quarter of 1982.

June 1982 Measures

Despite the measures taken by the Reserve Bank in April 1982 to ease the liquidity pressures faced by banks, the banking trends during April and May 1982 indicated uncertainty regarding resources position of banks. While deposit growth did show some improvement, it was still much lower than in the same period in 1981. Non-food credit registered a small decline over the two-month period April-May 1982, in contrast to an increase of Rs. 457 crores in the same period in 1981, reflecting some resource constraint. The seasonal credit demand particularly for fertiliser and sugar was expected to increase during the ensuing weeks and this was likely to cause strain on banks' resources position. To improve the banks' liquidity and also to enable them to meet the legitimate credit requirements of the various sectors of the economy, the RBI announced on June 9, 1982 the following two additional measures :

(1) The cash reserve ratio which had been reduced from 7.75 per cent to 7.25 per cent in April 1982 was further reduced to 7.00 per cent effective June 11, 1982; and

(2) The entitlement in respect of food refinance was further liberalised. In the 1982 rabi procurement season upto end-September 1982, RBI decided to provide 100 per cent refinance over the outstanding level of food credit of Rs. 2,600 crores; in April 1982, the Bank had announced that it would provide 100 per cent refinance over the level of Rs. 2,800 crores.

These measures were expected to ease substantially the liquidity pressure on banks and enable them to (*i*) meet fully the seasonal credit requirements; (*ii*) remove all across-the-board cuts in limits particularly in respect of small-scale industries and other smaller accounts; (*iii*) restore normal sanctioning powers of their branch/zonal/regional managers; (*iv*) remove blanket restrictions if any existing on acceptance of new accounts; and (*v*) provide greater credit to those sectors of the industry where special difficulties were felt or were likely to be felt.

Customer service in banks is an important factor influencing growth in bank deposits. The Reserve Bank urged the chief executives of banks to give their personal attention to this aspect and take specific action to bring about a significant improvement in the quality and promptness of banking services.

July 1982 Measures

The Reserve Bank had modified credit control measures in early April 1982 to enable banks *inter alia* to rectify their defaults in CRR by end-April 1982 and in SLR by end-June 1982 and also to restore normalcy in banking operations. Excepting a couple of banks, the banking system was able to rectify the defaults within the stipulated time.

During April-June 1982, while deposit growth and the rise in food credit were broadly in alignment with Reserve Bank's expectations, outstanding non-food credit on July 2,

1982 did not show much variation over end-March 1982 level, contrary to Reserve Bank's expectations of a modest growth. It therefore, appeared that normalcy in credit operations had not been fully restored by some banks and they were urged to do so expeditiously.

The Reserve Bank also set out broad guidelines for non-food credit expansion during the financial year 1982-83, in terms of which non-food credit expansion for the system as a whole, could be around the same percentage rate of growth as was attained in 1981-82, *i.e.*, 16.8 per cent. This would work out to an expansion of Rs. 4,600 crores in non-food credit during the financial year 1982-83. Individual banks have different rates of growth, and each bank was required to modulate its credit growth in consonance with its resources growth and demand for non-food credit.

Deposit growth in 1982-83 is estimated by the Reserve Bank at Rs. 6,600 - Rs. 7,000 crores. A modest resources gap is, therefore, likely to emerge in the next busy season and the Reserve Bank assured banks that to the extent genuine credit requirements warrant the need for supplementing banks' resources, it would be prepared to bridge the gap suitably.

The basic credit policy measures *viz.*, CRR and SLR requirements, deposit and lending rates and refinance facilities for food and export credit were kept unchanged. Some changes were, however, made in the operation of certain measures with a view to assisting banks in their resource management.

(1) In respect of CRR, in case of even a small default in its maintenance the concerned bank was required not only to pay a penalty on the amount of default, but was also not paid any interest by the Reserve Bank on the entire cash balances maintained by it. To alleviate punitive penalties on small involuntary defaults in the cash reserve ratio, the RBI introduced, retroactive from January 1, 1982, a scheme of graduated penalties. In terms of this scheme, in case of CRR shortfalls upto and inclusive of an amount equivalent to 4 per cent of the absolute amount of cash balances required to be maintained with RBI, there was to be no penalty on the shortfall. In case of shortfall upto 3 per cent of the balances required to be maintained, banks would be paid interest on the eligible balances actually maintained on a graduated scale as under :

Shortfall as % of absolute amount of cash balances required to be maintained (upto and inclusive of)	Rate of Interest payable on eligible balances actually maintained
0	8.0
0.5	7.5
1.0	6.5
1.5	4.0
2.0	2.0
3.0	0.5
Over 3.0	0

The interest rate payable on cash balances above the statutory minimum of 3 per cent, which had been raised from 7 per cent to 8 per cent from April 1, 1982 was also made retroactive from January 1, 1982.

(2) The additional interest charge of 3 per cent on refinance/rediscount, in case of banks with shortfall in reserve requirements, which was not levied during the period January 1—June 25, 1982 was made operative from July 2, 1982.

(3) Refinance under the stand-by refinance facility was available against the collateral of Government and trustee securities at 11 per cent interest. Banks could use the facility for only three days at a time, and, to be able to avail of the facility, were required to establish that there was a clearing imbalance. To provide wider access to this facility, it was decided that drawals henceforth were not to be restricted to three days at a time and evidence of a clearing imbalance would not be necessary. Banks with a satisfactory record of maintenance of CRR and SLR would be provided access to this facility. In case of shortfall in collateral, stand-by refinance would be recallable immediately, and for such period as a bank utilised higher facility without adequate collateral, higher interest charge would be imposed.

(4) The cut-off point for Credit Authorisation Scheme for working capital limits which was Rs. 2 crores for private sector borrowers, was raised to Rs. 3 crores— the same as for public sector borrowers. This was expected to reduce the number of cases requiring credit authorisation by about a third.

The Reserve Bank urged banks to normalise credit operations and ensure that the legitimate credit requirements of vital sectors were met. The three sectors whose credit requirements were to be reviewed urgently were trucks and tractors, Bombay textile mills, and sugar mills.

Changes in Interest Rates on Deposits

With a view to aligning the shorter term deposit rates with the rates on longer maturities, the Reserve Bank raised by ½-1½ per cent, interest rates paid by scheduled commercial banks on term deposits of periods less than three years. The new interest rates became effective from March 1, 1982 and apply only to fresh deposits and on renewals of maturing deposits (*vide* Table VI-1).

Table VI-1 : Interest Rates on Deposits

(Per cent per annum)

Term Deposits	Rates prior to March 1, 1982	New rates effective March 1, 1982
Maturity of:		
15 days to 45 days	2.5	3.0
46 days to 90 days	3.0	4.0
91 days to less than 6 months ..	4.0	5.0
6 months to less than 9 months ..	4.5	6.0
9 months to less than 1 year	5.5	7.0
One year and above but less than two years	7.5	8.0
Two years and above but less than three years	8.5	9.0
Three years and above	10.0	10.0

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

Till March 1982, interest on bank deposits along with interest on investments in other specific categories upto Rs. 3,000 was tax free. In terms of the Finance Act 1982, this exemption limit has now been raised to Rs. 4,000. The Finance Act, 1982 also provides for additional exemption upto Rs. 2,000 on income from bank deposits of maturity of one year or more together with interest on Government securities.

To enable banks to attract remittances from abroad, the Reserve Bank has provided a special incentive in respect of non-resident deposits, under the Non-Resident External Rupee (NRE) Accounts Scheme and Foreign Currency Non-Resident (FCNR) Accounts Scheme. Commercial banks which are authorised to deal in foreign exchange and accept term deposits of one year and above under these two schemes are to pay, effective March 1, 1982, additional interest on such deposits at two per cent per annum over the rates permissible on domestic deposits of comparable maturities.

Other Policy Measures

The Reserve Bank issued from time to time specific instructions to banks indicating minor changes/adjustments/clarifications in banking policy measures whenever such changes/clarifications became necessary. The more important of these include:

(*i*) *Repayment of Deposit by Cheque/Draft:* The Government of India promulgated an Ordinance on July 11, 1981 in terms of which no company (including a banking company), a co-operative society or a firm shall repay to any person any deposit otherwise than by an account payee cheque or account payee bank draft, when the amount of such deposit repayable together with interest, if any, is Rs. 10,000 or more. Where the repayment is by a banking company or a co-operative society, such repayment must also be made by crediting the amount of such deposit to the account (if any) of the person to whom such deposit has to be repaid. The Reserve Bank, therefore, directed all commercial banks to issue suitable instructions to their branches for strict compliance with the provisions of the Ordinance. The RBI also drew banks' attention to its circular of May 24, 1976

advising banks to satisfy themselves about the identity of their depositors through proper introduction.

(*ii*) *Bank Finance to Small-scale Industrial Units :* Advances granted to organisations which have been established by the Central and State Governments or by recognised promotional and marketing organisations for the purpose of developing the decentralised sector, for the purchase and supply of inputs to and/or marketing the output of the artisans, village and cottage industries, are treated as priority sector advances. The Reserve Bank advised banks on June 9, 1981 that such advances are also to be charged concessional rate of interest at 13.5 per cent per annum effective July 1, 1981.

(*iii*) *Bank Finance to Small and Medium Newspaper Units :* The Reserve Bank advised banks on August 19, 1981 to treat advances to small and medium newspaper units satisfying the investment criteria laid down for SSI units, as priority sector advances and extend to them the concessions in rate of interest, margin etc., normally available to other SSI units. Such advances are also eligible for guarantee cover under the Small Loans (Small-scale Industries) Guarantee Scheme 1981 of the Deposit Insurance and Credit Guarantee Corporation, if the units conformed to the definition of SSI as set out by Government of India and also complied with other terms and conditions of the Scheme.

(*iv*) *Interest on Savings Bank Accounts of certain Organisations*: In terms of the Reserve Bank directive issued on July 22, 1974, banks were prohibited from paying interest on savings bank accounts opened in the name of any trading or business concern. The question of payment of interest on the savings bank accounts of organisations engaged in socially desirable activities was considered by the Reserve Bank, and it was decided to exempt from the provisions of that directive (*i*) institutions like SFDA, MFAL, DPAP, DDA, etc. (in terms of RBI directive of June 17, 1981); and (*ii*) societies registered under the Societies Registration Act, 1860 or any State Law, as well as companies licensed under Section 25 of the Companies Act, 1956 or under corresponding provision in the Indian Companies Act, 1913 (in terms of RBI directive of September 19, 1981). Further, it was also decided to exempt institutions specifically charged with the task of rendering social or economic assistance to, or welfare of, the weaker and under-privileged sections of the society. It was, however, clarified on February 3, 1982, that though the activities of organisations like Housing Boards, Municipal Corporations, etc., are developmental in nature, they would not be eligible for interest on their savings bank accounts as they do not specifically serve the weaker sections of the society.

(*v*) *Interest Rates on Premature Withdrawal of Deposits:* In terms of the RBI directive of July 22, 1974, in case of premature withdrawal of a deposit, interest payable on such deposit for the entire period was to be at least 2 per cent less than the rate applicable to the period for which the deposit had remained with the bank. This was modified on September 19, 1981, providing that in the event of a deposit being repaid before the agreed period to the heirs or legal representatives of the deceased depositor, interest would be payable at the rate applicable for the period for which the deposit actually remained with the bank.

(*vi*) *Acceptance of Deposits from Institutions:* Some banks were reported to be accepting funds from institutions like LIC and UTI as deposits on a roll-over basis and paying interest at 11.5 per cent or at still higher rates. The RBI instructed banks on February 3, 1982 to treat institutional deposits as deposits from the public and as such apply the rates of interest applicable as per the relevant RBI directive. Banks which had accepted such institutional deposits at rates in excess of the prescribed rates, were asked to discontinue the same and also take steps to recover from the concerned institutions excess interest, if any, already paid.

(*vii*) *Assistance for Development and Utilisation of Renewable Sources of Energy:* In view of Government's declared policy to accelerate development and use of technologies based on new and renewable sources of energy (*e.g.* solar and wind energy), the Reserve Bank

advised commercial banks on December 17, 1981 to accord priority to assisting the manufacture and use of equipments based on such technologies; for instance, banks could provide working capital or term finance to the manufacturers or users of such equipment and if the borrower belonged to the category of priority sector, the advance was to be classified as priority sector advance.

Banks were also asked to extend term loans for purchase of such equipments by farmers for agricultural purposes at 10.25 per cent interest, irrespective of whether the borrower/farmer was 'small' or otherwise.

(*viii*) *Discounting of Non-Trade Bills:* Some banks were discounting non-trade bills, *i.e.*, bills converted out of cash credit/overdraft/loan accounts of borrowers, with the approved financial institutions like the LIC and UTI. The RBI pointed out to banks on February 3, 1982 that rediscounting of bills was allowed only in respect of trade bills arising out of genuine trade transactions. Rediscounting of non-trade bills had technically all the characteristics of participation certificates (PCs) and resort to such practice for the purpose of resource mobilisation would defeat RBI's credit restraint measures as also its policy on recourse to PCs. Banks were therefore, advised to take immediate steps to stop rediscounting of non-trade bills.

(*ix*) *Valuation of Securities for Liquidity Ratio*: The Reserve Bank had granted to scheduled commercial banks upto October 1981 concession in the form of a partial exemption from the requirement of securities being valued at prices not exceeding the market prices for purposes of SLR. This concession was extended by the Bank initially upto March 1982, and later till September 1982. The concession has since been extended for a further period of 6 months till the end of March 1983.

BANKING TRENDS@

A conspicuous slowdown in the rate of growth in both aggregate deposits and non-food bank credit was the salient feature of the operations of scheduled commercial banks during 1981-82. The increase in cash in hand and balances with the Reserve Bank was also very small in 1981-82—less than one-sixth of the increase in the preceding year (Table VI-2).

Deposit Growth

Accretion to aggregate deposits during 1981-82 (July-June) at Rs. 5,282 crores or 13.0 per cent was much smaller than that of Rs. 7,172 crores or 21.5 per cent in 1980-81. The 13.0 per cent growth rate in deposits in 1981-82 was the lowest since 1967-68. Deposits had increased by 13.5 per cent in 1969-70—the first year of nationalisation, but thereafter it registered a much higher annual growth rate, ranging between 16.4 per cent and 24.5 per cent in the eleven-year period 1970-71 to 1980-81.

The deceleration in deposit growth had set in from the beginning of 1981-82. During the first five months of the year, *i.e.*, July-November 1981, the monthly percentage growth in deposits was lower than in the corresponding month in the preceding year; in December 1981, deposits showed a larger increase in amount, but the rate of growth was the same as in December 1980.

In the first eight weeks of 1982 (*i.e.* December 25, 1981 to February 19, 1982), deposits suffered a sizeable fall of Rs. 945* crores, in sharp contrast to an accretion of Rs. 202 crores in the same period in 1981. From the last week of February, the downtrend was arrested, and though deposits recorded a rise every month, the increase was much smaller in both absolute and percentage terms than in the corresponding months in 1981.

The deceleration in deposit growth was particularly pronounced in demand deposits which increased by only Rs. 689 crores or 8.3 per cent in 1981-82 as against a sharp rise of Rs. 1,693 crores or 25.7 per cent in 1980-81. Accretion to time deposits during 1981-82 at

@The data on scheduled commercial banks used in this section are final data upto December 1981 and partially revised data for the subsequent period and may therefore differ from the data given in the Statistical Statements in Volume II of this Report.

* Based on final data for December 25, 1981 and provisional data for February 19, 1982.

Table VI—2 : Variations in Scheduled Commercial Banks' Data (Seasonal and Annual)

(Rupees crores)

Items	Seasonal Variations						Annual Variations (July-June)	
	Slack Season 1980	Busy Season 1980-81	Slack Season 1981	Busy Season 1981-82*	Slack Season 1981 (Upto Aug. 28, 1981)	Slack Season 1982 (Upto (Aug. 27, 1982)*	1980-81	1981-82*
	1	2	3	4	5	6	7	8
1. Aggregate Deposits	+2,630	+3,609	+3,528	+2,109	+2,581	+2,809	+7,172	+5,282
(*a*) Demand $	+ 2	+1,149	+ 467	+ 271	+ 286	+ 233	+1,693	+ 689
(*b*) Time $	+2,628	+2,460	+3,061	+1,837	+2,295	+2,576	+5,479	+4,593
2. Borrowings from the RBI	+ 50	+ 76	+80	+ 12	+ 16	— 241@	+ 76	+ 8
3. Cash and Balances with the RBI	+ 669	— 108	+ 941	+ 107	+ 641	— 99	+1,412	+ 227
4. Money at call and short notice	+ 47	+ 75	+ 282	— 244	+ 104	+ 59	+ 227	— 38
5. Investments in Government and other approved securities	+1,505	+1,569	+ 414	+1,444	+ 638	+2,422	+2,398	+2,661
(*a*) Government Securities	+985	+1,306	— 277	+1,036	+ 202	+1,924	+1,514	+1,678
(*b*) Other approved Securities	+520	+ 263	+ 690	+ 408	+ 436	+ 498	+ 884	+ 984
6. Bank Credit	+1,133	+3,038	+2,308	+1,592	+1,037	+ 515	+4,482	+3,554
(*a*) Food Procurement advances	— 149	— 146	+ 230	+ 189	+ 344	+ 502	— 208	+ 622
(*b*) Other advances	+1,282	+3,184	+2,078	+1,403	+ 693	+ 13	+4,690	+2,932
7. Bills rediscounted with the RBI	— 63	— 1	— 4	—	— 3	—	— 72	— 3
8. Gross Bank Credit (6+7)	+1,070	+3,036	+2,304	+1,592	+1,034	+ 515	+4,410	+3,551

* Partially Revised.

$ Data for demand and time deposits given in cols. 1, 2, & 7 have been reworked on the basis of a uniform classification into demand and time liabilities of savings deposits.

@ Following the establishment of NABARD on July 12, 1982, outstanding short-term borrowings of RRBs from RBI under section 17 [except under section 17 (4) (a)] of RBI Act were transferred to NABARD. Hence data on borrowings from RBI subsequent to July 12, 1982 relate to scheduled commercial banks other than RRBs.

Note : 1. Bank credit figures are inclusive of credit extended through issue of Participation Certificates.
2. The seasonal variations are based on outstandings on the last Friday of April and October and annual variations on the last Friday of June.

Source : Weekly returns submitted by banks under Section 42(2) of the Reserve Bank of India Act, 1934.

Rs. 4,593 crores or 14.2 per cent was also smaller than in 1980-81 (Rs. 5,479 crores or 20.5 per cent).

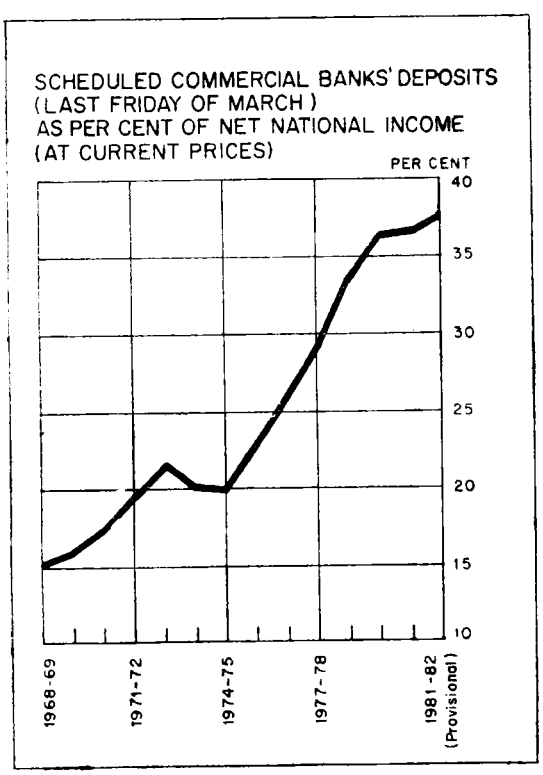
The following Table shows the quarterly growth in demand and time deposits in 1981-82 as compared with 1980-81.

(Rupees crores)

Quarter	Demand Deposits		Time Deposits		Total Deposits	
	1980-81	1981-82	1980-81	1981-82	1980-81	1981-82
July-September	— 24 (— 0.4)	— 252 (— 3.0)	+1,131 (+ 4.2)	+1,288 (+ 4.0)	+1,107 (+ 3.3)	+1,036 (+ 2.6)
October-December	+ 890 (+13.5)	+ 943 (+11.7)	+1,526 (+ 5.5)	+1,595 (+ 4.8)	+2,416 (+ 7.0)	+2,538 (+ 6.1)
January-March	+ 335 (+ 4.5)	— 471 (— 5.2)	+ 753 (+ 2.6)	+ 168 (+ 0.5)	+1,088 (+ 2.9)	— 303 (—0.7)
April-June	+ 492 (+ 6.3)	+ 469 (+ 5.5)	+2,069 (+ 6.9)	+1,542 (+ 4.4)	+2,561 (+ 6.7)	+2,011 (+ 4.6)
Total	**+ 1,693** **(+25.7)**	**+ 689** **(+ 8.3)**	**+5,479** **(+20.5)**	**+4,593** **(+14.2)**	**+7,172** **(+21.5)**	**+5,282** **(+13.0)**

Note : Figures in brackets indicate percentage growth rates.

A number of factors contributed to the slowdown in deposit growth and these included (*i*) a sharp deceleration in the rate of growth of reserve money; (*ii*) the slow pace of disbursements by Central and State Governments—the disbursements increased by only 12.0 per cent in 1981-82 (April-March) as against a rise of 23.9 per cent in 1980-81; and (*iii*) a widening of the range of savings media with the introduction of the new 12 per cent 6-year National Savings Certificates and the sharp increase in the issue of shares and debentures, particularly convertible debentures by the corporate sector, and issue of Special Bearer Bonds by Government in December 1981-January 1982. The restrictive measures adopted by banks in early 1982 like across-the-board cuts in limits and restrictions on further drawals on limits already sanctioned would have also affected return flow of funds to the banking system.



Expansion of Bank Credit

The expansion in bank credit in 1981-82 was Rs. 3,554 crores or only 13.4 per cent which was very much smaller than the expansion of Rs. 4,482 crores or 20.3 per cent in the preceding year. Food credit increased over the year 1981-82 by Rs. 622 crores in contrast to a decline of Rs. 208 crores in 1980-81. The expansion in non-food credit over the year at Rs. 2,932 crores or 12.0 per cent was much smaller than the expansion of Rs. 4,690 crores or 23.9 per cent in 1980-81.

The trend in non-food credit during 1981-82 was abnormal. During July-October 1981, *i.e.*, the last four months of the slack season the expansion in non-food credit was substantial at Rs. 1,808 crores, which accounted for as much as 62 per cent of the total expansion of Rs. 2,932 crores for the entire 1981-82. The expansion in July-October 1980 had accounted for only 26 per cent of the total

non-food credit expansion in 1980-81. In the entire 1981 slack season (May-October) non-food credit expansion at Rs. 2,078 crores was substantially larger than that of Rs. 1,282 crores in the 1980 slack-season. The incremental non-food credit-deposit ratio in the 1981 slack season worked out to 59 per cent as against 49 per cent in the 1980 slack season. In the busy season of 1981-82, non-food credit expanded by only Rs. 1,403 crores or 5.4 per cent, *i.e.*, less than even half of the expansion of Rs. 3,184 crores or 15.2 per cent in the busy season of 1980-81.

Further, of the total expansion of Rs. 1,403 crores in the busy season, Rs. 1,044 crores was in November-December. During January-April 1982, non-food credit expansion amounted to only Rs. 358 crores, *i.e.*, less than even one-fifth of the expansion of Rs. 1,884 crores during January-April 1981. The incremental non-food credit-deposit ratio worked out to 67 per cent in the 1981-82 busy season as against 88 per cent in the 1980-81 busy season.

The smaller expansion in non-food credit in the busy season of 1981-82 was by way of correction to the unusually large expansion in the preceding slack season. If banks had moderated credit expansion in the slack season itself, it would not have become necessary for them to resort to severe adjustments in early 1982 like across-the-board cuts in limits and restrictions on further drawals of limits.

In the first four months of the 1982 slack season, the expansion in non-food credit was only Rs. 13 crores as against Rs. 693 crores in the same period in 1981.

Variations in other Assets and Liabilities

Over the year 1981-82, scheduled commercial banks' investments in Government and other approved securities registered an increase of Rs. 2,661 crores or 18.7 per cent, as against an increase of Rs. 2,398 crores or 20.3 per cent last year.

The incremental investment-deposit ratio worked out appreciably higher at 50.4 per cent, as against 33.4 per cent in 1980-81. It is however pertinent to point out that, of the increase of Rs. 2,661 crores over the year, as much as Rs. 1,745 crores was in the last quarter, banks having been required to rectify the defaults in SLR by end-June 1982.

Seasonwise, the increase in investments in the slack season of 1981 was only Rs. 414 crores as against Rs. 1,505 crores in the preceding slack season, the incremental investment—deposit ratio working out to only 11.7 per cent as against 57.2 per cent in the 1980 slack season. The lower incremental investment-deposit ratio was due to unusually large credit expansion in this period.

In the busy season of 1981-82, while the increase in investments at Rs. 1,444 crores did not vary widely in magnitude from the increase in the 1980-81 busy season (Rs. 1,569 crores), the incremental investment—deposit ratio worked out substantially higher at 68.5 per cent, as against 43.5 per cent in the preceding busy season.

In the 1982 slack season (upto end-August), investments portfolio of banks went up by Rs. 2,422 crores as against Rs. 638 crores in the same period in 1981. The incremental investment-deposit ratio worked out to 86.2 per cent, as against 24.7 per cent in the preceding year. This again was due to banks rectifying defaults in SLR.

Scheduled commercial banks' cash and balances with RBI increased by Rs. 227 crores only in 1981-82 as against an increase of Rs. 1,412 crores in 1980-81. The smaller increase was despite the raising of the CRR, which stood at 7 per cent in June 1982 as against 6 per cent in June 1981. The cash-deposit ratio at the close of June 1982 worked out lower at 12.5 per cent, as against 13.6 per cent a year ago.

Banks' borrowings from the Reserve Bank rose sharply from Rs. 564 crores at the close of June 1981 to Rs. 831 crores by end-March 1982, but receded to Rs. 572 crores by end-June 1982, a net increase of only Rs. 8 crores over the year, as against an increase of Rs. 76 crores in 1980-81.

Credit Guidelines

In terms of the non-food credit expansion guidelines stipulated by the Reserve Bank in May 1981, non-food credit expansion in the

first half of the financial year 1981-82 was not to be in excess of the expansion in the first half of 1980-81, and expansion in the slack season of 1981 and in the full financial year 1981-82 was to be marginally lower than that in the 1980 slack season and in the financial year 1980-81. The Table below shows the performance of banks in complying with the guidelines.

Table VI-3: Non-food Credit Expansion

(Rs. crores)

Period	1980-81*	1981-82†
April-September		
Absolute	+ 775	+1,677
Rate of growth	(+4.0)	(+7.1)
Slack Season (May-Oct.)		
Absolute	+1,282	+2,078
Rate of growth	(+6.5)	(+8.6)
April-March		
Absolute	+4,175	+3,904
Rate of growth	(+21.5)	(+16.5)

* Variations based on final data. When guidelines were stipulated, only partially revised data were available for 1980-81. † Partially revised.

The Table shows that non-food credit expansion in the first half of 1981-82 and in the slack season of 1981 far exceeded the expansion in the first half of 1980-81 and in the slack season of 1980, respectively, and thus banks were not able to comply with the guidelines stipulated by the Reserve Bank. For the full financial year 1981-82, however, the non-food credit expansion at Rs. 3,904 crores was lower than the guideline figure of Rs. 4,074@ crores in 1980-81. The smaller expansion was the result of return flow of funds from petroleum industry. Excluding bank credit to petroleum industry in both the years, non-food credit expansion in the financial year 1981-82 at Rs. 4,195 crores was larger than the expansion of Rs. 3,725 crores in 1980-81.

@The guidelines set in May 1981 were based on variation of partially revised data available at that time for March 1981 over the final data for March 1980.

Call Money Market

In the call money markets in Bombay and Calcutta, except for a generally easy tendency in the early part of the year and then again towards the close, stringent conditions prevailed throughout the year under review, with the call money rate quoting at the ceiling level of 10 per cent. This was in sharp contrast to the trend in 1980-81, when the money market had ruled generally easy.

In the Bombay money market, easy conditions were in evidence during July 1981, with the inter-bank call money rate ranging between 5 per cent and 9 per cent till 7th, and easing thereafter to 3-4½ per cent. The easiness reflected the comfortable liquidity position of banks. Following a series of measures taken by the RBI to mop up excess liquidity of the banking system, the money market tended to firm up and the inter-bank call money rate ruled at 8-9 per cent in August and at 9-10 per cent in September. In the next seven and a half months, *i.e.*, from the beginning of October 1981 till mid-May 1982, the money market ruled distinctly tight, and the call money rate was quoted throughout at the ceiling level of 10 per cent. Following the commencement of the slack season, the market turned somewhat easy, and the call rate was quoted lower at 7-9 per cent in the latter half of May. In the first half of June, the rate ranged between 5 and 10 per cent, but eased thereafter and ruled generally at 4-7 per cent during the latter half of June.

In the Calcutta market, the trend was more or less similar. The call money rate after ranging between 5 and 10 per cent during July and August 1981 ruled at 10 per cent till the third week of May. The rate was quoted at 8-10 per cent in the last week of May and early June 1982 but eased to 6-7 per cent thereafter by the end of the month.

SELECTIVE CREDIT CONTROL

The changes made in selective credit control measures during the year are mentioned below.

Advances against foodgrains

On July 13, 1981, following a review of the trends in production, prices and bank credit

relating to paddy, rice and other foodgrains (including wheat), the Reserve Bank raised the minimum margin on advances against stocks of these commodities by 10 percentage points, with the exception of advances to roller flour mills against wheat, for which the minimum margin was kept unchanged at 25 per cent. Simultaneously, the margin prescribed for advances against warehouse receipts covering these commodities was raised by 10 percentage poi ts. However, no change was made in the existing minimum margin requirements on advances against pulses (stocks/warehouse receipts).

Advances against Cottonseed

The minimum margin on advances to oil mills against stocks of cottonseed was reduced by the Reserve Bank with effect from September 9, 1981 with a view to augmenting production of cottonseed oil. The minimum margin on advances to oil mills against cottonseed equivalent to two months' consumption of each oil mill was lowered from 70 per cent to 45 per cent. For advances covering stocks in excess of the level indicated above, the minimum margin continued to be 70 per cent.

Margins on Bank Guarantees

The RBI advised banks in September 1981 not to issue any guarantee covering payment of customs/import duty payable against import of essential commodities like edible oils and sugar without obtaining cash margin equivalent to at least one half of the amount of guarantees issued. On March 1, 1982 the Bank further clarified that the instruction would apply to the import of all vegetable oils, irrespective of whether these were edible or not.

Advances against Sugar

In order to ensure that the distribution of sugar under public distribution system did not suffer, the Government of India decided to acquire, during October and November 1981, upto 4 lakh tonnes of levy-free sugar as levy sugar out of the sugar production of 1980-81 season. Consequent to the release of levy-free sugar stocks (valued at tariff/ market rates) as levy sugar stocks (valued at levy rates), it was possible that accounts of sugar mill borrowers would be rendered irregular and there would be a certain amount of deficiency in margin/drawing power. The Bank therefore, advised all scheduled commercial banks on September 19, 1981 that it was agreeable to a reduction in margin in respect of the accounts of the sugar mills to the extent it became necessary as a result of the above mentioned arrangement between the Government and sugar mills. This relaxation, however, stood revoked after January 31, 1982.

In regard to the stocks of levy-free sugar out of the 1980-81 season's production still left with the factories, the banks were advised not to insist on the deficiency in margin being made good by the realisation coming out of such sales up to end-January 1982. In respect of the 1981-82 cane crushing season, banks were advised to regulate the drawings on the basis of 25 per cent margin on new stocks of sugar produced.

Advances to Sugar Industry during 1981-82 crushing season

During the 1981-82 season, sugar production was expected to be large. The RBI advised banks on October 29, 1981 that, keeping this in view and subject to the estimate of sugar production of individual units, they might sanction limits up to 100 per cent of the maximum amount availed of during the 1980-81 season, without prior authorisation from the Reserve Bank. It was also clarified that while the system of fixing credit limits in relation to the peak level of stocks would continue, actual drawals in borrowal accounts would be regulated on the basis of deficit disclosed in the monthly cash budget of mills. Banks were also asked to continue monitoring the payment of dues of sugar mills to cane growers and the system of earmarking of funds out of the advances against pledge/ hypothecation of sugar for payment to cane growers as hitherto, in consultation with the borrowers.

The particulars of selective credit control as on October 26, 1982 are given as Annexure to this Chapter.

Table VI—4 : Scheduled Commercial Banks' Outstanding Advances Against Selected Commodities

(Amount in rupees crores)

Commodities	As on the last Friday of								
	June 1977			June 1981			June 1982*		
	Amount	Percentage to total of 1 to 6	Percentage to total bank credit	Amount	Percentage to total of 1 to 6	Percentage to total bank credit	Amount	Percentage to total of 1 to 6	Percentage to total bank credit
1	2	3	4	5	6	7	8	9	10
1. Foodgrains (excluding food procurement advances)	**74.7**	**12.4**	**0.6**	**169.8**	**18.7**	**0.6**	**175.1**	**15.1**	**0.6**
(*a*) Paddy and rice	33.3	5.5	0.2	102.3	11.3	0.4	111.0	9.6	0.4
(*b*) Wheat	12.1	2.0	0.2	18.3	2.0	0.1	19.1	1.7	0.1
(*c*) Other foodgrains	29.3	4.9	0.2	49.2	5.4	0.2	45.0	3.9	0.2
2. Sugar (including Khandsari)	**204.1**	**33.9**	**1.5**	**229.3**	**25.3**	**0.9**	**476.5**	**41.1**	**1.6**
3. Oilseeds	**7.6**	**1.4**	**0.1**	**11.7**	**1.3**	**—**	**14.9**	**1.3**	**0.1**
(*a*) Groundnut	2.9	0.5	—	5.4	0.6	—	5.7	0.5	—
(*b*) Rapeseed/Mustardseed	4.0	0.7	—	5.3	0.6	—	7.7	0.7	—
(*c*) Linseed	0.5	0.1	—	0.6	0.1	—	0.7	0.1	—
(*d*) Castorseed	0.3	0.1	—	0.4	—	—	0.8	0.1	—
4. Vegetable Oils	**19.4**	**3.3**	**0.1**	**27.4**	**3.0**	**0.1**	**33.5**	**2.9**	**0.1**
(*a*) Groundnut Oil	11.3	1.9	0.1	7.5	0.8	—	8.6	0.7	—
(*b*) Rapeseed/Mustard Oil	3.4	0.6	—	12.1	1.3	0.1	12.2	1.1	—
(*c*) Castor Oil	3.0	0.5	—	7.5	0.8	—	11.1	1.0	—
(*d*) Linseed Oil	1.8	0.3	—	0.3	—	—	1.5	0.1	—
5. Vanaspati	**6.0**	**1.0**	**—**	**15.1**	**1.7**	**0.1**	**17.6**	**1.5**	**0.1**
6. Cotton and Kapas@	**289.9**	**48.2**	**2.1**	**454.1**	**50.0**	**1.7**	**441.6**	**38.1**	**1.5**
(*a*) Indigenous	180.2	30.0	1.3	432.1	47.6	1.6	416.7	36.0	1.4
(*b*) Imported	109.7	18.2	0.8	22.0	2.4	0.1	24.9	2.1	0.1
7. Total of 1 to 6	**601.6**	**100.0**	**4.5**	**907.4**	**100.0**	**3.4**	**1,159.2**	**100.0**	**3.9**
8. Raw Jute £	**38.1**		**0.3**	**91.8**		**0.4**	**98.3**		**0.3**
9. Total of 7 and 8	**639.8**		**4.7**	**999.2**		**3.8**	**1,257.5**		**4.2**
TOTAL BANK CREDIT+	**13,491.0**		**100.0**	**26,550.7**		**100.0**	**30,104.3**		**100.0**

* Data are provisional. @ Inclusive of advances to Cotton Corporation of India. £ Inclusive of advances to Jute Corporation of India. + According to returns from scheduled commercial banks received under Section 42(2) of the Reserve Bank of India Act, 1934.

Source : Data are estimates based on Basic Statistical Return 3 received from Head Offices of banks.

Advances against Sensitive Commodities

Scheduled commercial banks' outstanding advances against selected commodities at the end of June 1982 amounted to Rs. 1,258 crores, showing an increase of Rs. 259 crores over the year-ago level of Rs. 999 crores (Table VI-4). If outstandings against raw jute which are not covered by selective credit control are excluded, outstandings against commodities coming under the purview of selective credit control at Rs. 1,159 crores at the end of June 1982 were higher by Rs. 252 crores over the level a year ago. Of the total outstanding amount of Rs. 1,159 crores, advances against cotton and kapas, sugar (including *khandsari*) and foodgrains accounted for Rs. 442 crores (38.1 per cent), Rs. 477 crores (41.1 per cent) and Rs. 175 crores (15.1 per cent), respectively. Oilseeds, vegetable oils and vanaspati accounted for the balance of Rs. 66 crores or 5.7 per cent. The proportion of advances against sensitive commodities to total credit of all scheduled commercial banks for all purposes at 3.9 per cent at the end of June 1982 was higher compared to 3.4 per cent a year ago.

The major beneficiaries of advances against selected commodities were mills/factories and industrial users; these two categories accounted for 69.2 per cent of total advances (including jute) at the end of June 1982 as compared with 60.5 per cent a year ago. (Table VI-5). Commodity-wise, the proportion of advances going to these two categories of borrowers was 99.2 per cent in the case of sugar (including khandsari), 96.6 per cent for vanaspati, 89.5 per cent for groundnut and 87.5 per cent for castorseed.

Table VI—5: Security-wise Advances to Mills/Factories and Industrial Users

(As percentage to total credit against respective commodities)

Commodities	Last Friday of	
	June 1982*	June 1981
1	2	3
1. Castorseed	87.5	75.0
2. Sugar (including khandsari)	99.2	96.8
3. Linseed Oil	66.7	66.7
4. Vanaspati	96.6	96.7
5. Castor Oil	71.2	77.3
6. Groundnut Oil ..	73.3	58.7
7. Groundnut	89.5	50.0
8. Wheat	73.8	65.6
9. Rapeseed/Mustard ..	64.9	58.5
10. Rapeseed/Mustard Oil ..	73.0	78.5
11. Other Foodgrains ..	63.8	58.5
12. Paddy and Rice ..	53.4	53.3
13. Linseed	57.1	50.0
14. Cotton and Kapas ..	47.4	47.3
15. Raw Jute	33.9	34.4
All Selected Commodities	**69.2**	**60.5**

*Provisional.

Source: Basic Statistical Return 3.

WORKING OF DIFFERENT SCHEMES

(a) Credit Authorisation Scheme

The Credit Authorisation Scheme (CAS) which has been operating since 1965 continued to play an effective role as an instrument of credit regulation in consonance with the Reserve Bank's general credit policy.

Changes in CAS

Banks do not require prior authorisation under the CAS in respect of limits sanctioned for financing deferred receivables under the IDBI Bills Rediscounting Scheme. However, they were required to take into account such limits for computing the total limits for the purpose of the cut-off point under the scheme. On October 3, 1981, the Reserve Bank advised banks that bills discounting limits under the IDBI scheme allowed to the manufacturer-seller for sale of indigenous machinery need not be taken into account while computing the total limits for the purpose of cut-off point under the CAS. The discounting banks were, however, required to ensure the genuineness of the transaction covered by the bills. Further, receivables in respect of the sale of indigenous machinery under the IDBI scheme need not be

taken into account for the purpose of current assets while arriving at the maximum permissible bank finance to the manufacturer-seller for the activity of the borrower other than that covered by the scheme.

Banks were required to obtain prior authorisation from the Reserve Bank for sanctioning working capital limits of Rs. 2 crores or more to borrowers in the private sector and of Rs. 3 crores or more to borrowers in the public sector. The Reserve Bank advised banks on August 11, 1982 that the cut-off point for working capital limits for the private sector was also raised to Rs. 3 crores and as such there would be a uniform cut-off point for private sector and public sector borrowers.

Working of Credit Authorisation Scheme

The number of parties covered under the CAS increased from 1,177 at the end of June 1981 to 1,251 by end-June 1982; the number of public sector units covered were 204 in June 1982 as against 199 in June 1981. The total limits in force rose by Rs. 1,479 crores in 1981-82 from Rs. 14,427 crores to Rs. 15,906 crores. The share of public sector units in total limits increased by Rs. 675 crores, from Rs. 7,695 crores to Rs. 8,370 crores, and that of private sector units by Rs. 804 crores from Rs. 6,732 crores to Rs. 7,536 crores. The purpose-wise distribution of total limits in force did not show any significant change in pattern over the year; working capital continued to claim a predominant share of 89.2 per cent followed by term finance 8.2 per cent, and sale of machinery on deferred payment basis 2.6 per cent (Table VI-6).

Occupation-wise distribution of total limits in force as on June 30, 1982 shows that industry's share was the largest at 59.4 per

Table VI—6: Distribution of Credit Limits by Type of Credit

(Rupees crores)

Type of Credit	As on June 30, 1980		As on June 30, 1981		As on June 30, 1982	
	Total	Of which public sector units	Total	Of which public sector units	Total	Of which public sector units
	1	2	3	4	5	6
Working Capital*	11,495 (88.2)	6,564 (92.1)	12,798 (88.7)	7,111 (92.4)	14,186 (89.2)	7,768 (92.8)
Of which						
(*a*) Bills purchased and discounted	1,068 (8.2)	247 (3.5)	1,083 (7.5)	182 (2.4)	1,171 (7.4)	180 (2.1)
(*b*) Export finance	859 (6.6)	123 (1.7)	1,001 (7.0)	145 (1.9)	1,075 (6.8)	160 (1.9)
Sales of machinery on deferred payment basis	390 (3.0)	82 (1.1)	390 (2.7)	80 (1.0)	420 (2.6)	81 (1.0)
Term finance	1,141 (8.8)	485 (6.8)	1,239 (8.6)	504 (6.6)	1,300 (8.2)	521 (6.2)
Total limits in force	**13,026** (100.0)	**7,131** (100.0)	**14,427** (100.0)	**7,695** (100.0)	**15,906** (100.0)	**8,370** (100.0)
Number of parties	1,093	192	1,177	199	1,251	204

* Includes cash credits and overdrafts, bills purchased and discounted and export finance.

Note : Figures in brackets indicate percentages to total limits in force.

Source : Industrial Credit Department, RBI.

cent, of which about 32 per cent was claimed by engineering, manufacture of chemicals and chemical products and cotton textiles; the share of trade in total limits outstanding was 33.8 per cent. In respect of public sector units, however, the share of industry was 34.5 per cent while that of trade was as much as 57.9 per cent; food procurement alone accounted for 36.8 per cent of the total limits in force in respect of public sector units. (Table VI-7).

Applications received for the Reserve Bank's authorisation declined from 1,323 in 1980-81 to 1,305 in 1981-82; the reduction was wholly in respect of public sector units from which 219 applications were received in 1981-82, as against 244 applications in the previous year. Applications approved numbered 873, including 164 from public sector units; of the total amount of Rs. 2,621 crores for which authorisations were granted, public sector units accounted for Rs. 1,922 crores or 73.3 per cent. Applications rejected/withdrawn numbered 62, and the amount involved was Rs. 164 crores (Tables VI-8 and VI-9).

(*b*) Differential Rate of Interest Scheme

The public sector banks made further progress in respect of their lending under the Differential Rate of Interest Scheme (DRI) during 1980-81 (July-June), with a rise of 4.16 lakhs to 26.69 lakhs in number of accounts and an increase of Rs. 67 crores to Rs. 225 crores in the amount of loans outstanding. The average amount of loan under the scheme also increased from Rs. 702 at the end of June 1980 to Rs. 844 by end-June 1981. There was further improvement in the coverage of scheduled caste and scheduled tribe (SC/ST) borrowers under the scheme. The number of such borrowal accounts which stood at 9.77 lakhs at the end of June 1980 went up to 12.28 lakhs by the end of June 1981 and the amount of loan outstanding from Rs. 70 crores to Rs. 104 crores. The percentage of outstanding advances to SC/ST to total advances under the scheme increased from 44.4 in June 1980 to 46.3 in June 1981 (as against the target of 40 per cent). By the end of June 1981, the public sector banks attained the target of 1 per cent stipulated in respect of their DRI advances; the percentage of DRI advances outstanding at the end of June 1981 to total advances at the end of December 1980 worked out to 1.03 (Table VI-10).

At the end of June 1981 advances made by private sector banks under the scheme amounted to Rs. 200 lakhs under 21,346 borrowal accounts, of which Rs. 62 lakhs under 5,909 borrowal accounts were made to members of SC/ST; this constituted 31.1 per cent of the total DRI advances as against the stipulated target of 40 per cent.

In terms of Government of India's guidelines on DRI scheme, the physically handicapped persons pursuing gainful occupation are eligible for bank finance under the scheme. During the year, the scheme was modified to allow banks to extend financial assistance to the physically handicapped persons for purchase of artificial limbs, hearing aids, wheeled chairs, etc., subject to a maximum of Rs. 2,500 per borrower, provided such assistance is given along with advances for productive activities and self employed ventures and all other requirements under the scheme are fulfilled.

The National Institute of Bank Management at the instance of the Government of India, undertook a study of the DRI Scheme and has since submitted an interim report to them; the final report is awaited. The Government of India have also appointed a Working Group under the Chairmanship of Shri V. K. Dikshit, Joint Secretary in the Ministry of Finance, to review the DRI Scheme. A senior officer of the Reserve Bank is one of the members of the Working Group.

(c) Participation Certificates Scheme

The aggregate amount of participation certificates issued and outstanding which had come down considerably from Rs. 606 crores on the last Friday of June 1979 to Rs. 178 crores by the end of June 1981 declined further to Rs. 66 crores by the end of June 1982. No fresh instructions were issued during 1981-82 to banks on the subject. The maximum rate of interest on participation certificates continued to be 10 per cent per annum.

Table VI—7: Occupation-wise Distribution of Total Limits in Force (As on June 30, 1982)

(Rupees crores)

Industry	Total limits in force		Of which public sector	
	Amount	Percentage to total	Amount	Percentage to total
1	2	3	4	5
I. AGRICULTURE AND ALLIED ACTIVITIES	**409.99**	**2.6**	**223.87**	**2.7**
1. Agriculture	**251.87**	**1.6**	**210.82**	**2.5**
(*i*) Direct finance	52.25	0.3	27.80	0.3
(*ii*) Indirect finance	199.62	1.3	183.02	2.2
Distribution of fertilisers	187.30	1.2	170.70	2.0
Others	12.32	0.1	12.32	0.2
2. Plantations	**158.12**	**1.0**	**13.05**	**0.2**
Tea	157.69	0.9	13.05	0.2
Others	0.43	0.1	—	—
II. INDUSTRY	**9443.93**	**59.4**	**2888.52**	**34.5**
A. Mining and Quarrying	**238.08**	**1.5**	**198.29**	**2.4**
Coal mining	134.01	0.9	133.89	1.6
Iron ore	22.49	0.1	4.75	0.1
Others	81.58	0.5	59.65	0.7
B. Manufacturing	**9205.85**	**57.9**	**2690.23**	**32.1**
1. Sugar	582.36	3.7	79.64	1.0
2. Edible oils and vanaspati	148.35	0.9	5.56	0.1
3. Tobacco processing and tobacco product manufacturing.	111.70	0.7	4.50	0.1
4. Cotton textiles	1023.18	6.4	105.00	1.3
5. Jute textiles	210.36	1.3	2.81	0.1
6. Silk and synthetic fibres	323.30	2.0	21.00	0.2
7. Wool and woollen textiles	58.56	0.4	—	—
8. Other textiles	6.55	0.1	—	—
9. Paper and paper products	176.20	1.1	11.05	0.1
10. Leather and leather products	59.30	0.4	—	—
11. Rubber and rubber products	194.81	1.2	—	—
12. Manufacture of chemicals and chemical products	1406.86	8.8	493.38	6.0
(*a*) Heavy industrial chemicals	298.52	1.9	66.68	0.8
(*b*) Fertilizer (production)	687.78	4.3	385.02	4.6
(*c*) Drugs and pharmaceuticals	162.85	1.0	27.56	0.3
(*d*) Plastics and plastic products	21.64	0.1	0.34	0.1
(*e*) Others	236.07	1.5	13.78	0.2
13. Petroleum	247.82	1.6	239.51	2.9
14. Cement	114.29	0.7	18.75	0.2
15. Basic metals and metal products	604.67	3.8	329.58	3.9
(*i*) Iron and steel	496.93	3.1	309.83	3.7
(*ii*) Others	107.74	0.7	19.75	0.2
16. Engineering (except transport equipment)	2635.36	16.6	779.07	9.3
(*a*) Heavy Engineering	1738.63	10.9	696.89	8.3
(*i*) Machinery except electrical machinery	1024.35	6.4	287.65	3.4
(*ii*) Electrical machinery	714.28	4.5	409.24	4.9
(*b*) Light engineering (including light metal products)	896.73	5.7	82.18	1.0
17. Manufacture of transport equipment	572.43	3.6	156.26	1.9
(*i*) Railway equipment industry	165.24	1.0	73.06	0.9
(*ii*) Others	407.19	2.6	83.20	1.0
18. Others (manufacture)	244.58	1.5	22.80	0.2
19. Electricity generation and distribution	479.67	3.0	415.82	5.0
20. Construction companies	5.50	0.1	5.50	0.1
III. TRADE	**5374.39**	**33.8**	**4846.46**	**57.9**
(*a*) Foodgrains	3080.61	19.4	3080.61	36.8
(*b*) Fertilisers	824.72	5.2	824.72	9.9
(*c*) Mineral oils	35.69	0.2	5.50	0.1
(*d*) Raw cotton	402.20	2.5	255.80	4.2
(*e*) Raw jute	110.52	0.7	104.00	1.2
(*f*) Others	920.65	5.8	475.83	5.7
IV. ALL OTHERS	**678.00**	**4.2**	**411.51**	**4.9**
TOTAL	**15906.31**	**100.0**	**8370.36**	**100.0**

Source : Industrial Credit Department, RBI.

Table VI—8 : Particulars of Applications received, approved, rejected/withdrawn and cases reported under Credit Authorisation Scheme during the period July 1981 to June 1982

Particulars	July-September 1981	October-December 1981	January-March 1982	April-June 1982	Total
1	2	3	4	5	6
Applications received @	311 (*50*)	371 (*63*)	315 (*48*)	308 (*58*)	1305 (*219*)
Applications approved	208 (*47*)	322 (*62*)	151 (*20*)	192 (*35*)	873 (*164*)
Applications rejected/withdrawn	7 (—)	8 (—)	24 (*1*)	23 (*1*)	62 (*2*)
Reporting cases	351 (*91*)	327 (*65*)	141 (*19*)	143 (*29*)	962 (*204*)

@ Excluding number of applications received for the extension of period, authorisations, for letters of credit or deferred payment guarantees, restorations, conversion of limits, etc.
Note: Figures in brackets relate to public sector.
Source : Industrial Credit Department, RBI.

Table VI—9 : Particulars of Authorisations granted by Reserve Bank of India, amount involved in applications rejected/withdrawn, limits reported by banks

(Rupees crores)

Particulars	July-September 1981	October-December 1981	January-March 1982	April-June 1982	Total
1	2	3	4	5	6
1. Authorisations granted by the Reserve Bank	414.60 (*257.30*)	698.22 (*493.69*)	336.11 (*177.33*)	1172.28 (*993.52*)	2621.21 (*1921.84*)
2. Amount involved in applications rejected/withdrawn	3.93 (—)	41.33 (—)	64.47 (*1.00*)	54.30 (*0.70*)	164.03 (*1.70*)
3. Limits reported by banks* ..	—456.52 (—*508.55*)	—239.62 (—*304.18*)	—415.33 (—*399.24*)	—30.51 (—*34.31*)	—1141.98 (—*1246.28*)

* Represent net changes in limits.
Note: Figures in brackets relate to public sector.
Source : Industrial Credit Department, RBI.

Table VI—10 : Progress of lending by Public Sector Banks under the Scheme of Differential Rate of Interest

As at the end of December	No. of borrowal accounts (000s)	Amount outstanding (Rs. crores)	Percentage of DRI advances to total advances of the previous year
1	2	3	4
1972	26	0.87	0.02
1973	230	10.06	0.22
1974	313	13.35	0.23
1975	465	20.99	0.31
1976	1,005	47.24	0.56
1977	1,392	67.99	0.61
1978	1,620	90.00	0.74
1979	2,076	139.80	0.98
1980	2,510	193.56	1.00
1981*	2,669	225.17	1.03

* Provisional and as at the end of June 1981.

Source : Rural Planning and Credit Department, RBI.

(d) Lead Bank Scheme

Annual Action Plans 1982

All lead banks were advised in November 1981 to ensure that the Annual Action Plans (AAPs) 1982 approved by respective District Consultative Committees (DCC) were kept ready by December 1981 for being launched in January 1982. The Annual Action Plans 1982 were to cover the unfulfilled/unimplemented portion of the Integrated Rural Development Banking Plan for the financial year 1981-82. If details of Integrated Rural Development Plans (IRDPs) for 1982-83 were not readily available, the banks were to proceed to finalise the AAPs on the basis of available data and prepare a supplementary AAP when the IRDP for 1982-83 became available. By end-June 1982, 26 lead banks having lead responsibility in 407 districts had prepared 403 AAPs 1982.

Banking Plans under Integrated Rural Development Programme

Following the extension of IRDP to all the blocks in the country with effect from October 1980, lead banks were advised, in January 1981, to prepare banking plans (earlier they were prepared by ARDC), to allocate the responsibility of financing the identified beneficiaries for different activities among the participating banks and integrate the same with the AAPs 1981. Further, following a review undertaken by the High Level Inter-Ministerial Committee set up by the Government of India in September 1981, the lead banks were also advised to obtain complete details of village-wise distribution of physical programmes, subsidy, credit needs, etc., from the District Rural Development Agencies (DRDAs), incorporate the same in the AAPs for 1981 and ensure that the specified branches of the participating banks accept the responsibility for processing and sanctioning loan applications of the identified beneficiaries from the villages allocated to them.

A sample study conducted by the Reserve Bank showed that instructions issued by it to lead banks in pursuance of the recommendations of the Baldev Singh Committee had not percolated to the branch level and that in some cases banks were insisting on collateral security from the beneficiaries even in respect of small loans. Banks were instructed to ensure that the guidelines were strictly enforced and that a periodical review was undertaken by Head Office of the performance of the branches in this regard.

Revised Guidelines for the Preparation of Third Round of DCPs (1983-85)

The revised guidelines for the formulation of the District Credit Plans (DCPs) covering the period January 1983 to March 1985 were issued by the Reserve Bank to the lead banks in February 1982. The DCPs to be prepared in the third round would be co-terminous with the balance of the Sixth Plan period. The revised guidelines are intended to help lead banks in making the DCP exercise more realistic and meaningful. The main thrust of the DCPs in the third round would be to promote productivity and production in all the sectors of the rural economy.

In order to correct the deficiency in the quality of DCPs arising from non-availability of district development plans, the revised guidelines now incorporate formats in which essential data have to be provided by the State Governments regarding the programmes to be implemented in each district with State financial assistance and/or infrastructure and other support. At the instance of the Reserve Bank, Planning Commission has requested the State Governments to furnish sub-sector-wise data on physical programmes, State financial assistance and bank support needed under DCP, disaggregated district-wise, to form the basis for formulation of the DCPs.

Programmes incorporated in the DCPs earlier were not always successfully implemented either because they were not tested for their feasibility or bankability or for want of adequate infrastructural support and forward and backward linkages. In terms of the new guidelines, only those programmes requiring bank assistance which are considered technically feasible and bankable should figure in the DCP. Further, not only are the States required to indicate specifically the infrastructural support and other assistance they would provide, but banks are also required to specify in the DCP document the implementing agencies in each case so as to facilitate the

monitoring of progress at the DCC meetings. In the new DCPs, a separate chapter would be devoted to the special programmes, viz., 20-Point Programme including IRDP, special component plan for the SC/ST etc.

The growing linkage between Government supported programmes which are formulated on a financial year basis and bank lending has made it increasingly important that the period of DCPs/AAPs should correspond to the financial year. Accordingly, while the first AAP under the new guidelines would be for the calendar year, the second AAP would end with March 1985 —end of the Sixth Plan, thus facilitating switch-over to financial year in the Seventh Five Year Plan.

One of the deficiencies observed in the DCPs (1980-82) was that ongoing ARDC assisted schemes and/or schemes in the pipeline were not taken into account in many districts and consequently, the credit outlays worked out tended to be unrealistic to that extent. With a view to remedying this situation, it has been decided that a representative of ARDC should be nominated to the District Consultative Committee and the Standing Committee thereof in all the districts so that they may also be associated in the preparation of AAPs/DCPs from the initial stage itself.

It was also observed that the State Financial Corporations (SFCs) were not involving themselves actively in DCP deliberations. The resource availability for loaning programme under DCP comprises also IDBI refinance and loan assistance of SFCs. The IDBI, therefore, requested all SFCs to advise their officials at the branch/regional level to involve themselves actively in the formulation/implementation of DCPs.

Training for preparation of third round of District Credit Plans

To impart training to all those concerned with preparation of the third round of DCPs, thirteen 6-day training programmes were organised during March-April 1982 by the Reserve Bank, in collaboration with National Institute of Bank Management (NIBM). Certain lead banks held such programmes on their own for their Lead Bank Officers and the concerned Government Officials.

Lead Banks for Newly Constituted Districts

Consequent upon reorganisation of some of the districts by State Governments, the lead responsibility for the newly formed districts was entrusted to banks as shown below:

State	Name of the old district from which the new district was formed or carved	Lead Bank for the old district	Name of the new district	Lead Bank for the new district
Uttar Pradesh	Kanpur	Bank of Baroda	Kanpur Dehat Kanpur Nagar	Bank of Baroda Bank of Baroda
Bihar	Saharsa	Central Bank of India	Medhepura	Central Bank of India
	Monghyr	United Commercial Bank	Khagaria	United Commercial Bank
Maharashtra	Aurangabad	Bank of Maharashtra	Jalna	Bank of Maharashtra
	Ratnagiri	Bank of India	Sindhudurg	Bank of India

Working Group to review the Working of the Lead Bank Scheme

The Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD) had *inter alia*, recommended that a review of the working of the Lead Bank Scheme which had completed more than a decade of its working may be undertaken by the Reserve Bank. Accordingly a Working Group to review the working of the Lead Bank Scheme was set up in November 1981 under the Chairmanship of a senior officer of the Bank. The terms of reference of the Working Group are:

(*i*) to review the working of the Lead Bank Scheme in regard to the preparation and implementation of DCPs and to suggest improvements for proper and effective co-ordination of activities among the various participating organisations in the light of the recommendations of CRAFICARD;

(*ii*) to review the role of the lead banks and suggest measures (a) to make them more effective and (b) to improve the organisational set-up of lead and non-lead banks at the district and other levels;

(*iii*) to examine the role of the DCCs and Standing Committees and make suggestions for their more effective functioning;

(*iv*) to review the role of Lead District Officers of the Reserve Bank;

(*v*) to consider the question of allocation of lead responsibility, particularly to banks which have been recently nationalised;

(*vi*) to consider measures to improve the flow of data under the information system; and

(*vii*) to examine and review the existing arrangements for training of all officials concerned with the work relating to the scheme.

(e) Export Credit

The Reserve Bank continued to impress upon banks the need to meet adequately the credit requirements of exporters.

A significant development in the sphere of export credit was the establishment on January 1, 1982 of the Export-Import Bank of India, a statutory Corporation, wholly owned by the Government of India. The main objectives of the Bank are to provide a package of financial and allied services to the export sector and to co-ordinate the working of institutions engaged in financing and promoting export and import of goods and services. The Bank will participate as a permanent member in the meetings of the Standing Committee on Export Finance set up in the Reserve Bank.

During the year the Standing Committee on Export Finance discussed the recommendations of the Sub-Group constituted in September 1980, to examine the possibility of exporters raising finance from commercial sources abroad.

A Sub-Group was also constituted on January 25, 1982 to study the various aspects relating to exports to Africa and to make suitable recommendations thereon, particularly in view of the important policy and strategy matters involved therein.

(f) Export Credit (Interest Subsidy) Scheme, 1968

As in the previous years, the Reserve Bank continued to disburse interest subsidy at 1.5 per cent per annum from the Marketing Development Assistance of the Government of India, Ministry of Commerce, to commercial banks and certain eligible co-operative banks on the export credit extended by them to the exporters for specific periods. Besides, the Bank paid special subsidy on behalf of the Ministry of External Affairs to IDBI and certain banks in respect of certain special lines of credit extended to Bangladesh for its imports from India. These are

tabulated below :

	Rate of special subsidy
Rs. 25 crores special credit	
IDBI United Commercial Bank United Bank of India	3 % p.a.
Rs. 7 crores credit	
IDBI Punjab National Bank	1½% p.a.
Rs. 10 crores credit	
IDBI	2 % p.a.

The particulars of subsidy paid during the year 1981-82 (July-June) are as under:

	(Rs. crores)
Special subsidy at 3%, 1½% and 2%	0.67
General subsidy at 1½%	18.86

(g) Duty Drawback Credit Scheme, 1976

This Scheme is intended to benefit exporters who can avail of interest-free finance from banks upto 90 days against shipping bills provisionally certified by the Customs Authorities towards refund of duty. The financing banks, in turn, are eligible to avail of interest-free refinance from the Reserve Bank pending final settlement of duty drawback claims of the exporters. During the period November 1, 1981 to June 30, 1982, limits aggregating Rs. 17.76 crores were sanctioned to 32 banks. As on June 30, 1982 refinance to the extent of Rs. 17.98 crores had been availed of by these banks and the amount outstanding was Rs. 5.97 crores.

(h) Sick Industrial Undertakings

The Division of Sick Industrial Undertakings in the Reserve Bank monitors banks' performance in identifying sick units and taking remedial measures wherever necessary. It also co-ordinates efforts of banks, financial institutions, Government and other agencies in the rehabilitation of sick units.

The Standing Co-ordination Committee set up to secure an on-going co-ordination between banks and term lending institutions, had recommended, *inter alia*, that once the position of a sick unit was thoroughly examined by the IDBI and a package for its rehabilitation was prepared by it and agreed to by the sick unit's banker(s), Reserve Bank's credit authorisation/clearance for the proposal, wherever necessary, would be deemed automatic. The Reserve Bank, therefore advised banks in July 1981 that in order to avoid the time-lag between the formulation of the final rehabilitation package and its implementation, banks should ensure that the rehabilitation package giving full details of reliefs required was sent to the RBI sufficiently in advance to enable the Bank to examine the same and take a final view thereon. The rehabilitation package would cover relaxation in rate of interest, margins, funding of past dues for recovery in a phased manner, etc. Credit limits determined in conformity with the views of the Reserve Bank at the joint meetings called by the IDBI/other all-India term lending institutions for finalisation of the package proposals need not be referred to the Reserve Bank for further approval.

The IDBI and other all-India financial institutions including the Industrial Reconstruction Corporation of India (IRCI) and also State Bank of India have been asked by the Reserve Bank to associate the Reserve Bank officials in the meetings convened by them where major decisions regarding financial assistance/rehabilitation packages for individual sick units are taken. This is intended to keep the Reserve Bank fully posted with the background and formulation of the package, and would help in taking quick decisions. Besides, RBI officials also participate in the periodical meetings convened by institutions to monitor the progress made by large sick units put under rehabilitation/nursing programmes.

The cases of incipient sickness in industrial units were not so far reported by banks either to the Reserve Bank or Central Government. Banks were therefore, advised that where in their judgement, any medium or large unit financed by them and employing 1000 or more persons was likely to become sick, a report thereon giving broad particulars of the

Table VI—11 : Bank Credit to Sick Industrial Undertakings enjoying credit limits of Rs. 1 crore and above as at the end of June 1981—State-wise and Industry-wise

(Rupees crores)

States	Engineering and Electricals		Iron and Steel		Textiles		Jute		Chemicals	
	No. of units	Amount outstanding	No. of units	Amount outstanding	No. of units	Amount outstanding	No. of units	Amount outstanding	No. of units	Amount outstanding
1	2	3	4	5	6	7	8	9	10	11
West Bengal	28	117.29	10	32.86	7	12.63	34	90.60	5	12.04
Maharashtra	26	89.73	10	23.03	36	183.28	—	—	3	6.96
Karnataka	8	22.20	—	—	2	2.33	—	—	2	40.22
Gujarat	5	25.30	6	9.09	22	71.30	—	—	—	—
Tamil Nadu	8	10.56	3	3.79	5	45.01	—	—	7	105.36
Andhra Pradesh ..	3	4.18	4	11.75	2	5.29	1	1.66	2	7.02
Bihar	1	7.49	3	4.48	—	—	—	—	—	—
Haryana	2	3.00	1	1.68	—	—	—	—	1	1.40
Rajasthan	1	4.50	—	—	1	4.66	—	—	—	—
Madhya Pradesh ..	4	9.23	5	9.83	7	15.78	—	—	—	—
Orissa	1	9.39	—	—	2	11.69	—	—	1	1.99
Uttar Pradesh	1	10.05	4	7.08	7	47.01	—	—	—	—
Kerala	4	6.69	1	2.30	—	—	—	—	1	5.89
Punjab	—	—	—	—	—	—	—	—	2	0.76
Assam	—	—	—	—	—	—	—	—	1	1.69
Delhi	—	—	—	—	2	5.86	—	—	—	—
Pondicherry	—	—	—	—	1	1.64	—	—	1	2.79
Goa	—	—	—	—	—	—	—	—	—	—
Total	**92**	**319.61**	**47**	**105.89**	**94**	**406.48**	**35**	**92.26**	**26**	**186.12**

States	Cement		Rubber		Sugar		Miscellaneous		Total	
	No. of units	Amount outstanding	No. of units	Amount outstanding	No. of units	Amount outstanding	No. of units	Amount outstanding	No. of units	Amount outstanding
	12	13	14	15	16	17	18	19	20	21
West Bengal	—	—	4	22.93	1	2.06	18	55.18	107	345.59
Maharashtra	—	—	1	5.29	2	4.62	10	17.68	88	330.59
Karnataka	—	—	2	5.12	4	28.88	3	4.06	21	102.81
Gujarat	—	—	—	—	—	—	3	4.78	36	110.47
Tamil Nadu	—	—	—	—	6	9.65	6	12.65	35	187.02
Andhra Pradesh ..	—	—	—	—	1	2.17	3	7.89	16	39.96
Bihar	2	3.69	—	—	2	3.74	4	11.95	12	31.35
Haryana	—	—	—	—	—	—	—	—	4	6.08
Rajasthan	1	9.51	1	1.52	—	—	—	—	4	20.19
Madhya Pradesh ..	—	—	—	—	1	0.96	2	2.15	19	37.95
Orissa	—	—	—	—	—	—	1	4.04	5	27.11
Uttar Pradesh	—	—	—	—	31	64.92	7	12.89	50	141.95
Kerala	—	—	3	28.26	—	—	4	8.62	13	51.76
Punjab	—	—	—	—	—	—	—	—	2	0.76
Assam	—	—	—	—	—	—	1	0.97	2	2.66
Delhi	—	—	—	—	—	—	—	—	2	5.86
Pondicherry	—	—	—	—	—	—	—	—	2	4.43
Goa	—	—	1	1.83	—	—	3	4.92	4	6.75
Total	**3**	**13.20**	**12**	**64.95**	**48**	**117.00**	**65**	**147.78**	**422**	**1453.29**

Source : Industrial Credit Department, RBI.

unit should be promptly made to the Reserve Bank as also to the concerned Departments of the Government of India. In cases where consortium/multiple financing is involved, such report should be made by the leader bank or the bank which is having major share in the credit limits granted to the concerned unit.

The Government of India, Ministry of Industry, announced on October 6, 1981 a set of new policy guidelines on industrial sickness, which were modified on February 15, 1982. The guidelines relate, in the main, the follwing :

(*i*) Strengthening of the monitoring systems by banks and financial institutions for facilitating detection of incipient sickness of industrial units and taking timely corrective action on the basis of a diagnostic study undertaken by them.

(*ii*) Nomination of directors on the Board of such units as are showing signs of sickness, by the financial institutions from a panel of suitably qualified persons to be maintained by a central agency *viz.*, IDBI., industry-wise, and submission of periodical returns by such directors to the nominating institutions for the purpose of scrutiny, eventual detection of incipient sickness if any, and timely corrective action.

(*iii*) The procedure for banks and financial institutions for seeking assistance at Government level particularly where rationalisation of labour strength/wages, infrastructural inputs etc., are required for removing industrial sickness.

(*iv*) Direction to banks and financial institutions to send a detailed report to Ministry of Industry on cases where banks/institutions are unable, despite efforts, to prevent an industrial unit from becoming sick or to revive a sick unit, and the criteria, procedure etc. adopted by various Ministries of Government of India for deciding on their nationalisation or other alternative solution for their revival and, in the event of non-possibility of these steps, their disposal in accordance with the normal banking procedure.

In terms of the Reserve Bank's instructions, banks submit quarterly statements of sick units, each enjoying bank credit of Rs. 1 crore and above from the banking system. The information compiled from the statements for the quarter ended June 1981 revealed that there were 422 sick units involving aggregate outstanding bank credit of Rs. 1,453 crores as compared to 389 units with an outstanding amount of Rs. 1,233 crores as at the end of June 1980. Table VI-11 shows industry-wise and State-wise distribution of these 422 units. Out of the 422 large sick units identified by banks, the viability studies in respect of 386 units were completed, of which 343 were considered as potentially viable and of these, 242 were put under nursing programme.

In pursuance of the decision of the High Power Committee(1978), banks are required to submit to the Reserve Bank quarterly progress reports giving *inter alia*, data on sick small-scale industrial units. According to the progress report for the quarter ended June 1981, there were 22,360 small-scale sick units involving bank finance of Rs. 322 crores as compared with 22,325 sick units involving aggregate bank finance of Rs. 293 crores at the end of June 1980. Out of the 22,360 units, 5,468 units were considered by banks as potentially viable and 11,346 units as non-viable. Banks have put 2,029 viable units under nursing programme.

(i) Refinance for Import of Capital Goods

The special scheme for refinance against loans for import of capital goods was discontinued with effect from July 1, 1980 and banks were permitted to repay the refinance amount by October 31, 1981. The banks have repaid the outstanding amount under the scheme.

(j) Bills Rediscounting Scheme

The bills rediscounting facilities to scheduled commercial banks continued to be available on a discretionary basis and the limits sanctioned by RBI for rediscounting the bills amounted to Rs. 4 crores as on the last Friday of June 1981. In November 1981, it was indicated to banks that access to the bills re-

discounting facilities would not be available in the immediate forthcoming months. Subsequently, no fresh limits were sanctioned to banks during the year, and as such the outstandings under this scheme were nil from mid-October 1981.

The ceiling rate on the bills rediscounted by banks with other commercial banks and certain approved financial institutions was raised from 10 per cent to 11.5 per cent from September 1, 1981.

QUALITATIVE CHANGES IN BANK CREDIT DISTRIBUTION

Sectoral Deployment of Credit

Table VI-12 gives data on sectoral deployment of credit in respect of 50 major banks which account for about 96 per cent of total gross bank credit.

It will be seen from the Table that the share of priority sector advances in total gross bank

Tabe VI—12 : Sectoral Deployment of Gross Bank Credit

(Including bills rediscounted with the RBI)

(Rupees crores)

Items	Outstanding June 1980	Outstanding June 1981	Variation over the year	Out-standing June 1982@	Variation over the year
1	2	3	4	5	6
I. Public Food Procurement Credit	**2,410** (*11.1*)	**2,202** (*8.5*)	**— 208**	**2,824** (*9.5*)	**+ 622**
II. (*a*) Priority Sectors	**6,981** (*32.1*)	**8,966** (*34.6*)	**+ 1,985**	**10,683** (*35.9*)	**+ 1,717**
(*i*) Agriculture	2,915 (*13.4*)	3,783 (*14.6*)	+ 868	4,588 (*15.4*)	+ 805
(*ii*) Small-Scale Industries	2,715 (*12.5*)	3,406 (*13.2*)	+ 691	3,921 (*13.2*)	+ 515
(*iii*) Other Priority Sectors	1,351 (*6.2*)	1,777 (*6.9*)	+ 426	2,174 (*7.3*)	+ 397
(*b*) Industry (medium and large)	8,238 (*37.9*)	9,983 (*38.6*)	+ 1,745	11,192 (*37.6*)	+ 1,209
(*c*) Wholesale Trade (other than food procurement)	1,835 (*8.4*)	2,000 (*7.7*)	+ 165	2,152 (*7.2*)	+ 152
(*d*) Other Sectors	2,281 (*10.5*)	2,737 (*10.6*)	+ 456	2,918 (*9.8*)	+ 181
III. Non-food Gross Bank Credit (a+b+c+d)	**19,335** (*88.9*)	**23,686** (*91.5*)	**+ 4,351**	**26,945** (*90.5*)	**+ 3,259**
Export Credit (included under item III)	1.622 (*7.5*)	1,728 (*6.7*)	+ 106	1,735 (*5.8*)	+ 7
IV. Gross Bank Credit (I+III)	**21,745** (*100.0*)	**25,888** (*100.0*)	**+ 4,143**	**29,769** (*100.0*)	**+ 3,881**

@Provisional.

Note: 1. Data relate to 50 major banks which account for about 96 per cent of gross bank credit. These data, besides taking into account the bills rediscounted with the RBI, also include bills rediscounted with the IDBI and other approved institutions and participation certificates.
2. Figures in brackets are percentages to total gross bank credit.

Source: Credit Planning Cell, RBI.

credit increased from 34.6 per cent in June 1981 to 35.9 per cent in June 1982. The share of public food procurement credit also increased over the year from 8.5 per cent to 9.5 per cent. On the other hand, the share of medium and large industry declined from 38.6 per cent to 37.6 per cent, wholesale trade from 7.7 per cent to 7.2 per cent and other sectors from 10.6 per cent to 9.8 per cent.

Within the priority sector, advances to agriculture at Rs. 4,588 crores at the end of June 1982 constituted 15.4 per cent of total gross bank credit and 42.9 per cent of total priority sector advances; a year ago, the share of agriculture in total gross bank credit and also in total priority sector advances was fractionally lower at 14.6 per cent and 42.2 per cent, respectively. Advances to small-scale industries at Rs. 3,921 crores at the end of June 1982 accounted for 13.2 per cent of total gross bank credit which was the same as in June 1981. However, the share of small-scale industries in total priority sector advances declined over the year from 38.0 per cent to 36.7 per cent.

The Table also shows that non-food gross bank credit of these 50 banks increased over the year by only Rs. 3,259 crores, which was very much smaller than the increase of Rs. 4,351 crores in 1980-81. The deceleration in credit expansion in 1981-82 was noticed in all the sectors; however, its impact was the least in the priority sectors. Of the incremental non-food gross bank credit of Rs. 3,259 crores, priority sector's share was Rs. 1,717 crores or 52.7 per cent, as against Rs. 1,985 crores or 45.6 per cent in 1980-81. Of the total increase in priority sector advances, the share of agriculture was Rs. 805 crores or 46.9 per cent, small-scale industry's Rs. 515 crores or 30.0 per cent, while other priority sectors accounted for the balance of Rs. 397 crores or 23.1 per cent.

In the non-food non-priority sector, medium and large industry's share in incremental non-food gross bank credit was only Rs. 1,209 crores or 37.1 per cent as against Rs. 1,745 crores or 40.1 per cent in 1980-81; wholesale trade's share at Rs. 152 crores was lower than last year in amount (Rs. 165 crores), but as a proportion to total incremental non-food gross credit, it was higher at 4.7 per cent as against 3.8 per cent in 1980-81. The increase in bank credit to 'other sectors' at Rs. 181 crores was less than half of last year (Rs. 456 crores), its proportion to total incremental non-food gross bank credit dropping to only 5.6 per cent from 10.5 per cent in the preceding year.

Data on sectoral deployment of credit based on Basic Statistical Returns are available upto December 1980 and are given in Table VI-13 along with March 31, 1968 data based on Survey of Advances of Scheduled Commercial Banks according to purpose. The Table shows the distinct shift in emphasis in the sectoral deployment of bank credit over the post-nationalisation period. Over the period March 1968 to December 1980, the share of large and medium industry in total outstanding credit came down from 60.6 per cent to 37.0 per cent, whereas that of agriculture and allied activities increased from 2.2 per cent to 15.7 per cent, and of small-scale industries from 6.9 per cent to 11.8 per cent,

Industry-wise Deployment of Credit

Gross bank credit extended to industry (large, medium and small) by the 50 banks accounting for about 96 per cent of total gross bank credit rose from Rs. 13,389 crores at the end of June 1981 to Rs. 15,113 crores by end-June 1982, an increase of Rs. 1,724 crores over the year; this was much smaller than the increase of Rs. 2,436 crores in the preceding year. The proportion of credit to industry in total gross bank credit declined from 51.7 per cent in June 1981 to 50.8 per cent in June 1982 (Table VI-14).

Of the increase in credit to industry of Rs. 1,724 crores, as much as 50 per cent was in respect of engineering (Rs. 565 crores) and iron and steel (Rs. 294 crores). In the preceding year, the share of engineering was Rs. 301 crores, while credit to iron and steel industry had increased by only Rs. 3 crores. Credit to sugar industry increased by Rs. 249 crores as against only Rs. 45 crores in 1980-81. In the case of cotton textiles, on the other hand, the increase in advances was only Rs. 26 crores as against Rs. 160 crores in

Table VI—13 : Sectoral Classification of Scheduled Commercial Banks' Advances

(Rupees crores)

Sector	Outstanding as on									
	March 31, 1968		December 30, 1977		December 29, 1978		December 28, 1979		December 26, 1980	
	Amount	% to total	Amount	% to total	Amount	% to total	Amount	% to total	Amount	% to total
1	2	3	4	5	6	7	8	9	10	11
I. Industry	**2,068**	**67.5**	**7,514**	**49.6**	**8,562**	**48.3**	**9,863**	**47.8**	**11,555**	**48.8**
(*a*) Large and Medium Industries ..	1,857	60.6	5,767	38.1	6,482	36.6	7,287	35.3	8,750	37.0
(*b*) Small-Scale Industries	211	6.9	1,747	11.5	2,080	11.7	2,576	12.5	2,805	11.8
II. Agriculture and Allied Activities	**67**	**2.2**	**1,734**	**11.5**	**2,342**	**13.2**	**2,929**	**14.2**	**3,723**	**15.7**
Of which :										
(*a*) Direct Finance	..	..	1,311	8.7	1,802	10.2	2,314	11.2	2,887	12.2
(*b*) Plantations	58	1.9	219	1.5	295	1.7	320	1.6	359	1.5
III. Internal Trade	**588**	**19.2**	**3,891**	**25.7**	**4,224**	**23.8**	**4,751**	**23.0**	**4,653**	**19.7**
(*a*) Wholesale Trade	541	17.7	3,470	22.9	3,636	20.5	4,088	19.8	3,852	16.3
Of which :										
Food Procurement	109	3.5	2,356	15.6	2,384	13.4	2,699	13.1	2,041	8.6
(*b*) Retail Trade	47	1.5	421	2.8	588	3.3	663	3.2	801	3.4
IV. Services	..	..	**308**	**2.0**	**369**	**2.1**	**439**	**2.1**	**527**	**2.2**
V. Personal Loans	..	..	**450**	**3.0**	**554**	**3.1**	**669**	**3.3**	**810**	**3.4**
VI. All Others	**341***	**11.1**	**1,247**	**8.2**	**1,693**	**9.5**	**1,987**	**9.6**	**2,406**	**10.2**
VII. Total	**3,064**	**100.0**	**15,144**	**100.0**	**17,744**	**100.0**	**20,638**	**100.0**	**23,674**	**100.0**

.. Not available.

* Includes services and personal loans.

Note : Consequent upon the revision of Handbook of Instructions for Basic Statistical Returns (December 1977 survey), 'development loans to plantations' are merged with 'Direct finance' and 'Electricity generation, transmission and distribution' and 'construction' which were part of 'services' are now included in Industry.

Source : March 1968 data are based on 'Survey of Advances of Scheduled Commercial Banks according to purpose'; 1977 to 1980 data are based on Basic Statistical Returns.

Table VI—14 : Industry-wise Deployment of Gross Bank Credit

(Public and Private Sectors)

(Rupees crores)

Industry	Outstanding		Variation over the year	Outstanding June 1982 @	Variation over the year
	June 1980	June 1981			
1	2	3	4	5	6
Coal	67 (0.3)	55 (0.2)	— 12	72 (0.2)	+ 17
Iron and Steel	645 (3.0)	648 (2.5)	+ 3	942 (3.2)	+294
Other Metals & Metal Products	375 (1.7)	462 (1.8)	+ 87	524 (1.8)	+ 62
All Engineering	2,965 (13.6)	3,266 (12.6)	+301	3,831 (12.9)	+565
Electricity (Generation & Transmission)	98 (0.5)	181 (0.7)	+ 83	227 (0.8)	+ 46
Cotton Textiles	1,014 (4.7)	1,174 (4.5)	+160	1,200 (4.0)	+ 26
Jute Textiles	135 (0.6)	168 (0.6)	+ 33	181 (0.6)	+ 13
Other Textiles	585 (2.7)	723 (2.8)	+138	842 (2.8)	+119
Sugar	233 (1.1)	278 (1.1)	+ 45	527 (1.8)	+249
Tea	196 (0.9)	232 (0.9)	+ 36	272 (0.9)	+ 40
Vegetable Oils (including Vanaspati)	141 (0.6)	188 (0.7)	+ 47	208 (0.7)	+ 20
Tobacco & Tobacco Products	122 (0.6)	138 (0.5)	+ 16	146 (0.5)	+ 8
Paper and Paper Products	244 (1.1)	298 (1.2)	+ 54	360 (1.2)	+ 62
Rubber and Rubber Products	222 (1.0)	264 (1.0)	+ 42	275 (0.9)	+ 11
Chemicals, Dyes, Paints, Drugs and Pharmaceuticals	1,258 (5.8)	1,529 (5.9)	+271	1,711 (5.7)	+182
Of which Fertilizer	214 (1.0)	299 (1.2)	+ 85	360 (1.2)	+ 61
Cement	84 (0.4)	135 (0.5)	+ 51	157 (0.5)	+ 22
Leather & Leather Products	178 (0.8)	188 (0.7)	+ 10	220 (0.7)	+ 32
Construction	102 (0.5)	125 (0.5)	+ 23	151 (0.5)	+ 26
Petroleum	378 (1.7)	687 (2.7)	+309	299 (1.0)	—388
SAFAUNS*	269 (1.2)	303 (1.2)	+ 34	309 (1.0)	+ 6
Residual	1,642 (7.6)	2,347 (9.1)	+705	2,659 (8.9)	+312
TOTAL CREDIT TO INDUSTRY	**10,953 (50.4)**	**13,389 (51.7)**	**+2,436**	**15,113 (50.8)**	**+1,724**
Total Gross Bank Credit	**21,745 (100.0)**	**25,888 (100.0)**	**+4,143**	**29,769 (100.0)**	**+3,881**

@ Provisional. * Ships acquired from abroad under new scheme.

Note : Figures in brackets are percentages to total gross bank credit.

Source : Credit Planning Cell, RBI.

1980-81. Outstanding advances to petroleum industry which had increased sharply in the preceding two years from only Rs. 13 crores in June 1979 to Rs. 687 crores by June 1981 declined to Rs. 299 crores by June 1982—a fall of Rs. 388 crores over the year.

At the end of June 1982, of the total outstanding gross bank credit to industry of Rs. 15,113 crores, engineering accounted for Rs. 3,831 crores or 25 per cent and chemicals Rs. 1,711 crores or 11 per cent. At the other end, outstanding credit was less than Rs. 200 crores in respect of coal, jute textiles, tobacco and tobacco products, cement and construction. Table VI-15 gives data on advances of scheduled commercial banks to major industries as at the end of March 1968 (based on Survey of Advances of Scheduled Commercial Banks) and December 1977 to 1980 (based on Basic Statistical Returns).

Table VI-16 gives data on bank borrowings as percentage of inventories. It will be seen that in the case of large public limited companies in the private sector, short-term borrowings as percentage of inventories declined steadily from 55.8 in 1970-71 to 41.2 in 1974-75; the ratio increased again to 50.0 per cent by 1976-77 but receded to 38.9 per cent in 1980-81.

Table VI—15 : Advances of Scheduled Commercial Banks to Major Industries

(As on the last Friday)

(Percentage to total bank credit)

Industry	March 31, 1968	December 30, 1977	December 29, 1978	December 28, 1979	December 26, 1980
1	2	3	4	5	6
1. Basic metals & metal Products	..	5.8	5.9	5.8	5.6
Of which:					
Iron and Steel	3.7	3.4	3.3	3.3	3.0
2. Beverage and tobacco	..	0.8	0.9	0.8	0.8
3. Cement	1.3	0.4	0.5	0.5	0.5
4. Chemicals & chemical products	6.0	5.5	5.4	5.8	6.0
Of which:					
(a) Heavy industrial chemicals	..	1.0	0.8	0.8	0.8
(b) Drugs and pharmaceuticals	..	1.0	1.0	1.1	1.1
(c) Fertilisers	..	1.2	1.2	1.3	1.5
5. Coal	0.8	0.5	0.3	0.4	0.3
6. Edible oils and vanaspati	1.4	0.9	0.8	0.7	0.8
7. Engineering*	13.7	10.6	9.8	10.2	10.1
(a) Heavy engineering	8.9	5.8	4.9	4.9	4.8
(b) Light engineering	6.8	2.8	2.4	2.5	2.5
(c) Others	..	2.0	2.5	2.8	2.8
8. Leather and leather products	..	0.7	0.8	0.8	0.7
9. Manufacture of basic minerals	..	0.6	0.6	0.4	2.3
10. Paper, paper products and printing	1.6	1.5	1.5	1.6	1.8
11. Rice mills, flour and dal mills	..	0.9	1.3	1.1	0.9
12. Rubber and rubber products	0.7	1.2	1.1	1.0	1.0
13. Sugar	5.3	1.3	1.6	1.0	0.6
14. Textiles	15.5	10.2	9.5	8.9	8.4
Of which:					
(a) Cotton textiles	10.3	6.1	5.2	4.7	4.3
(b) Jute textiles	3.1	0.9	0.8	0.7	0.6
15. Vehicles, vehicle parts and transport equipment	..	2.4	2.3	2.4	2.3
16. Other industries	17.6	6.3	6.0	6.4	6.7
TOTAL CREDIT TO INDUSTRY	**67.5**	**49.6**	**48.3**	**47.8**	**48.8**
Total Bank Credit	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

* 'Light engineering' and 'heavy engineering' are regrouped into "Light Engineering" "Heavy Engineering" and "others" as per the revised Instructions for Basic Statistical Returns from the December 1977 survey.

.. Not Available.

Source: March 31, 1968: Survey of Advances of Scheduled Commercial Banks according to purpose.
1977-1980: Basic Statistical Returns.

Table VI—16: Ratio of Inventories to Sales and Bank Borrowings to Inventories

(Public Limited Companies in the Private Sector)

Year	Total Inventories as percentage of Sales @	Inventories in the form of raw materials, components, etc. as percentage of total Inventories	Short term bank borrowings as percentage of total Inventories	Total bank borrowings as percentage of total Inventories.
1	2	3	4	5
Medium and Large Public Limited Companies*				
1650 Companies 1970-71	31.9	32.0	56.7	62.5
1971-72	32.2	32.9	53.1	58.4
1972-73	30.6	34.6	48.4	53.3
1973-74	32.6	34.7	46.4	51.0
1974-75	33.2	33.4	44.4	48.0
1975-76	31.1	29.2	49.5	52.4
1720 Companies 1975-76	30.7	30.2	48.5	53.0
1976-77	27.4	30.3	51.7	56.9
1977-78	26.9	30.4	51.7	57.2
1978-79	27.6	31.1	51.1	56.8
Large Public Limited Companies**				
385 Companies 1970-71	31.0	34.1	55.8	69.9
1971-72	31.7	34.7	50.9	55.6
1972-73	30.6	35.8	45.6	50.1
1973-74	32.1	35.4	42.8	46.5
1974-75	33.1	34.8	41.2	44.1
1975-76	31.1	30.7	45.3	47.5
433 Companies 1975-76	31.0	31.7	47.1	51.3
1976-77	27.6	31.5	50.0	54.9
1977-78	27.1	31.8	49.3	54.4
1978-79	27.8	32.9	47.8	52.9
1979-80	29.4	35.4	42.0	48.5
1980-81	28.6	33.6	38.9	43.7

@ Net of rebates and discounts and excise duty and cess.

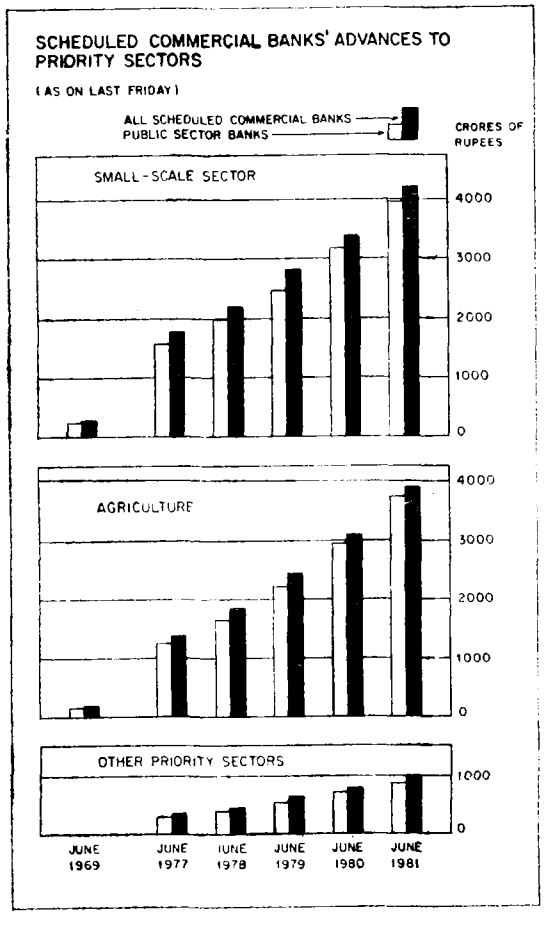
* Each with a paid-up capital of Rs. 5 lakhs or above.

** Each with a paid-up capital of Rs. 1 crore or above.

Source : Reserve Bank of India studies on Company Finances.

Advances to Priority Sectors

Data on outstanding advances of public sector banks and all scheduled commercial banks to priority sectors on the eve of bank nationalisation (June 1969) and as at the end of June 1980 and 1981 are shown in Table VI-17. It will be seen from the Table that advances of scheduled commercial banks to priority sectors increased over the year ended June 1981 by Rs. 1,832 crores or by 25.2 per cent to Rs. 9,110 crores; their share in total bank credit increased from 33.0 per cent at the end of June 1980 to 34.3 per cent by end-June 1981. In June 1969, priority sector advances totalled Rs. 505 crores and accounted for only 14.0 per cent of total bank credit. Within the priority sector, advances to agriculture rose by Rs. 804 crores or 26.0 per cent, small-scale sector by Rs. 822 crores or 24.2 per cent and other priority sectors by Rs. 167 crores or 21.1 per cent; the figure of other priority sector advances for June 1981 includes indirect finance, *i.e.*, loans granted to organisations established for the development/assistance of the physically handicapped and SC/ST, or those engaged in promotional and marketing activities of output of artisans, village and cottage industries, etc. Outstanding bank credit as at the end of June 1981 given to SC/ST and weaker sections in respect of housing and consumption have also been included in priority sector advances.



Advances for exports increased by 7.4 per cent from Rs. 1,627 crores at the end of June 1980 to Rs. 1,747 crores by end-June 1981. The share of export credit in total outstanding credit of scheduled commercial banks declined marginally from 7.4 per cent in June 1980 to 6.6 per cent by June 1981.

Under the 20-Point Programme, banks have been told to make special efforts to render financial assistance to scheduled castes and scheduled tribes under their priority sector lending programme. The proportion of scheduled commercial banks' outstanding advances to SC/ST to their total priority sector advances increased from 3.8 per cent at the end of December 1979 to 4.1 per cent at the end of December 1980 and further to 4.7 per cent by end-June 1981. The performance of public sector banks in this regard was even better. The number of SC/ST borrowal accounts increased from 15.9 lakhs in December 1979 to 20.8 lakhs in December 1980 and further to 23.3 lakhs in June 1981 and formed 14.5 per cent, 16.1 per cent, and 17.1 per cent respectively, of their total number of accounts under priority sector. Public sector banks' advances to SC/ST constituted 4.9 per cent of their total priority sector advances at the end of June 1981 as against 4.2 per cent in December 1979 and 4.3 per cent in December 1980. At the end of June 1981, of the total advances by scheduled commercial banks to SC/ST, 67 per cent were for agriculture.

Regional and Rural/Urban Pattern of Credit Deployment

The imbalances in banking development are sought to be reduced by requiring banks (*i*) to open offices in unbanked areas and also in rural and semi-urban areas and (*ii*) to

Table VI—17 : Scheduled Commercial Banks' Advances to Priority Sectors

(No. of Accounts in thousands)
(Amount in rupees crores)

Sector	As on the last Friday	Public Sector Banks		All Scheduled Commercial Banks	
		No. of accounts	Amount outstanding	No. of accounts	Amount outstanding
1	2	3	4	5	6
1. Agriculture	June 1969	165	162	268	188
	June 1980	8,521	2,965	8,866	3,097
	June 1981	9,578	3,742	9,962	3,901
Of which:					
(i) Direct Finance	June 1969	160	40	257	54
	June 1980	7,362	2,299	7,677	2,364
	June 1981	8,353	2,884	8,713	2,974
(ii) Indirect Finance	June 1969	5	122	11	134
	June 1980	1,159	666	1,189	733
	June 1981	1,226	859	1,250	927
2. Small-scale Sector@	June 1969	53	257	60	294
	June 1980	972	3,190	1,005	3,391
	June 1981	1,131	3,959	1,171	4,213
Of which:					
(i) Road and Water Transport Operators@	June 1969	2	6	3	8
	June 1980	254	527	268	569
	June 1981	297	689	313	752
(ii) Small-scale Industries@	June 1969	51	251	57	286
	June 1980	718	2,635	737	2,793
	June 1981	834	3,229	858	3,420
(iii) Setting up of Industrial Estates	June 1969	Neg.	Neg.	Neg.	Neg.
	June 1980	Neg.	28	Neg.	29
	June 1981	Neg.	41	Neg.	41
3. Other Priority Sectors	June 1969	42	22	N.A.	23
	June 1980	2,389	713	2,530	790
	June 1981	2,728	853	2,906	957
Of which:					
(i) Retail Trade and Small Business	June 1969	33	19	N.A.	N.A.
	June 1980	1,605	549	1,711	607
	June 1981	1,804	651	1,938	728
(ii) Professional and self-employed persons	June 1969	8	2	N.A.	N.A.
	June 1980	748	155	781	173
	June 1981	878	189	919	214
(iii) Education	June 1969	1	1	N.A.	N.A.
	June 1980	36	9	38	10
	June 1981	41	12	44	13
Indirect Finance to other Priority Sectors £	June 1981	4	1	4	1
4. Housing Loans†	June 1981	23	7	23	7
5. Consumption Loans†	June 1981	157	32	158	32
Total Priority Sector Advances	**June 1969**	**260**	**441**	**328**	**505**
	June 1980	**11,882**	**6,868**	**12,401**	**7,278**
	June 1981	**13,618**	**8,593**	**14,221**	**9,110**

(Continued)

Note: For footnotes see next page.

Table VI—17 : Scheduled Commercial Banks' Advances to Priority Sectors—(*Concld.*)

1	2	3	4	5	6
6. Exports	June 1969		204		270
	June 1980		1,572		1,627
	June 1981		1,543		1,747
Total Bank Credit*	**June 1969**		**3,016**		**3,599**
	June 1980		**20,026**		**22,068**
	June 1981		**23,951**		**26,551**
Total Bank Credit excluding Food Advances*	**June 1969**		**2,783**		**3,366**
	June 1980		**17,734**		**19,658**
	June 1981		**21,859**		**24,349**
Percentage of Priority Sector Advances to Total Bank Credit*	**June 1969**		**14.6**		**14.0**
	June 1980		**34.3**		**33.0**
	June 1981		**35.9**		**34.3**
Percentage of Priority Sector Advances to Total Bank Credit* excluding Food Advances	**June 1969**		**15.9**		**15.0**
	June 1980		**38.7**		**37.0**
	June 1981		**39.3**		**37.4**

* Bank credit figures for June 1980 and June 1981 are inclusive of credit extended through issue of participation certificates.

@ The total is based on number of units and not on number of accounts in respect of small-scale sector.

£ Loans granted to organisations established for the development/assistance of the physically handicapped, SC/ST etc. or those engaged in promotional and marketing activities of the output of artisans, village and cottage industries etc. These data for earlier years are not available.

† According to the revised proforma for monitoring priority sector advances; data on these items are available only for June 1981.

Neg.=Negligible. N.A.=Not available.

Note: Figures for June 1981 are provisional.

deploy 60 per cent of the deposits mobilised in rural/semi-urban areas in those areas only. Latest available data on region-wise/ State-wise credit-deposit ratios of scheduled commercial banks classified according to population groups relate to end-June 1981 and these are furnished in Table VI-18.

It is, however, necessary to point out that the credit-deposit ratios may not always depict correctly as to whether resources mobilised in a particular area/region were used in that area/region. This is because the ratios do not take into account banks' investments in the securities of State Governments, State-level institutions, etc. Further, credit might have been sanctioned by offices of banks in metropolitan area, but might have been utilised in rural/semi-urban area or credit sanctioned in one State might have been utilised in another State. Sometimes the amounts of both deposits mobilised and credit extended were very small, but the ratio worked out high.

Table VI-18 shows that as against the national target of 60 per cent set for rural and semi-urban offices, the all-India credit-deposit ratio as at the end of June 1981 worked out to 57.7 per cent for rural offices and 49.1 per cent for semi-urban offices. However, this was higher than 54.5 per cent and 47.2 per cent, respectively, a year ago, showing significant improvement over the year in the performance of banks in this regard.

Region-wise, as at the end of June 1981, the credit-deposit ratio in respect of rural offices was lower than the national target of 60 per cent in all but the southern region where it was 81.6 per cent. The ratio ranged between 48.8 per cent and 53.1 per cent in the northern, eastern, central and western regions, and was only 37.7 per cent in the north-eastern region. In respect of semi-urban offices also, the southern region topped the list with the ratio at 62.2 per cent. The ratio ranged between 46.2 per cent and 52.6 per cent in the northern, central and western regions, and was much lower at 34.8 per cent and 30.8 per cent in the north-eastern and eastern regions, respectively.

Table VI—18 : State-wise Credit-Deposit Ratios of Offices of Public and Private Sector Scheduled Commercial Banks@ According to Population Groups

(As on the last Friday of June 1981)

Region/State/Union Territory	Rural			Semi-urban			Urban/Metropolitan			Total		
	Public*	Private	Total	Public*	Private	Total	Public*	Private	Total	Public*	Private	Total
1	2	3	4	5	6	7	8	9	10	11	12	13
I. Northern Region	**48.2**	**54.3**	**48.8**	**52.3**	**59.1**	**52.6**	**81.4**	**61.1**	**79.3**	**71.0**	**59.8**	**70.0**
Haryana	78.8	85.8	79.3	69.3	60.8	69.0	65.8	155.2	68.1	70.5	87.1	71.1
Himachal Pradesh	37.8	42.3	37.9	38.3	18.8	37.2	—	—	—	38.2	26.5	37.6
Jammu & Kashmir	41.6	33.5	36.9	49.5	60.2	53.8	37.0	44.9	40.6	39.5	43.0	41.2
Punjab	36.7	11.3	35.7	42.2	47.3	42.2	49.2	68.7	50.0	43.1	44.5	43.2
Rajasthan	74.9	129.8	82.6	63.0	68.7	63.7	73.5	53.5	71.0	70.4	74.0	70.8
Chandigarh	62.7	—	62.7	24.1	—	24.1	202.1	40.4	199.1	197.3	40.4	194.4
Delhi	44.1	19.7	42.5	—	—	—	82.2	65.5	80.5	81.8	65.3	80.2
II. North-Eastern Region	**33.7**	**103.2**	**37.7**	**34.5**	**42.2**	**34.8**	**51.8**	**51.9**	**51.8**	**38.7**	**57.7**	**39.9**
Assam	36.1	77.7	37.7	42.5	43.6	42.6	53.7	51.9	53.5	44.9	52.0	45.4
Manipur	59.2	—	59.2	30.7	—	30.7	33.7	—	33.7	37.9	—	37.9
Meghalaya	29.3	—	29.3	16.4	14.2	16.3	—	—	—	18.0	14.2	17.8
Nagaland	17.3	—	17.3	31.9	23.6	31.2	—	—	—	28.3	23.6	27.9
Sikkim	—	—	—	5.6	—	5.6	—	—	—	5.6	—	5.6
Tripura	52.4	124.0	75.9	42.6	115.3	45.4	—	—	—	44.6	121.8	53.4
Arunachal Pradesh	12.7	—	12.7	—	—	—	—	—	—	12.7	—	12.7
Mizoram	7.9	—	7.9	5.2	—	5.2	—	—	—	5.4	—	5.4
III. Eastern Region	**43.3**	**127.6**	**49.6**	**30.7**	**35.6**	**30.8**	**61.3**	**59.7**	**61.1**	**51.8**	**64.2**	**52.9**
Bihar	48.1	116.5	53.2	33.4	35.8	33.4	41.2	31.6	41.0	39.0	73.7	39.9
Orissa	78.2	263.0	98.8	56.8	60.9	56.9	62.3	24.6	61.5	63.7	167.3	68.0
West Bengal	28.3	64.2	30.5	21.9	29.8	22.1	65.6	60.9	64.9	55.9	59.9	56.4
Andaman & Nicobar Islands	39.7	—	39.7	27.5	—	27.5	—	—	—	29.9	—	29.9
IV. Central Region	**50.5**	**64.3**	**51.7**	**49.2**	**34.1**	**48.3**	**52.5**	**63.9**	**53.0**	**51.2**	**55.4**	**51.4**
Madhya Pradesh	65.5	139.2	69.1	56.6	50.1	56.5	61.2	107.3	61.6	60.6	106.5	61.4
Uttar Pradesh	46.4	54.7	47.2	46.4	32.9	45.4	49.4	61.2	50.1	48.0	50.9	48.2
V. Western Region	**52.6**	**69.5**	**53.1**	**46.0**	**51.5**	**46.2**	**75.5**	**94.7**	**77.0**	**68.2**	**89.5**	**69.7**
Gujarat	47.9	46.8	47.9	42.6	72.6	42.6	68.3	70.6	68.3	56.3	68.3	56.4
Maharashtra	71.7	70.9	71.7	51.6	47.5	51.2	77.2	95.2	78.9	74.5	89.9	76.0
Dadra & Nagar Haveli	101.3	—	101.3	—	—	—	—	—	—	101.3	—	101.3
Goa, Daman & Diu	23.2	90.0	23.2	44.3	107.4	45.6	—	—	—	36.9	107.0	37.9
VI. Southern Region	**79.0**	**93.9**	**81.6**	**63.2**	**57.5**	**62.2**	**92.6**	**90.8**	**92.4**	**81.9**	**78.6**	**81.4**
Andhra Pradesh	81.9	175.9	89.8	62.6	55.5	62.2	70.3	55.5	69.5	69.9	85.3	70.8
Karnataka	74.8	93.3	77.0	69.0	48.0	66.3	82.2	76.1	81.7	78.0	71.7	77.3
Kerala	56.9	73.1	63.0	48.6	61.9	52.4	117.4	109.8	116.0	72.9	74.4	73.3
Tamil Nadu	97.1	84.4	94.7	75.8	53.9	71.8	111.1	98.7	109.3	101.1	84.3	98.4
Lakshadweep	7.9	—	7.9	—	—	—	—	—	—	7.9	—	7.9
Pondicherry	89.3	65.7	88.3	38.0	14.7	37.1	61.4	81.9	62.3	62.0	71.3	62.4
ALL-INDIA	**55.1**	**81.8**	**57.7**	**48.8**	**53.0**	**49.1**	**74.6**	**76.3**	**74.8**	**66.0**	**72.4**	**66.6**

@Including Regional Rural Banks.

*Public Sector includes the State Bank of India, 7 Associate Banks of SBI and 20 Nationalised Commercial Banks.

Note : The data are provisional.

Source : Monthly Return on 'Aggregate Deposits and Gross Bank Credit.'

Of the 31 States/Union territories, the credit-deposit ratio was 60 per cent or above in 13 States/Union territories in respect of rural offices and in only 5 States in respect of semi-urban offices.

The data on frequency distribution of districts according to credit-deposit ratios given in Table VI-19 show that as at the end of June 1981, rural offices achieved more than 60 per cent ratio in 188 out of 400 districts, *i.e.*, in 47 per cent of the districts as compared with 161 out of 399 districts in June 1980, *i.e.*, in 40 per cent of the districts. The number of districts in the lower ranges of credit-deposit ratio came down over the year—95 districts, against 98 districts in the range of 40-60 per cent and 117 districts against 140 districts in the range of 40 per cent or less. The performance of semi-urban offices in achieving higher credit-deposit ratio was equally impressive, the number of districts in the range of credit-deposit ratio of over 60 per cent increasing from 86 or 24 per cent of total number of districts in June 1980 to 112 or 31 per cent of total number of districts in June 1981. The number of districts with 40 per cent or below ratio declined over the year ended June 1981, from 153 to 127.

Distribution of Credit according to Interest Range

Data on scheduled commercial banks' credit according to interest range as at the end of December 1980 are given in Table VI-20 along with comparable data for earlier years. It will be seen from the Table that, there were significant changes in the distribution pattern of outstanding credit in some of the interest ranges between December 1978 and December 1979 and again between December 1979 and December 1980. While the change in December 1979 over December 1978 was the result of higher interest rates banks were required to charge from September 13, 1979 to traders and certain other borrowers on short-term advances, the change during 1980 (*i.e.*, December 1980 as compared with December 1979) was due to the introduction of the 7 per cent interest tax in the Union Budget for 1980-81 which raised the rates of interest on bank advances. There was a shift in outstanding advances from the interest range of 10-11 per cent to 11-12 per cent between the two periods (*i.e.*, December 1979 and December 1980) as also in the interest range above 18 per cent. The proportion of outstanding advances between 10 and 11 per cent came down from 22.4 per cent in December 1979 to 9.0 per cent in December 1980 whereas that in the interest range of 11-12 per cent increased from 7.2 per cent to 16.7 per cent. The proportion of outstandings in the interest range above 18 per cent rose sharply from mere 0.3 per cent in December 1979 to 22.1 per cent in December 1980. As against this, the proportion of outstanding advances in the interest ranges 14-15 per cent and 16-17 per cent declined between the two periods from 16.6 per cent to 6.7 per cent and from 13.9 per cent to 8.3 per cent, respectively.

GEOGRAPHICAL AND FUNCTIONAL COVERAGE OF BANKS

Branch Expansion

The Branch Licensing Policy formulated in August 1978, and which came into effect in January 1979 terminated in March 1982. The policy was oriented towards the extension of banking facilities in areas which were deficient in such facilities (*i.e.*, districts where average population per bank office in respect of rural and semi-urban areas was higher than the national average of 20,000 as at the end of June 1978), and also towards reduction of inter-state and inter-district disparities in this regard. During the period January 1, 1979 till March 31, 1982 authorisations for opening 10,222 offices in rural and semi-urban areas were issued to banks. As on March 31, 1982, banks were holding authorisations for opening offices at 4,216 centres. The matter regarding expeditious utilisation of pending authorisations was continuously pursued with the banks.

Banks were advised to ensure opening of offices at all the unbanked block headquarters as early as possible and a continuous watch was kept on the progress in this regard.

In all 675 unbanked block headquarters (inclusive of 170 block headquarters each served only by a branch of a RRB) were

Table VI—19 : Frequency Distribution of Districts based on Credit-Deposit Ratios for Rural/Semi-Urban Offices of Scheduled Commercial Banks

(As on the last Friday)

(Rupees crores)

Credit-Deposit Ratio	June 1979			June 1980			June 1981		
	No. of districts	Deposits @	Advances	No. of districts	Deposits @	Advances	No. of districts	Deposits @	Advances
1	2	3	4	5	6	7	8	9	10
Rural Offices									
Up to 20%	48	422 (9)	50	48	563 (12)	76	34	614 (18)	91
20%—30%	52	598 (12)	148	49	683 (14)	171	41	641 (16)	161
30%—40%	45	317 (7)	111	43	533 (12)	193	42	734 (17)	263
40%—50%	48	333 (7)	150	54	594 (11)	271	56	792 (14)	356
50%—60%	35	325 (9)	176	44	361 (8)	200	39	499 (13)	274
Above 60%	164 (41.8)£	1,069 (7)	1,032	161 (40.4)£	1,320 (8)	1,271	188 (47.0)£	1,974 (11)	1,888
Total	**392**	**3,064**	**1,667**	**399**	**4,054**	**2,182**	**400**	**5,254**	**3,032**
Semi-urban Offices									
Upto 20%	28	530 (19)	82	32	797 (25)	131	23	824 (36)	132
20%—30%	56	1,129 (20)	267	49	946 (19)	238	42	1,241 (30)	316
30%—40%	54	1,173 (22)	418	72	1,719 (24)	602	62	1,657 (27)	576
40%—50%	52	1,059 (20)	480	64	1,364 (21)	606	66	1,794 (27)	809
50%—60%	59	1,041 (18)	575	51	1,127 (22)	612	52	1,459 (28)	802
Above 60%	98 (28.2)£	1,511 (15)	1,218	86 (24.3)£	1,779 (21)	1,416	112 (31.4)£	2,509 (22)	2,023
Total..	**347**	**6,443**	**3,040**	**354**	**7,732**	**3,605**	**357**	**9,485**	**4,658**

@ Figures in brackets represent amount of deposits per district under each size class (in crores of rupees).

£ As percentage of total number of districts.

Note: The data are provisional.

Source: Returns on Aggregate Deposits and Gross Bank Credit.

Table VI—20: Distribution of Loans and Advances* of Scheduled Commercial Banks According to Interest Range

(Amount in Rupees crores)

Interest Range	As on the last Friday of							
	December 1977		December 1978		December 1979		December 1980	
	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding
1	2	3	4	5	6	7	8	9
6 per cent and less	40,405 (5.6)	233.6 (2.3)	45,843 (5.3)	226.7 (1.9)	51,837 (5.0)	239.3 (1.7)	58,849 (4.8)	316.5 (2.0)
Above 6 per cent and upto 9 per cent	7,145 (1.0)	110.1 (1.1)	20,362 (2.3)	250.1 (2.1)	31,212 (3.0)	266.1 (1.9)	17,553 (1.4)	249.1 (1.5)
Above 9 per cent and upto 10 per cent	34,097 (4.8)	162.9 (1.6)	33,497 (3.9)	178.5 (1.5)	40,592 (3.9)	214.6 (1.5)	44,580 (3.6)	309.2 (1.9)
Above 10 per cent and upto 11 per cent	46,793 (6.6)	285.7 (2.8)	141,995 (16.4)	2,355.3 (19.4)	236,090 (22.7)	3,187.5 (22.4)	163,565 (13.3)	1,458.1 (9.0)
Above 11 per cent and upto 12 per cent	87,606 (12.3)	2,068.2 (20.0)	100,404 (11.6)	856.1 (7.1)	121,998 (11.7)	1,028.4 (7.2)	242,320 (19.7)	2,704.8 (16.7)
Above 12 per cent and upto 13 per cent	91,405 (12.8)	546.9 (5.3)	137,421 (15.8)	1,214.1 (10.0)	151,589 (14.6)	1,227.7 (8.6)	175,549 (14.3)	1,152.5 (7.1)
Above 13 per cent and upto 14 per cent	83,163 (11.6)	788.3 (7.6)	82,441 (9.5)	2,186.5 (18.0)	83,576 (8.0)	1,316.7 (9.3)	136,865 (11.1)	1,272.0 (7.9)
Above 14 per cent and upto 15 per cent	99,686 (14.0)	2,588.9 (25.1)	262,606 (30.2)	4,213.6 (34.8)	163,433 (15.7)	2,359.5 (16.6)	93,049 (7.6)	1,074.8 (6.7)
Above 15 per cent and upto 16 per cent	68,401 (9.6)	1,907.2 (18.5)	21,643 (2.5)	363.1 (3.0)	18,472 (1.8)	568.3 (4.0)	46,290 (3.9)	792.8 (4.9)
Above 16 per cent and upto 17 per cent	135,051 (18.9)	1,451.3 (14.0)	18,999 (2.2)	235.0 (1.9)	71,469 (6.9)	1,981.0 (13.9)	87,968 (7.1)	1,338.1 (8.3)
Above 17 per cent and upto 18 per cent	13,805 (1.9)	117.2 (1.1)	2,139 (0.2)	27.1 (0.2)	65,506 (6.3)	1,793.8 (12.6)	27,808 (2.3)	1,922.5 (11.9)
Above 18 per cent	6,497 (0.9)	61.6 (0.6)	806 (0.1)	8.1 (0.1)	4,087 (0.4)	47.0 (0.3)	134,098 (10.9)	3,561.2 (22.1)
TOTAL	**714,054** (100.0)	**10,321.9** (100.0)	**868,156** (100.0)	**12,114.2** (100.0)	**1039,861** (100.0)	**14,229.9** (100.0)	**1230,494** (100.0)	**16,151.6** (100.0)

* Relate to accounts with credit limits over Rs. 10,000; exclude inland and foreign bills purchased and discounted.

Note: Figures in bracket indicate percentage to total.

Source: Basic Statistical Returns.

identified in the country. Of these, the banking needs of 576 block headquarters are already being catered to by offices of RRBs/commercial banks functioning thereat or operating nearby. Thus, only 99 block headquarters could be considered really unbanked; of these 80 fall in the North Eastern region. Licences are pending with various banks in respect of 56 of the 99 unbanked block headquarters but in all these cases as also in respect of the remaining 43 block headquarters, banks have expressed difficulties in opening offices mainly due to lack of infrastructural facilities. The matter is being pursued with the concerned allottee banks/State governments.

During 1981-82 commercial banks (including RRBs) opened 3484 offices as against 3291 offices opened in 1980-81. Offices opened at hitherto unbanked centres numbered 2719, as against 2461 in 1980-81. The number of offices added in rural areas during 1981-82 at 2744 formed 79.1 per cent of the total offices added (i.e. after adjustment for offices closed) (Table VI-21).

Table VI—21 : Share of new rural offices in total new offices

Period (July-June)	Total offices opened@ during the year	Of which those opened@ in rural areas	(3) as percentage of (2)
1	2	3	4
1969-70 ..	1,869	1,230	65.8
1970-71 ..	1,882	1,217	64.7
1971-72 ..	1,609	537	33.4
1972-73 ..	1,740	744	42.8
1973-74 ..	1,574	605	38.4
1974-75 ..	1,794	641	35.7
1975-76 ..	2,490	881	35.4
1976-77 ..	3,582	1,846	51.5
1977-78 ..	3,214	2,269	70.6
1978-79 ..	2,186	1,531	70.0
1979-80 ..	2,217	1,768	79.7
1980-81 ..	3,287	2,550	77.6
1981-82 ..	3,470	2,744	79.1

@ Adjusted for offices closed.

The number of commercial bank offices in the country increased from 8321 at the time of nationalisation of 14 major banks in 1969 to 39,177 by the end of June 1982. (Table VI-22). Of the 30,856 offices added between July 19, 1969 and end-June 1982, 59.5 per cent were in unbanked centres.

Data on State-wise average population per bank office at the end of June 1969, June 1981 and June 1982 are given in Table VI-23. It will be seen that the national average population per bank office which was 65,000 at the end of June 1969 has come down to 17,500 by the end of June 1982. The table also shows that in June 1982, of the 31 States/Union Territories, in 14 States/Union Territories, the population per office was higher than the national average, the more important among them being Assam (35,000), Bihar (25,000), Madhya Pradesh and Orissa (21,000 each) and Uttar Pradesh and West Bengal (23,000 each), but in all these States, particularly in Orissa, Bihar and Assam, the improvement over June 1969 position has been remarkable.

New Branch Licensing Policy

The new branch licensing policy for the three-year period April 1982 to March 1985 has been formulated in consultation with Government of India. Under the new policy, the main emphasis continues to be on increasing banking facilities in rural and semi-urban areas and on reducing the inter-regional disparities in the spread of banking facilities. In the context of the extension of the IRDP to all the blocks in the country, it would be necessary to ensure that bank branches are well spread out in the rural areas and no pockets of unbanked areas are left. The new policy aims at achieving a coverage of one bank office on an average for a population of 17,000 in the rural and semi-urban areas as per 1981 census. State Governments have been asked to identify the centres in the rural areas for opening bank offices and on receipt of their recommendations, allotments of the centres would be finalised. It is estimated that about 8,000 additional bank offices would have to be opened during the new policy period i. e., upto March 31, 1985, to attain the objective set out under the policy.

Urban/Metropolitan Centres

A restrictive policy will continue to be followed in permitting expansion in urban and metropolitan/port town centres. The regional bias in the existing pattern of branch network will be taken into consideration and banks will be generally permitted to open offices in urban

Table VI—22 : Bank Group-wise/Centre-wise Distribution of Commercial Banks' Offices in India

Bank Group	No. of offices as on														
	19-7-1969					30-6-1981					30-6-1982				
	Rural	Semi-urban	Urban	Metro-politan/ Port town	Total	Rural	Semi-urban	Urban	Metro-politan/ Port town	Total	Rural	Semi-urban	Urban	Metro-politan/ Port town	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
State Bank of India ..	462 (29.4)	796 (50.7)	163 (10.4)	150 (9.5)	1571 (100.0)	2787 (48.9)	1648 (28.9)	702 (12.3)	563 (9.9)	5700 (100.0)	3025 (50.0)	1708 (28.3)	730 (12.1)	583 (9.6)	6046 (100.0)
Associate Banks of State Bank of India ..	358 (40.0)	375 (42.0)	86 (9.6)	75 (8.4)	894 (100.0)	1178 (45.0)	804 (30.8)	369 (14.1)	265 (10.1)	2616 (100.0)	1297 (46.1)	852 (30.3)	386 (13.7)	278 (9.9)	2813 (100.0)
14 Nationalised Banks ..	703 (16.9)	1465 (35.1)	928 (22.3)	1072 (25.7)	4168 (100.0)	7552 (45.1)	3832 (22.9)	2769 (16.5)	2586 (15.5)	16739 (100.0)	8340 (46.9)	3935 (22.1)	2872 (16.1)	2653 (14.9)	17800 (100.0)
6 Banks nationalised in 1980*						1199 (41.7)	677 (26.6)	536 (18.7)	460 (16.0)	2872 (100.0)	1293 (42.7)	686 (22.6)	569 (18.7)	489 (16.0)	3037 (100.0)
Regional Rural Banks ..						3326 (92.5)	241 (6.7)	30 (0.8)	1 (—)	3598 (100.0)	4748 (92.8)	330 (6.5)	38 (0.7)	1 (—)	5117£ (100.0)
Other Commercial Banks..	337 (20.0)	708 (41.9)	279 (16.5)	364 (21.6)	1688 (100.0)	1608 (38.4)	1224 (29.3)	720 (17.2)	630 (15.1)	4182 (100.0)	1691 (38.8)	1253 (28.7)	764 (17.5)	656 (15.0)	4364 (100.0)
TOTAL	**1860 (22.3)**	**3344 (40.2)**	**1456 (17.5)**	**1661 (20.0)**	**8321 (100.0)**	**17,650 (49.4)**	**8426 (23.6)**	**5126 (14.4)**	**4505 (12.6)**	**35,707 (100.0)**	**20,394 (52.1)**	**8764 (22.4)**	**5359 (13.7)**	**4660 (11.8)**	**39,177 (100.0)**

* No. of offices as on July 19, 1969 are included under "Other Commercial Banks" group. £ 5393 as per the latest quarterly progress report.

Note : 1. 14 offices were closed during the period July 1981 to June 1982.

2. Centres are defined as:
   (*a*) Rural centres: Places with a population upto 10,000.
   (*b*) Semi-urban centres: Places with a population over 10,000 and upto 1,00,000.
   (*c*) Urban centres: Places with a population over 1,00,000 and upto 10,00,000.
   (*d*) Metropolitan centres: Places with a population over 10,00,000.
   (*e*) Port Towns: Cochin, Kakinada, Mangalore, Nagapattinam, Okha, Paradeep, Port Blair, Pondicherry, Kandla, Visakhapatnam, Tuticorin and Mormugao.

3. Figures in brackets are percentages to the total in each bank group.

Source : Returns submitted by banks.

Table VI—23 : State-wise Distribution of Bank Offices and Population per Bank Office as at the end of June 1969, June 1981 and June 1982

State/Union Territory	No. of Offices as at the end of			No. of Offices				Population per bank office (in thousands) as at the end of		
				Opened during 1980-81 (July-June)		Opened during 1981-82 (July-June)				
	June 1969	June 1981	June 1982	Total	at unbanked centres	Total	at unbanked centres	June 1969	June 1981	June 1982
1	2	3	4	5	6	7	8	9	10	11
Andhra Pradesh	567	2762	2998	287	216	236	176	75	19	18
Assam	74	507	562	41	33	55	39	198	39	35
Bihar	273	2394	2807	487	429	413	981	207	29	25
Gujarat	752	2363	2452	120	64	89	40	34	14	14
Haryana	172	810	871	64	45	62	53	57	16	15
Himachal Pradesh	42	369	412	45	36	43	39	80	11	10
Jammu & Kashmir	35	459	546	65	52	94	74	114	13	11
Karnataka	756	2792	2973	158	97	181	136	38	13	12
Kerala	601	2340	2428	149	101	89	50	35	11	10
Madhya Pradesh	343	2177	2510	335	303	336	288	116	24	21
Maharashtra	1118	3631	3888	311	230	257	174	44	17	16
Manipur	2	37	39	2	1	2	—	497	39	37
Meghalaya	7	59	67	4	3	9	3	147	23	20
Nagaland	2	40	45	5	5	5	2	205	19	17
Orissa	100	968	1228	155	129	260	232	212	27	21
Punjab	346	1592	1672	48	22	81	56	42	10	10
Rajasthan	364	1638	1785	167	106	147	91	70	21	19
Sikkim*		3	7	2	1	3	3		105	45
Tamil Nadu	1060	3016	3224	202	142	209	154	37	16	15
Tripura	5	85	86	8	2	1	1	276	24	24
Uttar Pradesh	747	4128	4747	388	264	619	522	110	27	23
West Bengal	504	2233	2465	193	149	232	181	87	24	23
Andaman & Nicobar Islands	1	12	12	—	—	—	—	82	16	16
Arunachal Pradesh	—	22	25	3	3	3	2	—	29	25
Chandigarh	20	80	89	2	—	9	4	7	6	5
Dadra & Nagar Haveli	—	6	6	2	1	—	—	—	17	17
Delhi	274	872	914	35	18	42	12	10	7	7
Goa, Daman & Diu	85	244	246	12	8	2	2	8	4	4
Lakshadweep	—	5	5	—	—	—	—	—	8	8
Mizoram	—	12	13	—	—	1	1	—	41	41
Pondicherry	12	51	55	3	2	4	3	31	12	11
TOTAL	**8262**	**35707**	**39177**	**3291**	**2461**	**3484**	**2719**	**65**	**19**	**17@**

* Sikkim became a full-fledged State of the Indian Union from April 26, 1975.

@ Actually works out to 17,500.

Note : 1. The average population per bank office is based on 1961 Census in col. 9 and 1981 Census in cols. 10 and 11.

2. 14 offices of commercial banks were closed during the period July 1981 to June 1982.

Source : Department of Banking Operations and Development, RBI.

centres in their areas of operation. Programmes for opening branches at urban and metropolitan/port town centres during the year April 1982 to March 1983 received from banks are being processed.

Indian Banks' Offices Abroad

During 1981-82, Indian commercial banks opened 2 branches in foreign countries, as against 7 branches opened in the previous year. Of these, one was in Fiji Islands and the other in Sri Lanka.

As at the end of June 1982 there were 12 Indian commercial banks having 137 branches (including 2 foreign currency banking units) functioning in 25 countries. Besides, there was one subsidiary of Bank of Baroda with three offices operating in a foreign country (Table VI-24).

Regional Rural Banks

Setting up of New RRBs

The Scheme of setting up of regional rural banks (RRBs), initiated in October 1975 made further headway. During 1981-82 (July-June) 19 new RRBs were established (as against 29 RRBs set up in the preceding year) bringing the total number of RRBs to 121 by the end of June 1982. These 121 RRBs covered 207 districts in 19 States, as against 102 RRBs covering 172 districts in 18 States at the end of June 1981. The sponsor banks and the number of RRBs sponsored by them so far, are as under:

State Bank of India	23
Central Bank of India	13
Bank of Baroda	12
Punjab National Bank, United Bank of India	10 each
Bank of India	8
Syndicate Bank, United Commercial Bank	7 each
Allahabad Bank, Canara Bank	5 each
Union Bank of India	4
Dena Bank, Indian Overseas Bank	3 each
State Bank of Mysore, Jammu & Kashmir Bank	2 each
State Bank of Bikaner & Jaipur, State Bank of Saurashtra, Andhra Bank, Bank of Maharashtra, Indian Bank, The Uttar Pradesh State Co-operative Bank Ltd., State Bank of Hyderabad	1 each
Total	**121**

As per the latest quarterly progress report, the total number of branches of regional rural banks rose from 3,598 as at the end of June 1981 to 5,393 by the end of June 1982. Bihar had the largest number of branches (1,103) followed by Uttar Pradesh (990). The distribution of the branches of RRBs in the remaining States was as under :

States	No. of Branches Range
Madhya Pradesh, Orissa and Andhra Pradesh	503—401
Karnataka, West Bengal and Rajasthan	367—307
Kerala	211
Jammu & Kashmir, Haryana, Maharashtra and Tamil Nadu	128—104
Assam, Gujarat, Himachal Pradesh and Tripura	94—51
Manipur and Meghalaya	1 each

Table VI–24 : Offices* of Indian Scheduled Commercial Banks Outside India

(As at the end of June 1982)

Country	State Bank of India	Central Bank of India	Bank of India	Bank of Baroda	United Commercial Bank	Indian Overseas Bank	Indian Bank	Syndicate Bank	Punjab National Bank	Bharat Overseas Bank Ltd.	Punjab & Sind Bank	Union Bank of India	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Bahamas	1	—	—	1	—	—	—	—	—	—	—	—	2
2. Bahrain	1	—	—	1	—	—	—	—	—	—	—	—	2
3. Bangladesh	1	—	—	—	—	—	—	—	—	—	—	—	1
4. Belgium	—	—	—	1	—	—	—	—	—	—	—	—	1
5. Cayman Islands	1	—	1	—	—	—	—	—	—	—	—	—	2
6. Channel Islands	—	—	1	—	—	—	—	—	—	—	—	—	1
7. Fiji Islands	—	—	—	11	—	—	—	—	—	—	—	—	11
8. France	1	—	1	—	—	—	—	—	—	—	—	—	2
9. Guyana	—	—	—	2	—	—	—	—	—	—	—	—	2
10. Hong Kong	1	—	2	—	4	7	—	—	—	—	—	—	14
11. Japan	1	—	2	—	—	—	—	—	—	—	—	—	3
12. Kenya	—	—	2	7	—	—	—	—	—	—	—	—	9
13. Maldive Islands	1	—	—	—	—	—	—	—	—	—	—	—	1
14. Mauritius	—	—	—	6	—	—	—	—	—	—	—	—	6
15. Oman	—	—	—	3	—	—	—	—	—	—	—	—	3
16. Panama	1	—	—	—	—	—	—	—	—	—	—	—	1
17. Seychelles	—	—	—	1	—	—	—	—	—	—	—	—	1
18. Singapore	1	—	1	—	3	1	1	—	—	—	—	—	7
19. South Korea	—	—	—	—	—	1	—	—	—	—	—	—	1
20. Sri Lanka	2	—	—	—	—	2	2	—	—	—	—	—	6
21. Thailand	—	—	—	—	—	—	—	—	—	1	—	—	1
22. United Arab Emirates	—	—	—	8	—	—	—	—	—	—	—	—	8
23. United Kingdom	6	3	12	15	2	—	—	1	3	—	1	1	44
24. United States of America	4	—	2	1	—	—	—	—	—	—	—	—	7
25. West Germany	1	—	—	—	—	—	—	—	—	—	—	—	1
Total	**23**	**3**	**24**	**57**	**9**	**11**	**3**	**1**	**3**	**1**	**1**	**1**	**137**

* Excluding Representative Offices.

Source : Department of Banking Operations and Development, RBI.

Operations of RRBs

As on the last Friday of June 1982, the total deposits and advances (outstanding) of RRBs aggregated Rs. 382 crores and Rs. 463 crores, respectively, as against Rs. 253 crores and Rs. 302 crores, respectively, as on the last Friday of June 1981. Direct advances to small/marginal farmers, landless labourers and rural artisans amounted to Rs. 403 crores at the end of June 1982 as against Rs. 263 crores at the end of June 1981.

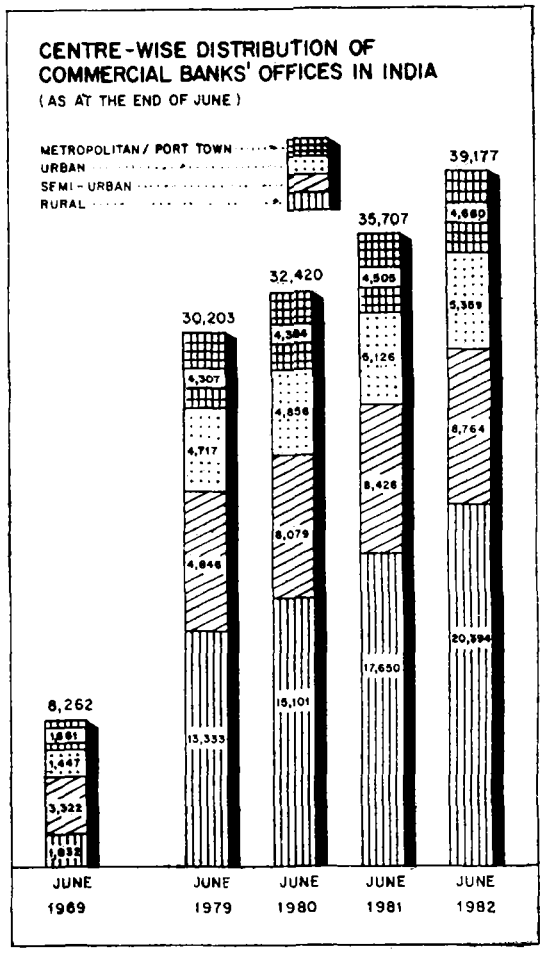
As in previous years, the sponsor banks provided managerial and financial assistance to RRBs as required under the RRBs Act. RRBs also continued to enjoy other concessions from sponsor banks, such as paying a lower rate of interest (*i. e.* 8.5 per cent) on their borrowings from sponsor banks and earning an interest of upto 9 per cent on their current deposits with the latter. Further, the cost of staff deputed to RRBs and training expenses of RRB staff continued to be borne by the sponsor banks. The average subsidy provided by the sponsor banks per RRB worked out to Rs. 1.70 lakhs in 1981; it was Rs. 2.30 lakhs in 1979. The average number of deputed staff from sponsor banks per RRB was 6 at the end of December 1981.

Existing concessions from the Reserve Bank to RRBs such as maintenance of cash reserve ratio at 3 per cent and statutory liquidity ratio at 25 per cent were also allowed to continue during the year.

Refinance from RBI

RRBs continued to obtain refinance from the Reserve Bank. During 1981-82 limits aggregating Rs. 177 crores were sanctioned to 82 RRBs. The amount drawn against these limits and outstanding as at the end of May 1982 was Rs. 162 crores.

In terms of RBI's refinance policy for RRBs for 1981-82, RRBs with deposits of Rs. 5 crores and above were required to maintain their involvement out of their own funds at not less than 25 per cent of their outstanding eligible loans and advances, while those having deposits of less than Rs. 5 crores were required to have their own involvement at not less than 15 per cent. In order to ensure that RRBs employ their deposit resources to the maximum extent possible in extending loans, it was decided that for the purpose of providing refinance during 1982-83, RRBs would be divided into three categories and RRBs under each category would be required to show minimum involvement as under:



(a) RRBs with outstanding loan business of Rs. 8 crores and above on March 31, 1982 should maintain their own involvement at *not less* than 30 per cent of their outstanding eligible loans and advances. Refinance from RBI would be allowed to them upto a maximum of 40 per cent of their total eligible loans and advances, while maximum refinance from the sponsor bank may be upto 30 per cent.

(b) RRBs with outstanding loans of less than Rs. 8 crores, but in existence for a period of five years and above (*i. e.*, all RRBs established prior to July 1, 1977) would have to

maintain their involvement out of their own funds at *not less* than 20 per cent of their eligible loans and advances. Drawal of RBI limit in their case would remain unchanged at not more than 50 per cent of eligible loans and advances.

(c) In the case of RRBs not covered under the above two categories, no change was contemplated and they would have to maintain their involvement out of their own funds at *not less* than 15 per cent of their total eligible loans and advances; RBI may sanction refinance upto 50 per cent and sponsor bank upto 35 per cent.

Subject to the above, the minimum involvement of a RRB and the refinance limit from RBI was to be determined in each individual case, taking into account the deposit resources of the bank, the amount kept with sponsor bank by way of deposits and the realistic lending programme.

Refinance from ARDC

RRBs continued to avail of refinance facility provided by ARDC. Refinance availed of and remaining outstanding at the end of June 1982 was Rs. 53 crores as against Rs. 20 crores at the close of the preceding year. RRBs which lack technical expertise for formulating schemes could not avail of refinance assistance from ARDC. ARDC (now NABARD) is, therefore, formulating a scheme under which financial assistance would be provided to RRBs for appointment of technical personnel for formulating schemes.

Developmental Measures

RRBs have been active participants in programmes designed to provide credit assistance to weaker sections. Thus, they are involved in providing credit assistance to identified beneficiaries under the 20-Point Programme, IRDP and other special programmes drawn up for SC/ST. They are also implementing the DRI Scheme either on agency basis or on refinance basis. During 1981-82, 37 RRBs were implementing the scheme one way or the other.

Physically handicapped persons pursuing gainful occupation were made eligible for bank finance under the DRI scheme in terms of guidelines issued by the Government. Concessional finance under the scheme can also be availed of by the physically handicapped through RRBs for purchase of artificial limbs, hearing aids, wheel chairs, etc., subject to a maximum of Rs. 2500 per borrower.

Branch Expansion Policy

The special role which RRBs have to play in the context of the IRDP and other components of the revised 20-Point Programme has been recognised. In line with this, the branch expansion policy formulated by the Reserve Bank in consultation with the Government of India, gives preference to RRBs for opening branches in the rural areas of districts covered by RRBs. Having regard to the various constraints experienced by them in opening branches, the Steering Committee on RRBs considered that by 1985, RRBs would be able to reach a level of 8,200 branches; the number of branches at the end of June 1982 was 5,393.

While RRBs have generally registered considerable progress in opening branches, a large number of licences remained pending with them. The constraints experienced by them as well as by the sponsor banks in opening branches have been identified at various forums (*e.g.*, District Consultative Committees, State Level Meetings, etc.) in particular, at the Conference of the State governments, Government of India, Reserve Bank, ARDC and others, convened by the Planning Commission to consider the recommendations of the Committee to Review the Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD). The need for State governments providing minimum infrastructural facilities to enable RRBs to open branches has been recognised and the Reserve Bank is pursuing the matter with the State governments and sponsor banks.

Even as RRBs were encouraged to open branches, it was considered necessary to caution some of them from going ahead with rapid branch expansion regardless of their ability to exercise adequate control. Accordingly, RRBs, which showed major deficiencies in their internal organisation and control

mechanisms were advised to review their internal arrangements well before they reach the level of 100 branches. The Reserve Bank also asked RRBs in September 1981 to seek its prior clearance before they go beyond 100 branches. In 1981-82, 19 RRBs approached Reserve Bank for opening branches beyond 100, of which 10 were given clearance.

Steering Committee on Regional Rural Banks

The Steering Committee on Regional Rural Banks continued to monitor the progress made by RRBs, guided them on important issues and made suitable recommendations to the Government of India. During the year, the Committee discussed several matters, which included *inter alia*, identification of areas (districts) for establishment of new RRBs in different parts of the country, deputation of staff from sponsor banks, attendance at the Board meetings of RRBs, procedures and policies in respect of recruitment/promotions of staff, matters relating to State Level Co-ordination Committee meetings, advances against gold and silver ornaments, branch expansion programmes, enlarging the scope of lending by RRBs, purchase of houses/buildings for office use, field study on quality of lending, the report of the committee on control over branches of RRBs, etc.

Report of the Committee on Control over Branches of Regional Rural Banks

The Reserve Bank had constituted a Committee in February 1980 to go into the systems and procedures followed in RRBs regarding Head Office control over branches and suggest appropriate measures to ensure effective control. The Committee's recommendations relating to streamlining the arrangements for Head Office control over branches, exercise of discretionary powers of branch managers, cash management, internal audit and inspection systems and measures to check frauds were conveyed to RRBs for implementation, while those relating to organisational structure, staffing pattern, etc., are under consideration of the sponsor banks and the Reserve Bank.

Field Study on Quality of Lending by RRBs

A field study was conducted in April 1981 by the Reserve Bank on all qualitative aspects of lending by RRBs. The study not only covered their loan operations, but also aimed at finding out whether or not RRBs followed the guidelines issued from time to time by the Government of India and the Reserve Bank, and whether the social objectives for which they were established had been achieved and whether the loans issued by RRBs had gone (barring a few stray cases) to the target groups and for productive activities. By and large RRBs had correctly followed instructions regarding loan policies, procedures, etc., issued to them by the Reserve Bank and the Government of India. Also the basic aim of setting up of RRBs *viz.*, developing the rural economy by providing credit for the development of agriculture, trade, commerce, industry and other productive activities in the rural areas, particularly to the small/marginal farmers, agricultural labourers, artisans and small enterprises had been largely achieved. Once the RRBs are equipped with technical staff, their performance could be bettered. The study noted that RRBs had successfully maintained their image as a small man's bank by confining their credit facilities to the target groups.

Deposits, Credit and Paid-up Capital of Scheduled Commercial Banks

Deposits and Advances—Population Group-wise and State-wise

With the emphasis in the Reserve Bank's branch licensing policy on the opening of offices in unbanked centres, and in rural/semi-urban centres, there has been a distinct shift over the years in the distribution of scheduled commercial banks' deposits and advances to these areas (Table VI-25).

The share of rural offices in total deposits and advances which was barely 3.1 per cent and 1.5 per cent, respectively, in June 1969, *i.e.*, on the eve of the nationalisation of the fourteen major banks, rose to 11.9 per cent and 9.7 per cent, respectively, by end-June 1980 and improved further to 12.9 per cent and 11.2 per cent, respectively, by the end of June 1981. The share of semi-urban offices in total deposits improved only marginally over the 12-year period June 1969 to June 1981 from 22.0 per cent to 23.3 per cent, but their

share in total advances recorded a substantial increase from 11.3 per cent to 17.2 per cent. The share of urban offices at 24.5 per cent in total deposits and at 22.8 per cent in total credit in June 1981 did not show much variation from their share in June 1969 (25.9 per cent and 20.0 per cent, respectively). As against this, over the twelve-year post-nationalisation period, the share of metropolitan offices in total deposits declined from 49.0 per cent to 39.3 per cent. The fall in their share in total credit was very much sharper from 67.2 per cent in June 1969 to 48.8 per cent in June 1981.

Table VI—25 : Distribution of Deposits and Advances of Scheduled Commercial Banks according to Population Groups

(As on last Friday)

(Rupees crores)

Population Group	June 1969		June 1980		June 1981		Increase (June 1969 to June 1981)	
	Deposits	Advances	Deposits	Advances	Deposits	Advances	Deposits	Advances
1	2	3	4	5	6	7	8	9
1. Rural	145	54	3,966	2,162	5,254	3,032	5,109	2,978
Percentage to total	3.1	1.5	11.9	9.7	12.9	11.2	14.2	12.7
Average amount per office	0.10	0.04	0.26	0.14	0.29	0.17		
2. Semi-Urban	1,024	407	7,712	3,641	9,485	4,658	8,461	4,251
Percentage to total	22.0	11.3	23.2	16.3	23.3	17.2	23.5	18.1
Average amount per office	0.31	0.12	0.92	0.43	1.12	0.55		
3. Urban	1,209	722	8,368	5,026	9,963	6,191	8,754	5,469
Percentage to total	25.9	20.0	25.1	22.4	24.5	22.8	24.3	23.3
Average amount per office	0.63	0.38	1.59	0.95	1.94	1.20		
4. Metropolitan	2,287	2,426	13,275	11,552	15,981	13,214	13,694	10,788
Percentage to total	49.0	67.2	39.8	51.6	39.3	48.8	38.0	45.9
Average amount per office	1.53	1.62	3.30	2.87	3.54	2.93		
Total of 1 to 4	**4,665** (100.0)	**3,609** (100.0)	**33,321** (100.0)	**22,381** (100.0)	**40,683** (100.0)	**27,095** (100.0)	**36,018** (100.0)	**23,486** (100.0)
Average amount per office	0.57	0.44	1.02	0.69	1.14	0.75		

Note: The data for June 1981 are provisional.
Source: 1. Monthly return on Aggregate Deposits and Gross Bank Credit for June 1981.
2. Based on Basic Statistical Returns 1 and 2 for June 1980.

The average amount of deposits and advances of urban/metropolitan offices were naturally higher than those of rural/semi-urban offices. Over the twelve-year period, in the case of rural offices, the average amount of deposits per office increased threefold from Rs. 10 lakhs to Rs. 29 lakhs and average amount of advances increased fourfold from Rs. 4 lakhs to Rs. 17 lakhs. In the case of metropolitan offices the increase was from Rs. 1.53 crores to Rs.3.54 crores in deposits and from Rs.1.62 crores to Rs. 2.93 crores in advances.

In the post-nationalisation period, there has been a considerable improvement in the credit-deposit ratios of rural and semi-urban offices indicating the extent of efforts made by banks in deploying more funds in rural/semi-urban areas. Between June 1969 and June 1981 the credit-deposit ratio of rural offices increased from 37.2 per cent to 57.7 per cent and that of semi-urban offices from 39.7 per cent to 49.1 per cent. There was some improvement in the credit-deposit ratio of urban offices also from 59.7 per cent in 1969 to 62.1 per cent in 1981. The ratio in

the case of metropolitan offices declined from 106.1 per cent to 82.7 per cent.

Table VI-26 gives data on deposits mobilised by scheduled commercial banks classified according to population groups, and type of deposits as of December 1980. At the end of December 1980, deposits with scheduled commercial banks amounted to Rs. 36,997 crores and were held in 1,347 lakh accounts, which worked out to Rs. 2,746 per account on an average. The share of rural, urban and metropolitan offices in total number of accounts varied between 22-25 per cent, and that of semi-urban offices was 30 per cent. As regards their share in deposit amount, metropolitan offices claimed the highest share of 39.3 per cent, semi-urban/urban offices 23-25 per cent and rural offices 12.5 per cent.

Term deposits claimed the highest share of total deposits in all population groups. It constituted 48.7 per cent of total deposits in the case of rural offices, and 55 to 58 per cent in the case of offices in the semi-urban, urban and metropolitan areas at the end of December 1980. Savings deposits were almost equally important in the case of rural offices, constituting 43.1 per cent of total deposits. In the case of other population groups, it ranged between 33.8 per cent in semi-urban areas and 21.6 per cent in metropolitan areas. Current account deposits, held generally by business and industrial community, constituted 20.3 per cent of total deposits of metropolitan offices; in other population groups its share was much lower, 8-11 per cent in the case of rural and semi-urban offices and 15.6 per cent in the case of urban offices.

The preference of small investors for savings deposits is demonstrated by the very high proportion of savings accounts in the total number of deposit accounts; it was 72.4 per cent and 65.0 per cent in the case of rural and semi-urban offices, respectively. In the case of urban/metropolitan offices also, savings accounts formed around 60 per cent of total deposit accounts. As regards term deposit accounts, the percentage share varied from 24.2 per cent for rural offices to 32.0 per cent for metropolitan offices. The percentage share of current deposit accounts was only 3-5 per cent in offices in rural/semi-urban areas and 7-9 per cent in offices in urban/metropolitan areas.

The performance of bank offices in individual States in deposit mobilisation and deployment of credit over the post-nationalisation period June 1969 to June 1981 reveals some interesting facts. Of the total deposits of over Rs. 36,000 crores mobilised over the twelve-year period June 1969 to June 1981, over Rs. 6,700 crores were mobilised in Maharashtra, between Rs. 3,400 and Rs. 4,000 crores each in Delhi, West Bengal and Uttar Pradesh, around Rs. 2,400 crores each in Gujarat and Tamil Nadu, nearly Rs. 2,000 crores each in Punjab and Andhra Pradesh, between Rs. 1400 and Rs. 1,800 crores in Kerala, Bihar and Karnataka and nearly Rs. 1,200 crores in Madhya Pradesh. In the States of Haryana, Rajasthan, Himachal Pradesh, Jammu and Kashmir, Assam and Orissa, though the increase in deposits was lower and ranged between a little over Rs. 200 crores and over Rs. 800 crores, the level of deposits in June 1981 was over ten times the level in June 1969.

Data on deposit mobilisation of bank offices classified according to population groups show that over the twelve-year period, rural deposits rose from only Rs. 145 crores to Rs. 5,254 crores, *i.e.*, by over 35 times. Of the incremental rural deposits of Rs. 5,109 crores during the period June 1969—June 1981, Uttar Pradesh claimed the highest share (Rs. 849 crores) followed by Punjab (Rs. 593 crores) and Gujarat (Rs. 421 crores). Deposit increases of rural offices ranged between Rs. 300 crores and Rs. 400 crores in Andhra Pradesh, Karnataka, West Bengal, Maharashtra and Bihar, between Rs. 100 crores and Rs. 300 crores in another 7 States and were less than Rs. 100 crores in the remaining States. However, as stated earlier, in most of these States the 1981 levels were many times the 1969 levels.

Semi-urban deposits at Rs. 9,485 crores in June 1981 were over nine times the level of Rs. 1,024 crores in June 1969. Of the total incremental semi-urban deposits of Rs. 8,461 crores, Uttar Pradesh again claimed the highest share of Rs. 967 crores and Gujarat Rs. 835 crores. Kerala, Punjab, Bihar, Maha-

Table VI—26 : Distribution of Deposits of Scheduled Commercial Banks according to Population Group and Type of Deposits

(As on the last Friday of December 1980)

(No. of Accounts in thousands)

(Amounts in lakhs of Rupees)

Population Groups	Current			Savings		
	No. of Accounts	Amount Out-standing	Average per Account (Rs.)	No. of Accounts	Amount Out-standing	Average per Account (Rs.)
	1	2	3	4	5	6
RURAL	**10,63**	**383,04**	**3,603**	**229,41**	**1999,77**	**872**
Per cent to total deposit category	(13.4)	(6.7)		(26.4)	(18.9)	
Per cent to total deposits	3.4	8.2		72.4	43.1	
SEMI-URBAN	**20,84**	**950,12**	**4,559**	**263,22**	**2889,89**	**1,098**
Per cent to total deposit category	(26.1)	(16.6)		(30.2)	(27.2)	
Per cent to total deposits	5.1	11.1		65.0	33.8	
URBAN	**28,58**	**1446,75**	**5,062**	**197,07**	**2568,31**	**1,303**
Per cent to total deposit category	(35.9)	(25.2)		(22.6)	(24.2)	
Per cent to total deposits	8.6	15.6		59.7	27.7	
METROPOLITAN	**19,58**	**2945,59**	**15,044**	**181,03**	**3147,72**	**1,739**
Per cent to total deposit category	(24.6)	(51.5)		(20.8)	(29.7)	
Per cent to total deposits	6.6	20.3		61.4	21.6	
TOTAL	**79,63**	**5725,50**	**7,190**	**870,73**	**10605,69**	**1,218**
Per cent to total deposit category	(100.0)	(100.0)		(100.0)	(100.0)	
Per cent to total deposits	5.9	15.5		64.6	28.7	

Population Groups	Term			Total		
	No. of Accounts	Amount Out-standing	Average per Account (Rs.)	No. of Accounts	Amount Out-standing	Average per Account (Rs.)
	7	8	9	10	11	12
RURAL	**76,76**	**2260,74**	**2,945**	**316,80**	**4643,55**	**1,466**
Per cent to total deposit category	(19.3)	(10.9)		(23.5)	(12.5)	
Per cent to total deposits	24.2	48.7		100.0	100.0	
SEMI-URBAN	**121,27**	**4700,48**	**3,876**	**405,32**	**8540,49**	**2,107**
Per cent to total deposit category	(30.6)	(22.8)		(30.1)	(23.1)	
Per cent to total deposits	29.9	55.1		100.0	100.0	
URBAN	**104,66**	**5257,93**	**5,024**	**330,31**	**9272,99**	**2,807**
Per cent to total deposit category	(26.4)	(25.4)		(24.5)	(25.1)	
Per cent to total deposits	31.7	56.7		100.0	100.0	
METROPOLITAN	**94,25**	**8446,70**	**8,962**	**294,87**	**14540,01**	**4,931**
Per cent to total deposit category	(23.7)	(40.9)		(21.9)	(39.3)	
Per cent to total deposits	32.0	58.1		100.0	100.0	
TOTAL	**396,94**	**20665,85**	**5,206**	**1347,29**	**36997,04**	**2,746**
Per cent to total deposit category	(100.0)	(100.0)		(100.0)	(100.0)	
Per cent to total deposits	29.5	55.8		100.0	100.0	

Source : Basic Statistical Returns.

rashtra, West Bengal, Tamil Nadu and Andhra Pradesh reported incremental semi-urban deposits ranging between Rs. 585 crores and Rs. 767 crores each. In Karnataka, Haryana, Madhya Pradesh and Rajasthan such deposits ranged between Rs. 264 crores and Rs. 411 crores and were less than Rs. 200 crores in other States/Union territories.

Urban/metropolitan deposits in June 1981 at Rs. 25,944 crores were seven times the level in June 1969 of Rs. 3496 crores. Of the incremental deposits of Rs. 22,448 crores, Maharashtra accounted for Rs. 5740 crores and Delhi and West Bengal for over Rs. 3,000 crores each. These three together accounted for 54 per cent of the incremental deposits of urban/metropolitan offices.

The three States, Maharashtra, Tamil Nadu and West Bengal with large metropolitan centres, together with Delhi, accounted for half the total incremental credit of Rs. 23,486 crores between June 1969 and June 1981; their individual shares were: Maharashtra Rs. 4,887 crores, Delhi Rs. 2,811 crores, Tamil Nadu Rs. 2,214 crores and West Bengal Rs. 1,903 crores.

Credit extended by rural offices increased from only Rs. 54 crores in June 1969 to Rs. 3,032 crores in June 1981, *i. e.*, by as much as 55 times. Of the total incremental credit of Rs. 2,978 crores of rural offices, Uttar Pradesh (Rs. 396 crores), Andhra Pradesh (Rs. 318 crores), Karnataka (Rs. 260 crores), Tamil Nadu (Rs. 245 crores), Maharashtra (Rs. 222 crores), Punjab (Rs. 216 crores) and Gujarat (Rs. 210 crores) together accounted for 63 per cent. Incremental credit ranged between Rs. 100 crores and Rs. 200 crores in another five States.

In respect of semi-urban offices, the increase in credit outstanding was from Rs. 407 crores in June 1969 to Rs. 4,658 crores in June 1981 or by over ten times. Incremental credit ranged between Rs. 311 crores and Rs. 433 crores in Uttar Pradesh, Punjab, Gujarat, Maharashtra, Andhra Pradesh, Kerala and Tamil Nadu. These 7 States together claimed 63 per cent of the total incremental credit of Rs. 4,251 crores. Incremental credit ranged between Rs. 139 crores and Rs. 281 crores in another 6 States.

Credit extended by urban/metropolitan offices rose six-fold from Rs. 3,148 crores in June 1969 to Rs. 19,405 crores in June 1981. Of the incremental credit of Rs. 16,257 crores, Maharashtra accounted for Rs. 4,310 crores, Delhi Rs. 2,797 crores, West Bengal Rs. 1,666 crores and Tamil Nadu Rs. 1,544 crores. Thus, as much as Rs. 10,317 crores or 63 per cent of the incremental credit was extended by offices in urban/metropolitan centres of these States. This is because industrial borrowers and other large borrowers get credit sanctioned at head offices of banks which are located in metropolitan cities particularly of these three States.

Increase in Paid-up Capital of Banks

Since the nationalisation of banks — 14 major banks in July 1969, and six banks in April 1980—there was no additional direct contribution to their paid-up capital till February 1982. Some of these banks had, however, raised their paid-up capital by capitalising a part of the reserves. The paid-up capital and reserves position of public sector banks at the end of 1969 and 1981 is shown in the following Table :

(Rs. crores)

	As at the end of			
	1969		1981	
	Paid-up capital	Reserves	Paid-up capital	Reserves
State Bank of India	5.63	14.35	5.63	240.73
Associates of SBI	5.00	3.79	5.00	11.53
14 banks nationalised in 1969	28.89 (18-7-69)	40.34	71.79	131.48
Six banks nationalised in 1980	5.05 (31-12-80)	16.81	6.79	18.22

In March 1982, the Central Government contributed an amount of Rs. 25 crores to the capital of eight banks —Bank of India and Bank of Baroda Rs. 4 crores each, Indian Overseas Bank, United Commercial Bank, Indian Bank and Syndicate Bank Rs. 3 crores each, and Central Bank of India and Punjab National Bank Rs. 2.50 crores each.

WORKING OF ECGC AND DICGC

Export Credit and Guarantee Corporation Ltd.

During 1981-82, the Export Credit and Guarantee Corporation (ECGC) issued 7,908 policies and guarantees as against 7,931 issued in 1980-81 (Table VI-27). The policies and guarantees in force at the end of June 1982 stood at 9,216 as compared with 9852 at the end of June 1981. The value of risk covered during the year amounted to Rs. 7,328 crores, of which the value of exports covered under insurance policy and other schemes accounted for Rs. 1,272 crores, while the balance of Rs. 6,056 crores represented export advances and other bank facilities covered under the financial guarantees. In the preceding year, the value of risk covered was Rs. 6,682 crores, comprising Rs. 1,188 crores being the value of exports covered and Rs. 5,494 crores being risk covered under financial guarantees. The premium income earned during the year was higher at Rs. 16.58 crores as against Rs. 11.66 crores earned during 1980-81.

Nine policies with a maximum liability of Rs. 10.29 crores were issued during the year under the Exchange Fluctuation Risk Cover Scheme.

The total value of gross claims paid during 1981-82 recorded an all-time high of Rs. 20.42 crores. The value of claims recovered during the year totalled Rs. 5.49 crores, thus resulting in net claims of Rs. 14.93 crores.

Deposit Insurance and Credit Guarantee Corporation

During the year, the Deposit Insurance and Credit Guarantee Corporation (DICGC) continued to strive for the achievement of its twin objectives of giving insurance protection to small depositors in banks and guarantee support to credit facilities extended to certain categories of small borrowers, particularly those belonging to the weaker sections of the society.

Deposit Insurance Function

The number of insured banks increased from 1,619 at the end of June 1981 to 1,661 by end-June 1982 and comprised 82 commer-

Table VI—27: ECGC's Guarantees and Policies for Exporters (July-June)

	No. of Policies and Guarantees				Bank Finance (Guarantees availed of) (Rs. crores)	
	Issued during		In force at the end of			
	1980-81	1981-82	1980-81	1981-82	1980-81	1981-82
	1	2	3	4	5	6
Standard Policies	4,735	4,588	5,669	5,411	—	—
Packing Credit Guarantee	557	492	525	530	4,041.74	4,398.46
Post-shipment Guarantee	702	688	658	605	1,268.01	1,268.55
Export Finance Guarantee	190	197	195	161	12.38	9.56
Export Production Finance Guarantee	79	19	129	10	15.50	8.20
Export Performance Guarantee	1,504	1,843	2,574	2,436	155.98	371.15
Special Schemes (Transfer Guarantee, Buyer Credit Insurance and Line of Credit Insurance)	164	81	102	63	—	45.73
Total	**7,931**	**7,908**	**9,852**	**9,216**	**5,493.61**	**6,101.65**

Source : Export Credit and Guarantee Corporation, Ltd.

cial banks, 117 regional rural banks and 1,462 co-operative banks. At the end of June 1982, the scheme covered co-operative banks in 13 States, viz., Andhra Pradesh, Gujarat, Jammu and Kashmir, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Orissa, Rajasthan, Tamil Nadu, Tripura, Uttar Pradesh and West Bengal and three Union territories of Delhi, Goa, Daman and Diu and Pondicherry. The Government of Himachal Pradesh carried out amendments to its Co-operative Societies Act with a view to extending deposit insurance scheme to co-operative banks in that State and the scheme was extended to banks in that State from October 1, 1982. Four other States, viz., Bihar, Manipur, Nagaland and Punjab which account for a total of 60 co-operative banks are also taking steps to amend their respective Co-operative Societies Acts to facilitate extension of deposit insurance to those States. The remaining States and Union territories account for only 28 co-operative banks.

The limit of insurance cover per depositor (in the same right and capacity) per bank which had been raised to Rs. 30,000 from July 1980 remained unchanged. The rate of premium also continued to be the same at four paise per Rs. 100 per annum.

Insured deposits of commercial and co-operative banks at the end of June 1981 amounted to Rs. 25,859 crores and constituted 73.9 per cent of the total assessable deposits of Rs. 35,004 crores. Fully protected accounts numbered 1,365 lakhs thus covering 99.1 per cent of the total number of 1,377 lakh deposit accounts.

The total amount of deposit insurance claims paid or provided for since the inception of the scheme upto June 1982 in respect of 14 commercial banks and 11 co-operative banks aggregated Rs. 113 lakhs and Rs. 190 lakhs, respectively. The Corporation has received from the commercial banks/co-operative banks Rs. 78 lakhs and Rs. 13 lakhs, respectively, towards repayment.

Credit Guarantee Function

Credit Guarantee Scheme Relating to Non-industrial Section i.e., other than SSI.

At the end of June 1982, 75 commercial banks and 94 RRBs were participating in the Small Loans Guarantee Scheme, the most important of the three non-industrial sector schemes; this scheme accounts for 99.6 per cent of the total guaranteed advances to the non-industrial sector. The number of institutions participating in the Small Loans Financial Corporation Guarantee Scheme remained unchanged at 18, while the number of credit institutions participating in Small Loans (Service Co-operative Societies) Guarantee Scheme rose to 140 comprising 61 commercial banks, 42 RRBs and 37 co-operative banks.

The total advances covered by the above-mentioned three guarantee schemes increased from Rs. 3,747 crores at the end of June 1981 to Rs. 4,546 crores by the end of June 1982, a rise of 21.3 per cent. Advances to farmers and agriculturists continued to constitute a major portion (62.6 per cent) of the guaranteed advances to the non-industrial sector, followed by credit to transport operators (15.1 per cent), retail traders (11.0 per cent) and professional and self employed persons (4.4 per cent) (Table VI-28).

During 1981, 74,030 claims for Rs. 11.14 crores were disposed of as against 47,481 claims for Rs. 7.20 crores in 1980. During the first six months of 1982, another 41,108 claims for Rs. 6.15 crores were disposed of. The total claims disposed of since the inception of the Corporation's guarantee scheme upto June 1982 numbered 2.15 lakhs and were for Rs. 38.09 crores.

Credit Guarantee Function relating to Small-Scale Industries

Mention was made in the last year's Report about the cancellation by the Government of India on March 31, 1981 of its credit guarantee scheme for small-scale industries (which was being administered by the Reserve Bank as agent) and the introduction by the Corporation from April 1, 1981 of the Small Loans (Small-Scale Industries) Guarantee Scheme, 1981 to provide guarantee support to all eligible credit institutions assisting industries in the small-scale sector. The essential features of the cancelled scheme were incorporated in the new scheme of the Corporation and at the same time certain improvements were made in the light of the experience gained in the

Table VI—28 : Credit Facilities Guaranteed by Deposit Insurance and Credit Guarantee Corporation

(Rupees crores)

Scheme/Category of Borrowers	As on the last Friday of June					
	1972	1978	1979	1980	1981	1982
	1	2	3	4	5	6
A. Small Loans Guarantee Scheme, 1971 ..	**205.71**	**1,706.29**	**2,154.45**	**2,789.13**	**3,735.09**	**4,526.19**
1. Farmers and agriculturists	134.67	1,057.04	1,345.80	1,796.10	2,387.17	2,847.43
2. Transport operators	28.29	282.66	310.54	368.50	508.81	668.53
3. Retail traders	28.34	178.92	257.39	316.65	413.40	501.84
4. Professional and self-employed persons	9.14	87.96	108.11	127.09	166.61	199.23
5. Business enterprises	5.27	68.07	92.18	116.64	157.30	191.20
6. Residual category of borrowers under the Differential Interest Rates Scheme	—	31.64	40.43	64.15	101.80	117.96
B. Financial Corporations Guarantee Scheme, 1971	**2.56**	**8.66**	**9.38**	**10.23**	**10.93**	18.39
1. Transport operators	2.35	7.97	8.69	9.58	10.37	18.08
2. Business enterprises	0.21	0.69	0.69	0.65	0.56	0.30
C. Service Co-operative Societies Guarantee Scheme, 1971	**0.12**	**0.22**	**0.89**	**0.36**	**1.36**	1.53
Service co-operative societies	0.12	0.22	0.89	0.36	1.36	1.53
Total (A+B+C)	**208.39**	**1,715.17**	**2,164.72**	**2,799.72**	**3,747.38**	**4,546.11**
D. Small Loans (small-scale industries) Guarantee Scheme, 1981 (As at 31st March 1981) ..	—	—	—	—	**3,716.43**	

Source : Deposit Insurance and Credit Guarantee Corporation.

working of the cancelled scheme, particularly to facilitate expeditious discharge of guarantee obligations and to ensure that guarantee support under the scheme is weighted in favour of the weakest of the weaker sections of society.

The participation in the scheme is voluntary and is open to all commercial banks, RRBs, State financial corporations (SFCs) and also to certain other term lending institutions and co-operative banks approved by the Corporation in this behalf. Till the end of June 1982, 285 credit institutions comprising 71 commercial banks, 71 RRBs, 126 co-operative banks, 13 SFCs and 4 State development agencies had joined the new scheme by executing the prescribed agreements and paying the necessary guarantee fee. Advances guaranteed under this scheme as on March 31, 1981 amounted to Rs. 3,716 crores.

As on the date of cancellation of the old scheme (of the Government of India), 30,826 claims for Rs. 98.18 crores pending with the erstwhile Credit Guarantee Organisation were transferred to the Corporation. During the period April 1981 to June 1982, 20,148 claims for Rs. 32.89 crores were received under the cancelled scheme, apart from 3,225 claims for Rs. 5.37 crores received under the new scheme of the Corporation; 9,701 claims for Rs. 17.82 crores were disposed of during the year ended March 1982, which incidentally is the highest in any year so far. During the quarter April-June 1982, 4,629 claims for Rs. 4.46 crores were disposed of.

Extension of Credit Guarantee Cover to Co-operative Institutions

The Working Group constituted by the Corporation in 1979 to examine the question of extension of benefits of guarantee cover to co-operative credit institutions, *inter alia*, recommended extension of guarantee cover to agricultural credit societies and land development banks at the primary level, in a phased manner, in the context of the very large number

of institutions to be covered and the present administrative capacity of the Corporation. The Group also recommended that guarantee may be extended to co-operative banks for their advances to non-agricultural sector. These recommendations have been accepted by the Corporation and suitable guarantee schemes have been formulated; preliminary steps for their introduction are being taken.

WORKING GROUPS RELATING TO BANKING

Working Group on the Modalities of Implementation of the Priority Sector Lending and 20-Point Economic Programme by banks

Mention was made in last year's Report regarding instructions issued by the Reserve Bank on the implementation of the 20-Point Economic Programme and various targets and sub-targets for lending to the weaker sections and priority sectors. Banks have taken steps for implementation of the recommendations for assisting beneficiaries of the programme. The position of public sector banks' assistance to the beneficiaries under the 20-Point Economic Programme (point-wise) as at the end of December 1981 is given in Table VI-29.

Working Group on the Modalities of Implementation of the New 20-Point Programme

Following the announcement by the Prime Minister of the new 20-Point Programme in January 1982, it was decided at the Finance Minister's meeting with the Chief Executives of public sector banks on February 15, 1982, that the Reserve Bank would appoint a Working Group to formulate the modalities of implementation of the new 20-Point Programme by banks. Accordingly the RBI appointed on March 11, 1982 a working group under the Chairmanship of Shri A. Ghosh, Deputy Governor, RBI and comprising of Chairmen/Managing Directors of some banks, ARDC, AFC, and senior officers of Ministry of Finance, Ministry of Rural Development and RBI. The terms of reference of the Working Group are :

(*a*) to identify the tasks for the banking system for effective implementation of the new 20-Point Programme;

(*b*) to review the present targets and sub-targets within the priority sector with special reference to the needs of the weaker sections ;

(*c*) to examine the scope for modifications in the definition of the priority sector;

(*d*) to review the present reporting and monitoring system regarding the flow of credit to the new 20-Point Programme with a view to simplifying and expediting the flow of information and making evaluation more effective; and

(*e*) to make any other recommendations which are incidental or related to the above terms of reference.

The Group has submitted its report which is under Government's consideration.

Working Group to review the Accounting System at Bank Branches

Mention was made in the last year's Report about the appointment of a Working Group to review the accounting system at bank branches under the Chairmanship of Shri M. N. Goiporia, Chairman, Dena Bank. The report of the Group has since been submitted and is being processed.

Committee to consider Formats of Published Accounts of banks and full Disclosure in such Accounts

Banks publish their annual accounts in the formats prescribed under the Banking Regulation Act, 1949. The Banking Commission (Chairman Shri Saraiya) had made certain recommendations regarding the need for full disclosure by banks of all their liabilities and assets. Suggestions also had been made that having regard to the large-scale expansion in banking operations and to improve the presentation of accounts, there is a need for revising these formats. Accordingly, to consider these and certain other related issues, the RBI appointed in March 1982, a Committee under the Chairmanship of Shri A. Ghosh, Deputy Governor of the Bank. The Committee comprises senior executives of banks, NIBM, Ministry of Finance, RBI and a chartered accountant.

Table VI—29: Public Sector Banks' Assistance under the 20-Point Programme

(As at the end of December 1981*)

(Number of Accounts in 000's)
(Balance in Rupees crores)

		No. of A/cs.	Balance outstanding
Point No. 1	Fair price shops, consumer co-ops. and super bazars (not including Point No. 10)	302	120.7
Point No. 2	Identified landless labourers and others allotted surplus lands, oral share croppers given recorded rights in land	772	135.6
Point No. 3	Allottees of house sites amongst landless and weaker sections	201	34.1
Point No. 4	Identified released bonded labour	39	5.9
Point No. 5	Identified beneficiaries of liquidation of rural indebtedness (excluding Points 2 & 4)	3298	602.7
Point No. 7	Minor irrigation (excluding assistance granted for this purpose under Points 2 & 5)	797	487.8
Point No. 8	Loan assistance to industrial units/electricity boards etc.	23	540.6
Point No. 9	Handloom weavers	222	36.6
Point No. 10	Individuals/fair price shops/consumer co-ops. for supply of controlled cloth (not included under Point No. 1)	97	18.2
Point No. 16	National Permit holders	9	52.0
Point Nos. 18 & 19	Consumer co-ops., educational institutions and book/stationery stores run by schools/colleges	11	3.0
	Total	**5772**	**2037.2**

* Provisional.
Source : Rural Planning and Credit Department, RBI.

The terms of reference of the Committee are as follows :—

(*a*) to examine the desirability of greater or full disclosure in the published accounts of banks, having regard to the need for disclosure, public accountability of banks, requirement of maintenance of confidentiality between banker and customer and the requirement of maintaining the image, reputation and creditworthiness of banks;

(*b*) to suggest, if greater or full disclosure is not considered necessary or appropriate, whether it is necessary to make any further provisions in the existing laws;

(*c*) to suggest suitable changes/amendments in the formats of the balance sheet and profit and loss accounts, having regard to :—

(*i*) the need for greater or full disclosure;

(*ii*) the expansion of banking operations both area-wise and sector-wise, over the period;

(*iii*) the need for improving the presentation of accounts; and

(*iv*) the presentation of accounts of other companies etc;

(*d*) to look into broadly, the practices followed by banks in accounting/classifying various items of liabilities and assets as well as income and expenditure and to suggest standard accounting concepts which would facilitate a uniform, comparable presentation of such items in the published accounts and compliance with various statutory requirements;

(*e*) to consider the question of evolving suitable norms for creating provisions for various purposes, more particularly for income-tax and other taxes, bad and doubtful debts, depreciation in Government securities, etc., on a scientific basis; and

(*f*) to make any other recommendations which are incidental or related to the above terms of reference.

The Committee is expected to submit its report within a period of 9 months.

Working Group on Customer Service in Banks

A reference was made in the last year's Report regarding the progress made by public sector banks in implementing in all 136 recommendations of the Working Group on Customer Service in Banks. The Reserve Bank continued to review the banks' performance in this regard and from the progress reports received from banks it was observed that while all the 14 banks nationalised earlier have implemented more than 90 recommendations, State Bank of India and its subsidiaries have implemented more than 100 recommendations. Regarding the performance of the six newly nationalised banks, the matter is being pursued with the banks.

The Small Group, set up by the Government of India to monitor and oversee the implementation of the Working Group's recommendations, decided during the year that the private sector banks also could be asked to implement all the 136 recommendations which are being implemented by the public sector banks and the banks were advised accordingly; so far private sector banks were implementing only 54 recommendations of the Working Group.

Working Group to Review the System of Cash Credit (Chore Committee)

Mention was made in the last year's Report of the major decisions taken by the Bank on the recommendations of the Working Group to review the system of cash credit, and which were communicated to banks on December 8, 1980. The various problems/issues arising out of the implementation of the recommendations were brought to the notice of the Reserve Bank by banks, individuals, chambers of commerce, other trade and industry interests, etc. The Bank therefore, organised a Seminar in July 1981 to discuss the problems/issues, and this was attended by senior Executives of banks and representatives of IDBI, ICICI and NIBM.

In the light of the consensus reached at the Seminar, certain relaxations were made by the RBI and these were communicated to the banks. The important ones are as under :

(*a*) In the case of new companies floated prior to December 8, 1980, companies showing signs of incipient sickness and companies having finalised modernisation/expansion programmes prior to implementation of Chore Committee recommendations, which were not in a position to switch over to the second method of lending (according to which the borrowers' contribution from owned funds and long-term resources to meet the working capital requirements should be at least 25 per cent of the total current assets), banks were instructed to assess the credit requirements of such borrowers without applying the second method of lending. Such relaxation, however, was to be permitted for a period not exceeding three years.

(*b*) To encourage exports, banks were instructed to adopt a flexible approach in respect of exporters who were unable to bring in additional contributions in respect of additional credit limits sanctioned for specific export transactions. In view of the concessionary rate of interest applicable to export packing credits in the case of exporter-borrowers, banks were to identify the working capital term loan where it so arises on a notional basis and not carve out such loan from the relative account. Banks were also advised that additional interest of one per cent per annum on *ad hoc* temporary limits should be charged only on limits other than pre-shipment/post-shipment credit finance as such finance was governed by ceiling rates of interest prescribed under the directives issued by the Reserve Bank from time to time.

(*c*) For calculating current assets, current liabilities and contribution to be made by

the borrowers, the net amount relating to income-tax paid for the previous years and for which assessments are pending and the corresponding provision may be taken into account. The advance tax paid for the current year and the corresponding provision may be taken as current assets and current liabilities respectively for the purpose of assessment and not the net position.

(*d*) For the purpose of computing permissible bank finance, banks were advised to include under current assets the amount of excise duty levied on the permissible level of inventory to be held by the borrower. Such amounts of excise duty may, however, be shown under other current assets and should not be treated as cost of production. Further, where the receivables of the borrower include an element of sales tax paid, banks may include under other current assets such element of sales tax.

(*e*) The matter relating to the delayed payment of bills due to small scale units by large borrowers/public sector undertakings/Government departments was taken up both with the banks as well as the Government. Banks were advised to instruct public sector undertakings/large borrowers to maintain control accounts in their books to give precise data regarding their dues to small units and furnish such data in the quarterly statements required to be submitted to banks. This would enable banks to take suitable measures for ensuring timely payment to small units. It was decided to impress upon the Government departments also the need for settlement of the dues to small units expeditiously. In order to assess from time to time the progress made in reducing delay in payment of bills of small scale units half-yearly reports furnishing the data have been called for from the banks.

Working Group to Review the Existing System of Inspection of Banks

The Reserve Bank appointed a Working Group on December 10, 1981, to review the existing system of inspection of commercial banks in the public and private sectors and to suggest improvements/modifications therein. The Working Group will also review the existing system of inspection of urban co-operative banks and RRBs. The terms of reference of the Working Group also include examination of the question of in-class as well as on-the-job training of inspection staff and examination of the existing machinery for monitoring the progress of inspections and the follow-up of their findings. The Group has as its Chairman, a retired Senior Officer of the Reserve Bank.

Tiwari Committee on Rehabilitation of Sick Industrial Undertakings

Mention was made in the last year's Report about the appointment of the Tiwari Committee to examine the legal and other difficulties faced by banks and financial institutions in the rehabilitation of sick industrial units. The Committee submitted its Interim Report to the Reserve Bank in November 1981 on the issue of special legislation and also creation of a special authority for expeditiously dealing with the rehabilitation of sick industrial units through changes in management, merger/amalgamation with healthy units, sale as a going concern, etc., and also in the matter of liquidation of sick units, wherever they are regarded as non-viable, without involving the present cumbersome legal procedure. The Interim Report is under consideration of the Government of India.

Committee on Financing of Tea Industry

Mention was also made in the last year's Report of the Committee constituted by the Reserve Bank in October 1980 to examine the problems relating to the financing of tea industry. The recommendations made by the Committee in ts report were accepted by the Reserve Bank with certain modifications and detailed guidelines were issued to banks towards the close of June 1982.

OTHER BANKING DEVELOPMENTS

Banking Laws (Amendment) Bill

In the last year's Report, it was mentioned that the Banking Laws (Amendment) Bill was awaiting re-introduction in the Parliament. During the year, some additional amendments to the Banking Regulation Act, 1949 and the

Reserve Bank of India Act, 1934 were suggested by the Bank to the Government of India, at their instance. The Bill, as finalised by the Finance Ministry, is now being vetted by the Law Ministry before being re-introduced in the Parliament.

CONTROL OVER NON-BANKING COMPANIES

Amendment to the Companies (Acceptance of Deposits) Rules, 1975 and Reserve Bank's Directions

It will be recalled that consequent to the amendments made to the Companies (Acceptance of Deposits) Rules, 1975, the Reserve Bank had amended, in April 1981, the directions issued earlier to non-banking companies. In terms of the amended directions, a ceiling of 1 per cent was fixed in respect of brokerage that can be paid by non-banking companies to the brokers for collecting/canvassing deposits on their behalf. Representations were received from the finance brokers requesting the Government to allow the companies to pay brokerage at the rate of 1 per cent per annum as against the prescribed rate of one per cent on a one-time basis. The matter was examined by the Government in consultation with the Reserve Bank and the Companies (Acceptance of Deposits) Rules, 1975 were again amended with effect from January 12, 1982, providing that while the ceiling on brokerage would continue to remain at 1 per cent for one year deposits, it would be 1¼ per cent and 1½ per cent in respect of two-year and three-year deposits, respectively, and that the payment of brokerage shall be on one-time basis. Consistent with this amendment, the two sets of the Bank's Directions issued to financial and miscellaneous non-banking companies were also amended with effect from February 24, 1982 to allow similar enhancement in the payment of brokerage on deposits received by the concerned companies.

Follow-up action on the recommendations of the Raj Study Group on Non-Banking Companies

Chit Funds Act, 1982.

Mention was made in the last year's Report of the introduction in the Parliament of the Chit Funds Bill, 1980, and its reference to the Select Committee of the Lok Sabha for further examination and report thereon. In the light of the representations received by the Committee from various chit fund associations, State governments and the public, as also oral evidences tendered at the sittings of the Select Committee, the provisions of the Bill were re-examined by the Reserve Bank. The Bill, as revised by the Select Committee and passed by the Lok Sabha, was referred by the Rajya Sabha, to its own Select Committee which also suggested a few changes. The Bill as passed by both Houses of Parliament received the President's assent on August 19, 1982.

Acceptance of Deposits by Unincorporated Bodies

It was mentioned in the last year's Report that the Banking Laws (Amendment) Bill, 1981 containing *inter alia*, provisions relating to acceptance of deposits by unincorporated bodies would be introduced in the Parliament shortly. In the light of the observations made in the Supreme Court's judgement in the case of Sanchaita Investments, Calcutta, the question of regulating the acceptance of deposits by unincorporated bodies has been reconsidered by the Government of India in consultation with the Reserve Bank. As desired by the Government, a draft Bill to amend the Reserve Bank of India Act, 1934 incorporating therein certain new provisions regarding the acceptance of deposits by unincorporated bodies has been prepared by the Bank and forwarded to the Government for consideration.

Research and Studies on Non-Banking Financial Intermediaries

As stated in the last year's Report, the findings of the Study on working of mutual benefit financial companies popularly known as 'nidhis' were discussed with the Government of India and suitable measures to improve the working of such companies are being initiated by the Department of Non-Banking Companies in the Reserve Bank. For the purpose of conducting a similar study of hire-purchase finance companies requisite data/information have been collected from selected hire-purchase companies and the processing thereof is in progress.

Growth of Deposits with Non-Banking Companies

The annual surveys of deposits with non-banking companies as on March 31, 1978 and March 31, 1979 have been completed. According to these surveys, the growth rate of company deposits shot up from 18.9 per cent in 1978 to 27.8 per cent in 1979. Over the year ended March 31, 1979, aggregate deposits rose by Rs. 574 crores to Rs. 2,636 crores although the number of reporting companies declined by 366 to 5,430. During the year, a quick estimate for ascertaining the volume of deposits as on March 31, 1981 was made. The estimate (which is provisional), has revealed that on March 31, 1981, 5,755 companies held deposits and exempted deposits aggregating Rs. 5,662 crores. Of this, 2,722 non-financial companies accounted for Rs. 4,244 crores, 2,529 financial companies for Rs. 1,259 crores and 504 miscellaneous non-banking companies Rs. 159 crores. The position as revealed by a similar quick estimate as on March 31, 1980 indicated that aggregate deposits in the non-banking corporate sector amounted to Rs. 4,704 crores, which were held by non-financial companies (Rs. 3,396 crores), financial companies (Rs. 1,119 crores) and miscellaneous non-banking companies (Rs. 189 crores).

RURAL CREDIT

I. Institutional Finance for Agriculture

Full data regarding disbursal of direct and indirect finance to the agricultural sector during 1980-81 and 1981-82 are not available as yet and hence analysis of trends in institutional finance for this sector during these two years is based on estimates.

(a) Direct Finance

During the year 1980-81, total direct loans issued by all agencies are placed at Rs.3,448 crores, showing a rise of Rs. 520 crores or 17.8 per cent over the disbursements of Rs. 2,928 crores (revised) during 1979-80 (Tabel VI-31).

Institution-wise, the lead was maintained by co-operatives and at Rs. 2,029 crores their share in aggregate disbursals was 58.8 per cent, followed by commercial banks (Rs. 1,275 crores or 37.0 per cent) and State Governments (Rs. 144 crores or 4.2 per cent). Short-term loans disbursed by co-operatives stood at Rs. 1,386 crores or 68.3 per cent of their total disbursements. Loans issued by scheduled commercial banks are estimated to have risen by Rs. 300 crores to Rs. 1,275 crores during the year 1980-81.

At the aggregate level, loans outstanding at end-June 1981 are estimated to have increased by Rs. 1,491 crores (23.4 per cent) to Rs. 7,873 crores. Out of the total outstandings (direct) at end-June 1981, co-operatives and commercial banks accounted for Rs. 4,613 crores (58.6 per cent) and Rs. 2,974 crores (37.8 per cent), respectively, as against Rs. 3,850 crores (60.3 per cent) and Rs. 2,364 crores (37.1 per cent) at end-June 1980.

During the year 1981-82, loans issued by co-operatives are estimated at Rs. 2,254 crores comprising Rs. 1,525 crores of short-term loans and Rs. 729 crores of medium and long-term loans. Loans issued by State Governments are placed at Rs. 161 crores. Loans outstanding of co-operatives are expected to go up by Rs. 946 crores (20.5 per cent) to Rs. 5,559 crores by end-June 1982.

(b) Indirect Finance

The data relating to indirect finance to the agricultural sector are set out in Table VI-32.

In 1981-82, aggregate indirect finance disbursed by all institutional agencies is anticipated to have increased by Rs. 360 crores (26.9 per cent) to Rs. 1,697 crores. The disbursals by co-operatives and the Rural Electrification Corporation (REC) are estimated at Rs. 1,497 crores and Rs. 200 crores, respectively.

The estimated indirect advances outstanding as at end-June 1981 at Rs. 2,513 crores showed a sharp increase of Rs. 643 crores (34.4 per cent) over 1980. Institution-wise, the outstandings of the REC at Rs. 932 crores (37.1 per cent) were the highest, followed by commercial banks at Rs. 927 crores (36.9 per cent),

Table VI—31: Direct Institutional Finance for Agriculture

(Rupees crores)

Items	Loans issued during					Loans outstanding as on June 30				
	1977-78	1978-79	1979-80	1980-81	1981-82E	1978	1979	1980P	1981	1982E
I. Co-operatives*	**1,444.4 (33.2)**	**1,621.0 (40.2)**	**1,821.1R (45.5)**	**2,028.5E (30.9)**	**2,253.7 (34.0)**	**3,074.1 (57.4)**	**3,383.1 (69.9)**	**3,850.1R (84.3)**	**4,613.0E (73.4)**	**5,558.5 (80.7)**
Of which										
(*a*) Short-term loans by PACS	1,057.9	1,206.5	1,259.6	1,385.5	1,525.1	1,347.6	1,540.0	1,696.7	2,205.7	2,867.4
(*b*) Medium and long-term loans by PACS/LDBs**	386.5 (237.9)	414.5 (240.6)	561.5 (318.8)	643.0 (363.9)	728.6 (407.6)	1,726.5 (1276.0)	1,843.1 (1,333.7)	2,153.4 (1,476.3)	2,407.3 (1,650.4)	2,691.1 (1,845.0)
II. State Governments@	**97.8**	**119.1**	**132.5**	**144.2**	**161.2**	N.A.	N.A.	N.A.	N.A.	N.A.
III. Scheduled Commercial Banks†	**569.4**	**800.1**	**974.5**	**1,275.0E**	N.A.	**1,339.7**	**1,824.6**	**2,363.8**	**2,974.0E**	N.A.
Of which										
(*a*) Short-term loans	288.1	365.1	454.5	575.0	N.A.	546.6	759.3	949.2	1,189.6	N.A.
(*b*) Medium and Long-term loans	281.3	435.0	520.0	700.0	N.A.	793.1	1,065.3	1,414.6	1,784.4	N.A.
IV. Regional Rural Banks††	**43.7**	**100.8**	N.A.	N.A.	N.A.	N.A.	N.A.	**168.4**	**286.4**	**441.2**
V. TOTAL DIRECT FINANCE (I TO IV)	**2,155.3**	**2,641.0**	**2,928.1**	**3,447.7**	**2,414.9£**	**4,413.8**	**5,207.7**	**6,382.3**	**7,873.4**	**5,999.7£**
Of which										
(*a*) Short-term loans	1,487.5	1,791.5	1,846.6	2,104.7	1,686.3	1,894.2	2,299.3	2,814.3	3,681.7	3,308.6
(*b*) Medium and Long-term loans	667.8	849.5	1,081.5	1,343.0	728.6	2,519.6	2,908.4	3,568.0	4,191.7	2,691.1

P=Provisional E=Estimates R=Revised N.A.=Not Available.

* Figures in brackets indicate the position of short-term and medium-term loans financed by commercial banks and RRBs and routed through PACS.

** Figures in brackets relate to long-term loans by LDBs.

@ Taken as short-term, and relate to financial year April-March.

† Loans issued relate to financial year April-March, while outstandings are as on June 30.

†† Taken as short-term loans.

£ Data are not comparable with earlier years data as data relating to commercial banks and RRBs for loans issued and relating to commercial banks in respect of loans outstanding are not available.

Table VI—32 : Institutional Finance for Agriculture—Indirect Finance

(Rupees crores)

Source of Finance	Loans issued during the year (July-June)					Loans outstanding as on June 30				
	1977-78	1978-79	1979-80	1980-81	1981-82E	1978	1979	1980	1981	1982E
I. Co-operatives@	**569.3**	**834.7R**	**894.9R**	**1,154.0E**	**1,497.4**	**380.4**	**481.2R**	**342.8R**	**638.3E**	**839.7**
Of which										
(*a*) State Co-operative Banks*	251.7	452.3	445.6	619.8	862.2	200.2	281.3	229.8	399.4	555.6
(*b*) Central Co-operative Banks*	317.6	382.4	449.3	534.2	635.2	180.2	199.9	113.0	238.9	284.1
II. Scheduled Commercial Banks	**N.A.**	**N.A.**	**N.A.**	**N.A.**	**N.A.**	**511.0**	**633.7**	**733.4**	**926.6E**	**N.A.**
Of which										
(*a*) Short-term loans	N.A.	N.A.	N.A.	N.A.	N.A.	140.7	190.3	150.2	194.6	N.A.
(*b*) Medium-term loans	N.A.	N.A.	N.A.	N.A.	N.A.	370.3 (63.1)	443.4 (84.1)	583.2 (105.9)	732.0 (137.7)	N.A.
III. Regional Rural Banks@	**2.7**	**6.3**	**N.A.**	**N.A.**	**N.A.**	**N.A.**	**N.A.**	**12.7**	**16.1**	**21.4**
IV. Rural Electrification Corporation**	**112.2**	**154.9†**	**166.4†**	**183.2†**	**200.0**	**503.4**	**637.5†**	**781.0†**	**931.5†**	**1,080.0**
TOTAL INDIRECT FINANCE (I TO IV)	**684.2**	**995.9**	**1,061.3**	**1,337.2**	**1,697.4**	**1,394.8**	**1,752.4**	**1,869.9**	**2,512.5**	**1,941.1£**
Of which										
(a) Short-term loans	572.0	841.0	894.9	1,154.0	1,497.4	521.1	671.5	505.7	849.0	861.1
(b) Term loans	112.2	154.9	166.4	183.2	200.0	873.7	1,080.9	1,364.2	1,663.5	1,080.0

P=Provisional. E=Estimates. R=Revised. N.A.=Not Available.

@ Taken as short-term loans.

* Loans disbursed include food procurement finance but these are not included in loans outstanding which mainly cover direct advances given to non-agricultural credit societies operating at apex, regional or primary level.

** Taken as long-term loans. † Financial year data. £ Excludes commercial banks outstandings.

Note: Figures in brackets indicate loans routed through PACS by Scheduled Commercial Banks.

co-operatives at Rs. 638 crores (25.4 per cent) and RRBs at Rs. 16 crores (0.6 per cent). Outstandings of co-operatives and REC are expected to reach Rs. 840 crores and Rs. 1,080 crores, respectively, by end-June 1982.

II. The Reserve Bank and Co-operative Agricultural Credit

(A) During the period under review, the following measures were adopted by the Reserve Bank towards strengthening the institutional arrangements with a view to facilitating a larger flow of credit from the co-operatives to the rural sector in general and the small/marginal farmers and other weaker sections of the rural community in particular.

(*a*) *Deposit Rates*

(*i*) The interest rates on short-term deposits (less than three years) with co-operative banks were enhanced with effect from March 1, 1982, as indicated in Table VI-33 to maintain alignment with interest rates on deposits of longer maturities.

To attract remittances from abroad, a special incentive was provided during the year under review. Accordingly, deposits from abroad into Non-Resident External Account (both Foreign Currency and Rupee Accounts Schemes) having a maturity of one year and above would be eligible for a 2 per cent interest per annum over and above interest rates prescribed for local deposits.

(*ii*) Under the Reserve Bank directives of August 1974 savings banks accounts maintained by agencies like Small Farmers' Development Agency (SFDA), Marginal Farmers' and Agricultural Labourers' Agency (MFAL), Drought Prone Areas Programme (DPAP), District Development Authority (DDA), District Rural Development Agency/Society (DRDA/DRDS) with co-operative banks under Integrated Rural Development Programme (IRDP) were not eligible for payment of interest. Relaxation was provided in December 1981 permitting co-operative banks to open savings banks accounts in the name of these agencies or other institutions which are specifically charged with the task of rendering social or economic assistance to the weaker and under-privileged sections of the society, on usual terms for payment of interest.

(*b*) *Lending Rates*

Consequent upon the upward revision in the Bank Rate from 9 per cent to 10 per cent effective July 12, 1981, the rate of interest on the Bank's refinance facilities to SCBs in respect of short-term and medium-term loans for agricultural purposes was correspondingly raised from 6 per cent to 7 per cent. However, the lending rates on short-term and medium-term agricultural loans to the ultimate borrow-

Table VI-33 : Changes in Interest Rates on Deposits in Co-operative Banks

(Per cent per annum)

Period of Deposit	Effective from	
	2-3-1981	1-3-1982
1	2	3
(*i*) 15 days to 45 days	2.5	3.0
(*ii*) 46 days to 90 days	3.0	4.0
(*iii*) 91 days and above but less than 6 months	4.0	5.0
(*iv*) 6 months and above but less than 9 months	4.5	6.0
(*v*) 9 months and above but less than 1 year	5.5	7.0
(*vi*) 1 year and above but less than 2 years	7.5	8.0
(*vii*) 2 years and above but less than 3 years	8.5	9.0

Note : However, the discretion to pay an additional rate of interest upto 0.25 per cent, 0.50 per cent and 1 per cent continued to be available to SCBs, CCBs and PCBs, respectively.

ers have been kept at the same level as prevailing before the hike in the Bank Rate.

(B) Short-term Credit:

(a) Interest Rates/Seasonality Discipline

The Reserve Bank continued its policy of sanctioning short-term credit limits to SCBs during 1981-82 at 3 per cent below the Bank Rate for financing seasonal agricultural operations. As in the previous years, the facility of full concessional rate of interest was linked with efforts of SCBs for deposit mobilisation and was made available only to the extent of their borrowings within the aggregate levels fixed separately for each CCB.

The seasonality discipline in lending operations of the co-operative banks (*i. e.*, drawals on credit limits from RBI being linked to their recovery performance) continued to be applicable during 1981-82. Accordingly, the SCBs were not permitted to draw on the credit limits sanctioned by the RBI on behalf of CCBs from April 1, 1982, unless the concerned CCB had recovered and remitted to the apex bank by March 31, 1982 at least 40 per cent of the current *kharif* demand under short-term agricultural loans, or 30 per cent of the total demand under short-term agricultural loans as on March 31, 1982. From July 1, 1982, the drawals would be permitted only on behalf of such CCBs which had recovered and remitted to the apex bank an amount equivalent to at least 40 per cent of the total demand in respect of short-term agricultural loans for the co-operative year 1981-82. If a CCB complied with the seasonality discipline after the prescribed date, drawals on short-term credit limits from the apex bank on behalf of such CCB were allowed from the date on which the minimum recovery performance was achieved by the concerned CCB.

(b) Restrictions on Advances against Sensitive Commodities

(i) On advances to traders, manufacturers and other borrowers

With a view to restricting advances to traders, manufacturers and other borrowers against sensitive commodities which offered scope for speculative operations, co-operative banks were advised not to sanction any new or additional credit limits to such parties and to ensure strict adherence of the directives issued by the Bank from time to time regarding such advances.

(ii) On Advances against Cottonseed

The margin requirement in respect of co-operative bank advances against cottonseed was relaxed during the year, considering the need to augment cottonseed oil production. Consequently, the stipulation of minimum margin of 60 per cent on advances to oil mills against stocks of cottonseeds equivalent to two months' consumption was brought down to 40 per cent. However, in respect of cottonseed stocks exceeding two months consumption, the margin requirement was retained at 60 per cent.

(iii) On Advances against Foodgrains

Effective November 26, 1981, the advances by SCBs and CCBs against paddy, rice and other foodgrains were brought under the operation of selective credit control. The following margins were fixed:

The margin requirements on advances against pulses, however, continued unchanged at 45 per cent for processing units and 60 per cent for others. Besides the margin requirements, the co-operative banks were required to charge a minimum lending rate of 19.50 per cent for advances against foodgrains. The SCBs and CCBs in the following States/Union Territories viz., Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa and Tripura were exempted from the purview of this directive.

(iv) On advances by PUCBs against Sensitive Commodities

The margins on advances against stocks of paddy and rice and other foodgrains made by PUCBs in Gujarat, Maharashtra and Karnataka were enhanced with effect from July 26, 1982 (the minimum margin prescribed for advances against these commodities was 40 per cent till July 27, 1982). The revised margins are presented on next page :

(Per cent)

Commodity	Advances to co-operative processing units/mills (minimum margin)		Advances to other co-operative societies (minimum margin)	
1	2		3	
(*a*) Paddy	(*i*) Pledge	30	(*i*) Pledge	35
	(*ii*) Hypothecation	45	(*ii*) Hypothecation	50
(*b*) Rice	Pledge or Hypothecation	50	Pledge or Hypothecation	50
(*c*) Other foodgrains (including wheat but excluding pulses)	(*i*) Pledge	30	(*i*) Pledge	35
	(*ii*) Hypothecation	45	(*ii*) Hypothecation	50
(*d*) Advances to roller flour mills against wheat and wheat products	Pledge or Hypothecation	25	—	
(*e*) Advances against warehouse receipts covering foodgrains				
(*i*) Advances upto Rs. 5,000 against warehouse receipts issued by rural godowns.	(Fixed Margin)	30		
(*ii*) Other advances against warehouse receipts	Minimum Margin	35		

	Against Stocks		Against Warehouse receipts	
	Processing units/mills (minimum margin)	Others (minimum margin)	For small advances upto Rs. 5,000 against rural warehouse receipts (fixed margin)	For others (minimum margin)
	1	2	3	4
(*a*) Paddy	45	60	30	50
(*b*) Rice	60	60	30	50
(*c*) Other foodgrains	45*	60	30	50

*For stocks equivalent to 4 weeks' consumption; for additional stocks margin was fixed at 60 per cent.

The minimum margin on advances against wheat (including wheat products) to roller flour mills was maintained at 25 per cent. For advances against pulses the margins at 45 per cent for processing units and 60 per cent for others remained unchanged.

Under a directive issued on August 19, 1981, all PUCB advances against sensitive commodities were brought under selective credit control with effect from September 1, 1981 (earlier such advances in Gujarat, Maharashtra and Karnataka only were subject to selective credit control). However, PUCB advances against foodgrains (including pulses), oilseeds and oils in Assam, Arunachal Pradesh, Jammu and Kashmir, Himachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Orissa and Tripura were exempted from the operation of the directive.

(*c*) *Credit for Fertiliser Distribution*

As in previous years the Reserve Bank continued to sanction credit limits to SCBs on behalf of marketing societies and federations for fertiliser distribution at one per cent above the Bank Rate. The credit limits sanctioned for this purpose during 1981 aggregated Rs. 5 crores as compared with Rs. 4 crores sanctioned during 1980. The Bank also advised the State Governments that financing the primary level societies for fertiliser distribution activities under consortium arrange-

ments with commercial banks should be given priority by the SCBs before their resources are diverted for financing the State/national level institutions.

(C) Medium-term Credit

(a) *Inter-purpose Diversion of Credit Limits*

As the CCBs were experiencing some difficulties in utilising credit limits sanctioned exclusively for the purposes for which they were sanctioned, on account of unforeseen changes in demand pattern at the level of ultimate borrowers, resulting in under-utilisation of credit limits, the Reserve Bank decided in October 1981 to allow inter-purpose diversion of medium-term credit limits sanctioned to SCBs on behalf of CCBs for financing approved purposes, under genuinely difficult conditions. Further, while diversion was permitted from less productive or less identifiable purposes to more productive or easily identifiable purposes, or from all purposes to minor irrigation, no amount sanctioned for minor irrigation could be diverted to other purposes.

(b) *Credit for Sheep-breeding*

On a suggestion from the Government of India, the RBI decided in December 1981 to allow CCBs also (besides commercial banks and RRBs which were permitted in December 1979) to route their medium-term loans for sheep-breeding under ARDC refinanced schemes through functional societies viz., sheep-breeding societies instead of through Primary Agricultural Credit Societies (PACS) on certain terms and conditions.

(c) *National Agricultural Credit (Long-term Operations) [NAC (LTO)] Fund*

An amount of Rs. 45 crores was allocated from the NAC (LTO) Fund for medium-term loans to the SCBs in different States for the calendar year 1982. The allocations were only broad indications of the amounts upto which the SCBs could expect credit limits for the year. Actual sanctions, however, depended on the assessment of the needs, financial position and operational efficiency of the banks and above all, on the progress made in the rationalisation of loan policy and procedures.

(d) *National Agricultural Credit (Stabilisation) Fund*

During the year ended June 1982 an amount of Rs. 75 crores was transferred to this Fund raising the total amount transferred upto June 30, 1982 to Rs. 440 crores.

(D) Long-term Credit

(a) *Loans to State Governments from NAC (LTO) Fund for the Share Capital Contribution*

The Reserve Bank made some relaxations in the criteria for granting loans out of NAC (LTO) Fund to State Governments for share capital contribution to PACS with a view to strengthening the share capital base of the reorganised PACS by additional Government share capital contribution so that they could expand their credit business and diversify non-credit activities. Earlier, loans out of NAC (LTO) Fund to State Governments for share capital contribution could be utilised for strengthening capital base of only those societies having overdues not exceeding 40 per cent of demand. After the relaxation societies whose overdues are between 40 and 50 per cent of demand are also eligible for share capital contribution provided they have improved their recovery performance by at least five percentage points in the previous year. Further, the deserving societies are eligible for share capital contribution upto Rs. 15,000/- as against Rs. 10,000/- hitherto. Societies undertaking activities relating to issue of consumption loans and non-credit business in addition to agricultural credit would now be eligible for share capital contribution upto Rs. 25,000/- as against Rs. 15,000/- earlier. However, the overall ceiling prescribed on Government share capital contribution at Rs. 50,000/- remained unchanged.

(b) *Regulation of Advances*

The Reserve Bank revised some norms relating to regulation of advances by SLDBs to PLDBs/branches of SLDBs so as to provide sufficient incentives to units showing better recovery performance. The eligibility level worked out against different ranges of overdues as percentage of demand is given below:

Range of overdues as percentage of demand	Eligibility
(*a*) Upto 25 per cent	Unrestricted
(*b*) 26 to 40 per cent	Highest lending level reached in any of the preceding five co-operative years or the amount of recoveries in the preceding co-operative year or the average amount of recoveries during the preceding three co-operative years, whichever is highest.
(*c*) 41 per cent and above	The amount of recoveries in the preceding co-operative year or the average amount of recoveries during the preceding three co-operative years, whichever is higher.

However, it was stipulated that the eligibility mentioned above should be utilised initially to meet the disbursement of second and subsequent instalments and that fresh loans may be given out of the balance in the eligibility after meeting the disbursements of the second and subsequent instalments. In cases where the eligibility for issue of fresh loans was very small after meeting the committed expenditure, such cases had to be referred to the RBI and ARDC so that sanction for additional eligibility could be considered. The eligibility for lending has now been made applicable for the co-operative year (July-June) instead of the financial year (April-March).

(*c*) *Lending Programme of LDBs in 1981-82 and 1982-83*

The total lending programme of SLDBs (for financing agriculture and allied purposes under normal and ARDC refinanced schemes) for the financial year 1981-82 was fixed at Rs. 408 crores as against Rs. 439 crores in 1980-81. Of the total of Rs. 408 crores, Rs. 301 crores were earmarked for ARDC refinanced schemes and the balance (Rs. 107 crores) for ordinary programme. Out of Rs. 107 crores earmarked for ordinary programme, Rs. 100 crores were to be raised by floating ordinary debentures and remaining Rs. 7 crores through internal resources (Table VI-34). The actual subscription received through floatation of ordinary debentures during 1981-82 formed 93 per cent of the approved programme as against 83 per cent in the previous year. The lending programme for 1982-83 is fixed at Rs. 419 crores of which ARDC refinanced schemes will account for Rs. 320 crores. Out of the balance of Rs. 99 crores, Rs. 95 crores will be raised by floating ordinary debentures while Rs. 4 crores will be met out of internal resources.

(E) Strengthening of Co-operative Structure

(*a*) *Reorganisation of PACS*

The need to build up a strong and viable base level structure in the co-operative credit system continued to receive the utmost attention of the Reserve Bank. As a step in that direction, the State Governments were urged to complete the reorganisation of primary level institutions expeditiously. The progress attained in this direction was not uniform in all the States. Although the programme was more or less completed in Andhra Pradesh, Assam, Bihar, Karnataka, Kerala, Madhya Pradesh, Manipur, Meghalaya, Orissa, Punjab, Rajasthan, Tripura, Uttar Pradesh and West Bengal, it had not made any progress in Gujarat although programme of reorganisation was drawn up as early as in 1976. At the other extreme lay the States of Maharashtra and Jammu and Kashmir where no steps had been taken in this direction. Reviewing the progress, the Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD), stressed the need for its early completion. As regards Gujarat, Maharashtra and Jammu and Kashmir, the Committee has suggested that the Government of India and the Reserve Bank should prevail upon the State Governments to devise and execute necessary legal and administrative steps for ensuring that reorganisation was completed within a year at the latest. This recommendation of the Committee was brought to the notice of the concerned State Governments in March 1982.

In States where the reorganisation programme had been completed, the Governments had been urged to develop some selected reorganised societies into multi-purpose service institutions on the pattern of FSS by introducing some diversified activities like distribution of agricultural inputs and consumer articles, marketing of agricultural produce, financing of rural artisans and making them

Table VI—34 : Ordinary Debenture Programme of State Land Development Banks

(Rupees crores)

Subscribing Agency	1980-81		1981-82		1982-83
	Approved Programme	Subscriptions received	Approved Programme	Subscriptions received	Approved Programme
1	2	3	4	5	6
(*i*) Central and State Governments.. ..	12.0	12.6	8.0	8.0	8.0
(*ii*) Life Insurance Corporation	45.0	45.0	45.0	35.0	35.0
(*iii*) Commercial Banks (through Indian Bank's Association)	10.0	10.0	10.0	10.0	10.0
(*iv*) State Bank of India Group	10.0	10.0	10.0	10.0	10.0
(*v*) Mutual Support and Self-help	38.0	18.2	27.0	29.7	32.0
Total	**115.0**	**95.8**	**100.0**	**92.7**	**95.0**

agents for issue of long term loans to their members.

The number of PACS (including FSS and LAMPS) stood around 94,500 at end-June 1980 (as compared with 95,782 a year ago). This number is anticipated to go down to 90,000 after reorganisation programme is completed in all the States.

(*b*) *Rehabilitation of CCBs/SCBs*

On a review of the position of weak CCBs under rehabilitation as on June 30, 1980, five banks were deleted from the list of weak banks on their attaining the desired improvement in financial position and operational efficiency but twenty banks were indentified afresh as weak and brought under the programme of rehabilitation. As on June 30, 1980, the total number of CCBs identified as weak requiring rehabilitation was 111 as compared with 96 as on June 30, 1979. The number of SCBs under rehabilitation in the States and the Union Territories served by two-tier credit structure remained unchanged at nine as on June 30, 1980.

It may be recalled that as far back as in 1977, the SCBs were advised of the need to draw up and complete the rehabilitation programme of weak CCBs within a specified period of five years *i.e.* from July 1, 1977 or the date on which the concerned CCB was initially classified/notified as weak, whichever was later. Accordingly, 71 weak CCBs had to be rehabilitated by June 30, 1982 which was the cut-off date. The regional offices of ACD were advised to hold informal discussion with SCB and the concerned State Government to finalise arrangements for the rehabilitation. The regional offices of ACD were also informed that if no improvement in financial position or operational efficiency was noticed in the case of the above CCBs till the cut off date, they should make alternative arrangements for supplying credit to the rural sector in the area of operations of such weak banks.

(*c*) *Rehabilitation of SLDBs*

For ensuring uninterrupted flow of credit under the World Bank assisted ARDC III project, rehabilitation programmes were drawn up for SLDBs in the States of Bihar, Gujarat, Karnataka, Maharashtra, Madhya Pradesh and Tamil Nadu where overdues had been persistently rising over the last few years. The rehabilitation plan included, among others, extension of repayment dates in the case of cultivators affected by natural calamities but not provided with rescheduling facility earlier, extension of period of loans up to 15 years to the small farmers, completion of investments, effective steps for recoveries, strengthening of staff, etc. As a part of this programme, the

SLDBs in these six States were allowed to grant extension of repayment dates and deferment of redemption of ordinary and special development debentures aggregating Rs. 60.2 crores as under:

(Rupees crores)

States	Type of debentures		
	Ordinary	Special development	Total
1	2	3	4
Tamil Nadu	7.6	9.0	16.6
Maharashtra	10.9	7.5	18.4
Karnataka	0.9	1.7	2.6
Bihar	2.8	2.0	4.8
Gujarat	6.0	4.5	10.5
Madhya Pradesh	3.1	4.2	7.3
Total	**31.3**	**28.9**	**60.2**

The LDBs in States of Maharashtra, Karnataka, Gujarat, Tamil Nadu, Bihar and Madhya Pradesh were allowed to block chronic overdues above five years aggregating Rs. 159 crores. The recovery of the blocked chronic overdues was to be spread over a period of five years at the rate of 20 per cent of the blocked amount every year so that sticky overdues could be rephased and recovered, keeping in view the repaying capacity of the borrowers.

(*d*) *Integration of Co-operative Credit Institutions*

With a view to introducing functional co-ordination between the long-term and short-term co-operative credit structure and ensuring availability of production credit to the borrowers, the State Governments were advised to select, on a priority basis, a few viable PACS to work as agents of PLDBs for collection, preliminary scrutiny of loan applications, disbursement of long-term loans and recovery of loan instalments on behalf of PLDBs. The PLDBs were expected to forward the list of their borrowers to the concerned PACS so that the latter could enrol such borrowers as members and meet their production credit needs. The banks in Punjab and Madhya Pradesh had drawn up detailed procedures to implement the scheme while those in Haryana and Uttar Pradesh had initiated steps in that direction.

III. The Reserve Bank and Co-operative Non-Agricultural Credit

(*a*) *Financing of Industrial Co-operatives (Other than Weavers)*

With the enhancement in the Bank Rate from 9 per cent to 10 per cent, the rate of interest charged to ultimate borrowers (other than weavers/units engaged in any of the activities covered under the approved broad group of cottage and small-scale industries) was also enhanced by one per cent so as to enable financing agencies to retain their spreads at levels existing prior to the enhancement in the Bank Rate. The lending rates and the margin retained by the banks, effective July 12, 1981, are as under:

(Per cent per annum)

Category of banks	Spread to be retained	Rate of Interest to be charged
	(Not exceeding)	(Not exceeding)
1	2	3
(*i*) State Co-operative Banks lending to		
(*a*) Central Co-operative Banks	½	8 (7)
(*b*) Primary (Urban) Co-operative Banks	1	8½ (7½)
(*ii*) Central Co-operative Banks lending to		
(*a*) Industrial Co-operative Societies	1	9 (8)
(*b*) Primary (Urban) Co-operative Banks	1	9 (8)
(*iii*) Primary (Urban) Co-operative Banks lending to individuals/units engaged in cottage and small-scale industrial activities	2½	11-11½ (10-10½)

Note: Figures in the bracket indicate the rates charged prior to July 12, 1981.

During the financial year 1981-82, short-term credit limits aggregating Rs. 59 crores were sanctioned to SCBs on behalf of 41 CCBs and 81 PCBs under Section 17 (2) (*bb*) read with Section 17 (4) (*c*) of the Reserve Bank of India Act, 1934 as against limits of Rs. 39 crores sanctioned in the last year. The drawals and repayments in 1981-82 (April-March) were of the order of Rs. 103 crores and Rs. 70 crores, respectively, as against Rs. 70 crores and Rs. 60 crores in 1980-81 (April-March). The outstanding amount stood at Rs. 48 crores as at end-March 1982 as against Rs. 18 crores at end-March 1981.

(*b*) *Handloom Finance*

With the enhancement in the Bank Rate from 9 per cent to 10 per cent from July 12, 1981, the Reserve Bank raised its refinance rate for the purpose of financing production and marketing activities of co-operative handloom industries from 6½ per cent to 7½ per cent thus retaining the concessional element at 2½ per cent below the Bank Rate.

During the financial year 1981-82, the limits for production and marketing of handloom products aggregated Rs. 97 crores as against Rs. 75 crores in 1980-81. The drawals made during 1981-82 amounted to Rs. 341 crores as against Rs. 235 crores in the previous year. The outstanding amount at the end-March 1982 was lower at Rs. 57 crores as against Rs. 62 crores a year ago.

In the light of the findings of several studies conducted by the Reserve Bank to review the per loom scales of finance for financing weavers' societies producing silk, woollen and polyester cloth, the Bank decided to (*a*) raise the per loom scales of finance in respect of silk, woollen and polyester cloth on handlooms and (*b*) fix a separate scale of finance for special varieties of cotton cloth like bed spread, etc. as indicated below:

Variety	Scale of Finance	
	Existing (Rs.)	Revised (Rs.)
1	2	3
1. Silk cloth on handlooms ..	2,500	3,500
2. Woollen on handlooms ..	2,500	3,000
3. Polyester on handlooms ..	8,000	10,000
4. Special varieties of cotton cloth like bed spreads, furnishing materials, Jacquard terry towels and export variety of cloth	£	3,000
5. Silk on powerlooms	15,000	20,000

£ There was no separate scale for these varieties hitherto. The scale of finance of Rs. 2,000 applicable to cotton cloth in general was applicable to these varieties also.

(*c*) *Credit Authorisation Scheme*

On a review made by the Reserve Bank, SCBs have been now permitted to sanction without prior authorisation from the Bank, pledge credit limits to co-operative sugar factories for 1981-82 season (October-September) to the extent of 75 per cent of the limit sanctioned for the previous year taking into account the utilisation of limit in the previous year as well as the need for funds in relation to its production programme envisaged during the current year.

However, if any sugar factory required clean/hypothecation limits in addition to pledge limits for meeting pre-seasonal expenses connected with 1982-83 season, the SCB had to obtain prior authorisation from the RBI. However, the above relaxation has not been extended to CCBs which are required to obtain prior authorisation from the Reserve Bank as hitherto.

Under the existing Credit Authorisation Scheme working capital limits to co-operative marketing/processing societies and consumers store societies exceeding Rs. 200 lakhs in the case of SCBs and Rs. 100 lakhs in the case of CCBs required the prior clearance from the Reserve Bank. With effect from July 30, 1982 these limits requiring prior clearance have been revised upwards. Prior sanction of NABARD is required for advances exceeding Rs. 300 lakhs in the case of SCBs and Rs. 150 lakhs in the case of CCBs with effect from the above date.

During the co-operative year 1981-82, 11 SCBs and 12 CCBs approached the Reserve Bank for prior authorisation in respect of 95 proposals for block capital finance on behalf of 74 manufacturing/processing units as against eight SCBs and 11 CCBs which sought authorisation for 67 proposals on behalf of 52 units in 1980-81. However, authorisation was granted to five SCBs and six CCBs for an aggregate amount of Rs. 59 crores in respect of 33 units in 1981-82 as against Rs. 20 crores sanctioned to five SCBs and six CCBs in respect of 25 units in the previous year.

As regards working capital finance, 13 SCBs and 61 CCBs submitted 508 proposals on behalf of 220 manufacturing/processing units in 1981-82. Authorisation was granted to 13 SCBs and 57 CCBs for an aggregate amount of Rs. 879 crores in respect of 200 units as compared with 13 SCBs and 38 CCBs which were granted Rs. 698 crores on behalf of 177 units in 1980-81. In addition, the Maharashtra SCB was authorised to sanction Rs. 205 crores for financing Cotton Monopoly Procurement Scheme in the State as against Rs. 195 crores in the year 1980-81.

IV. Reserve Bank's Credit to Co-operative Sector

Details of financial assistance provided by way of short-term, medium-term and long-term finance to the co-operative sector under various sections of the RBI Act, 1934 are presented in Table VI.35.

(*a*) *Short-term Credit*

Short-term credit limits sanctioned by the RBI to SCBs during 1981-82 were higher at Rs. 1,087 crores than in 1980-81 (Rs. 940 crores@). Drawals and repayments against these short-term credit limits during the period were substantially higher at Rs. 1,918 crores and Rs. 1,650 crores, respectively, as compared with the corresponding figures of Rs. 1,278 crores and Rs. 1,125 crores during 1980-81. The short-term credit outstanding stood at Rs. 639 crores, showing a rise of Rs. 265 crores over the outstanding position as at the end of the previous year (Table VI-35).

@ Excluding Rs. 10 crores sanctioned to ARDC.

The credit limits sanctioned for seasonal agricultural operations aggregated Rs. 892 crores in 1981-82 as against Rs. 798 crores in the previous year and accounted for 82 per cent of the total limits (Rs. 1,087 crores) in 1981-82. As against the aggregate credit limits of Rs. 892 crores sanctioned to SCBs for seasonal agricultural operations during1981-82, the outstandings at the end of June 1982 were Rs. 528 crores.

Credit limits sanctioned by the Reserve Bank for purposes other than seasonal agricultural operations aggregated Rs. 195 crores during 1981-82 as against Rs. 152 crores in the previous year. Limits sanctioned for production and marketing of handloom products at Rs. 97 crores and for financing of other cottage and small-scale industries at Rs. 59 crores in 1981-82 were also higher than the corresponding limits sanctioned last year (April-March).

(*b*) *Medium-term Credit*

During the calendar year 1982, the Reserve Bank sanctioned Rs. 22 crores (upto June 1982) from the National Agricultural Credit (Long-term Operations) [NAC (LTO)] Fund for financing medium-term credit for approved agricultural purposes. The limits sanctioned and the drawals effected by SCBs during the year 1981 amounted to Rs. 26 crores and Rs. 18 crores as compared with Rs. 30 crores and Rs. 17 crores, respectively, in 1980. The need on the part of State Governments to realistically assess the credit needs of each CCB and also ascertain the reasons for under-utilisation with a view to minimising the gap between sanctioned amounts and amounts utilised was emphasised by the Reserve Bank.

The limits sanctioned during the year 1981-82 (July-June) from the NAC (Stabilisation) Fund for medium-term conversion loans to SCBs to enable SCBs/CCBs to convert the short-term agricultural loans into medium-term loans due to natural calamities aggregated Rs. 85 crores as against Rs. 60 crores sanctioned for 1980-81 (July-June). Of the total amount sanctioned, the drawals effected amounted to Rs. 54 crores as against Rs. 38 crores during 1980-81 (July-June). The extension of repayment facility upto three months granted to

Table VI—35: Reserve Bank Credit to Co-operatives, State Governments and ARDC during 1980-81 and 1981-82

(Rupees crores)

Section of the RBI Act, 1934	Term-wise/Purpose-wise Finance	Period for which limits are sanctioned	1980-81				1981-82			
			Limits Sanctioned	Drawals	Repayments	Outstandings	Limits Sanctioned	Drawals	Repayments	Outstandings
1	2	3	4	5	6	7	8	9	10	11
	I. Short term	..	**950**	**1,278**	**1,125**	**374**	**1,087**	**1,918**	**1,650**	**639**
17(2)(b) read with 17 (4) (c)/ Section 17 (4) (c)	(i) Seasonal agricultural operations (at 3% below Bank Rate from March 1978)*	July-June	798	968	861	291	892	1,423	1,186	528
-do-	(ii) Marketing of crops other than cotton and kapas (at Bank Rate from June 1978)	July-June								
17(4)(c)	(iii) Marketing of cotton and kapas including monopoly procurement of cotton (at Bank Rate from June 1978)	July-June	18	—	—	—	24	37	36	1
-do-	(iv) Purchase and distribution of fertilisers (at 1% above Bank Rate from June 1978)	January-December†	4	4	3	2	5	7	5	4
17(2)(bb) read with 17(4) (c)	(v) Production and marketing of handloom products (at 2½% below Bank Rate from March 1978)	April-March	75	235	200	62	97	341	346	57
-do-	(vi) Financing of other cottage and small scale industries (at 2½% below Bank Rate from March 1978)@	April-March	39	70	60	18	59	103	70	48
17 (4) (c)	(vii) Purchase and sale of yarn (at Bank Rate)	April-March	6	1	1	1	10	7	7	1
-do-	(viii) Against pledge of sugar (at 3% above Bank Rate)	July-June	—	—	—	—	—	—	—	—
17 (4E)	(ix) Loans to ARDC (at Bank Rate)	July-June	10	—	—	—	—	—	—	—
	II. Medium-term		**90**	**55**	**81**	**132**	**111**	**72**	**82**	**122**
17 (4AA) read with 46A (2) (b)	(i) Agricultural purposes (at 3% below Bank Rate from January 1,1979)	January-December†	30	17	16	37	26	18	18	37
17 (4AA) read with 46B (2)	(ii) Conversion of short-term loans into medium-term loans in scarcity affected areas including rephasement (at 3% below Bank Rate from January 1979)	July-June	60	38	65	95	85	54	64	85
17 (4AA) as determined under Section 46A (2) (B)	(iii) Purchase of shares in co-operative sugar factories/processing societies (at Bank Rate) ..	January-December†	—	—	—	—	—	—	—	—
	III. Long-term		**108**	**112**	**56**	**494**	**213**	**212**	**69**	**637**
17 (4AA) as determined under Section 46A (2) (a)	(i) Loans to State Governments for contribution to share capital of co-operative credit institutions (at 6% per annum) ..	April-March	13	17	13	128	13	12	16	123
17 (4AA) read with Section 46A (2) (e)	(ii) Loans to ARDC (at 6% per annum)	July-June	95	95	43	366	200	200	53	514
	TOTAL CREDIT (I+II+III)		**1,148**	**1,445**	**1,262**	**1,000**	**1,411**	**1,928**	**1,554**	**1,371**

* Subject to recovery of an additional interest of 1½ per cent as per linking scheme.
† Data for 1980 and 1981. —Nil or Negligible.
@ Including small amounts relating to advances to artisans and weavers at 3 per cent below Bank Rate.
Source: Agricultural Credit Department, RBI.

SCBs for availing facilities of conversion of short-term agricultural loans into medium-term loans was available upto June 30, 1982. No limits were sanctioned by the Reserve Bank during 1981-82 (July-June) for the purchase of shares in co-operative sugar factories/processing societies.

(c) Long-term Credit

During the year 1981-82 (April-March), loans amounting to Rs. 13 crores were sanctioned from NAC (LTO) Fund to 18 State Governments for contribution towards the share capital of 5,026 co-operative credit institutions. In the preceding year too, an identical amount was sanctioned for this purpose to 17 State Governments in respect of 5,284 co-operative credit institutions. The amount drawn by State Governments during 1981-82 was about Rs. 12 crores. The outstandings as at end-March 1982 amounted to Rs. 123 crores.

During 1981-82 (July-June), the Reserve Bank sanctioned Rs. 200 crores to ARDC from NAC (LTO) Fund, as against Rs. 95 crores sanctioned in the preceding year. The loan was fully drawn by the Corporation as on June 30, 1982.

(d) Overdues Position

The performance of co-operatives in the matter of recovery at all levels showed marginal improvement. In the case of SCBs the percentage of overdues to outstanding credit declined from 11.6 per cent at end-June 1980 to 6.9 per cent at end-June 1981. In the case of CCBs and PACS the decline was from 37 per cent to 31.7 per cent and from 45.9 per cent to 43.5 per cent, respectively.

V. Other Developments

(a) Crop Insurance

The Pilot Crop Insurance Scheme of the General Insurance Corporation (GIC) was in operation in Gujarat, Tamil Nadu and West Bengal since 1979. During the *kharif* season of 1981, six more States viz. Andhra Pradesh, Haryana, Himachal Pradesh, Karnataka, Maharashtra and Orissa adopted the scheme which was extended to 199 units of low risk areas spread over 74 districts, covering paddy, jowar, groundnut, bajra, cotton, rice and maize. During the year 1982-83 (July-June) approximately 50,000 hectares of low and medium risk areas are proposed to be covered under the scheme. A provision was included in the scheme to give subsidy to small and marginal farmers at the rate of 50 per cent of the premium with a view to helping poor farmers. The subsidy will be shared equally by the Central and concerned State Governments.

(b) Chit Fund Business of Co-operatives

Attention of co-operative banks undertaking chit/kuri business was drawn to the restrictive provisions of Chit Funds Bill, 1980, passed by the Parliament. Clause 85 of the Bill stipulates that no bank shall commence or carry on chit fund after the Act comes into force. The Bank has advised the co-operatives to taper off such business, whenever any running chit/kuri terminates. However, the State Governments could, with the concurrence of the Reserve Bank, permit some co-operatives such as PACS and multi-purpose societies to carry on such business. The Reserve Bank continues to undertake studies on operations of chit funds and kuris and it is on the basis of one of its studies conducted in Kerala in 1981 that the Bank decided that PACS could be permitted to do chit fund business subject to some safeguards.

(c) Advances to Individuals by SCBs/CCBs

The facility given to co-operative banks to provide housing loans to individuals belonging to weaker sections of the community was extended to individuals belonging to the middle-income group too whose monthly income was in the range of Rs. 601-1,500, subject to the conditions that such loans did not exceed 15 per cent of the aggregate loan issued for housing purpose and further that the amount per borrower did not exceed Rs. 50,000, subject to the overall condition that bank assistance did not exceed 50 per cent of the aggregate cost of the house/tenement.

As regards purchases of consumer durables (such as refrigerator, television, radio and scooter), the maximum limit upto which CCBs and SCBs could finance an individual

was retained at Rs. 5,000. The overall ceiling for this purpose was retained at 10 per cent of the aggregate deposit liabilities (of which at least five per cent would be for the benefit of small-scale industrial units). The operative ceilings at various levels of deposits (subject to a maximum of 10 per cent) indicated by the Reserve Bank are as follows:

Table VI-36 : Operative Ceilings for Advances by CCBs and SCBs

A. CCBs having deposits from individuals	**Ceiling limit**
1. Upto Rs. 1 crore	2 per cent of the deposits raised from individuals or Rs. 2 lakhs, whichever is less.
2. More than Rs. 1 crore but less than Rs. 5 crores	2 per cent of the deposits raised from individuals or Rs. 5 lakhs, whichever is less.
3. Exceeding Rs. 5 crores	2 per cent of the deposits raised from individuals or Rs. 10 lakhs, whichever is less
B. SCBs having deposits from individuals	
1. Upto Rs. 10 crores	2 per cent of the deposits raised from individuals or Rs. 10 lakhs, whichever is less.
2. Exceeding Rs. 10 crores	2 per cent of the deposits raised from individuals or Rs. 30 lakhs, whichever is less.

(d) Banking Regulation and Inspection

Licences to carry on banking business under Section 22 (2) of the Banking Regulation Act, 1949 were issued during 1981-82 to one SCB, seven CCBs, 15 existing PCBs and 19 new PUCBs. The total number of licensed co-operative banks stood at 345 comprising eight SCBs, 32 CCBs and 305 PCBs as at end-June 1982.

Licences were also issued during the year to 150 co-operative banks (12 SCBs and 138 PCBs) for opening new offices under Section 23 of the Banking Regulation Act, 1949 (as against 180 licences issued during the year 1980-81).

During the year, the Bank conducted statutory inspections of 12 SCBs, 166 CCBs and 506 PCBs (including Salary Earners' Societies). Further, eleven SLDBs and six Apex Weavers'/Marketing Societies were inspected on a voluntary basis.

During the year 1981-82 (July-June) the following additions/deletions were made in the list of co-operative banks coming under the purview of the Banking Regulation Act, 1949 (as applicable to co-operative societies).

Type of Institution	Added	Deleted
SCBs	1	—
CCBs	2	3
PUCBs	42	12
Salary Earners' Societies ..	1	8

There were 1,634 co-operative banks comprising 30 SCBs, 346 CCBs and 1,258 PUCBs (including Salary Earners' Societies) coming under the purview of the Banking Regulation Act, as on June 30, 1982, as compared with 1,604 banks a year ago.

(e) Policy on Licensing of New Primary (Urban) Co-operative Banks

The policy relating to licensing of new Primary (Urban) Co-operative Banks prescribed by the Reserve Bank in June 1979 was elucidated in September 1981. The salient features of the new policy guidelines are as under:

(1) The need for a new urban bank or a new branch of an existing bank will be determined in the light of the network of bank

branches existing in the area and the general policy of the Government/Bank enunciated for that purpose.

(2) The applicant bank should have a truly co-operative character and the required expertise to grow into a reasonably good and viable bank. In case the membership is drawn from a large area with little or no cohesion or commonality, it may detract from the co-operative character of the institution unless there are other compensatory features.

(3) An urban co-operative bank must be truly urban. There are no objections to the inclusion of different urban centres of the same district in the area of operation provided the co-operative character is not diluted and there is no objection on other grounds. Its operation must cover only urban areas as the credit needs of the rural areas are being met by PACS, FSS, CCBs, etc. Certain norms in regard to minimum membership and share capital have been laid down separately for opening of branches in semi-urban, urban and metropolitan areas.

(f) Rules Framed under Section 47A of the Banking Regulation Act, 1949

Rules have been laid down by the Reserve Bank, prescribing the procedure for conducting enquiry by an officer of the Bank for enforcement of penalty provisions under Section 47A of the Banking Regulation Act, 1949, (as applicable to Co-operative Societies) without going through lengthy court proceedings. (These rules were published in the Gazette of India dated July 11, 1981).

VI. Commercial Banks and Rural Credit

(*a*) The Integrated Rural Development Programme (IRDP) was assigned a pivotal role in increasing production in agriculture and other sectors in rural areas with a view to creating substantial improvement in employment opportunities to make rural families viable and self-sufficient. The operations of the IRDP were reviewed at a high level meeting held in New Delhi in November 1981, by senior officers of the Central and State Governments and chief executives of the public sector banks. The review disclosed that the progress in disbursal of institutional credit for IRDP was not satisfactory. The need for commercial banks to quickly gear up their machinery was emphasised so that the annual plan targets fixed for the financial year 1981-82 under IRDP were achieved.

(b) Bank Advances against Gold Ornaments and Jewellery

In terms of the policy guidelines issued earlier by the Reserve Bank to commercial banks, agricultural loans upto the cost of economic unit or Rs. 5,000, whichever is less, should be secured only by the assets created out of the loans. The banks were also advised not to insist upon collateral security in the form of gold, jewellery or any other property as a pre-condition for grant of loans. However, in the case of banks which continued to grant advances to farmers against jewellery, the Reserve Bank decided to bring about some uniformity in such advances. Subject to the above policy guidelines, commercial banks were permitted to accept gold ornaments and jewellery as security for agricultural loans so long as the quantum of loan was assessed with reference to the crops grown or the investment proposed and the repaying capacity likely to be generated, and not with reference to the value of gold ornaments pledged. All other advances against gold ornaments and jewellery which were likely to be utilised for non-productive purposes were to be discouraged.

(c) Disbursal of Credit to Agriculture and Allied Activities

The total disbursals during the year 1979-80 (April-March) amounted to Rs. 975 crores, of which Rs. 473 crores (48.5 per cent) were disbursed by nationalised banks, Rs. 370 crores (38.0 per cent) by the State Bank of India group and Rs. 132 crores (13.5 per cent) by foreign and other scheduled commercial banks. Short-term crop loans accounted for Rs. 455 crores (46.6 per cent) whereas term loans and loans for allied activities accounted for Rs. 361 crores (37.1 per cent) and Rs. 159 crores (16.3 per cent), respectively. A major portion of term loans (Rs. 185 crores) was disbursed for purchase of tractors and agricultural implements and machinery. Loans for

dairy activities accounted for Rs. 77 crores. Purpose-wise and region-wise distribution of agricultural credit by commercial banks is presented in Table VI.37.

Region-wise, Southern and Central regions accounted for 44 per cent and 14 per cent, respectively, of total credit disbursed as in the preceding year. However, the share of Northern region increased by 2 percentage points to 21 per cent in 1979-80 and in the case of Western region the share went up marginally by one percentage point to 14 per cent in 1979-80. On the contrary the share of Eastern and North-Eastern regions together declined by 3 percentage points to 7 per cent in 1979-80.

(*d*) *Financing of PACS by Commercial Banks*

The scheme of financing of PACS by commercial banks introduced in June 1970 was operating in 142 districts of 13 States where 695 branches of 25 commercial banks had taken over 2,725 societies as at end-June 1981. The commercial banks provided finance to 2,020 societies constituting 74 per cent of the total number of societies adopted by them as against 65 per cent in the preceding year. The total short-term and medium-term loans issued during 1980-81 (July-June) amounted to Rs. 21 crores and Rs. 5 crores as against Rs. 24 crores and Rs. 6 crores, respectively, in 1979-80. The percentage of overdues to demand increased during the period from 61 to 69, even though the total overdues of the societies ceded to commercial banks declined from Rs. 37 crores as on June 30, 1980 to Rs. 36 crores as on June 30, 1981.

VII. Study Teams/Committees

A brief review of the reports and recommendations of Study Teams/Committees and appointment of new ones relating to agricultural credit is given below:

I. Brief Summary of Findings of Study Teams

(*a*) *Study Team on Agricultural Credit Institutions in Orissa*

The Study Team constituted by the Reserve Bank to examine the factors inhibiting the growth of co-operative credit structure in Orissa and to suggest remedial measures to enable the institutions to lend adequate credit support for the various agricultural development programmes of the State submitted its report in August 1981. The recommendations of the Committee have, by and large, been accepted by the Reserve Bank. The main findings/recommendations are:

(*i*) The SCBs and CCBs in the State have registered notable progress in recent years both in regard to building up of their deposits and loan business, despite the fact that the level of deposits and advances of financial agencies in the State is below all-India average. If the present annual growth rate is maintained by the SCBs and CCBs, the co-operative credit structure would be in a position to meet substantially the credit requirements envisaged in the Sixth Plan;

(*ii*) For meeting the credit gaps, it was recommended that preference may be given to RRBs wherever they have been established supplemented by commercial banks where necessary; and

(*iii*) As regards the scheme for financing agriculture by commercial banks through PACS, it exhorted State Government to complete the programme of reorganisation of PACS expeditiously and to revise upward the norm of minimum short-term agricultural loan business for ensuring the viability of base-level societies to meet the increased cost of establishment.

(*b*) *Working Group on Institutional Credit for Jute Growers*

On the recommendations of the Parliament Committee on Public Undertakings (1977-78), the Government of India, in consultation with the Reserve Bank, constituted a Working Group in December 1980 to study the problems of jute growers, particularly in regard to the institutional arrangements for production credit and marketing of raw jute. The Working Group submitted its report in January 1982. The major recommendations, viz., crop insurance cover for jute cultivators, construction of rural godowns to ensure proper storage facilities and other support action are under

Table VI-37:—Purpose-wise/Region-wise Distribution of Credit—1979-80*

(Rupees lakhs)

	Northern Region	North-Eastern Region	Eastern Region	Central Region	Western Region	Southern Region	Total
1	2	3	4	5	6	7	8
I. Short-term Loans (Crop—Loans)	**4,754** **(10.4)** **(23.5)**	**94** **(0.2)** **(44.8)**	**2,762** **(6.1)** **(41.1)**	**2,805** **(6.2)** **(20.0)**	**5,129** **(11.3)** **(37.7)**	**29,907** **(65.8)** **(70.0)**	**45,451** **(100.0)** **(46.6)**
II. Term Loans	**12,939** **(35.8)** **(64.1)**	**64** **(0.2)** **(30.7)**	**3,033** **(8.4)** **(45.2)**	**9,500** **(26.3)** **(67.6)**	**4,568** **(12.7)** **(33.6)**	**6,003** **(16.6)** **(14.1)**	**36,108** **(100.0)** **(37.1)**
1. Sinking and Deepening of Wells and Tube Wells ..	242	4	312	971	485	248	2,262
2. Pumpsets/Oil Engines ..	763	3	669	1,778	526	416	4,156
3. Composite Minor Irrigation Schemes	618	2	231	555	411	127	1,946
4. Tractors and Agricultural Implements and Machinery	9,981	18	809	4,802	2,078	794	18,484
5. Plough Animals	271	12	239	403	243	456	1,625
6. Reclamation and Land Development Schemes ..	155	4	26	43	71	213	511
7. Construction of Godowns and Cold Storages ..	140	3	28	28	47	108	355
8. Plantations	12	3	93	4	56	1,598	1,766
9. Others	758	14	624	916	650	2,043	5,004
III. Loans for Allied Activities ..	**2,506** **(15.8)** **(12.4)**	**51** **(0.3)** **(24.5)**	**921** **(5.8)** **(13.7)**	**1,739** **(10.9)** **(12.4)**	**3,898** **(24.5)** **(28.7)**	**6,778** **(42.7)** **(15.9)**	**15,893** **(100.0)** **(16.3)**
1. Dairying]	1,565	20	383	1,193	2,049	2,489	7,700
2. Poultry Farming, Piggery and Bee Keeping	470	10	169	126	325	925	2,024
3. Fisheries	11	17	216	15	664	1,270	2,193
4. Others	460	3	154	405	860	2,093	3,976
Grand Total (I+II+III)..	**20,200** **(20.7)** **(100.0)**	**209** **(0.2)** **(100.0)**	**6,716** **(6.9)** **(100.0)**	**14,044** **(14.4)** **(100.0)**	**13,595** **(14.0)** **(100.0)**	**42,687** **(43.8)** **(100.0)**	**97,451** **(100.0)** **(100.0)**

* Data relate to financial year ended March 1980.

Note: 1. Figures in first bracket indicates the share of each region to the total loans disbursed under three main categories.

2. Figures in second bracket indicates the share of each category of loan disbursed to the grand total.

3. The group totals do not exactly add up due to rounding off of figures.

Source: Department of Banking Operations and Development, RBI.

the active consideration of the Government of India.

(c) *Study Group on Deployment of Resources by SCBs and CCBs*

As quite a few SCBs and some of the CCBs in the country were, for some time past, faced with the problems of surplus resources and lack of avenues for profitable investment of their loanable internal resources, the Reserve Bank appointed a Study Group in March 1981 for an in-depth study of the problems and to make recommendations which would offer solutions of a long-term nature to the problems. The Study Group submitted its report in August 1981. The fundamental cause of surplus resources of SCBs and CCBs, according to the Study Group, is that their loans and advances do not keep pace with their loanable deposit resources. The higher growth rate of deposits is attributable to factors such as element of compulsion on co-operatives to keep their surplus funds with the concerned higher financing agency (SCB or CCB), concession allowed to SCBs, CCBs and PCBs to offer additional interest on savings and term deposits (1/4, 1/2 and 1 per cent over prescribed interest rates). The lower growth rate of loans and advances, in the opinion of the Study Group, is attributable to higher level of overdues (which restricts prospects of incremental agricultural lending), induction of commercial banks into the sphere of agriculture and rural credit, setting up RRBs, etc. The Study Group in these circumstances visualised two categories of surpluses, viz., long-term and seasonal which need to be tackled separately. While in the case of the latter the problem was essentially one of 'parking' funds in short-term avenues which would be co-terminus with the surpluses, the Group felt that the long-term remedy to the problem lay in accelerating the growth of loans and advances, particularly for agricultural and allied purposes by taking several measures suggested by various committees from time to time. The Group cautioned against taking steps which would retard the deposit growth, particularly in the context of vast scope for developmental lending and overall resource constraint. Without detriment to the interest of the agricultural sector several areas within and outside the co-operative structure were identified where the surplus resources could profitably be deployed, such as the State Marketing Federation for fertiliser distribution and National Level Co-operative Marketing Consumer Federations for general business. Dairy Development Corporation, State Electricity Boards, provision of working capital accommodation to co-operatives in tribal areas, bridge finance and term loans to co-operative processing societies, interim accommodation to SLDBs, etc.

Although the avenues outside the co-operative fold were suggested by the Group for profitable deployment of resources, this could only be attempted till a strong co-operative infrastructure is laid to absorb credit within the state co-operative sector.

(d) *Study Group to Review the Working of the Scheme of Financing of PACS by Commercial Banks*

The Study Group set up by the Reserve Bank in December 1978 to review the working of the Scheme of Financing of PACS by Commercial Banks submitted its report in August 1981. The Group was of the view that the scheme failed to make any perceptible impact on the functioning of societies ceded to commercial banks. The organisational link with commercial banks also failed in arresting delinquency in repayment of loans in the ceded societies. Further, commercial banks did not provide higher quantum of assistance to the societies ceded to them either in absolute terms or in relation to the quantum of assistance provided by CCBs to their affiliated societies. The scheme has not helped in bridging the credit gaps. According to the Group, the failure of the scheme is more due to organisational incompatibility of the delivery system than due to any operational lacunae. The Agricultural Credit Board which considered the Report at its meeting in November 1981 was of the view that although the overall picture of the ceded societies was not bright, the scheme may be allowed to function in areas of weak CCBs where the societies were in favour of continuing their linkage with commercial banks.

II. Appointment of New Study Teams/Committees

(a) *Study Group to Review Stabilisation Funds of State Co-operative Banks*

On the recommendation of the Agricultural Credit Board, the financial burden of converting short-term loans into medium-term loans in the event of natural calamities was shared by CCBs, SCBs, State Governments and the Reserve Bank in the proportion of 15 per cent, 10 per cent, 15 per cent and 60 per cent, respectively, with effect from 1979-80. As regards the share of State Governments, the Agricultural Credit Board decided in November 1981 that besides contributing their share to the stabilisation fund of the SCBs the State Governments should also build up the same to a pre-determined optimum level during the Sixth Plan period by making good the deficit in the SCB's contribution to the fund with assistance from the Government of India. For determining the optimum level of the stabilisation funds of SCBs during the Sixth Plan period (State-wise and year-wise), the Reserve Bank set up a Study Group in February 1982. The Study Group is represented by the Agricultural Credit Department of the Reserve Bank, Ministry of Agriculture, State Governments of Maharashtra and Uttar Pradesh and the National Federation of State Co-operative Banks.

(b) *Standing Committee on Term Lending through Co-operatives (COTELCOOP)*

For a continuous review of the organisational capabilities (in the context of projected lending and prompt recycling of resources), loan policies and procedures and recovery performance of LDBs, the Reserve Bank appointed a Standing Committee on Term Lending through Co-operatives in November 1981 under the Chairmanship of a Deputy Governor of the Reserve Bank. The Committee is expected to provide guidance to LDBs in rationalisation of loan procedures and improved financial managements and formulate time bound rehabilitation programme for weak LDBs and monitor their implementation. Further, the Committee has to review the norms for fixing the lending programme of LDBs and bring about a functional co-ordination between LDBs and PACS. The member of the Committee included, among others, the Executive Director in charge of Agricultural Credit Department of the Reserve Bank, Managing Director of ARDC, nominee of the Ministry of Agriculture and the chairman of the National Federation of SLDBs and SCBs. With the setting up of this Committee, the Debentures Norms Committee set up earlier by the Reserve Bank stands abolished.

VIII. Agricultural Refinance and Development Corporation

The Agricultural Refinance and Development Corporation (ARDC) continued to play an active role in providing refinance for viable investments in agriculture and allied activities and in promoting developmental and technical assistance in these fields during the year under review. With the emphasis on Integrated Rural Development Programme (IRDP), the scope and extent of rural credit expanded substantially during the Sixth Five Year Plan and with that the participatory role of ARDC also increased.

(a) *Volume of Operations*

During 1981-82 (July-June), the Corporation has sanctioned 3,359 schemes involving commitments and disbursements of Rs. 895 crores and Rs. 600 crores, respectively, as against 4,494 schemes involving Rs. 819 crores of commitments and Rs. 499 crores of disbursements made in 1980-81 (Table VI. 38). The decline in number of schemes may be partly attributed to consolidation of various purposes into banking plans under IRDP which are not accounted in number of schemes and declining scope in exploitation of ground water potential in certain States.

The cumulative number of schemes sanctioned up to end-June 1982 by the ARDC since its inception was 19,611 involving Rs. 4,650 crores of commitments and Rs. 2,808 crores of disbursements.

(b) *Agency-wise Sanctions/Disbursements*

The trend in the pattern of agency-wise disbursements continued to be the same as

Table VI-38: Purpose-wise sanctions and disbursements by ARDC during 1980-81 and 1981-82

(Rupees crores)

Purpose	During 1980-81 (July-June)			During 1981-82 (July-June)			Cumulative position as on June 30, 1982		
	No. of schemes sanctioned£	Commitments	Disbursements	No. of schemes sanctioned£	Commitments	Disbursements	No. of schemes sanctioned*	Commitments	Disbursements
1	2	3	4	5	6	7	8	9	10
Minor Irrigation	2,011	434	265	1,172	367	252	8,038	2,614	1,647
Land Development/CAD	93	26	13	55	15	11	747	203	89
Farm Mechanisation	536	107	110	599	116	128	2,921	587	517
Plantation/Horticulture	370	48	24	473	71	33	1,956	328	119
Poultry/Sheep breeding/Piggery	486	28	14	243	17	14	1,343	80	47
Fisheries	171	16	10	184	21	8	919	94	50
Dairy Development	378	28	11	352	32	19	1,706	132	61
Storage/Market yards	126	24	16	78	16	9	1,188	173	131
Others	323	108	36	203	240	126	793	439	147
Total	**4,494**	**819**	**499**	**3,359**	**895**	**600**	**19,611**	**4,650**	**2,808@**

* Excludes schemes sanctioned and withdrawn during the same year.
£ Excludes IRDP Banking Plans.
@ Excludes short-term disbursement under ICDP and interim finance.
CAD—Command Area Development.

in the last year. Thus, commercial banks including RRBs maintained their lead by disbursing Rs. 351 crores (58 per cent of the total disbursements) to 2,348 schemes as against Rs. 278 crores disbursed to 3,076 schemes in 1980-81. SLDBs disbursed Rs. 226 crores (38 per cent) covering 895 schemes during 1981-82 as against Rs. 212 crores of disbursements made towards 1,346 schemes during the last year. SCBs continued to account for a meagre share (4 per cent) in the total disbursements (Table VI-39).

Table VI-39: Agency-wise Sanctions by ARDC during 1980-81 and 1981-82

(July-June)

(Rupees crores)

Agency	Number of Schemes*		Financial Assistance		ARDC Commitments		Disbursements by ARDC	
	1980-81	1981-82	1980-81	1981-82	1980-81	1981-82	1980-81	1981-82
1	2	3	4	5	6	7	8	9
1. State Land Development Banks	1,346	895	366	320	316	287	212	226
2. Scheduled Commercial Banks+	3,076	2,348	629	720	485	573	278	351
3. State Co-operative Banks	72	116	20	39	18	35	9	23
Total	**4,494**	**3,359**	**1,015**	**1,079**	**819**	**895**	**499**	**600**

*Excludes IRDP Banking Plans.

+Includes Regional Rural Banks.

(c) *Diversification of Schemes*

There was a marked improvement in the share of diversified activities in the total business of the Corporation both in terms of number of schemes covered and commitments involved. In 1981-82, the number of schemes sanctioned for diversified purposes£ (*i. e.*, other than minor irrigation) stood at 2,187 with commitments of Rs. 528 crores accounting for 65 per cent of the total schemes sanctioned and 59 per cent of commitments made. As against this, the share of the diversified schemes and commitments made accounted for 55 per cent (2,483 schemes) and 47 per cent (Rs. 385 crores) of the total schemes sanctioned and aggregate commitments made, respectively, in 1980-81.

(d) *Reduction in Regional Imbalances*

The Corporation concentrated its efforts in developing and promoting agricultural investment in the less developed and/or underbanked States during the year 1981-82 (July-June). This is reflected in an increase in the percentage share of disbursements made in these States. The share in the total disbursements rose from 39 per cent (Rs. 192 crores) in 1980-81 to 43 per cent (Rs. 260 crores) in 1981-82. The cumulative position of schemes sanctioned, till end-June 1982, in these States was 8,498 involving Rs. 2,083 crores of commitments and Rs. 1,128 crores of disbursements.

State-wise, Uttar Pradesh maintained the lead by availing Rs. 90 crores followed by Andhra Pradesh (Rs. 67 crores), Punjab (Rs. 59 crores), Maharashtra (Rs. 54 crores) and Haryana (Rs. 53 crores).

Region-wise, Southern region and Eastern and North-Eastern regions together shared 24 per cent and 16 per cent, respectively, (Table VI. 40) of the total disbursements during 1981-82, representing an increase of one and four percentage points, respectively, over the previous year. In contrast, the shares of Northern and Western regions at 24 per cent and 14 per cent respectively, have declined by four and one percentage point over 1980-81.

£ Such as plantation/horticulture, storage/market yards, farm mechanisation, poultry, Sheep-breeding, etc.

Table VI-40: Region-wise Disbursements

(Rupees crores)

Region@	During 1980-81		During 1981-82	
1	2		3	
Northern	139	(27.8)	144	(24.0)
North-Eastern ..	6	(1.2)	7	(1.2)
Eastern	54	(10.9)	90	(15.0)
Central	111	(22.1)	132	(22.0)
Western	73	(14.7)	82	(13.6)
Southern	116	(23.3)	145	(24.2)
Total .. .	**499**	**(100.0)**	**600**	**(100.0)**

Note: Figures in brackets are percentages to total.

@Northern region comprises Chandigarh, Delhi, Haryana, Himachal Pradesh, Jammu & Kashmir, Punjab and Rajasthan; North-Eastern Region—Assam, Meghalaya, Nagaland, Tripura and Manipur; Eastern Region — Bihar, Orissa and West Bengal; Central Region — Madhya Pradesh and Uttar Pradesh; Western Region — Goa, Gujarat and Maharashtra; Southern Region — Andhra Pradesh, Karnataka, Kerala, Pondicherry and Tamil Nadu.

With a view to securing the optimum utilisation of credit, the Corporation arranged two workshops at Patna (Bihar) to discuss the implementation of Inland Fisheries Project, organised a training programme in Hoshingabad district (Madhya Pradesh) on farm development under Tawa Command Area Development Project and conducted two technical programmes, one at Jabalpur (Madhya Pradesh) on animal husbandry development and the other at Lucknow (Uttar Pradesh) on selection of agricultural pumpsets.

(e) *Small Farmers*

In keeping with the national objective of assisting small farmers to improve their economic lot, the Corporation emphasised the need to cover more and more small farmers under its schemes. Accordingly, the facility of concessional rate of interest on loans to small farmers at 10.25 per cent for diversified purposes was continued (as against the rate of interest at 12.50 per cent payable by other farmers for the same purposes).

Upto end-June 1982, 918 schemes which were sponsored earlier by Small Farmers Development Agencies were under implementation. The financial assistance involved for these schemes was Rs. 137 crores.

The Corporation continued to stress on speedy implementation of the Integrated Rural Development Programme (IRDP) by bringing more number of blocks under its fold. During 1981-82 (July-June), the ARDC approved banking plans covering 2,134 blocks with refinance commitments of Rs. 206 crores. The simplification of the procedure for availment of refinance during the year contributed significantly to the increase in disbursements under IRDP from Rs. 13 crores in 1980-81 to Rs. 98 crores during 1981-82.

The total number of blocks for which banking plans were approved by ARDC (cumulative) stood at 2,641 with commitments and disbursements of Rs. 350 crores and Rs. 115 crores, respectively, till end-June 1982.

(f) Policy Decisions

The following major policy decisions were taken by the ARDC during the year 1981-82 (July-June).

(1) The Corporation decided to enhance the rate of its contribution to special debentures floated by SLDBs between September 1, 1981 and March 31, 1985 on a request by the Government of India (Table VI-41). Refinance for farm mechanisation, however, continued to be provided at 75 per cent.

(2) Taking into account the difficulties of banks arising from the credit discipline of the Reserve Bank, the ARDC decided in consultation with the Reserve Bank as a special case to provide interim finance to member banks, with a view to helping farmers to purchase tractors for carrying out farm operations during the *kharif* season of 1981-82. The limits sanctioned were subject to certain terms and conditions and were valid upto June 30, 1982.

(3) The Corporation liberalised its refinance scheme to enable State Electricity Boards (SEBs) to obtain enhanced quantum of financial assistance from the banks for energisation of pumpsets as under:

Table VI-41: ARDC's Contribution to Special Development Debentures of SLDBs

(Per cent)

Purpose	Extent of ARDC's Contribution	
	Existing	Revised
1	2	3
1. (*i*) Minor Irrigation		
(*ii*) Special Schemes for diversified purposes under capital subsidy schemes for identified small farmers	90	95
(*iii*) All purposes in North-Eastern and Eastern Regions*		
2. Diversified purposes (other than farm mechanisation)		
(*i*) Small farmers (other than under special schemes referred to above)	75	90
(*ii*) Other farmers	75	85

*Assam, Meghalaya, Nagaland, Arunachal Pradesh, Mizoram, Manipur, Tripura, Andaman and Nicobar Island, Bihar, Orissa, Sikkim and West Bengal.

(*i*) The scale of finance was raised to Rs. 7,500 per pumpset for those up to 7.5 HP and Rs. 10,000 upto 10 HP. For pumpsets above 10 HP, additional loan could be provided at a rate not exceeding Rs. 1,500 for every increase of 2.5 HP, if required to be installed on technical grounds.

(*ii*) The repayment period of pumpset loans to SEBs was increased from seven years to nine years.

(4) The Corporation also decided to refinance eligible institutions in respect of viable schemes for setting up of wind-mills under minor irrigation schemes, subject to certain terms and conditions.

(g) *IDA/IBRD Credit*

The Corporation successfully completed the Third ARDC Credit Project one month before the stipulated date, viz., end-December 1981 and disbursed Rs. 453 crores towards the project. A major share of the disbursements under the Project went to small and medium farmers. The ARDC closed the Himachal Pradesh Apple Processing and Marketing Project, the Chambal Command Area Development Project (Madhya Pradesh) and the Karnataka Dairy Development Project during the year. The IDA/IBRD sanctioned during the year the Fourth ARDC Credit Project involving an amount of $ 350 million. Though the Project became effective from May 25, 1982, it will be implemented over a two year period, January 1982 to December 1983. Till end-June 1982, 41 projects were sanctioned assistance by the World Bank Group involving $ 1,550 million to be routed through the ARDC, of which 20 projects were fully implemented.

Other international aid agencies also continued to extend financial support to ARDC for its lending programmes. During the year, U.K., EEC† and CIDA†† have approved assistance equivalent to Rs. 79 crores.

(h) *National Bank for Agriculture and Rural Development (NABARD)*

A mention was made in the last year's report regarding the suggestion of CRAFICARD to set up NABARD. The NABARD was set up on July 12, 1982, after Parliament passed the necessary legislation for setting it up. It took over the functions of ARDC and the refinancing functions of the Reserve Bank in relation to SCBs and RRBs.

The salient functions of the NABARD are as under:

(*i*) It will provide by way of refinance, all kinds of production and investment credit to agriculture, small-scale industries, artisans, cottage and village industries, handicrafts and other allied economic activities;

(*ii*) Funds for meeting its loan operations will be drawn from the Government of India, the World Bank and other multilateral and bilateral agencies, by borrowing from the market and the National Rural Credit (Long-term Operations and Stabilisation) Funds. The resources of the National Agricultural Credit (Long-term Operations) Fund and the National Agricultural Credit (Stabilisation) Fund stand transferred to the above—mentioned funds of the NABARD with the creation of the latter. The Reserve Bank would also provide a line of credit for NABARD's short-term operations;

(*iii*) Besides providing short-term, medium-term and long-term credits to SCBs, RRBs, LDBs and other financial institutions approved by the Reserve Bank, the NABARD will give loans to State Governments for periods not exceeding 20 years to enable them to subscribe directly or indirectly to the share capital of co-operative credit societies. It can also provide long-term loans directly to any institution approved by the Central Government or contribute to the share capital or invest in the securities of any institution concerned with agriculture and rural development;

(*iv*) The responsibility of co-ordinating the activities of Government of India, Planning Commission, State Governments and other all-India and State-level institutions entrusted with the development of small-scale industries, and industries in the tiny and decentralised sectors, village and cottage industries, rural crafts, etc., will be taken over by the NABARD;

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† EEC=European Economic Community.

†† CIDA=Canadian International Development Agency.

(*v*) It will maintain a Research and Development Fund to promote research in agriculture and rural development. This fund will also help in formulating and designing projects/programmes to suit the requirements of different areas and to cover activities requiring special attention for various reasons;

(*vi*) The responsibility of monitoring the implementation of various projects and their evaluation for ensuring development of better quality projects rests with the NABARD; and

(*vii*) The inspection of RRBs and co-operative banks, other than primary co-operative banks, will be the responsibility of the NABARD. However, these institutions have to submit their application forms for opening branches to the Reserve Bank through NABARD. The RRBs and co-operative banks (other than primary co-operative banks) submitting returns to the Reserve Bank under various sections of the Banking Regulation Act, 1949, will have to furnish copies of the respective returns to NABARD. It has powers to call for information or statements from banks.

IX. Central/State Governments and Co-operative Credit

CENTRAL SECTOR AND CENTRALLY SPONSORED SCHEMES

(*a*) *Agricultural Credit Stabilisation Fund*

The Government of India is providing assistance for meeting a part of the shortfall in the share of co-operatives for building up the Agricultural Stabilisation Fund maintained at the Apex Co-operative Bank level. The proposed outlay for the Sixth Five Year Plan under this Fund is Rs. 50 crores. For the year 1982-83 (April-March) the budgetary provision is Rs. 8.3 crores. The provision in the 1981-82 budget was Rs. 9 crores.

(*b*) *Risk Fund for Consumption Credit*

In order to encourage institutional agencies to meet consumption credit needs of the weaker sections, a Central sector scheme for providing contribution to Risk Fund was formulated. The Government of India shares 10 per cent of advances given to this category of borrowers equally with the State Governments. During 1981-82 (April-March), the Government of India released Rs. 25 lakhs as grants towards Risk Fund against the budget provision of Rs. 35 lakhs. The corresponding amounts in 1980-81 were Rs. 12.4 lakhs and Rs. 35 lakhs, respectively.

(*c*) *Assistance to the Cadre Fund of the Reorganised Base level Credit Institutions*

This Central sector scheme of financial assistance was introduced by the Government of India in 1980-81 with a view to expediting the process of reorganisation of base level credit institutions, particularly through appointment of full-time paid trained secretaries at reasonable scales of pay. Under this scheme, 50 per cent of the assistance provided by State Government during the previous year to meet the deficit in the cadre fund of the reorganised base level credit institutions will be reimbursed by the Government of India. The proposed outlay for the Sixth Plan period was at Rs. 10 crores. The budget provision during 1981-82 was Rs. 2 crores and this was fully utilised. However, an enhanced budget provision of Rs. 3.5 crores has been made for the year 1982-83.

(*d*) *Assistance to Co-operative Credit Institutions in the Co-operatively Underdeveloped States*

To accelerate the growth of institutional credit in co-operatively underdeveloped States, a Central sector scheme provides financial assistance in conjunction with the State Governments to CCBs located in such States and thereby enable them to draw funds from the Reserve Bank for their loaning programmes. During 1981-82, the scope of this scheme was extended to cover CCBs in DPAP areas and areas with scheduled caste concentration. The proposed outlay for the Sixth Plan is Rs. 25 crores. As against the budget provision of Rs. 5 crores a sum of Rs 3.4 crores was provided during the year 1981-82. During 1982-83, a budget provision of Rs. 4 crores was made.

(e) Writing off/Rescheduling of Agricultural Loans by the Gujarat State Government

With a view to providing fresh finance to defaulters in the scarcity affected areas in Gujarat, the State Government formulated a scheme in February 1982, for rehabilitation of defaulters of co-operative societies. The scheme envisaged rescheduling of overdues of farmers into long-term loans repayable in 10 annual instalments and a provision of rebate to the extent of 7 per cent in the interest accruing on the outstanding rescheduled loans for prompt repayment of annual instalments. As a measure of further relief to the small farmers regular in the repayment of instalments, the fifth and tenth instalments of their rescheduled loans are to be paid by the State Government.

X. Other Institutions in the Field of Rural Credit

National Co-operative Development Corporation

During the year 1981-82, the activities of the National Co-operative Development Corporation (NCDC) in planning and promotion of programmes through co-operative societies for production, processing, marketing, storage, export and import of agricultural produce and certain other commodities recorded further progress. The Corporation also assumed the responsibility for the development of programmes covering poultry, fisheries, minor forest produce, handloom, coir, sericulture and dairy farming in the co-operative sector, basically intended to benefit the weaker sections of the society.

The financial assistance rendered by the Corporation during the year aggregated Rs. 92 crores, representing an increase of 41.5 per cent over the assistance provided during the preceding year (Rs. 65 crores). Out of this assistance, Rs. 52 crores was disbursed under the Central Schemes and Rs. 40 crores under the Corporation Sponsored Schemes as compared with Rs. 26 crores and Rs. 39 crores, respectively, during 1980-81.

The purpose-wise break-up of financial assistance disbursed by the Corporation during 1981-82 is given in Table VI-42. Aggregate assistance provided by the NCDC since its establishment in 1962 upto March 31, 1982 amounted to Rs. 492 crores of which Rs. 300 crores were outstanding as on March 31,1982.

During the Sixth Plan period (1980-85), the financial outlay for NCDC programmes is fixed at Rs. 447 crores. The Corporation, being the principal financing and promotional organisation at the national level for the development of co-operative marketing, storage, processing, supply of farm inputs and rural consumer activity, its capital base is proposed to be further strengthened during the Sixth Plan with a view to enabling it to lend support to these activities on an expanded scale. The physical targets for various programmes of the NCDC laid down in the Sixth Plan are given in Table VI-43.

Table VI-42 : NCDC's Financial Assistance Disbursed during 1981-82 (April-March)—Purpose-wise

A. Central Schemes			B. Corporation Sponsored Schemes	
	Purpose	Amount disbursed (Rs. crores)	Purpose	Amount disbursed (Rs. crores)
	1	2	3	4
(a)	Co-operative storage with international aid	18	(a) Storage	16
(b)	Co-operative marketing, processing and storage programmes in under-developed States	9	(b) Agro-processing	9
(c)	Margin money assistance to village societies for distribution of consumer articles in rural areas	4	(c) Weaker sections	5
(d)	Finance for co-operative sugar factories, co-operative spinning mills, NAFED etc.	21	(d) Agricultural marketing	4
			(e) Rural consumers activity	5
			(f) Agro-services and promotional and development programmes	1
	Total	**52**	**Total**	**40**

Table VI-43 : Sixth Five Year Plan (1980-85)—Physical Programme

Item	Unit	1979-80 (Actual)	1984-85 (Target)
1	2	3	4
1. Storage programme :			
No. of godowns and storage capacity in the co-operative sector (completed)			
(*a*) **Godowns**			
(*i*) Rural	Nos.	22,000	52,000
(*ii*) Marketing	„	5,040	7,500
(*b*) **Capacity** (Rural & Marketing)	Lakh tonnes	47.00	82.00
2. Cold Storages (installed) :			
(*a*) Number		125	276
(*b*) Capacity	Lakh tonnes	2.14	7.48
3. Marketing :			
(*i*) Agricultural produce marketed through co-ops.	Value in Rs. crores	1,750	2,500
(*ii*) Export trade by co-ops.	„	100	300
(*iii*) Fertiliser distribution	„	900	1,600
4. Co-operative Sugar Factories (Commissioned)			
(*a*) Number		142	185
(*b*) Capacity	Production in lakh tonnes	31.0	40.8
5. Co-operative Spinning Mills : (Growers)			
(*a*) Number commissioned		26	40
(*b*) Installed capacity	In lakh spindles	5.5	9.0
6. Other agricultural processing units (installed) ..	Number]	1,681	1,926

Rural Electrification Corporation

During the year 1981-82 (July-June), the financial assistance sanctioned and disbursed by the Rural Electrification Corporation (REC) was Rs. 194 crores and Rs. 189 crores, respectively,as compared with Rs. 250 crores and Rs. 188 crores during the corresponding period of the previous year. The number of new schemes sanctioned by the REC during 1981-82 was lower at 788 as against 993 in 1980-81. Total financial assistance so far sanctioned and disbursed by the Corporation upto the end of June 1982 aggregated Rs. 1,697 crores and Rs. 1,224 crores, respectively.

The amount disbursed during 1981-82 (July-June) for schemes in harijan bastis was Rs. 4 crores, Rs. 1 crore less than the disbursement during the preceding year. Till end-June 1982, out of the total disbursements of Rs. 1,224 crores made since the inception of the Corporation, Rs. 16 crores was disbursed for schemes in harijan bastis covering 23,413 villages.

Schemes Sanctioned and Loans Disbursed by the Rural Electrification Corporation

Year (July-June)	No. of Schemes Sanctioned	New Villages	Total cost of Schemes (Rs. lakhs)	Amount of Loan Sanctioned (Rs. lakhs)	Total Disbursed (Rs. lakhs)
1	2	3	4	5	6
1981-82	788	19046	32642	19360	18868 (377)
1980-81	993	29877	40023	25037	18821 (529)
Cumulative Position as at End of June 1982					
	5363	221524	222801	169673	122400 (1568)

Note : Figures in brackets pertain to harijan bastis.

During 1981-82 (July-June), REC sanctioned 6 schemes for financing rural electric co-operative societies, covering 922 villages and involving total loan assistance of Rs. 10 crores.

Agricultural Finance Corporation

The major activities of the Corporation during the year 1981-82 (July-June) related to the formulation of projects aimed at the total development of an area to identify every single opportunity for creating absorptive capacity for credit in rural areas, especially for the weaker sections of the rural society. During the year under review the Corporation undertook 48 project preparation/appraisal assignments as against 13 in the previous year. The assignments during the year comprised Command Area Development Programmes, preparation of Annual Action Plan Study for setting up of Cocoa Manufacturing Unit, preparation of Block Level Plans under IRDP, etc. The number of schemes formulated/appraised since inception till June 1982 was 1,111 involving loan requirements of Rs. 1,939 crores.

As regards international assignments, AFC completed the formulation of Dry Zone Agricultural Project in Anuradhapura district in Sri Lanka and preparation of Fourth Agricultural Credit Project in Nepal for Asian Development Bank. The AFC experts participated in missions in the third world countries by multilateral institutions like the Asian Development Bank, the International Fund for Agricultural Development and Food and Agriculture Organisation.

In furtherance of the recommendations made in the Sivaraman Committe Report (CRAFICARD) and with the establishment of the NABARD on July 12, 1982, the AFC has been assigned the consultancy role for assisting NABARD in its lending operations for agriculture and rural development.

Warehousing Corporations

The total number of warehouses managed by the Central Warehousing Corporation (CWC) during the year 1981-82 (April-March) increased to 342 from 319 in 1980-81. During this period their capacity also increased from 36.6 lakh tonnes to 40.5 lakh tonnes. The owned and hired capacity of the Corporation increased from 21.7 lakh tonnes and 13.7 lakh tonnes to 24.0 lakh tonnes and 15.6 lakh tonnes, respectively. On the other hand, capacity of plinths at 0.9 lakh tonnes at the end of March 1982 recorded a decline of 0.3 lakh tonnes over the previous year.

The Corporation continued to handle and distribute imported cement at Kandla and Cochin ports as agent of the Cement Controller upto February 1982. With the change in the

Central Warehousing Corporation-Position as at the End of 1980-81 and 1981-82

Year (April-March)	Number	Capacity (in lakh tonnes)			
		Owned	Hired	Plinth	Total
1	2	3	4	5	6
1981	319	21.7	13.7	1.2	36.6
1982	342	24.0	15.6	0.9	40.5

policy of sale of imported cement with effect from March 1, 1982, the CWC is acting as a handling and marketing agent of imported cement on behalf of the Cement Corporation of India Ltd., at Kandla port. In May 1982, this work was taken up by the CWC at Cochin also. At Bombay, however, the CWC attends to only the handling of cement, the marketing being done by the Cement Corporation of India Ltd.

The CWC has expanded its warehousing capacity in metropolitan cities and other industrially important areas, where goods other than the foodgrains are being stored. As the storage of goods under custom bond carries a higher tariff, custom bonded warehouses have been provided by the Corporation at large number of centres.

State Warehousing Corporations

During the year 1981-82 (April-March), the number of warehouses managed by the 16 State Warehousing Corporations, (SWCs) declined by 63 to 1,411 warehouses. However, there was an overall increase of 5.7 lakh tonnes in their total capacity during the year. The total capacity of 54.9 lakh tonnes at the end of March 1982 consisted of owned capacity to the extent of 31.2 lakh tonnes, the balance being the hired capacity.

The aggregate capacity (including godowns hired) of the CWC and the SWCs together stood higher at 95.4 lakh tonnes at the end of March 1982 as compared with 85.8 lakh tonnes as at the end of March 1981.

State Warehousing Corporations-Position as at the End of 1980-81 and 1981-82

Year (April-March)	Number	Capacity (in lakh tonnes)			
		Owned	Hired	Plinth	Total
1	2	3	4	5	6
1981	1474	27.2	22.0	—	49.2
1982	1411	31.2	23.7	—	54.9

ANNEXURE

SELECTIVE CREDIT CONTROL

SUMMARY OF THE PROVISIONS OF THE DIRECTIVES TO SCHEDULED COMMERCIAL BANKS ON ADVANCES AGAINST SELECTED COMMODITIES
(Position as on October 26, 1982)

A. FOODGRAINS

Rate of interest : (i) 13.50% per annum for advances against rural warehouse receipts up to Rs. 5,000.
(ii) 19.50% per annum for all other loans/advances/cash credit/overdrafts.

No. and Date of Directive	Minimum Margin	Level of Credit*	Complete Exemption £
(1)	(2)	(3)	(4)
(i) DBOD No. Dir. BC. 85/C. 218-74 dated 11th September 1974. (ii) DBOD No. Dir. BC. 102/C. 218-75 dated 11th November 1975. (iii) DBOD No. Dir. BC. 106/C. 218-77 dated 20th August 1977. (iv) DBOD No Dir. BC 98/C. 218-79 dated 29th June 1979. (v) D. O. No. CPC-250/ C. 279-79 dated 7th August 1979. (vi) DBOD No. Dir. BC 58/C. 218 (a)-80 dated 11th June 1980. (vii) DBOD. No. Dir. BC. 92/C. 218 (a)-80 dated 6th August 1980. (viii) DBOD. No. Dir. BC. 32/C. 96-81 dated 28th February 1981.	**Paddy/Rice** (1) 45% on advances against stocks of paddy to processing units/mills. (2) 50% on advances against warehouse receipts covering stocks.S (3) 60% on all other advances. **Pulses** (1) 45% on advances against stocks of pulses to processing units. (2) 60% on advances against stocks of pulses to parties other than processing units/mills. (3) 40% on advances to processing units/mills against warehouse receipts covering stocks of pulses. (4) 50% on advances to parties other than processing units/mills against warehouse receipts covering stocks of pulses. **Other Foodgrains** (1) 45% on advances against stocks of foodgrains (used as raw materials) other than paddy and rice to foodgrain processing units/mills (other than rice mills) for stocks equivalent to 4 weeks' consumption of such units. (2) 25% on advances against wheat to roller flour mills. (3) 50% on advances against warehouse receipts covering stocks. (4) 60% on all other advances.	(A) In respect of each party, 100% of the peak level of credit maintained by the party in any of the 3 years (November-October) 1975-76, 1974-75 and 1973-74 (separately in respect of advances against (i) paddy & rice and (ii) 'other foodgrains' i. e., wheat and foodgrains other than paddy and rice but including coarse grains and pulses). Note: Credit limits granted to any party against wheat at any time during the three years, viz., 1975-76, 1974-75 & 1973-74 shall not be utilised by banks for granting credit against 'other foodgrains' (other than wheat) and banks shall strictly enforce this stipulation. (B) Additional limit for new branches : Combined limit for advances against any one or both the groups of foodgrains stated above for each new branch opened on or after 1-1-1970 at a centre with a population of 1 lakh or below for granting advances up to Rs. 1 lakh per branch to **new parties.** **Exemptions** (i) Advances against wheat granted to roller flour mills. (ii) Advances to traders wholly or partly against the security of foodgrains which are covered by a	**States** (i) Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa and Tripura. **Public Procurement, Storage and Distribution Agencies** (ii) Advances to the Food Corporation of India and State Governments. (iii) Advances to Co-operative Marketing Federations, Central or State Warehousing Corporations and such other agencies duly appointed as agents for the purpose of food procurement/distribution by the Food Corporation of India/ Central or State Governments to the extent of the stock held by them as such agents. (iv) Advances to rice millers against pledge/hypothecation of paddy and rice held to the extent they act as Government agents, provided the stock is held separately on producers' levy account. (v) Advances against rationed foodgrains granted to wholesale and retail dealers appointed/licensed by Government and/or operating under statutory rationing/fair price distribution system in all the States and Union Territories. (vi) Advances granted to Wholesale Consumers' Co-operative Stores and State and National Federations of Consumers' Co-operatives.

(ix) DBOD No. Dir. BC. 50/C. 96/81 dated 2nd May 1981.

(x) DBOD No. Dir. BC. 59/C. 96-81 dated 19th May 1981.

(xi) DBOD No. Dir. BC. 60/C. 96/81 dated 19th May 1981.

(xii) DBOD. No. Dir. BC. 88/C 218 (a)-81 dated 13th July 1981.

(xiii) DBOD No. Dir. BC. 98/C. 218 (a) - 81 dated 10th August 1981.

(xiv) DBOD No. Dir. BC. 100/C. 218-81 dated 10th August 1981.

(xv) DBOD No. Dir. EC. 100/C. 218-82 dated 26th October 1982.

Small Advances up to Rs. 5,000 against Rural Warehouse Receipts

Fixed margin of 30% covering stocks of paddy/rice, pulses and other foodgrains.

Exemptions

(i) Advances to manufacturing units and other borrowers, wholly or partly against the security of foodgrains which are covered by a guarantee scheme of the Deposit Insurance and Credit Guarantee Corporation (DICGC) subject to a maximum of Rs. 50,000 for each such manufacturing unit/borrower provided it/he undertakes to borrow against foodgrains from only one bank.

(ii) Advances to traders wholly or partly against the security of foodgrains which are covered by a guarantee scheme of the DICGC, subject to a maximum of Rs. 50,000 for each such trader, provided he undertakes to borrow against foodgrains from only one bank.

guarantee scheme of the DICGC, subject to a maximum of Rs. 50,000, for each such trader, provided he undertakes to borrow against foodgrains from only one bank.

(iii) Advances to manufacturing units and other borrowers, wholly or partly against security of foodgrains which are covered by a guarantee scheme of the DICGC subject to a maximum of Rs 50,000 for each such manufacturing unit/borrower, provided it/he undertakes to borrow aginst foodgrains from only one bank.

(iv) Advances against foodgrains to foodgrain processing units.

(v) Advances granted against the security of warehouse receipts, provided that the amount does not exceed Rs. 25,000 per borrower.

Others

(vii) Advances against the security of maize and barley to manufacturing units (i. e., industrial users) and against the security of *soji* (rawa), flour (*atta*) and *maida* to biscuit manufacturers.

(viii) Advances granted to processing/ manufacturing units crovered under the Rural Indusrties Projects, up to Rs. 50,000 per unit.

(ix) Advances against the security of, or by way of purchase of, demand documentary bills drawn in connection with the movement of foodgrains.

(x) Advances against high-yielding/ hybrid seeds produced under contract with the National Seeds Corporation Ltd., Delhi, or a State Government or which bear the certification of the said Corporation or, as the case may be, the concerned State Government, or of any certification agencies authorised under the Seeds Act, 1966 and seeds notified under Section 5 of the said Act.

(xi) Advances directly granted to farmers and to primary co-operative societies for extending credit to their cultivator-members against foodgrains which represent an extension of advances granted earlier against the standing crop for a period of three months from the date of harvesting the said crop, provided that the amount of each of such credit limit does not exceed Rs. 2,500 per farmer or the amount of the crop loan outstanding, whichever is lower.

(xii) Advances granted to Khadi and Village Industries Commission (KVIC) and all its associate institutions.

A. FOODGRAINS—(*Concld.*)

No. and Date of Directive	Minimum Margin	Level of Credit	Complete Exemption
(1)	(2)	(3)	(4)
			Exports (xiii)Pre-shipment credit granted to exporters against the security of rice and other foodgrains on the basis of firm export orders/irrevocable letters of credit and post-shipment credit given in the form of purchase, negotiation or discounting of export bills or advances thereagainst in respect of export of rice and other foodgrains.

Note : (i) No new/additional credit limits should be given to traders/manufacturers against sensitive commodities, particularly foodgrains, sugar, oilseeds, vegetable oils and other similar commodities where speculative tendencies are clearly in evidence.

(ii) Usance bills arising out of sale of commodities covered under Selective Credit Control should not be discounted by banks except in such cases and to such extent as may be specifically permitted by the Reserve Bank.

(iii) No bank shall issue, either to a Court or to Government, or any other person, a guarantee on behalf of, or on account of, any importers guaranteeing payment of customs duty and/or import duty, or other levies, payable in respect of import of essential commodities without taking, as security for issue of such guarantees, a cash margin equivalent to at least **one half of the amount payable** under the guarantee.

(iv) The term essential commodities shall mean and include all vegetable oils (whether edible or not), sugar and such other commodities as may be specified by the Reserve Bank from time to time.

(v) Banks are advised not to allow to customers dealing in commodities covered by Selective Credit Control any credit facilities which would directly or indirectly defeat the purpose of the directives.

* No bank shall advance against the security of any of the foodgrains where a ban on trading has been imposed in respect of that foodgrain except to wholesale or retail traders who are authorised by the State Government to deal in that foodgrain and to processing units to the extent to which and the manner in which such processing is allowed by the respective State Governments.

£ Complete exemption refers to exemption from all the stipulations of Selective Credit Control.

$ Warehouse receipts are those issued by Central/State Warehousing Corporations or rural godowns set up under a Government Scheme. The concessional treatment accorded to the advances against rural warehouse receipts is subject to the rural godowns being staffed with trained personnel and maintained to the standards of the godowns of the Central/State Warehousing Corporations.

B. OILSEEDS (INDIGENOUS AND IMPORTED GROUNDNUT, RAPESEED/MUSTARDSEED, COTTONSEED, CASTORSEED AND LINSEED AND OTHER IMPORTED OILSEEDS)

Rate of interest: (i) 13.50% per annum for advances against rural warehouse receipts up to Rs. 5,000
(ii) 19.50% per annum for all other loans/advances/cash credits/overdrafts

No. and Date of Directive	Minimum Margin	Level of Credit	Complete Exemption
(1)	(2)	(3)	(4)
(i) DBOD. No. Dir. BC 85/C. 218-74 dated 11th September 1974. (ii) DBOD, No. Dir. BC 63/C. 218(H)-76/77 dated 31st May 1977. (iii) D.O. No. CPC 250/C. 279-79 dated 7th August 1979. (iv) DBOD. No. Dir. BC 58/C. 218 (a) 80 dated 11th June 1980. (v) DBOD. No. Dir. BC. 92/C. 218(a)-80 dated 6th August 1980. (vi) DBOD. No. Dir. BC. 32/C. 96-81 dated 28th February 1981. (vii) DBOD. No. Dir. BC. 50/C. 96-81 dated 2nd May 1981. (viii) DBOD. No. Dir. BC. 59/C. 96-81 dated 19th May 1981. (ix) DBOD. No. Dir. BC. 60/C. 218-81 dated 19th May 1981. (x) DBOD. No. Dir. BC. 100/C. 218-81 dated 10th August 1981. (xi) DBOD. No. Dir. BC. 113/C. 218 (H)-81 dated 9th September 1981.	**Indigenous and imported Oilseeds, i.e., Groundnut, Cottonseed, Rapeseed/ Mustard seed, Castorseed and Linseed and all other imported Oilseeds** (Other than groundnut, cottonseed, rapeseed/mustard seed, castorseed and linseed). 1. 70% on advances against stocks of groundnut, cottonseed, rapeseed/ mustard seed, castorseed and linseed. 2. 60% on advances against warehouse receipts covering stocks of groundnut, cottonseed, rapeseed/mustard seed, castorseed and linseed. 3. 60% on advances against stocks of rapeseed/mustard seed equivalent to 2 months' consumption of each oil mill in all the States and Union Territories other than Rajasthan, U. P., M. P., West Bengal and Bihar. 4. 45% on advances against stocks of groundnut and rapeseed/mustard seed, equivalent to 2 months' consumption of each oil mill in Rajasthan, U. P., M. P., West Bengal and Bihar. 5. 45% on advances against stocks of cottonseed equivalent to two months' consumption of each oil mill. 6. 60% on advances against imported oilseeds **other than** groundnut, cottonseed, rapeseed/mustard seed, castorseed and linseed **after a period of 8 weeks from the arrival of the goods in India.**	In respect of each party, separate ceiling for each of (i) Groundnut, (ii) Cottonseed, (iii) Linseed and Castorseed together; 100% of the peak level of credit maintained by the party in any of the 3 years (November-October), viz., 1975-76, 1974-75 and 1973-74. **Exemptions** (i) Advances against the security of oilseeds grown in India to registered oil mills* and vanaspati manufacturers. (ii) Advances to traders wholly or partly against the security of oilseeds which are covered by a guarantee scheme of the DICGC, subject to a maximum of Rs. 25,000 for each trader, provided he undertakes to borrow against oilseeds from only one bank. (iii) Advances to manufacturing units and other borrowers, wholly or partly against the security of oilseeds, which are covered by a guarantee scheme of DICGC subject to a maximum of Rs. 25,000 for each unit/borrower, provided it/he undertakes to borrow against oilseeds from only one bank. (iv) Advances directly granted to farmers and primary co-operative societies for extending credit to their cultivator-members against oilseeds, which represent an extension of advances granted earlier against the standing crop for a period of three months from the date of harvesting the said crop, provided that the amount does not exceed Rs. 2,500 per farmer or the amount of the crop loan outstanding, whichever is lower.	**States** (i) Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa and Tripura. **Public Procurement, Storage and Distribution Agencies** (ii) Advances to the Food Corporation of India and the State Trading Corporation against stocks of oilseeds. (iii) Wholesale and retail dealers appointed/licensed by the Government and/or operating under statutory rationing/fair price distribution system in all the States and Union Territories to the extent of the quantum meant for public distribution. (iv) Advances to the Wholesale Consumers' Co-operative Stores and the State and National Federations of Consumers' Co-operatives. **Exports** (v) Credit limits in favour of exporters, against oilseeds, all varieties of cakes in respect of oilseeds meant for exports and extractions of oilseeds in respect of specific firm export contracts and/or against export bills. (vi) Packing credit advances to the exporters of HPS groundnut against the security of groundnut to the extent of the value of raw materials required (which should be reasonably assessed) for selecting HPS groundnut covered

B. OILSEEDS (INDIGENOUS AND IMPORTED GROUNDNUT, RAPESEED/MUSTARD SEED, COTTONSEED, CASTORSEED AND LINSEED AND OTHER IMPORTED OILSEEDS)—(*Concld.*)

No. and Date of Directive	Minimum Margin	Level of Credit	Complete Exemption
(1)	(2)	(3)	(4)
(xii) DBOD. No. Dir. BC. 100/C. 218-82 dated 26th October 1982.	**Small Advances up to Rs. 5,000 against Rural Warehouse Receipts** Fixed margin of 40% covering stocks of oilseeds. **Exemptions** (i) Advances to traders wholly or partly against the security of oilseeds which are covered by a guarantee scheme of the DICGC, subject to a maximum of Rs. 25,000 for each trader provided he undertakes to borrow against oilseeds from only one bank. (ii) Advances to manufacturing units and other borrowers, wholly or partly against the security of oilseeds, which are covered by a guarantee scheme of the DICGC subject to a maximum of Rs. 25,000 for each unit/borrower, provided it/he undertakes to borrow against oilseeds from only one bank. (iii) Advances directly granted to farmers and primary co-operative societies for extending credit to their cultivator-members against oilseeds, which represent an extension of advances granted earlier against the standing crop for a period of three months from the date of harvesting the said crop, provided that the amount does not exceed Rs. 2,500 per farmer or the amount of the crop loan outstanding, whichever is lower. (iv) Advances against all imported oilseeds for a period not exceeding 8 weeks after arrival of the goods in India.	(v) Advances against warehouse receipts provided that the amount does not exceed Rs. 25,000 per borrower. (vi) Advances against imported oilseeds.	by the export order even though the value of the raw materials exceeds the value of the relative export order, provided that such advances to the extent of the value of the residual groundnut shall be adjusted either by the sale proceeds of the residual groundnut or in cash, as soon as the selection of the HPS groundnut is completed, within 15 days from the date of such advances and the balance in the packing credit account shall be adjusted by the proceeds of the relative export bill. (vii) Advances granted to processing/ manufacturing units covered under the Rural Industries Projects up to Rs. 25,000 per unit. **Others** (viii) Advances granted by way of purchase of demand documentary bills drawn in connection with the movement of commodities covered by the directive. (ix) Advances granted to KVIC and all its associate institutions.
Letter DBOD. No. Dir. BC. 97/C. 218-79 dated 29th June 1979.	Banks should refrain from granting additional limits against oilseeds to parties other than Government and Government-supported organisations; even in the case of such organisations, a strict scrutiny on drawals should be maintained.		

* All mills registered under the Factories Act, 1948 or licensed under the Industries (Development and Regulation) Act, 1951, or registered with the State Departments of Industries and Commerce or any other Governmental authority.

C. VEGETABLE OILS (INDIGENOUS AND IMPORTED GROUNDNUT OIL, COTTONSEED OIL, RAPESEED OIL/MUSTARD OIL, CASTOR OIL, LINSEED OIL AND VANASPATI AND OTHER IMPORTED OILS)

Rate of interest: 19.50% per annum for all loans/advances/cash credits/overdrafts

No. and Date of Directive	Minimum Margin	Level of Credit	Complete Exemption
(1)	(2)	(3)	(4)
(i) DBOD. No. Dir. BC. 85/C. 218-74 dated 11th September 1974. (ii) DBOD. No. Dir. BC. 63/C. 218(H)—77 dated 31st May 1977. (iii) DBOD. No. Dir. BC. 42/C. 218(H)—78 dated 15th March 1978. (iv) D.O. No. CPC. 250/C. 279-79 dated 7th August 1979. (v) DBOD. No. Dir. BC. 32/C. 96-81 dated 28th February 1981. (vi) DBOD. No Dir. BC. 59/C. 96-81 dated 19th May 1981. (vii) DBOD. No. Dir. BC. 60/C. 218-81 dated 19th May 1981. (viii) DBOD No. Dir. BC. 100/C. 218-81 dated 10th August 1981. (ix) DBOD. No. Dir. BC. 117/C. 218-81 dated 17th September 1981. (x) DBOD. No. Dir. BC. 23/C 218-82 dated 1st March 1982.	**Indigenous and imported Oils** 1. (a) 85% on advances against stocks of groundnut oil, cottonseed oil, rapeseed oil/mustard oil, vanaspati, castor oil and linseed oil. **Other imported Oils** (b) 60% on advances against imported oils (other than those mentioned at 1(a)) after a period of 4 weeks from the arrival of the goods in India. 2. 75% on advances against warehouse receipts covering stocks of groundnut oil, cottonseed oil, rapeseed oil/ mustard oil, vanaspati, castor oil and linseed oil. 3. **On Advances against Vanaspati to Vanaspati Manufacturers** (a) 70% in all the States and Union Territories other than Gujarat and Maharashtra. (b) 85% in the States of Gujarat and Maharashtra. 4. **On Advances to Vanaspati Manufacturers against Warehouse Receipts covering Stocks of Vanaspati** (a) 60% in all the States and Union Territories other than Gujarat and Maharashtra. (b) 75% in the Sates of Gujarat and Maharashtra. 5. **On Advances to Vanaspati Manufacturers against controlled Vegetable Oils mentioned in 1 above** (a) 50% on advances against stocks of such oils used as raw	In respect of each party, 100% of the peak level of the credit maintained by the party in any of the 3 years (November-October) viz., 1975-76, 1974-75 and 1973-74. **Exemptions** (i) Advances against vegetable oils and vanaspati (manufactured in India) to vanaspati manufacturers and registered oil mills. (ii) Advances to consumers' co-operatives in respect of stocks held under the Centrally-sponsored Scheme for distribution of essential consumer articles. (iii) Advances to traders wholly or partly against the security of vegetable oils (including vanaspati) which are covered by a guarantee scheme of the DICGC subject to a maximum of Rs. 25,000 for each such trader, provided he undertakes to borrow against vegetable oils (including vanaspati) from only one bank. (iv) Advances to manufacturing units and other borrowers, wholly or partly against the security of vegetable oils (including vanaspati) which are covered by a guarantee scheme of the DICGC subject to a maximum of Rs. 25,000 for each such unit/borrower, provided it/he undertakes to borrow against vegetable oils (including vanaspati) from only one bank.	**States** (i) Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa and Tripura. **Public Procurement, Storage and Distribution Agencies** (ii) Advances to the Food Corporation of India & the State Trading Corporation against the stocks of vegetable oils and vanaspati. (iii) Wholesale and retail dealers appointed/licensed by Government and/or operating under statutory rationing/fair price distribution system in all the States and Union Territories to the extent of the quantum meant for public distribution. (iv) Advances against stocks of oil processed from linseed oil and castor oil for use as industrial raw material by factories. (v) Advances against receivables arising out of sale of vegetable oils (including vanaspati) delivered to Army Purchase Organisation and against stocks of vanaspati held by vanaspati manufacturers for being delivered to the Army Purchase Organisation in the Ministry of Food and Agriculture, Government of India, New Delhi and with the prior approval of the RBI, other agencies designated for the purpose by the Central and State Govern-

C. VEGETABLE OILS (INDIGENOUS AND IMPORTED GROUNDNUT OIL, COTTONSEED OIL, RAPESEED OIL/MUSTARD OIL, CASTOR OIL, LINSEED OIL AND VANASPATI AND OTHER IMPORTED OILS)—(*Concld.*)

Rate of interest: 19.50% per annum for all loans/advances/cash credits/overdrafts

	No. and Date of Directive	Minimum Margin	Level of Credit	Complete Exemption
	(1)	(2)	(3)	(4)
(xi)	DBOD. No. Dir. BC. 100/C. 218-82 dated 26th October 1982.	material equivalent to 6 weeks' consumption of each factory located in Eastern Zone. (b) 60% on advances against stocks of such oil used as raw material equivalent to 6 weeks' consumption of each factory located in Northern Zone and (c) 60% on advances against stocks of such oil used as raw materials equivalent to 4 weeks' consumption of each factory in Southern and Western Zones. The stocks of oils mentioned in 5(a) to 5(c) have to be worked out on the basis of average of **weekly** consumption during the period from October 1976 to March 1977. **For new Vanaspati Factories** The basis is the average actual weekly consumption from the date of establishment, and **For Vanaspati Units likely to start Production in future** The margin is to be related to 4 to 6 weeks' requirement (as stipulated) depending upon the location of the factory, based on one-third of the average weekly production capacity of the units for the first 6 months and thereafter based on the average actual weekly consumption during the preceding 6 months. 6. On advances to registered oil mills (other than vanaspati manufacturers) against stocks of groundnut oil, cottonseed oil, rapeseed oil/mustard	(v) Advances against warehouse receipts provided the amount does not exceed Rs. 25,000 per borrower. (vi) Advances against all imported vegetable oils.	ments, in pursuance of contracts entered into or to be entered into with the said Organisation by the said manufacturers. (vi) Advances to Wholesale Consumers' Co-operative Stores and State and National Federations of Consumers' Co-operatives. **Exports** (vii) Packing credit advances to the exporters of deoiled and/or de-fatted cakes against the security of oilseeds and/or other raw material to the extent of the value of raw material required for producing cakes covered by the export order, even though the value of the raw material exceeds the value of the relative export order; **Provided** Such advances to the extent of the value of by-product oil shall be adjusted by the sale proceeds of the by-product oil or in cash as soon as the oil is extracted but within a period not exceeding 15 days from the date of advance and the balance in the packing credit account shall be adjusted by the proceeds of the relative export bills, and advances, if any, against the by-product oil granted in a separate account are exempted for a period of 15 days from the date, of such advances. (viii) Pre-shipment credit granted to exporters against the security of linseed oil on the basis of firm export orders/irrevocable letters of credit and post-shipment credit given in the form of purchase, negotiation or discounting of export

oil, castor oil and linseed oil—75% of the value of stock; 65% for advances against warehouse receipts of Central or State Warehousing Corporations covering these commodities.

Exemptions

(i) Advances to consumers' co-operatives in respect of stocks held under the Centrally Sponsored Scheme for the distribution of essential consumer articles.

(ii) Advances to traders wholly or partly against the security of vegetable oils (including vanaspati) which are covered by a guarantee scheme of the DICGC subject to a maximum of Rs. 25,000 for each such trader, provided he undertakes to borrow against vegetable oils (including vanaspati) from only one bank.

(iii) Advances to manufacturing units and other borrowers, wholly or partly against the security of vegetable oils (including vanaspati), which are covered by a guarantee scheme of the DICGC subject to a maximum of Rs. 25,000 for each such unit/ borrower, provided it/he undertakes to borrow against vegetable oils (including vanaspati) from only one bank.

(iv) Advances to vanaspati manufacturers against cottonseed oil.

(v) Advances against all imported vegetable oils **for a period not exceeding** 4 weeks after arrival of the goods in India.

(vi) Advances granted to vanaspati manufacturers against the security of imported oils used as raw materials by them in the manufacture of vanaspati.

bills or advances thereagainst in respect of export of linseed oil.

Others

(ix) Advances granted to processing/ manufacturing units covered under the Rural Industries Projects up to Rs. 25,000 per unit.

(x) Advances by way of purchase of demand documentary bills drawn in connection with the movement of vegetable oils and vanaspati.

(xi) Advances granted to KVIC and all its associate institutions.

DBOD. No. Dir. BC. 73/C. 218 (H)-77 dated 15th June 1977.

Banks should not establish letters of credit on more than 45 days' D/A basis for import of edible oils, as far as possible. In case banks establish letters of credit on more than 45 days' D/A basis, they should stipulate that, after 30 days from the date of arrival of the goods in the port, the importer will deposit with them an amount equivalent to the margin amount which he would have provided under the directives had he availed himself of advances against the commodity.

Letter DBOD. No. Dir. BC. 97/C. 218-79 dated 29th June 1979.

Banks should refrain from granting additional limits against vegetable oils to parties other than Government and Government-supported Organisations; even in the case of such organisations a strict scrutiny on drawals should be maintained.

D. COTTON AND KAPAS

Rate of interest: (i) 13.50% per annum for advances against rural warehouse receipts up to Rs. 5,000
(ii) 19.50% per annum for all other loans/advances/cash credits/overdrafts

No. and Date of Directive	Minimum Margin	Level of Credit	Complete Exemption
(1)	(2)	(3)	(4)
(i) DBOD. No. Dir. BC. 85/C. 218-74 dated 11th September 1974. (ii) DBOD. No. Dir. BC. 47/C. 218(F) 79 dated 29th March 1979. (iii) DBOD No. Dir. BC. 48/C. 218 (F)79 dated 29th March 1979. (iv) D.O. No. CPC. 250/C. 279-79 dated 7th August 1979. (v) DBOD. No. Dir. BC. 58/C. 218(a)-80 dated 11th June 1980. (vi) DBOD. No. Dir. BC. 92/C. 218(a)-80 dated 6th August 1980. (vii) DBOD. No. Dir. BC. 32/C. 96-81 dated 28th February 1981. (viii) DBOD. No. Dir. BC. 50/C. 96-81 dated 2nd May 1981. (ix) DBOD. No. Dir. BC. 59/C. 96-81 dated 19th May 1981. (x) DBOD. No. Dir. BC. 60/C. 218-81 dated 19th May 1981.	(1) **Mills under National Textile Corporation** (a) 20% for stocks of 4 months' consumption. (b) 35% for stocks in excess of 4 months' consumption. (2) **For Mills in Bombay and Ahmedabad** (a) 25% for stocks of 3 months' consumption. (b) 45% for stocks in excess of 3 months' consumption. (3) **For Mills in Bihar and West Bengal** (a) 20% for stocks of 4½ months' consumption. (b) 40% for stocks in excess of 4½ months' consumption. (4) **Other Mills** For mills other than those in Bombay/Ahmedabad and in States of Bihar and West Bengal. (a) 25% for stocks of 4 months' consumption. (b) 45% for stocks in excess of 4 months' consumption. (5) **For Mills solely engaged in spinning Yarn** (a) 20% for stocks of 4 months' consumption. (b) 35% for stocks in excess of 4 months' consumption.	In respect of each party other than a cotton mill: 100% of the peak level of credit maintained by that party with the bank in any of the 3 years (November-October) viz., 1977-78, 1976-77 and 1975-76. **Exemptions** (i) Advances against cotton and *kapas* to industrial users such as manufacturers of surgical cotton (absorbent cotton wool), provided that such stock is held by the borrower for processing and not for re-sale. (ii) Advances against the security of stocks of (a) imported cotton and (b) new and/or long-staple varieties of cotton grown in India, viz., Hybrid 4 and 5 (Shankar 4 and 5), Gujarat 67 (LSC-67), MCU-4, 5 and 8, Sujatha, Sea Island Andrews, Hampi, Varalaxmi, Maljhari, Narmada A.51/9, Khandwa 1 and 2, Suvin, Vishnu and Badnavar-1, 320-F, Bengal Deshi, J-34, 205 and H-14, Bikaneri-Narma, R. S. 89, Jawahar Kapas, Sujay, SRT 1, Jyoti, Mahalaxmi, NH-12, Bhagya (GS-23), CBS-156 and Giza-7. (iii) Advances against warehouse receipts, provided that the amount does not exceed Rs. 25,000 per borrower.	**States** (i) Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa and Tripura. **Exports** (ii) Advances in respect of pre-shipment credit for cotton exports, provided the advances are made in respect of firm export order and repaid on negotiation of the relevant export bills on shipment. (iii) Advances to cotton mills in respect of pre-shipment credit against such stocks of indigenous cotton and *kapas* as are required for the manufacture of cotton textiles (including yarn) in respect of which firm export orders have been received either directly by the mills or by merchant exporters through whom the mills are exporting cotton textiles (including yarn) provided the contracts with the merchant exporters are registered with Cotton Textiles Export Promotion Council and other requirements of the pre-shipment finance are complied with. (iv) Advances against the security of, or by way of purchase or discount of, export bills relating to export of cotton from India.

(xi) DBOD. No. Dir. BC. 96/C. 218 (F)-81 dated 29th July 1981.

(xii) DBOD. No. Dir. BC. 100/C. 218-81 dated 10th August 1981.

(xiii) DBOD. No. Dir. BC. 100/C. 218-82 dated 26th October 1982.

(6) **To Others (Parties other than Cotton Mills)**

(a) 45% for stocks of new and/or long-staple varieties of cotton grown in India, viz., Hybrid 4 and 5 (Shankar 4 and 5), Gujarat 67 (LSC-67), MCU-4, 5 & 8, Sujatha, Sea Island Andrews, Hampi, Varalaxmi, Maljhari, Narmada A-51/9, Khandwa-1 and 2, Suvin, Vishnu and Badnaver-1, 320 F, Bengal Deshi, J-34, 205 and H-14, Bikaneri-Narma, R.S. 89, Jawahar Kapas, Sujay, SRT-1, Jyoti, Mahalaxmi, NH-12, Bhagya (GS-23), CBS-156 and Giza 7.

(b) 25% for stocks of imported cotton.

(c) 60% for stocks of other varieties of cotton.

(d) 50% for stocks covered by warehouse receipts.

(7) **Small Advances up to Rs. 5,000 against Rural Warehouse Receipts**
Fixed margin of 30% covering stocks of cotton and *kapas*.

Exemptions

(i) Advances against cotton and *kapas* to industrial users such as manufacturers of surgical cotton (absorbent cotton wool), provided that such stock is held by the borrower for processing and not for re-sale.

(ii) Advances to mills in West Bengal under the National Textile Corporation or its authorised agencies, against stocks equivalent to $4\frac{1}{2}$ months' consumption of each mill.

(iii) Advances granted to mills against the security of imported cotton.

Others

(v) Advances granted by way of purchase of demand documentary bills drawn in connection with the movement of cotton and *kapas*.

(vi) Advances granted to processing/ manufacturing units covered under the Rural Industries Projects, up to Rs. 25,000 per unit.

(vii) Advances granted to KVIC and all its associate institutions.

E. SUGAR, GUR AND KHANDSARI

Rate of interest on loans/advances/cash credits/overdrafts

(A) Sugar (i) 17.50% per annum to 19.50% per annum for sugar factories in respect of all stocks
(ii) 19.50% per annum for parties other than sugar factories

(B) *Gur* and *Khandsari* : 19.50% per annum

No. and Date of Directive	Minimum Margin	Complete Exemption
(1)	(2)	(3)
(i) DBOD. No. Dir. BC. 85/C. 218-74 dated 11th September 1974. (ii) DBOD. No. Dir. BC. 105/C. 218 (J)-75 dated 11th November 1975. (iii) DBOD. No. Dir. BC. 33/C. 218(J)-78 dated 3rd March 1978. (iv) DBOD. No. Dir. BC. 142/C. 218(J)-78 dated 14th October 1978. (v) DBOD. No. Dir. BC. 99/C. 218(J)-79 dated 29th June 1979. (vi) D.O. No. CPC. 250/C. 279-79 dated 7th August 1979. (vii) DBOD. No. Dir. BC. 33/C. 218(J)-80 dated 1st March 1980. (viii) DBOD. No. Dir. BC. 116/C. 218(J)-80 dated 13th October 1980. (ix) DBOD. No. Dir. BC. 32/C. 96-81 dated 28th February 1981. (x) DBOD. No. Dir. BC. 59/C. 96-81 dated 19th May 1981. (xi) DBOD. No. Dir. BC. 60/C. 218-81 dated 19th May 1981. (xii) DBOD. No. Dir. BC. 100/C. 218-81 dated 10th August 1981. (xiii) DBOD. No. Dir. BC. 117/C. 218-81 dated 17th September 1981. (xiv) DBOD. No. Dir. BC. 58/C. 218(J)-82 dated 13th September 1982. (xv) DBOD. No. Dir. BC. 93/C. 218(J)-82 dated 9th October 1982. (xvi) DBOD. No. Dir. BC. 100/C. 218-82 dated 26th October 1982.	1. **To Sugar Factories** (a) 75% on advances to parties manufacturing sugar in respect of such stocks of sugar as have been released for sale by the Government and have left the factory or mill premises and on which excise duty has been paid. (b) 20% on advances to parties manufacturing sugar against stocks of sugar other than those referred to in (a) above. 2. **Manufacturers of *Gur and Khandsari*** 50% on advances against stocks of *gur/ Khandsari.* 3. **To Others** 75% on advances against stocks of sugar, *gur* and *Khandsari.* 4. **Warehouse Receipts** (a) 65% on advances against warehouse receipts covering stocks of sugar (b) 55% on advances against warehouse receipts covering stocks of *gur* and *Khandsari.* **Exemption** (i) Advances to consumers' co-operatives in respect of stocks held under schemes of public distribution organised by Government. (ii) Advances granted to sugar mills manufacturing sugar in respect of stocks of sugar required to be held by them as sequestered stocks on a pro-rata basis out of stocks of free sale sugar in accordance with the scheme approved in that regard by Government.	**Public Procurement, Storage and Distribution Agencies** (i) Advances to Food Corporation of India. (ii) Advances to Wholesale Consumers' Co-operative Stores or State and National Federations of Consumers' Co-operatives. **Exports** (iii) Advances granted in respect of stocks of sugar pledged/hypothecated with banks which are intended for export out of India. **Others** (iv) Advances granted by way of purchase of demand documentary bills drawn in connection with movement of commodities. (v) Advances granted to processing/manufacturing units covered under the Rural Industries Projects, up to Rs. 25,000 per unit. (vi) Advances granted to industrial users such as confectioneries, bakeries, biscuit manufacturers, etc., against stocks of sugar, *gur* and *khandsari* pledged/hypothecated with banks. (vii) Advances against sugar granted to wholesale and retail dealers appointed/licensed by government and/or operating under statutory rationing/fair price distribution system in all the States and Union Territories to the extent of quantum of sugar allotted to them by the Government. (viii) Advances granted to KVIC and all its associate institutions.

Note: Stocks of levy sugar may be valued at the levy price fixed by Government and stocks of free-sale sugar at the tariff value fixed by Government, or at market value, whichever is lower. (Ref. : DBOD. No. Dir. BC. 8/C. 218(J)-80 dated January 8, 1980).

F. COTTON TEXTILES INCLUDING COTTON YARN, MAN-MADE FIBRES AND YARN AND FABRICS MADE OUT OF MAN-MADE FIBRES OR PARTLY OUT OF COTTON YARN AND PARTLY OUT OF MAN-MADE FIBRES (INCLUDING STOCKS IN PROCESS)*

Rate of interest: 19.50 per cent per annum for loans/advances/cash credits/overdrafts

No. and Date of Directive.	Minimum Margin	Complete Exemption
1	2	3
(i) DBOD. No. Dir. BC. 85/C. 218-74 dated 11th September 1974. (ii) DBOD. No. Dir. BC. 106/C. 218 (T)-75 dated 11th November 1975. (iii) DBOD. No. Dir. BC. 32/C. 218 (T)-76 dated 15th March 1976. (iv) DBOD. No. Dir. BC. 33/C. 218 (T)-76 dated 15th March 1976. (v) D.O. No. CPC. 250/C. 279-79 dated 7th August 1979. (vi) DBOD. No. Dir. BC. 32/C. 96-81 dated 28th February 1981. (vii) DBOD. No. Dir. BC. 59/C. 96-81 dated 19th May 1981. (viii) DBOD. No. Dir. BC. 60/C. 218-81 dated 19th May 1981. (ix) DBOD. No. Dir. BC. 100/C. 218-81 dated 10th August 1981. (x) DBOD. No. Dir. BC. 100/C. 218-82 dated 26th October 1982.	30%	**Exports** (i) Advances in respect of pre-shipment credit for exports of cotton textiles including cotton yarn, man-made fibres and yarn and fabrics made out of man-made fibres provided the advance is made in respect of firm export order and is repaid on negotiation of relevant export bills on shipment. (ii) Advances against the security of, or by way of purchase or discount of, export bills relating to export of cotton textiles including cotton yarn, man-made fibres and yarn and fabrics made out of man-made fibres, from India. **Others** (iii) Advances to traders wholly or partly against the security of cotton textiles including cotton yarn, man-made fibres and yarn and fabrics made out of man-made fibres which are covered by a guarantee scheme of the DICGC subject to a maximum of Rs. 25,000 for each such trader, provided he undertakes to borrow against these commodities from only one bank. (iv) Advances against the security of, or by way of purchase of, demand documentary bills drawn in connection with the movement of cotton textiles including cotton yarn, man-made fibres and yarn and fabrics made out of man-made fibres. (v) Advances against the security of handloom, powerloom and hand-woven cotton cloth. (vi) Advances against controlled cloth. (vii) Advances to co-operatives and nominees of State Government handling these commodities. (viii) Industrial users such as those manufacturing ready-made garments, sewing threads, umbrella cloth, etc. (ix) Advances granted to KVIC and all its associate institutions.

* The stipulations are applicable only to traders, dealers and agents.
Banks may discount bills of exchange arising out of sale of cotton textiles having a usance not in excess of 60 days. These usance bills may be drawn by textile mills, powerloom units and other manufacturers like master weavers as well as by dealers and traders.

Chapter VII

Fiscal Developments*

The first two Sections of this Chapter review the budgetary position of the Central and State Governments. Finances of the Railways and the Posts and Telegraphs Departments are reviewed in Sections III and IV, respectively. The last Section analyses Public debt and other liabilities of the Government.

I. COMBINED POSITION OF CENTRAL AND STATE GOVERNMENTS

The Central Government's budget for the year 1981-82 was formulated against the background of an economic situation that continued to be difficult despite considerable improvement over the conditions prevailing a year ago. The overall fiscal policy for 1981-82 was framed against the background of the economic situation which continued to be constrained by the delayed effect of severe drought, smaller growth in industrial production, infrastructural bottlenecks and adverse external payments position. The fiscal policy of the Central Government for the year 1981-82 was, therefore, devised to steer the economy on the path of stable growth and promote higher savings and investments, so as to stimulate considerable supply response with a view to meeting the expanding needs of the economy in a non-inflationary manner. In the field of indirect taxes, the basic approach of the Budget was that additional revenue should flow largely from increased production.

The total Annual Plan outlay of the Centre, States and Union Territories in 1981-82 was placed at Rs. 17,479 crores as compared with Rs. 14,593 crores in the budget estimates for 1980-81 representing an increase of about 20 per cent. Higher outlays were allocated for agricultural and rural development, power sector, oil exploration and coal. The total Annual Plan outlay in 1981-82 formed about 17.9 per cent of the total projected public sector plan outlay during the Sixth Five Year Plan.

The combined budgetary deficit[1] of the Central and State Governments according to the revised estimates for 1981-82 at Rs. 2,352 crores[2] was smaller by Rs. 1,122 crores than the deficit of Rs. 3,474 crores recorded in 1980-81 (Accounts). However, compared with the estimated deficit of Rs. 1,828 crores for 1981-82 the deficit was higher by Rs. 524 crores.

Net Reserve Bank Credit to the Centre and States increased by Rs. 3,996 crores in 1981-82 as compared with an increase of Rs. 4,038 crores in 1980-81. Net RBI credit to the Central Government rose by Rs. 3,207 crores as compared with an increase of Rs. 3,551 crores in 1980-81. The amount of such credit to States increased by Rs. 789 crores in 1981-82 as compared with an increase of Rs. 487 crores in 1980-81 (Table VII-1).

The combined aggregate receipts of the Central and State Governments, according to the revised estimates for 1981-82 increased by Rs. 5,622 crores (or 15.8 per cent) over the preceding year to Rs. 41,308 crores (Table VII-2). The receipts formed 28.9 per cent of the Gross Domestic Product at current market prices in 1981-82 as compared with 28.4 per

* Figures in this chapter relate to fiscal years (April-March).

1. Budgetary deficit or surplus is measured (A) in the case of the Central Government by (*i*) net increase/decrease in outstanding treasury bills and (*ii*) withdrawal from/addition to cash balances and (B) in the case of States by the State Budget figures of (*i*) net increase/decrease in R.B.I. credit in the form of ways and means advances and overdrafts (repayable within 7 working days with effect from May 1, 1972), (*ii*) decline in/addition to cash balances, (*iii*) net sales/purchases of securities held by States in their cash balance investment accounts and (*iv*) encashment of/investment in securities held in revenue reserve fund.

2. According to the books of the Reserve Bank of India, the combined surplus for 1981-82 amounted to Rs. 1,009 crores, surplus of Rs. 2,111 crores on Centre's account adjusted with the deficit of Rs. 1,102 crores on account of the States. Data on receipts and disbursements conforming to this figure are not yet available.

Table VII—1 : Trends in Budgetary Deficits and Net RBI Credit to Government

(Rs. crores)

Year	Budgetary Surplus (+) or Deficit (—)(*a*)			Net R.B.I. Credit to Government(*b*)		
	Centre	States	Total	Centre	States	Total
1	2	3	4	5	6	7
1971-72	— 519	— 289	— 808	583	287	870
1972-73	— 869	— 7	— 876	1211	— 386	825
1973-74	— 328	— 226	— 554	630	134	764
1974-75	— 721	— 31	— 752	533	134	667
1975-76	— 366	+ 75	— 291	— 288	91	— 197
1976-77	— 131	+ 50	— 81	816	22	838
1977-78	— 933	— 229	—1162	— 260	142	— 118
1978-79	—1506	+1010	— 496	2191	— 419	1772
1979-80	—2433	— 187	—2620	2650	339	2989
1980-81	—2577	— 897@	—3474	3551	487	4038
1981-82 (Revised Estimates) ..	—1700	— 652	—2352	3207	789	3996

(*a*) For definition see footnote No. 1 of this Chapter.
(*b*) Comprising net changes in (*i*) RBI holdings of Treasury Bills, other Government Securities, Rupee Coins in Issue Department, loans and advances to State Governments and (*ii*) Governments' balances with the RBI so that an increase in cash balances will imply a decline in RBI credit to Governments and vice versa. Data refer to full Fiscal year (*i.e.*, from April 1 to March 31) and take into account adjustments made at the time of final closure of Government accounts.
@ Figures for Sikkim relate to Revised Estimates.
Source: Central and State Budget Documents for budgetary data.

cent in the preceding year. Revenue receipts in 1981-82 at Rs. 30,086 crores showed a rise of 17.6 per cent and capital receipts at Rs. 11,222 crores recorded a smaller increase of 11.2 per cent.

Aggregate tax receipts increased by 20.5 per cent in 1981-82 and their ratio to Gross Domestic Product at current market prices at 16.7 per cent was higher than the ratio of 15.7 per cent in 1980-81. Receipts from taxes on income and property were higher by 25.5 per cent. On the other hand, receipts from taxes on commodities and services recorded a smaller rate of growth of 19.3 per cent. As regards capital receipts, receipts from market borrowings (net of repayment) were higher by Rs. 503 crores (or 18.1 per cent). Receipts from small savings (net) rose by 21.7 per cent while those from State Provident Funds (net) rose by 33.2 per cent.

The combined aggregate receipts in 1982-83 are anticipated to increase by Rs. 4,237 crores (or 10.3 per cent) over the revised estimates for 1981-82. While revenue receipts are budgeted to increase by 13.2 per cent, capital receipts are likely to increase by 2.3 per cent. Tax receipts are estimated to increase by 15.3 per cent as compared with the increase of 20.5 per cent in the preceding year.

The combined aggregate disbursements of the Centre and States in 1981-82 at Rs. 43,660 crores were higher by Rs. 4,500 crores (or 11.5 per cent) than in the preceding year and formed 30.5 per cent of Gross Domestic Product at current market prices in 1981-82 as compared with 31.2 per cent in the preceding year. The combined aggregate disbursements in 1982-83 are expected to rise by Rs. 3,277 crores (or 7.5 per cent) over the revised estimates for 1981-82.

Table VII—2 : Combined Receipts and Disbursements of Central and State Governments

(Rs. crores)

Items	1980-81 (Accounts)	1981-82 (Revised Estimates)		1982-83@ (Budget Estimates)	
	Amount	Amount	Percent variation over the previous year	Amount	Percent variation over the previous year
1	2	3	4	5	6
I. Total Disbursements	**39,160**	**43,660**	**+11.5**	**46,937**	**+ 7.5**
Of which :					
1. **Developmental (a+b+c)**	25,845	28,726	+11.1	30,000	+ 4.4
(*a*) Revenue	13,931	16,292	+16.9	17,641	+ 8.3
(*b*) Capital	6,179	7,332	+18.7	7,536	+ 2.8
(*c*) Loans	5,735	5,102	—11.0	4,823	— 5.5
2. **Non-Developmental (a+b+c)**	**11,977**	**13,677**	**+14.2**	**16,159**	**+18.1**
(*a*) Revenue	10,746+	12,893	+20.0	15,090	+17.0
(*b*) Capital	1,004*	527	—47.5	791	+50.1
(*c*) Loans	227	257	+13.2	278	+ 8.2
II. Total Receipts (A+B)	**35,686**	**41,308**	**+15.8**	**45,545**	**+10.3**
A. Revenue Receipts	**25,591**	**30,086**	**+17.6**	**34,068**	**+13.2**
Of which :					
Tax Receipts (a+b)	19,793	23,841	+20.5	27,498	+15.3
(*a*) Taxes on Commodities and Services	16,102	19,210	+19.3	22,259	+15.9
(*b*) Taxes on Income and Property	3,691	4,631	+25.5	5,239	+13.1
B. Capital Receipts	**10,095***	**11,222**	**+11.2**	**11,477**	**+ 2.3**
Of which :					
(*i*) Market Borrowings (Gross)	3,167	3,742	+18.2	4,121	+10.1
(*ii*) Market Borrowings (Net)	2,777	3,280	+18.1	3,592	+ 9.5
(*iii*) Small Savings	1,464	1,782	+21.7	1,958	+ 9.9
(*iv*) State Provident Funds (Net)	503	670	+33.2	735	+ 9.7
III. Overall Surplus(+) or Deficit(—) (II—I)	**—3,474**	**—2,352**		**—1,392**	
Financing of Surplus (+) or Deficit(—)					
(*i*) Increase (+) or Decrease (—) in Cash balances of Centre and States	—139	—1,286		—138	
(*ii*) Increase (—) or Decrease (+) in Treasury Bills of Centre	—2,754	—1,013		—1,370	
(*iii*) Withdrawals from (—) or additions to (+) Cash balance investment accounts and revenue reserve funds of States	—271	—92		—	
(*iv*) Increase (—) or Decrease (+) in ways and means advances and overdrafts from the Reserve Bank of India to States	—310	+39		+116	

Notes : 1. Data do not cover Union Territories with legislatures. Data in respect of States relate to 22 States. Data for Sikkim for 1980-81 (Accounts) relate to Revised Estimates.

2. Figures are adjusted for inter-governmental transfers on the basis of the data available in Central Government Budget.

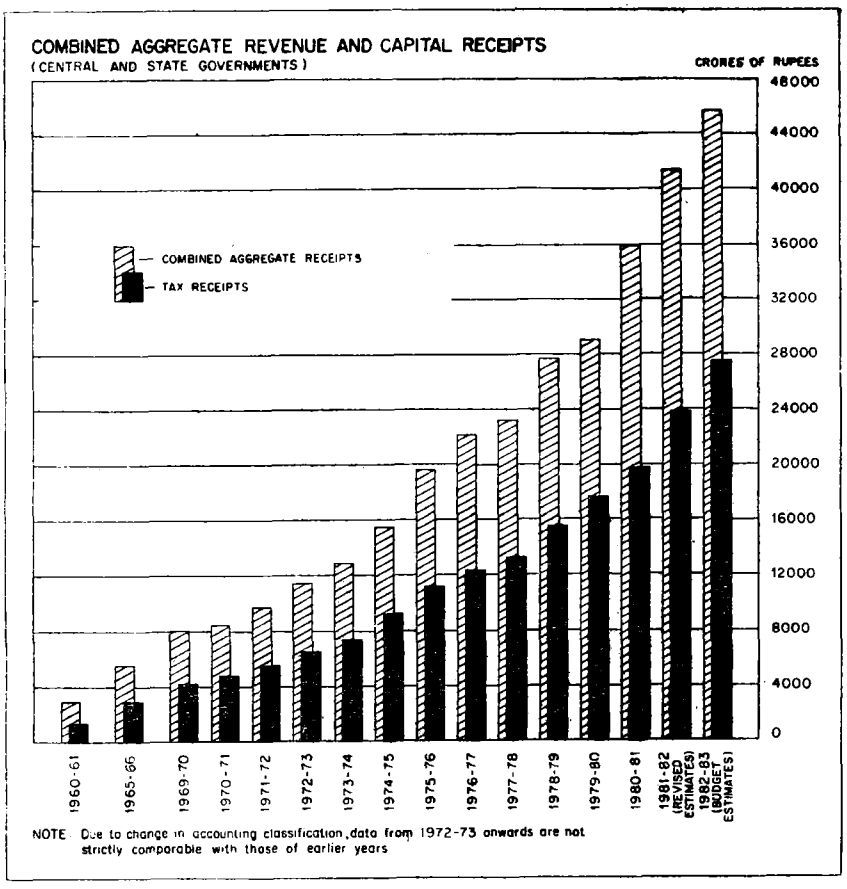
3. Figures of Developmental and Non-Developmental expenditure do not add up to total disbursements since the latter include besides Developmental and Non-Developmental expenditure, items like discharge of debt of Central and State Governments, compensation and assignments to local bodies and panchyati raj institutions, appropriation to contingency funds, remittances (net) and adjusted for difference in the figures of repayment of loans by State Governments to the Central Government given in their respective budgets.

@ Including effects of budget proposals and adjusted for the effects of tax concessions in respect of Central Government Budget announced in Lok Sabha on April 22, 1982.

* Includes contra-entries relating to notional receipt/expenditure of Rs. 588 crores on account of subscription payable to International Monetary Fund in the form of securities and Special Drawing Rights.

\+ Excludes accounting adjustments relating to the write-off of Rs. 938 crores of loans advanced to State Governments prior to 1979-80. These loans were written off by way of debt relief to the States in pursuance of the recommendations of the Seventh Finance Commission.

Source : Budgets of Central and State Governments.



The growth rate in Developmental expenditure in 1982-83 is estimated considerably lower at 4.1 per cent from 11.3 per cent in 1981-82 while growth in non-developmental expenditure is estimated higher at 18.1 per cent from 14.0 per cent in the previous year.

BUDGETARY OPERATIONS OF THE CENTRAL GOVERNMENT

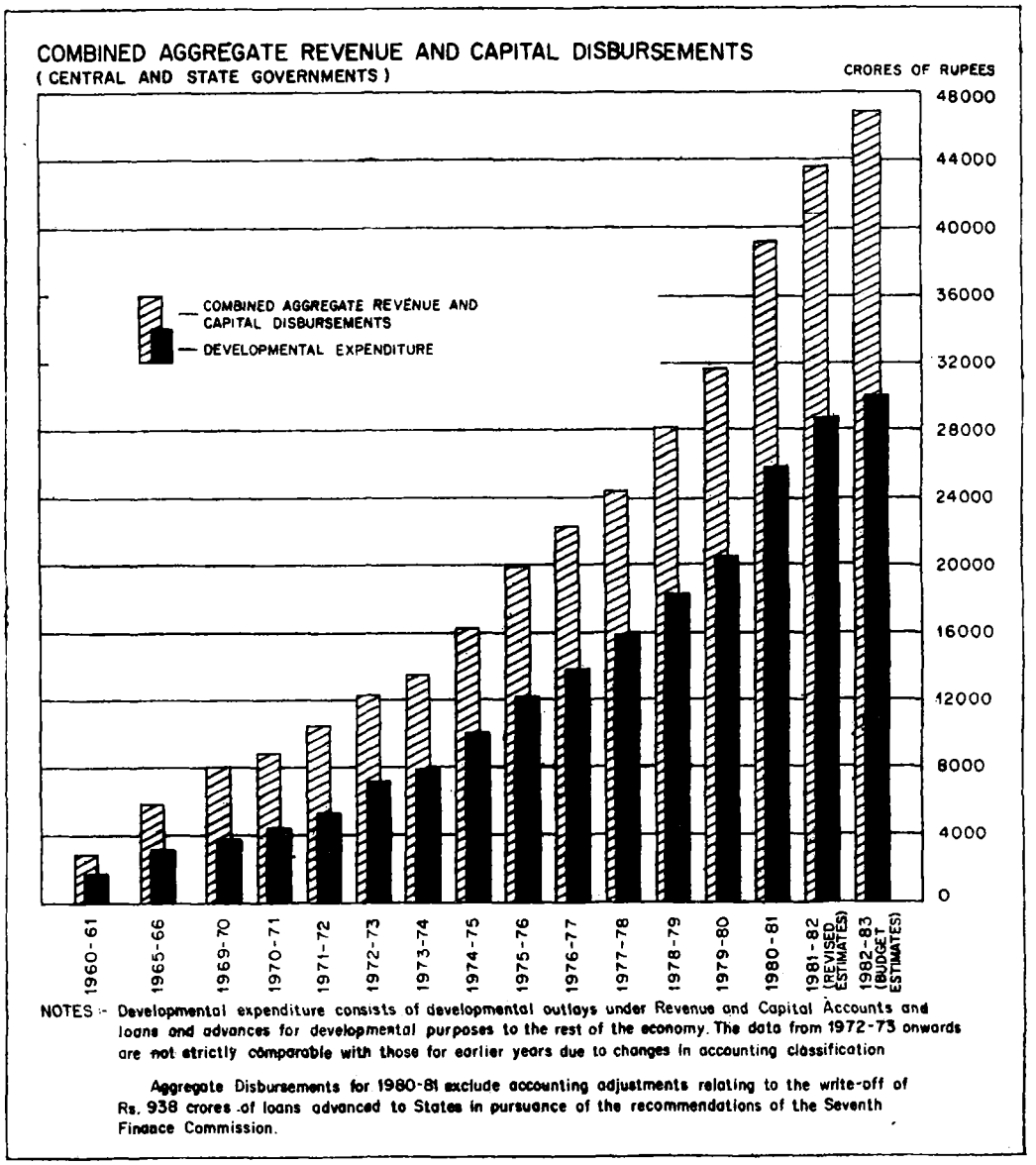
Central Finances : 1981-82

The budgetary deficit of the Central Government, according to the revised estimates for 1981-82 amounting to Rs. 1,700 crores was lower by Rs. 877 crores than the deficit of Rs. 2,577 crores in 1980-81.

Aggregate disbursements during 1981-82 at Rs. 27,267 crores were higher by Rs. 2,429 crores (or 9.8 per cent) than in 1980-81. Expenditure on revenue account rose by Rs. 1,411 crores while that on capital account increased by Rs. 1,025 crores.

The increase in expenditure on revenue account was due mainly to a substantial rise in developmental expenditure (Rs. 1,076 crores). Non-developmental expenditure, on the other hand, showed a smaller increase of Rs. 335 crores. Under developmental expenditure, economic services recorded a substantial increase of Rs. 667 crores. Expenditure on account of social and community services and grants to State and Union Territory Governments for developmental purposes was stepped up by Rs. 214 crores and Rs. 191 crores respectively. As regards non-developmental expenditure, expenditure on interest payments increased substantially by Rs. 569 crores. Defence expenditure (net) was stepped up by Rs. 595 crores. However, the rise in expenditure under these two heads was partially offset by a substantial decline of Rs. 853 crores under currency, coinage, mint and other general services.

The increase in expenditure under capital account resulted mainly from the rise in



NOTES :- Developmental expenditure consists of developmental outlays under Revenue and Capital Accounts and loans and advances for developmental purposes to the rest of the economy. The data from 1972-73 onwards are not strictly comparable with those for earlier years due to changes in accounting classification

Aggregate Disbursements for 1980-81 exclude accounting adjustments relating to the write-off of Rs. 938 crores of loans advanced to States in pursuance of the recommendations of the Seventh Finance Commission.

expenditure towards developmental capital outlay (Rs. 748 crores) and loans and advances (Rs. 721 crores). Under developmental capital outlay, expenditure on account of economic services increased substantially by Rs. 638 crores while that on account of social and community services rose by only Rs. 51 crores. Under economic services a major part of the increase was due to the enhancement in expenditure under Industry and Minerals (Rs. 420 crores). Non-developmental capital outlay recorded a decline of Rs. 497 crores and this decline partly offset the rise under the heads mentioned above. Under non-developmental capital outlay, while defence expenditure rose by Rs. 138 crores, expenditure on general services like India Security Press, Currency, Coinage and Mint (including subscription to IMF), etc. declined by Rs. 634 crores.

Aggregate receipts at Rs. 25,567 crores showed a rise of Rs. 3,306 crores (or 14.9 per cent) in the revised estimates for 1981-82 over the level in the preceding year. Revenue receipts were higher by Rs. 2,544 crores. On the other hand, capital receipts recorded a smaller rise of Rs. 762 crores.

Table VII—3 : Economic Classification of Total Budgetary Expenditure of the Central Government

(Rs. crores)

Items	1980-81 (Accounts)	Percent variation over the previous year	1981-82 (Budget Estimates)	Percent variation over the previous year	1981-82 (Revised Estimates)	Percent variation over the previous year	1982-83 (Budget Estimates)	Percent variation over the previous year
1	2	3	4	5	6	7	8	9
I. Total Expenditure	**22495 (100.0)**	**+21.6**	**24410 (100.0)**	**+8.5**	**25660 (100.0)**	**+14.1**	**28369 (100.0)**	**+10.6**
A. Final Outlays	**7081 (31.5)**	**+17.4**	**8199 (33.6)**	**+15.8**	**8570 (33.4)**	**+21.0**	**9632 (34.0)**	**+12.4**
(*a*) Consumption Expenditure	5174 (23.0)	+14.9	5837 (23.9)	+12.8	6096 (23.8)	+17.8	7035 (24.8)	+15.4
(*b*) Gross Capital Formation	1907 (8.5)	+24.8	2362 (9.7)	+23.9	2474 (9.6)	+29.7	2597 (9.2)	+ 5.0
B. Financial Resources Provided to the Rest of the Economy	**15414 (68.5)**	**+23.6**	**16211 (66.4)**	**+ 5.2**	**17090 (66.6)**	**+10.9**	**18737 (66.0)**	**+ 9.6**
(*a*) For Capital Formation	7105 (31.6)	+24.6	7748 (31.7)	+ 9.0	8358 (32.6)	+17.6	9002 (31.7)	+ 7.7
(*i*) To States and Union Territories	3666 (16.3)	+13.0	3851 (15.8)	+ 5.0	3969 (15.5)	+ 8.3	4375 (15.4)	+10.2
(*ii*) To Others*	3439 (15.3)	+40.0	3897 (15.9)	+13.3	4389 (17.1)	+27.6	4627 (16.3)	+ 5.4
(*b*) For Purposes other than Capital Formation	8309 (36.9)	+22.7	8463 (34.7)	+ 1.9	8732 (34.0)	+ 5.1	9735 (34.3)	+11.5
(*i*) To States and Union Territories	2085 (9.3)	+22.3	1951 (8.0)	— 6.4	2035 (7.9)	— 2.4	2269 (8.0)	+11.5
(*ii*) To Others*	6224 (27.6)	+22.8	6512 (26.7)	+ 4.6	6697 (26.1)	+ 7.6	7466 (26.3)	+11.5
II. Total Capital Formation Expenditure	**9012 (40.1)**	**+24.7**	**10110 (41.4)**	**+12.2**	**10832 (42.2)**	**+20.2**	**11599 (40.9)**	**+ 7.1**
III. Total Expenditure for purposes other than Capital Formation	**13483 (59.9)**	**+19.6**	**14300 (58.6)**	**+ 6.1**	**14828 (57.8)**	**+10.0**	**16770 (59.1)**	**+13.1**

Note : Figures in brackets represent percentages to total expenditure.
* Comprises non-departmental commercial undertakings, local authorities, foreign investments, etc.
Source : Economic and Functional Classification of the Central Government Budget.

Under revenue receipts, receipts from tax revenue recorded a rise of Rs. 2,092 crores. Receipts from non-tax revenue, on the other hand, went up by a smaller magnitude of Rs. 452 crores. Receipts from taxes on commodities and services accounted for a larger part of the increase in tax revenue (Rs. 1,322 crores) than the receipts from taxes on income (Rs. 765 crores). In the case of taxes on commodities and services, an increase of Rs. 731 crores resulted from customs duties (net) while receipts from Union excise duties (net) were higher by Rs. 538 crores. As regards taxes on income, a major part of the increase was accounted for by receipts from corporation tax (Rs. 651 crores) while receipts from interest tax increased by Rs. 110 crores. Under non-tax revenue a major part of the increase in receipts originated from interest receipts (Rs. 371 crores). Receipts from dividends and profits went up by Rs. 69 crores.

Under capital receipts, net receipts from internal market loans and external loans increased by Rs. 322 crores and Rs. 262 crores respectively. Receipts from Special Bearer Bonds were higher by Rs. 787 crores. Receipts from small savings (net) rose by Rs. 179 crores. On the other hand, an amount of Rs. 538 crores was received as loan from IMF Trust Fund in 1980-81. There were no receipts under this head in 1981-82. Recoveries of loans and advances declined by Rs. 222 crores. Other receipts went down by Rs. 294 crores.

ECONOMIC AND FUNCTIONAL CLASSIFICATION OF THE CENTRAL GOVERNMENT BUDGET

1981-82 (Revised Estimates)

The total expenditure@ of the Central Government in 1981-82 (revised estimates) according to the Economic and Functional Classification of the Budget was placed at Rs. 25,660 crores indicating an increase of Rs. 3,165 crores (or 14.1 per cent) over 1980-81 (Table VII-3).

@The figure of total expenditure as given in the Economic and Functional Classification is lower than the budgetary expenditure figure given in the earlier paragraphs mainly because the former does not include (*a*) discharge of debt and (*b*) current expenditure of the departmental commercial undertakings, their interest payments and net transfer of funds. The budgetary expenditure figures given in the earlier paragraphs exclude only the current expenditure of Railways and Posts and Telegraphs and their interest payments but include discharge of debt and current expenditure of other departmental commercial undertakings.

Economic Classification

Of the two components of total expenditure, the financial resources provided to the rest of the economy accounted for an increase of Rs. 1,676 crores. The share of such expenditure in the total expenditure declined from 68.5 per cent in 1980-81 to 66.6 per cent in 1981-82. The other component of total expenditure, namely, the final outlays recorded a somewhat smaller rise of Rs. 1,489 crores. However, its share in total expenditure went up from 31.5 per cent in 1980-81 to 33.4 per cent in 1981-82. The amount of financial resources provided to the rest of the economy for capital formation rose by Rs. 1,253 crores (or 17.6 per cent) over the year, while the amount of resources provided for purposes other than capital formation rose by a smaller magnitude of Rs. 423 crores (or 5.1 per cent). In the result, the share of the former in total expenditure rose from 31.6 per cent in 1980-81 to 32.6 per cent in 1981-82. On the other hand, the share of the latter in the total expenditure went down from 36.9 per cent in 1980-81 to 34.0 per cent in 1981-82.

The amount of final outlays rose by Rs. 1,489 crores (or 21.0 per cent) in 1981-82. Of the two components of final outlays, the consumption expenditure (i. e. the expenditure arising from the Government's direct demands for goods and services for consumption) accounted for Rs. 922 crores, of this increase. On the other hand, the amount spent on gross capital formation rose by a smaller amount of Rs. 567 crores. In percentage terms, however, consumption expenditure rose by 17.8 per cent in 1981-82 as compared with 14.9 per cent in the preceding year while the rate of growth of expenditure on gross capital formation in 1981-82 was higher at 29.7 per cent as compared with 24.8 per cent in 1980-81.

The total expenditure on capital formation arising from the direct outlays and transfer of financial resources to the rest of the economy was thus placed at Rs. 10,832 crores which was

higher by Rs. 1,820 crores (or 20.2 per cent) over the level in 1980-81 and its proportion to total expenditure also increased from 40.1 per cent to 42.2 per cent.

Functional Classification

In 1981-82 developmental expenditure (i. e. expenditure on social and economic services including block grants and loans for the purpose) was stepped up over the preceding year by Rs. 2,040 crores (or 15.3 per cent) to Rs. 15,390 crores. The share of developmental expenditure in total expenditure was slightly higher at 60.0 per cent in 1981-82 as compared with 59.3 per cent in the preceding year. Of the total increase in developmental expenditure, a major portion of Rs. 1,794 crores (or 88.0 per cent) was due to the enhancement in expenditure on economic services including investment in Government companies, loans to non-departmental non-financial companies, subsidies to industries and block grants and loans (Table VII-4).

Table VII—4 : Functional Classification of Central Government's Total Expenditure

(Rs. crores)

Items	1980-81 (Accounts)		1981-82 (Budget Estimates)		1981-82 (Revised Estimates)		1982-83 (Budget Estimates)	
	Amount	Percent variation over the previous year	Amount	Percent variation over the previous year	Amount	Percent variation over the previous year	Amount	Percent variation over the previous year
1	2	3	4	5	6	7	8	9
Total Expenditure (A+B)	**22,495 (100.0)**	**+21.6**	**24,410 (100.0)**	**+ 8.5**	**25,660 (100.0)**	**+14.1**	**28,369 (100.0)**	**+10.6**
A. Developmental Expenditure (i+ii)	**13,350 (59.3)**	**+20.1**	**14,744 (60.4)**	**+10.4**	**15,390 (60.0)**	**+15.3**	**16,643 (58.7)**	**+ 8.1**
(*i*) Social Services	1,442 (6.4)	+15.9	1,726 (7.1)	+19.7	1,688 (6.6)	+17.1	1,964 (6.9)	+16.4
(*ii*) Economic Services* ..	11,908 (52.9)	+20.7	13,018 (53.3)	+ 9.3	13,702 (53.4)	+15.1	14,679 (51.8)	+ 7.1
B. Non-Developmental Expenditure (i+ii)	**9,145 (40.7)**	**+23.7**	**9,666 (39.6)**	**+ 5.7**	**10,270 (40.0)**	**+12.3**	**11,726 (41.3)**	**+14.2**
(*i*) General Services	5,166 (23.0)	+27.3	5,170 (21.2)	+ 0.1	5,517 (21.5)	+ 6.8	6,454 (22.7)	+17.0
(*ii*) Unallocable	3,979 (17.7)	+19.3	4,496 (18.4)	+13.0	4,753 (18.5)	+19.5	5,272 (18.6)	+10.9

Notes : Figures in brackets are percentages to total expenditure.
* Include block grants and loans.
Source : Economic and Functional Classification of the Central Government Budget.

Non-developmental expenditure of the Central Government which comprises disbursements on account of general services (including defence expenditure) and unallocable items increased by Rs. 1,125 crores (or 12.3 per cent) to Rs. 10,270 crores in 1981-82 over the previous year. The rate of growth of non-developmental expenditure in 1981-82 was about one-half of the rate for 1980-81 (23.7 per cent). Expenditure on general services was stepped up by Rs. 351 crores. The amount spent on unallocable items consisting of consumption subsidies, interest payments, pensions, statutory grants-in-aid and special loans to State Governments was higher by Rs. 774 crores. The growth rate of 12.3 per cent in the case of non-developmental expenditure in 1981-82 was smaller than the rate of 15.3 per cent in respect of developmental expenditure. As a result, the share of developmental expenditure in total expenditure increased slightly from

59.3 per cent in 1980-81 to 60.0 per cent in 1981-82. The share of resources provided for capital formation for developmental purposes in total developmental expenditure rose from 67.0 per cent in 1980-81 to 89.7 per cent in 1981-82 (Table VII-5).

Table VII—5 : Provision for Capital Formation

(Rs. crores)

Items	1980-81 (Accounts)	1981-82 (Budget Estimates)	1981-82 (Revised Estimates)	1982-83 (Budget Estimates)	Percent Variation of Col. 4 over 2	Percent Variation of Col. 5 over 4
1	2	3	4	5	6	7
I. Total Provision for Capital Formation (A+B)	**9,012**	**10,110**	**10,832**	**11,599**	**+20.2**	**+ 7.1**
A. Developmental (1 to 3)	8,941	9,994	10,722	11,460	+19.9	+ 6.9
1. Social Services	314	408	390	461	+24.2	+18.2
2. Economic Services (a to d)	6,191	7,074	7,755	8,137	+25.3	+ 4.9
(a) Agriculture	652	563	696	629	+ 6.7	— 9.6
(b) Industry	2,896	3,417	3,697	4,160	+27.7	+12.5
(c) Transport and Communication	1,864	2,134	2,308	2,282	+23.8	— 1.1
(d) Other Economic Services	779	960	1,054	1,066	+35.3	+ 1.1
3. Block Grants and Loans	2,436	2,512	2,577	2,862	+ 5.8	+11.1
B. Non-Developmental (1+2)	71	116	110	139	+54.9	+26.4
1. General Services	71	116	110	139	+54.9	+26.4
2. Unallocable	—	—	—	—	—	—
II. Total Developmental Expenditure	**13,350**	**14,744**	**15,390**	**16,643**	**+15.3**	**+ 8.1**
III. IA as per cent of II	**67.0**	**67.8**	**69.7**	**68.9**		

Source: Economic and Functional Classification of the Central Government Budget.

PATTERN OF EXPENDITURE FOR 1982-83—BUDGET ESTIMATES

With the recovery of the economy in 1981-82 and substantial restoration of economic stability, the emphasis in the Budget for 1982-83 has been shifted from crisis management to initiating further efforts for moving the economy forward and achieving the necessary medium-term adjustment. Highest priority has been accorded for increasing the Plan outlay in the budget estimates for 1982-83. The total outlay on the Annual Plan of the Centre, States and Union Territories in 1982-83 is estimated at Rs. 21,137 crores as compared with Rs. 17,479 crores in the budget estimates for 1981-82 representing an increase of 21 per cent. Higher outlays have been provided for several areas emphasised in the 20-Point Programme. Purpose-wise allocation of the total Plan outlay in 1982-83 shows that 11.1 per cent is allocated to agriculture and rural development, 11.0 per cent to irrigation and flood control, 32.1 per cent to energy, 14.3 per cent to industry and minerals, 12.1 per cent to transport and 13.5 per cent to social services. The Annual Plan outlay during 1982-83 is budgeted to form 21.7 per cent of the total public sector outlay during the Sixth Plan. The public sector Plan outlay during the first three years viz. 1980-81 to 1982-83 of the Sixth Plan would work out to 54.6 per cent of the total Sixth Plan outlay.

In the Budget for 1982-83, provision has been made for budgetary support for the Central Plan for an amount of Rs. 7,343 crores. Taking into account the internal and extra budgetary resources for the Central Plan amounting to Rs. 3,657 crores, the total Central

Plan outlay for 1982-83 is budgeted at Rs. 11,000 crores. Central assistance for the Plans of the States and Union Territories is placed at Rs. 4,002 crores in 1982-83 as compared with Rs. 3,462 crores in the budget for 1981-82.

Aggregate disbursements of the Centre in 1982-83 are expected to increase by Rs. 2,771 crores (or 10.2 per cent) to Rs. 30,038 crores* over the revised estimates for 1981-82. Aggregate receipts@ in 1982-83 budgeted at Rs. 28,667 crores are likely to indicate a rise of Rs. 3,100 crores (or 12.1 per cent) over the preceding year. The budgetary deficit in 1982-83 is, therefore, estimated at Rs. 1,371 crores as compared with Rs. 1,700 crores in 1981-82.

The revenue expenditure of the Central Government is budgeted at Rs. 18,227 crores in 1982-83 showing a rise of Rs. 2,280 crores (or 14.3 per cent) over the revised estimates for 1981-82. The expenditure on Social and Community Services is likely to increase by Rs. 162 crores to Rs. 1,253 crores in 1982-83. The expenditure on Economic Services is anticipated to increase by Rs. 252 crores to Rs. 3,405 crores in 1982-83. Under this head, the expenditure on Agriculture and Allied Services estimated at Rs. 1,175 crores shows a rise of Rs. 106 crores. The provision for Industries and Minerals at Rs. 961 crores is budgeted to be higher by Rs. 88 crores. Total interest payments including interest payable on compulsory deposit schemes are anticipated to rise by Rs. 596 crores to Rs. 3,860 crores. Defence expenditure on revenue account is slated to increase by Rs. 463 crores to Rs. 4,599 crores in 1982-83. Expenditure on account of grants-in-aid to State and Union Territory Governments is likely to increase by Rs. 371 crores to Rs. 3,248 crores. Expenditure under "Administrative Services" is estimated to go up by Rs. 357 crores to Rs. 1,004 crores.

Capital disbursements in 1982-83 are anticipated to increase by Rs. 492 crores (or 4.3 per cent) over the preceding year to Rs. 11,811 crores. Capital outlay on economic services is likely to go up by Rs. 211 crores to Rs. 3,767 crores. Non-developmental capital outlay estimated at Rs. 698 crores is expected to show a rise of Rs. 261 crores on account of increased outlay on defence and services like India Security Press, Currency, Coinage and Mint, etc. Disbursements on account of discharge of debt are likely to increase by Rs. 105 crores. On the other hand, total loans and advances are anticipated to decline by Rs. 91 crores.

In 1982-83 revenue receipts are budgeted to account for 61.4 per cent of the budgeted aggregate receipts. Revenue receipts are estimated to rise by Rs. 2,222 crores (or 14.5 per cent) to Rs. 17,595 crores in 1982-83 over the preceding year. Of the total estimated increase in revenue receipts, tax receipts would account for 84.7 per cent. Receipts from direct taxes placed at Rs. 3,168 crores in 1982-83 would show a rise of Rs. 405 crores (or 14.7 per cent) over 1981-82. Receipts from indirect taxes budgeted at Rs. 10,195 crores would indicate a rise of Rs. 1,478 crores (or 17.0 per cent) over the previous year. Non-tax revenue receipts are likely to go up by Rs. 339 crores (or 8.7 per cent) to Rs. 4,232 crores in 1982-83.

Capital receipts are estimated to account for 38.6 per cent of the budgeted aggregate receipts. These receipts estimated at Rs. 11,072 crores in 1982-83 are likely to be higher by Rs. 878 crores (or 8.6 per cent) than in the preceding year. Net receipts from market borrowings are likely to increase by Rs. 300 crores to Rs. 3,201 crores in 1982-83. Net receipts from external loans are anticipated to show a rise of Rs. 412 crores to Rs. 1,472 crores. Receipts from small savings are likely to go up by Rs. 100 crores to Rs. 1,400 crores in 1982-83. Receipts from sale of Capital

*The Central Government presented to the Lok Sabha in July 1982 First Supplementary Demands for Grants for a gross additional expenditure of Rs. 2,262.61 crores. The related receipts and expenditure involving no net outgo in respect of these supplementary demands are placed at Rs. 482.25 crores. The Second Supplementary Demands for Grants presented to the Lok Sabha in October 1982 provides for the gross additional expenditure of Rs. 589.70 crores. The related receipts and recoveries are placed at Rs. 82.80 crores, thus involving net additional expenditure of Rs. 506.90 crores. Thus, these proposals are likely to involve a net additional expenditure of Rs. 2,287.26 crores.

@Including effects of budget proposals and adjusted for the effects of tax concessions announced on April 22, 1982.

Investment Bonds are estimated at Rs. 250 crores in 1982-83. Recoveries of loans advanced to State and Union Territory Governments are estimated to increase by Rs. 275 crores to Rs. 1,643 crores. On the other hand, loan repayments by parties other than State and Union Territory Governments are estimated to decline by Rs. 125 crores.

Economic Classification

1982-83 (Budget Estimates)

The total expenditure of the Central Government in 1982-83 as shown in the Economic and Functional Classification is estimated at Rs. 28,369 crores indicating a rise of Rs. 2,709 crores (or 10.6 per cent) over the preceding year. In 1981-82 the rate of growth of total expenditure was higher at 14.1 per cent.

The amount of financial resources provided to the rest of the economy is expected to increase by Rs. 1,647 crores (or 9.6 per cent) to Rs. 18,737 crores in 1982-83 as compared with an increase of Rs. 1,676 crores (or 10.9 per cent) in the preceding year. The expenditure on account of financial resources provided for capital formation estimated at Rs. 9,002 crores would indicate a rise of Rs. 644 crores (or 7.7 per cent) over the preceding year. On the other hand, the amount of financial resources provided for purposes other than capital formation is budgeted to increase by a higher magnitude of Rs. 1,003 crores (or 11.5 per cent) to Rs. 9,735 crores (Table VII-3).

The provision for 'final outlays' the other component of total expenditure, is budgeted to rise by Rs. 1,062 crores(or 12.4 per cent) to Rs. 9,632 crores as compared with an increase of Rs. 1,489 crores (or 21.0 per cent) in 1981-82. The amount would form about 34.0 per cent of total expenditure in 1982-83 as compared with 33.4 per cent in 1981-82. The main component of final outlays, namely, consumption expenditure, is likely to increase by Rs. 939 crores (or 15.4 per cent) to Rs. 7,035 crores in 1982-83 as compared with an increase of Rs. 922 crores (or 17.8 per cent) in 1981-82. The proportion of such expenditure to total expenditure is likely to go up from 23.8 per cent in 1981-82 to 24.8 per cent in 1982-83.

The provision for direct gross capital formation expenditure at Rs. 2,597 crores is anticipated to show a rise of Rs. 123 crores (or 5.0 per cent) as compared with a rise of Rs. 567 crores (or 29.7 per cent) in the preceding year. The share of such expenditure in total expenditure is expected to show a decline from 9.6 per cent in 1981-82 to 9.2 per cent in 1982-83.

The total provision for capital formation (i.e. including assistance for capital formation) out of the budgetary resources of the Central Government in 1982-83 is likely to show a rise of Rs. 767 crores (or 7.1 per cent) to Rs. 11,599 crores as compared with an increase of Rs. 1,820 crores (or 20.2 per cent) in 1981-82. The provision would account for 40.9 per cent of the total expenditure in 1982-83 as compared with 42.2 per cent in 1981-82. Expenditure on capital formation for developmental purposes is anticipated to rise by Rs. 738 crores (or 6.9 per cent) to Rs. 11,460 crores in 1982-83 as compared with an increase of Rs. 1,781 crores (or 19.9 per cent) in 1981-82. The share of expenditure for capital formation for developmental purposes in total developmental expenditure would show a decline from 69.7 per cent in 1981-82 to 68.9 per cent in 1982-83 (Table VII-5).

Functional Classification

Developmental expenditure in 1982-83 is anticipated to show an increase of Rs. 1,253 crores (or 8.1 per cent) to Rs. 16,643 crores as against a larger increase of Rs. 2,040 crores (or 15.3 per cent) in 1981-82. Expenditure on 'social services' is likely to go up by Rs. 276 crores (or 16.4 per cent) in 1982-83 as compared with a rise of Rs. 246 crores (or 17.1 per cent) in 1981-82. The expenditure on 'economic services' which constitutes about one-half of the total expenditure is budgeted to increase by Rs. 977 crores (or 7.1 per cent) in 1982-83 as compared with a larger rise of Rs. 1,794 crores (or 15.1 per cent) in 1981-82. Non-developmental expenditure is anticipated to rise by Rs. 1,456 crores (or 14.2 per cent)

to Rs. 11,726 crores in 1982-83 as compared with a smaller increase of Rs. 1,123 crores (or 12.3 per cent) in the preceding year (Table VII-4).

MAJOR TAX PROPOSALS—1982-83

Taxation measures incorporated in the Budget for 1982-83 aim inter-alia at (i) keeping the budgetary deficit as low as feasible to avoid adverse price expectations, (ii) avoiding measures which would place undue burden on the low income and middle income groups which are the worst sufferers in times of inflation and (iii) providing adequate incentives for increasing production and savings in the economy. Tax proposals relating to indirect taxes are expected to yield an additional revenue of Rs. 583.4 crores. Concessions given in the field of direct taxes are likely to result in a revenue loss of Rs. 65.3 crores. The share of the States in indirect taxes is placed at Rs. 98.6 crores while their share in direct taxes is expected to go down by Rs. 45.2 crores. Thus, the total additional revenue accruing to the Centre in 1982-83 from changes in direct as well as indirect taxes is estimated at Rs. 464.7 crores. Total additional resource mobilisation proposed by the Centre in 1982-83 (including revision in Railway fares and freight and postal tariffs) is given in Table VII-6.

Table VII—6 : Additional Resource Mobilisation by the Centre during 1982-83

(Rs. crores)

Items	Centre's Share	States' Share	Total
1	2	3	4
I. Taxes (a+b)	**464.7@**	**53.4@**	**518.1@**
(a) Direct Taxes (i+ii)	—20.1	—45.2	—65.3
(i) Income Tax	—14.9	—44.4	—59.3
(ii) Hotel Receipts Tax	— 5.2	— 0.8	— 6.0
(b) Indirect Taxes (i+ii+iii)	484.8	98.6	583.4
(i) Customs	390.7		390.7
(ii) Union Excise Duties	94.0	98.6	192.6
(iii) Other Heads	0.1		0·1
II. Revision in Railways Fares and Freights	**257.5***		**257.5***
III. Revision in Postal Tariffs	**26.0**		**26.0**
IV. TOTAL (I + II + III)	**748.2**	**53.4**	**801.6**

@ After taking into account the concessions announced by the Union Finance Minister on April 22, 1982.
* After taking into account the concessions announced by the Railway Minister in the Lok Sabha on March 3, 1982.

Direct Taxes

While some relief was given to those in the lowest taxable income range, a further progression in the tax rates for certain high income groups has been introduced. Thus, the rates of personal taxation have been modified so as to raise the rate of income-tax on the slab of Rs. 60,001 to Rs. 70,000 from 50 per cent to 52.5 per cent and on the slab of Rs. 85,001 to Rs. 1,00,000 from 55 per cent to 57.5 per cent. There is no change in the marginal rate of income-tax of 60 per cent applicable to total income exceeding Rs. 1,00,000.

Under the earlier provisions of the Income-tax Act, salaried tax payers were entitled to a standard deduction in the computation of the taxable salary. The standard deduction was allowed in an amount equal to 20 per cent of

the salary subject to a ceiling limit of Rs. 5,000. With a view to providing relief to tax payers having salary income below Rs. 25,000 the rate of standard deduction has been raised to 25 per cent of the salary subject to the ceiling limit of Rs. 5,000.

With a view to providing further incentive for effecting long-term savings, the scheme of deduction in respect of long-term savings such as life insurance, provident fund contributions etc. has been liberalised. The quantum of deduction in respect of long-term savings has been increased to allow deduction of the whole of the first Rs. 6,000 of the qualifying savings as against Rs. 5,000 previously. The second slab of deduction is from Rs. 6,001 to Rs. 12,000 as against the previous slab of Rs. 5,001 to Rs. 10,000 and the quantum of deduction in respect of the revised slab is 50 per cent as earlier. The qualifying savings in excess of Rs. 12,000 will qualify for deduction at 40 per cent as earlier. The monetary ceiling in respect of the savings qualifying for deduction is also raised from Rs. 30,000 to Rs. 40,000. The higher monetary ceiling in respect of qualifying savings in the case of authors, playwrights, artists, musicians, actors, sportsmen and athletes has also been raised from Rs. 50,000 to Rs. 60,000.

Under the earlier provisions, income upto Rs. 3,000 from investment in specified financial assets, such as Government securities, units in the Unit Trust of India, bank deposits and shares in Indian companies was exempt from income-tax. In addition, income upto Rs. 2,000 from units in the Unit Trust of India was exempt from tax. With a view to stimulating savings and investments the ceiling on income of Rs. 3,000 from investment in specified financial assets has been raised to Rs. 4,000 and the separate ceiling in respect of income from units has been raised from Rs. 2,000 to Rs. 3,000. Subsequently, on April 22, 1982 a further concession was given whereby income upto Rs. 2,000 on Government securities and on deposits in banks of a maturity of one year or more has been made exempt from income-tax.

Under the earlier provisions, tax payers were allowed a deduction in the computation of taxable income of 50 per cent of the amount invested in equity shares of new industrial companies and companies engaged in providing long-term finance for construction or purchase of houses for residential purposes. The maximum investment in a year qualifying for this deduction was limited to Rs. 10,000. With a view to encouraging larger investments in such companies, the monetary ceiling for investment has been raised to Rs. 20,000.

With a view to avoiding hardship to investors whose taxable income is below the exemption limit, the deduction of tax at source from dividends and interests on securities will not be done with effect from June 1, 1982 if the recipient furnishes to the payer of such income a declaration to the effect that his estimated total income of the relevant year will be below the exemption limit.

With a view to giving some relief to retiring employees, the amount received by them by way of encashment of unutilised earned leave has been exempted from income-tax, subject to certain conditions.

In order to encourage the flow of foreign exchange remittances into India, exemption has been granted from income-tax in the case of non-resident Indian citizens and foreign nationals of Indian origin, in respect of income by way of interest on specified savings certificates subscribed to in foreign currency in accordance with the Foreign Exchange Regulation Act, 1973 and any rules made thereunder. The exemption is available only to the original subscriber of the savings certificates.

With a view to bringing about some rationalisation of the taxation in respect of capital gains, certain modifications have been made in the Income-tax Act. In the case of non-corporate tax payers, previously long term capital gains upto Rs. 5,000 were deducted in full. Of the balance amount, a deduction of 25 per cent was allowed where the gains related to lands and buildings and of 40 per cent where the gains related to other assets. These provisions have been modified so as to relate the deduction to the period for which the capital asset has been held by the tax payer and allow a larger deduction in cases where the asset has been held for a

longer period. The aggregate deduction in respect of capital gains relating to gold, bullion and jewellery has, however, been restricted to Rs. 50,000 only.

With a view to encouraging larger exports of certain goods, tax relief has been provided to Indian companies and non-corporate tax payers resident in India whose export turnover for a year exceeds the export turnover for the immediately preceding year by more than 10 per cent. The tax relief is to be calculated at a specified rate with reference to such excess turnover and is limited to 10 per cent of the income-tax otherwise payable on export profits. The rate at which the tax relief will be calculated and the goods qualifying for the purposes of this concession will be notified by the Central Government. The benefit of this tax concession will be available in relation to the assessment year 1983-84 and four immediately succeeding assessment years.

The Interest-tax Act, 1974 provides for the levy of a tax at the rate of 7 per cent on the gross amount of interest received by scheduled banks including specified industrial finance institutions on loans and advances made in India. With a view to promoting export of capital plant and machinery outside India, interest on any credit on deferred payment terms sanctioned by a scheduled bank (including the specified industrial finance institutions) in connection with the export of capital plant and machinery outside India has been exempted from interest-tax. Further, since the levy of interest tax on loans in foreign currency sanctioned by the specified industrial finance institutions results in increase in the capital cost of projects in India, the interest on any loans in foreign currency sanctioned by the specified industrial finance institutions for import of capital plant and machinery from any country outside India has been exempted from interest-tax.

In respect of machinery and plant installed for manufacturing articles made with know-how developed in Government laboratories, Public Sector Companies, recognised institutions and universities an investment allowance at the rate of 35 per cent is granted. This concession which was valid in relation to machinery and plant installed up to March 31, 1982 has now been extended in relation to machinery and plant installed upto March 31, 1987.

Under an amendment made by the Finance Act, 1979, a deduction is allowed in the case of all scheduled commercial banks in respect of provisions made by them for bad and doubtful debts relating to advances made by their rural branches. The deduction is limited to 1.5 per cent of the aggregate average advances made by the rural branches. As non-scheduled commercial banks are also engaged in providing rural credit and promoting rural banking, this facility has now been extended to non-scheduled commercial banks as well.

The Hotel Receipts Tax Act, 1980 provided for levy of the tax at the rate of 15 per cent on the chargeable receipts of hotels in which room charges were Rs. 75 or more per day per individual. The hotels could reimburse themselves to the extent necessary by making proper adjustment in their tariff rates. Since it was considered that the levy of the tax was likely to affect tourist traffic in India, the tax was discontinued after 27th February 1982.

Approved financial corporations engaged in providing long-term finances for industrial or agricultural development in India and approved public housing-finance companies are entitled to a deduction in the computation of the taxable profits in respect of the amounts transferred by them out of such profits to a special reserve account, upto 40 per cent of their taxable income. In view of the important role being played by scheduled commercial banks in expanding the banking operations outside India, a similar tax concession has been provided to scheduled banks, other than foreign banks which are engaged in banking operations outside India. The deductions will be granted up to 40 per cent of total income computed before making any deduction carried out by them to such reserve account. However, this concession will be available only where such scheduled bank is approved by the Central Government for the purpose taking into account its capital structure, the extent of its operations outside India, its need for resources for operations outside India and other relevant factors.

Prior to the amendment made by the Finance Act, 1969 the value of agricultural wealth was wholly exempt from wealth tax. The Finance Act, 1969 extended the levy of wealth tax to agricultural property with effect from the assessment year 1970-71. The Finance (No. 2) Act, 1980 discontinued the levy of wealth tax on agricultural property except property comprised in tea, coffee, rubber and cardamom plantations.

The yield from wealth tax on agricultural property comprised in specified plantations is not significant. Further, valuation of agricultural lands comprised in these plantations also raises practical difficulties which lead to disputes and avoidable litigation. In view of these considerations, the value of agricultural land comprised in specified plantations has been excluded from the levy of wealth tax. Growing crops, grass or standing trees on such land, as also the value of one building (one group of buildings) owned or occupied by the cultivator of, or the receiver of rent or revenue out of such agricultural land are also exempted from wealth tax, if the building is required by the tax payer for use as store house or for keeping livestock.

The existing wealth tax exemption limit for investment in units of Unit Trust of India is raised from Rs. 25,000 to Rs. 35,000. Under the earlier provisions of the Income-tax Act, tax exemption was available to a non-resident on the interest income from credit balance in Non-Resident (External) Account under FERA provided the person satisfied the test of a non-resident under the Income-tax Act. Similar benefit was also given under the Wealth-tax Act—i.e., the outstanding credit balance in their Non-Resident (External) Account was excluded in computing the net wealth. These benefits are now also available to a person resident outside India as defined in the Foreign Exchange Regulations Act.

Indirect Taxation

Central Excise Duties

In the field of indirect taxes, the basic approach of the budget has been that the addition to the revenue from Central excise duties should essentially come from increased production. In selecting some items for the impost the demand and supply situation which has resulted in undue profits to trading channels has been kept in view.

The total excise duty on ordinary Portland cement, Portland Pozzolana cement, blast furnace cement and masonary cement has been increased from Rs. 71.50 to Rs. 135 per metric tonne. The more expensive special varieties of cement have been subjected to higher rates of duty. The effective total excise duty on cement produced in mini cement plants has been fixed at Rs. 100 per tonne.

The administered price of aluminium metal is revised periodically keeping in view escalations in input costs. In order to contain the incidence of excise duty it was decided to levy duty on aluminium at specific rates. Thus, the rate has been fixed at Rs. 3,085 on electrolytic grade ingots, Rs. 3,330 on wire rods produced by primary producers and Rs. 3,280 on wire bars. There would be no change in the rates of countervailing duties. The measure is expected to give some relief to the finances of State Electricity Boards.

The year 1982 has been designated by the Prime Minister as the 'Productivity Year.' A scheme of excise duty concessions has, therefore, been formulated for increased production of goods during the period of 12 months, commencing from 1st March 1982 and ending on the 28th February 1983. The scheme covers 38 tariff items. The benefits of the scheme will accrue only in cases where the production in the 12 month period exceeds 110 per cent of the production during the base period, namely, the 12 months ending on the 28th February 1982. The duty concession is to be calculated at the rate of 1/5th of the total amount of duty paid on the excess production computed in respect of goods carrying basic excise duty of 20 per cent *ad valorem* or less and 1/10th of the duty in other cases. The amount so computed for the whole period will be given as a credit which may be utilised for payment of Central excise duty during the financial year 1983-84. The scheme will apply also to small scale manufacturers, who actually pay duty. It will be ensured that those

small scale units which are eligible for the benefits of the relevant excise duty concession schemes and are within the respective cut off points during the year 1981-82 continue to be eligible to the said benefits in 1983-84 even if they produce and clear goods in excess of the eligibility limits in the productivity year.

Some products which are of interest to the student community like pencils, erasers, pens etc., some products of general utility like thermos flasks, water coolers, candles, tooth brushes etc. and certain products of interest to the disabled like braille typewriters, invalid carriages and helmets have been fully exempted from excise duty. Further, the basic excise duty on specified fruit and vegetable preparations has been reduced from 15 per cent to 10 per cent *ad valorem*. Lac is exempted from excise duty. The earlier value limit of Rs. 15 per pair of footwear for eligibility to full duty exemption was raised to Rs. 30 per pair. In order to reduce the packaging cost involved in the sale of milk in laminated paper packs, low density polythylene film and paper used by the Indian Dairy Corporation for the manufacture of such paper packs have been exempted from excise duty.

Certain expensive electronic goods favoured by the affluent are being produced in increasing quantities. These were earlier subjected to a very low incidence of duty at 8 per cent *ad valorem* under Item 68 of the Central Excise Tariff. Pursuant to the Budget proposals, video cameras and similar goods have been subjected to a basic excise duty of 25 per cent *ad valorem*. Blank and recorded video and audio tapes of the spool and cassette types as also video discs are subjected to a basic duty of 25 per cent *ad valorem*. Recordings which are not for commercial purposes have been exempted. Basic excise duty at a higher rate of 40 per cent has been levied on electronic machines for games of skill or chance including those used for television games and video games. These proposals would yield revenue of Rs. 3.83 crores.

In order to enable the handloom sector to register faster growth, polyester blended fabrics woven on handlooms have been exempted from processing stage duties, if they are processed in factories set up by State Handloom Development Corporations or Apex Co-operative Societies approved in this behalf by the Central Government.

At present, there is no basic excise duty leviable on man-made fabrics, the incidence of such duties having been shifted to the fibre and yarn stages. These fabrics attract only additional excise duties in lieu of sales tax. While the earlier rate structure was progressive on fabrics having ex-factory price upto Rs. 10 per square metre, it was not so in respect of the higher priced fabrics since the duty applicable to them was a uniform 5½ per cent *ad valorem*. Since there are very high priced fabrics in this range, catering to affluent consumption, the Government has decided to introduce further progression in the rate structure in such a way that fabrics having ex-factory prices of more than Rs. 20 per metre would attract duty at 7½ per cent *ad valorem*. The additional revenue from this measure is estimated at Rs. 35 crores which will go to the States.

It was decided to rationalise and restructure the tariff relating to paper and paper boards, the primary objective being to exempt small scale paper converters from payment of excise duty and to release them from excise control. In order to recoup the consequent loss in revenue, the basic excise duty on industrial varieties of paper and paper boards has been raised.

Customs Duties

The levy of auxiliary duties of customs which has been imposed on an annual basis since the 1973 Budget has been continued during 1982-83. Further, the rates of auxiliary duties have been raised by 5 percentage points on all categories of imports with some exceptions such as crude petroleum, bulk petroleum products like kerosene and high speed diesel oil and some other items on which import duty rates were adjusted in the past on price parity consideration.

In 1981-82, an effective customs duty of 15 per cent was imposed on imported news print. Since the Government received representations

against this levy, the *ad valorem* levy was converted into a special total levy of Rs. 825 per metric tonne, so as to obviate automatic increase in its incidence on account of rising international prices.

A basic customs duty of 10 per cent *ad valorem* has been imposed on imported cement, together with full countervailing duty. No auxiliary duty has been levied on imported cement.

Fertilisers, namely calcium ammonium nitrates and ammonium sulphate have been fully exempted from customs duty. Further, 10 more bulk drugs imported for manufacture of life saving drugs and medicines have been fully exempted from customs duty.

The basic customs duty on cork and cork articles was raised from 40 per cent to 60 per cent *ad valorem*, that on certain categories of dye-stuffs from 60 per cent to 100 per cent *ad valorem* while that on certain other categories of dyestuffs, pigments and colours, paints and varnishes from 100 per cent to 150 per cent *ad valorem*. The basic customs duty on certain items of iron and steel, such as melting scrap of stainless steel and heat resisting steel and certain categories of alloy excluding steel, stainless steel and heat resisting steel has been raised from the earlier rates to 60 per cent *ad valorem*. The effective rate of basic customs duty on copper pipes and tubes, blanks and hollow bars of prescribed specifications has been increased from 40 per cent to 60 per cent *ad valorem*. The basic customs duty on polyester chips has been increased from 100 per cent to 140 per cent *ad valorem*.

Certain measures were taken to assist the indigenous zinc and lead industries which were facing difficulties owing to escalation of input costs, particularly of imported concentrates. In order to enable these industries to increase their capacity utilisation, the total customs duty incidence on imported zinc concentrates has been reduced from 50 per cent to 15 per cent *ad valorem* and that on lead concentrates from 50 per cent to 5 per cent *ad valorem*. Simultaneously, the customs duty on imported zinc metal has been raised from 50 per cent *ad valorem* to 60 per cent *ad valorem*. In order to offset partly the revenue loss, the excise duties on indigenously produced zinc metal, zinc scrap and zinc products has been raised by Rs. 715 per metric tonne and that on lead metal and scrap by Rs. 374 per metric tonne. The excise duty on zinc pipes and tubes has been raised from 38.5 per cent to 49.5 per cent *ad valorem*.

During the past few years, the Government has been using fiscal mechanism for accelerating the growth of the electronics industry. As a further step in this strategy, the basic customs duty on electronic items such as computers, calculating machines, accounting machines, cash registers and certain electronic subassemblies has been raised from the earlier range of 40 to 60 per cent to 100 per cent, *ad valorem*. On the other hand, the scope of the present import duty concessions has been extended to cover 45 new items of capital equipment and 13 new items of raw materials and components used by the electronics industry. The customs duties leviable on these items have been reduced from the respective earlier rates to 35 per cent *ad valorem* in the case of machinery and instruments and to 55 per cent *ad valorem* in the case of raw materials and components.

Since representations were received by the Government that it was not always possible for units in the Free Trade Zones to export their entire production and that a provision should be made to allow a proportion of the goods manufactured in these zones to be cleared into the domestic tariff area, it was decided, subject to certain conditions to allow such removals upto 25 per cent of the production of a unit for sale or use within the country on payment of appropriate duties. Accordingly, provision has been made in the Finance Bill to amend the Customs and Central Excise Acts for the purpose.

Postal Services

Taking into account the fact that the postal services were under-priced and that the rates were inadequate even to meet the direct cost of several services, a revision of tariffs for some postal services, was effected. Accordingly, the rate for printed post cards was raised from 20 paise to 25 paise, letter cards from 25 paise to 35 paise and envelopes of the lowest weight

slab from 35 paise to 50 paise. There has been no change in the rate for ordinary post card. Tariffs for certain other postal services were also revised upwards.

II. BUDGETARY OPERATIONS OF STATE GOVERNMENTS

Revised Estimates for 1981-82

The revised estimates of the combined budgetary position of the States for 1981-82 show a lower deficit of Rs. 651 crores as against a deficit of Rs. 897 crores recorded in 1980-81 (accounts). The improvement in the States' finances was attributable to larger increase in receipts than in disbursements. Aggregate receipts at Rs. 24,222 crores increased by Rs. 2,349 crores (or by 10.7 per cent) over the level in 1980-81, while aggregate disbursements showed a rise of Rs. 2,103 crores (or 9.2 per cent) to Rs. 24,873 crores (Table VII-7).

Receipts

The improvement in the aggregate receipts in the revised estimates for 1981-82 was largely on account of increase in revenue receipts, particularly States' taxes. Revenue receipts amounted to Rs. 18,319 crores showing a rise of Rs. 2,026 crores (or 12.4 per cent) and accounted for 86 per cent of the increase in aggregate receipts. Capital receipts increased by Rs. 323 crores (or 5.8 per cent) to Rs. 5,903 crores. In the revenue account, tax receipts rose by Rs. 1,956 crores and non-tax receipts by Rs. 70 crores. The revenue from States' taxes rose from Rs. 6,616 crores in 1980-81 to Rs. 8,070 crores in 1981-82 or by 22 per cent as against a rise of 16.7 per cent, in the previous year. The proportion of the States' taxes to aggregate receipts which had declined from 31.7 per cent in 1979-80 to 30.2 per cent in 1980-81 moved up to 33.3 per cent in 1981-82. Receipts from taxes on commodities and services rose by Rs. 1,333 crores to Rs. 7,264 crores and followed mainly from higher yield of States' taxes. Among the taxes on commodities and services, the major contribution was from sales tax (Rs. 892 crores). Other taxes which also increased were: state excise (Rs. 261 crores), stamps and registration fees (Rs. 78 crores), electricity duties (Rs. 52 crores), taxes on vehicles and taxes on passengers and goods (Rs. 46 crores each) and land revenue (Rs. 36 crores). Revenue from Agricultural Income-tax alone declined by Rs. 5 crores to Rs. 41 crores in 1981-82. The States' share in central taxes rose by Rs. 502 crores to Rs. 4,291 crores in 1981-82. Of this increase, Union excise duties constituted the major portion of Rs. 455 crores or 91 per cent and the balance of Rs. 47 crores was shared by increases in income-tax (Rs. 42 crores) and estate duty (Rs. 5 crores). The non-tax revenue of the States including grants-in-aid and other contributions which had recorded a significant increase of Rs. 1,336 crores (or 29.3 per cent) in 1980-81, registered a moderate rise of Rs. 70 crores (or 1.2 per cent) in 1981-82. The decline in the rate of growth was brought about by both in grants and in other non-tax receipts. As against a rise of Rs. 540 crores in 1980-81 the increase in grants in 1981-82 was less than one-third at Rs. 159 crores with the total grant at Rs. 2,782 crores. Other non-tax receipts recorded an absolute decline of Rs. 89 crores (or 2.7 per cent) to Rs. 3,176 crores in 1981-82. This decline was brought about primarily by a sharp fall (Rs. 385 crores) in the receipts from general services and to a lesser extent by interest receipts which fell by Rs. 15 crores in contrast to an increase of Rs. 128 crores in the last year. Interest receipts from departmental commercial undertakings (Rs. 60 crores) and co-operative societies (Rs. 9 crores) were higher while that from public sector undertakings declined by Rs. 67 crores in 1981-82. Dividend receipts moved up from Rs. 18 crores in 1980-81 to Rs. 32 crores in 1981-82. Receipts from Economic Services and Social and Community Services increased by Rs. 256 crores and Rs. 41 crores, respectively, to Rs. 1,576 crores and Rs. 307 crores in 1981-82. Receipts from almost all the constituents of the Economic Services viz., forests, industries, co-operation, royalty, multipurpose river projects, agriculture, irrigation, navigation, drainage and flood control, etc., were higher during the year under review. Likewise collections from State lotteries moved up from Rs. 44 crores in 1980-81 to Rs. 69 crores in 1981-82.

Capital Receipts

Capital receipts increased by Rs. 323 crores to Rs. 5,903 crores in 1981-82 from Rs. 5,580 crores in 1980-81. The entire increase was on

Table VII—7 : Overall Budgetary Position of State Governments

(Rs. crores)

Items	1980-81† (Accounts)	1981-82 (Budget Estimates)		1981-82 (Revised Estimates)		1982-83 (Budget Estimates)	
	Amount	Amount	Percentage variation over the previous year	Amount	Percentage variation over the previous year	Amount	Percentage variation over the previous year
1	2	3	4	5	6	7	8
I. Aggregate Receipts (A+B)	**21,873**	**21,904**	**+ 0.1**	**24,222**	**+10.7**	**26,461** (26,102)	**+ 9.2** (+ 7.8)
A. Revenue Receipts (1+2)	**16,293**	**16,914**	**+ 3.8**	**18,319**	**+12.4**	**20,569** (20,210)	**+12.3** (+10.3)
1. Tax Receipts (a+b)	10,405	11,490	+10.4	12,361	+18.8	14,136 (13,809)	+14.4 (+11.7)
(*a*) States' Taxes	6,616	7,514	+13.6	8,070	+22.0	9,425 (9,151)	+16.8 (+13.4)
(*b*) Share in Central Taxes	3,789	3,976	+ 4.9	4,291	+13.2	4,711 (4,658)	+ 9.8 (+ 8.6)
2. Non-Tax Receipts (*c*+*d*)	5,888	5,424	— 7.9	5,958	+ 1.2	6,433 (6,401)	+ 8.0 (+ 7.4)
(*c*) Grants from the Centre	2,623	2,470	— 5.8	2,782	+ 6.1	3,030	+ 8.9
(*d*) Other Non-Tax Receipts	3,265	2,954	— 9.5	3,176	— 2.7	3,403 (3,371)	+ 7.1 (+ 6.1)
B. Capital Receipts (1+2)	**5,580**	**4,990**	**—10.6**	**5,903**	**+ 5.8**	**5,892**	**— 0.2**
1. States' Capital Receipts	2,558	2,111	—17.5	2,477	— 3.2	2,427	— 2.0
of which :							
(*a*) Market Borrowings (Gross)	318	496	+56.0	555	+74.5	555	—
(*b*) Recovery of Loans and Advances	449	587	+30.7	611	+36.1	614	+ 0.5
2. Loans from the Centre (Gross)	3,022	2,879	— 4.7	3,426	+13.4	3,465	+ 1.1
II. Aggregate Disbursements (A to E)	**22,770**	**22,191**	**— 2.5**	**24,873**	**+ 9.2**	**26,482**	**+ 6.5**
A. Developmental Expenditure* (1+2)	**15,961**	**16,064**	**+ 0.6**	**17,884**	**+12.0**	**18,945**	**+ 5.9**
1. Social and Community Services	6,601	6,766	+ 2.5	7,611	+15.3	8,209	+ 7.9
of which :							
Expenditure on Natural Calamities	277	109	—60.6	211	—23.8	119	—43.6
2. Economic Services	9,360	9,298	— 0.7	10,273	+ 9.8	10,736	+ 4.5
B. Non-Developmental Expenditure*	**4,289**	**4,748**	**+10.7**	**5,094**	**+18.8**	**5,954**	**+16.9**
C. Repayment of Loans to the Centre	**1,458**	**918**	**—37.0**	**1,376**	**— 5.6**	**1,083**	**—21.3**
D. Discharge of Internal Debt	**178**	**234**	**+31.5**	**234**	**+31.5**	**229**	**— 2.1**
of which :							
Market Loans	119	175	+47.1	175	+47.1	164	— 6.3
E. Others@	**884**	**227**	**—74.3**	**285**	**—67.8**	**271**	**— 4.9**
III. Overall Surplus (+) or Deficit(—) (I—II)	**—897**	**—287**		**—651**		**—21** (—380)	

Notes : 1. Budget Estimates for 1982-83 include the estimated net yield of Rs. 306 crores from additional resource mobilisation measures introduced through the State Budgets and the States' Share of Rs. 53 crores in the Centre's additional taxation measures introduced through the Central Budget for 1982-83.

2. Budget Estimates for 1981-82 include estimated yield of Rs. 300 crores from additional resource mobilisation measures introduced through the State Budgets and are adjusted for the estimated decline of Rs. 75 crores in the States' share in the Central taxes due to tax concessions announced in the Central Budget for 1981-82.

3. Figures given here differ from those given in the Bank's Annual Report for 1981-82 due to updating of data.

4. Figures included here for Haryana are from vote on account budget.

* Comprise Expenditure on Revenue and Capital accounts and Loans and Advances extended by States.

@ Comprise Compensation and assignment to local bodies, appropriation for contingency fund and remittances (net).

† Figures for Sikkim relate to revised estimates.

account of larger loans from the Centre while States' capital receipts declined. Loans from the Centre at Rs. 3,426 crores moved up by Rs. 404 crores as against an increase of Rs. 356 crores in the previous year. Market borrowings (gross) as per the State budget documents amounted to Rs. 555 crores in 1981-82 as against Rs. 318 crores in 1980-81. As per the Reserve Bank of India records, market borrowings (gross) of States moved up to Rs. 506 crores in 1981-82 from Rs. 333 crores in 1980-81. Net market borrowings also moved up from Rs. 201 crores in 1980-81 to Rs. 336 crores in 1981-82. Thus both in absolute and relative terms there was considerable increase in market borrowings of States; the States' share in gross and net market borrowings (Centre as well as States) moved up to 13.7 per cent and 10.4 per cent respectively in 1981-82 from 10.4 per cent and 7.2 per cent respectively in 1980-81. Recovery of loans and advances granted by States improved by Rs. 162 crores to Rs. 611 crores in 1981-82. While the receipts from small savings, provident funds, etc., were higher by Rs. 139 crores at Rs. 482 crores, those from deposits and advances declined sharply by Rs. 384 crores to Rs. 150 crores.

Transfer of Resources from the Centre

The total resources (in the form of divisible taxes and duties and grants and loans) transferred from Centre to States rose from Rs. 9,433 crores in 1980-81 to Rs. 10,500 crores in 1981-82. Of the total amount of Rs. 10,500 crores transferred, Rs. 4,292 crores represented States' share in Central Taxes, Rs. 2,782 crores for grants and the balance of Rs. 3,426 crores was on account of loans from the Centre. The shared taxes and grants formed about 38.6 per cent of revenue receipts of States, and loans from the Centre constituted 58.0 per cent of the States' capital receipts. Though the sum in absolute amount transferred from Centre to States increased, the share of transfers in aggregate receipts of States continue to be around 43 per cent. After providing for the repayment of loans (Rs. 1,376 crores) and interest payments to the Centre (Rs. 846 crores), resources transferred totalled Rs. 8,278 crores as against Rs. 7,188 crores in the year 1980-81. The proportion of net resources that devolved from Centre to aggregate receipts (adjusted for loans from centre on net basis) of States moved up to 36.2 per cent in 1981-82 from 35.2 per cent in 1980-81. Net transfer of resources from the Centre, excluding the States' share in central taxes, increased by Rs. 587 crores to Rs. 3,987 crores in 1981-82 and formed 17.4 per cent to aggregate receipts.

Plan loans (gross) decreased from Rs. 1,971 crores in 1980-81 to Rs. 1,931 crores in 1981-82. Non plan loans (including ways and means advances from the Centre), increased from Rs. 1,050 crores in 1980-81 to Rs. 1,495 crores in 1981-82. Grants for state plan schemes, centrally sponsored schemes and non-plan grants increased in 1981-82 over the levels in 1980-81 while those for central plan schemes declined. Grant for natural calamities declined from Rs. 105 crores in 1980-81 to Rs. 80 crores in 1981-82.

Disbursements

The increase in the aggregate disbursements by Rs. 2,103 crores (or 9.2 per cent) to Rs. 24,873 crores in 1981-82 was considerably lower than the increase of Rs. 4,681 crores (or 25.9 per cent) registered in the year 1980-81. While both developmental and non developmental expenditure recorded increase of Rs. 1,923 crores and Rs. 805 crores, respectively in 1980-81, there was a decline in disbursements for repayment of loans to the Centre and other expenditure. Discharge of internal debt increased from Rs. 178 crores in 1980-81 to Rs. 234 crores in 1981-82. The lower order of increase in disbursements in 1981-82 was therefore due mainly to reduced expenditure on (i) repayment of loans to Centre and (ii) compensation and assignments to local bodies, appropriation for contingency funds, etc. The total developmental expenditure in 1981-82 at Rs. 17,884 crores was higher by 12.0 per cent than that in the previous year. As the rate of growth of developmental expenditure was higher than that of aggregate disbursements, the proportion of developmental expenditure to aggregate disbursements rose to 71.9 per cent in 1981-82 from 70.1 per cent in 1980-81. The distribution of developmental expenditure between the two sectors viz. economic services and social and community services showed that the former accounted for Rs. 10,273 crores (57.4 per cent) and the

latter for Rs. 7,611 crores (42.6 per cent) in 1981-82. The share of economic services in the incremental developmental expenditure declined to 47.5 per cent (Rs. 913 crores) from 55.9 per cent (Rs. 1,516 crores) in 1980-81. Expenditure on natural calamities declined to Rs. 211 crores in 1981-82 from Rs. 277 crores in 1980-81. Non-developmental expenditure at Rs. 5,094 crores in 1981-82 formed 20.5 per cent of aggregate expenditure as against 18.8 per cent in the previous year.

Budget Estimates for 1982-83

The combined overall budgetary position of State governments for 1982-83 shows an overall deficit of Rs. 380 crores which is expected to be reduced to Rs. 21 crores on the basis of proposed net additional resource mobilization of Rs. 306 crores and States' Share in Centre's additional taxation at Rs. 53 crores. The magnitude of combined deficit projected in the budget estimates of 1982-83 is lower than that of Rs. 651 crores according to the revised estimates of 1981-82. The decline in anticipated deficit, in 1982-83, is due to expectations of receipts increasing at a higher rate of 9.2 per cent (Rs. 2,239 crores) as compared to disbursements increasing by 6.5 per cent (Rs. 1,609 crores).

Receipts

The aggregate receipts of all States are budgeted higher at Rs. 26,461 crores in 1982-83 as compared to Rs. 24,222 crores in 1981-82. The budgeted rate of growth in the aggregate receipts at 9.2 per cent in 1982-83 is less than the rate of 10.7 per cent in 1981-82. The deceleration in the rate of growth of receipts is attributable to a decline in capital receipts. Revenue receipts are budgeted to increase by Rs. 2,250 crores or by 12.3 per cent to Rs. 20,569 crores; last year these receipts had increased by Rs. 2,026 crores or by 12.4 per cent. Capital receipts are expected to decline by Rs. 11 crores or 0.2 per cent in 1982-83 as against an increase of 5.8 per cent in 1981-82. On the revenue account, tax receipts are estimated to rise by Rs. 1,775 crores (or 14.4 per cent) to Rs. 14,136 crores in 1982-83 as against an increase of Rs. 1,956 crores (or 18.8 per cent) in the previous year. The rate of growth of both States' taxes and States' share in central taxes is expected to be lower than in the previous year. The States' tax receipts are estimated at Rs. 9,425 crores in 1982-83, representing an increase of Rs. 1,355 crores (16.8 per cent) as compared to a rise of Rs. 1,454 crores (22.0 per cent) in 1981-82. The major part of the increase in States' taxes is expected from taxes on commodities and services (Rs. 1,280 crores). Of this, revenue from sales tax would account for Rs. 734 crores. The share in the central taxes is expected to register a smaller increase of Rs. 420 crores (or 9.8 per cent) to Rs. 4,712 crores in 1982-83 than that in the preceding year, i.e. Rs. 502 crores (or 13.2 per cent).

A higher increase in non-tax receipts (including grants) is expected; the projected increase being Rs. 475 crores or by 8.0 per cent to Rs. 6,433 crores as against an increase of Rs. 70 crores or by 1.2 per cent last year. This higher increase in non tax receipts is attributable both to grants from the Centre and other non-tax receipts. The former are estimated higher by Rs. 248 crores and the latter by Rs. 227 crores over their respective levels in the preceding year. In States' non-tax revenue, contributions from interest receipts and from economic services are placed higher by Rs. 109 crores and Rs. 207 crores, respectively, in 1982-83 than their levels in the preceding year.

In the capital receipts of States, loans from the Central Government at Rs. 3,465 crores are anticipated Rs. 39 crores lower than in 1981-82 (RE). Gross market borrowings are estimated at the last year's level of Rs. 555 crores and receipts from small savings, provident funds, etc., deposits and advances (net) and reserve funds (net) are estimated to rise by Rs. 76 crores, Rs. 25 crores and Rs. 38 crores respectively. However, these improvements would be partly offset by anticipated declines in inter-state settlements (Rs. 5 crores) and contingency fund (Rs. 63 crores).

Additional Resource Mobilisation

Of the 22 States, 13 States have announced measures for additional resource mobilization to the extent of Rs. 315 crores in their budgets for 1982-83. (Table VII-8). Four States *viz.*

Table VII—8 : Estimated additional yield from Budget Proposals

(Rs. crores)

States	Net additional yield 1982-83
1. Tamil Nadu	38.00
2. Bihar	37.52
3. Punjab	36.00
4. Rajasthan	32.25
5. Orissa	30.09
6. Maharashtra	29.59
7. Madhya Pradesh	26.75
8. West Bengal	25.00
9. Karnataka	24.00
10. Gujarat	20.52
11. Jammu and Kashmir	4.00
12. Kerala	1.80
13. Meghalaya	0.14
Total	**305.66**
By Major Heads	
1. Profession Tax	3.00
2. Stamps and Registration ..	5.40
3. Urban Immovable Property tax ..	—0.20
4. Sales Tax	110.22
5. State Excise	30.45
6. Tax on Vehicles	12.38
7. Tax on passengers and goods ..	20.84
8. Electricity duties	30.20
9. Entertainment tax	5.52
10. Other Taxes and Duties	55.50*
11. Non-Tax Revenue	32.35
Total	**305.66**

*Includes the full budget proposals of Jammu and Kashmir, Kerala and West Bengal.

Bihar, Gujarat, Madhya Pradesh and Rajasthan have announced concessions in the existing taxation to the extent of Rs. 9 crores. Thus, the net additional revenue mobilization proposed by States would amount to Rs. 306 crores, only Rs. 6 crores more than the resource mobilization measures announced by 14 States in the previous year. Of the net revenue of Rs. 306 crores estimated from additional levies in 1982-83, Rs. 274 crores are accounted by tax levies and the balance of Rs. 32 crores by non-tax levies. The estimated additional yield in most of the States is expected mainly through changes effected in the commodity and services tax structure. Additional yield from sales tax adjustment is estimated at Rs. 110 crores, and revision in State excise Rs. 30 crores, electricity duty Rs. 30 crores, other taxes and duties Rs. 56 crores, tax on passengers and goods Rs. 21 crores, entertainment tax Rs. 6 crores, vehicle tax Rs. 12 crores, profession tax Rs. 3 crores and stamps and registration fees Rs. 5 crores. Among the States, Tamil Nadu leads in resource mobilisation in 1982-83 followed by Bihar, Punjab, Rajasthan, Orissa, Maharashtra, Madhya Pradesh, West Bengal, Karnataka, Gujarat, Jammu and Kashmir, Kerala and Meghalaya.

Disbursements

Aggregate disbursements are estimated to increase by Rs. 1,609 crores (or 6.5 per cent) to Rs. 26,482 crores as compared to a rise of Rs. 2,103 crores (or 9.2 per cent) during 1981-82. This deceleration is observed both in developmental and non-developmental expenditures and their growth rates are estimated to decline to 5.9 per cent and 16.9 per cent in 1982-83 from 12.0 per cent and 18.8 per cent respectively, in 1981-82. States' developmental expenditure would increase by Rs. 1,061 crores to Rs. 18,945 crores during the current year as compared with the rise of Rs. 1,923 crores during 1981-82. Although the increase in developmental outlay is lower, the share of developmental outlay in total disbursements declined only fractionally to 71.5 per cent in 1982-83 from 71.9 per cent in 1981-82. The deceleration in developmental expenditure reflects lower growth provision for both social and community services and economic services. Expenditure on social and community services are expected

to rise by smaller amount of Rs. 598 crores (or 7.9 per cent) to Rs. 8,209 crores in 1982-83 as against an increase of Rs. 1,010 crores (or 15.3 per cent) in 1981-82. The smaller provision for social and community services is due to an estimated reduction in expenditure on natural calamities as well as deceleration in expenditure in respect of education, art and culture, information and publicity and urban development. The expenditure on account of economic services is estimated to increase by Rs. 463 crores (or 4.5 per cent) to Rs. 10,736 crores as compared to a rise of Rs. 913 crores (or 9.8 per cent) in the preceding year.

Non-developmental expenditure is budgeted to rise by Rs. 860 crores (or 16.9 per cent) as compared to the increase of Rs. 805 crores (or 18.8 per cent) in 1981-82. The share of the non-developmental expenditure in aggregate disbursements is estimated at 22.5 per cent in 1982-83 as against 20.5 per cent in 1981-82. Interest payments and administrative services would account for Rs. 630 crores or 73.3 per cent of the increase in 1982-83.

Devolution of resources from the Centre to the States through their share in central taxes, grants and loans after their loan repayments and interest payments to the Centre are estimated higher in 1982-83 at Rs. 9,106 crores compared to Rs. 8,278 crores in 1981-82. However, the net transfer of resources as a proportion of the estimated aggregate receipts in 1982-83 would be marginally lower at 35.9 per cent against 36.2 per cent in 1981-82.

FINANCE COMMISSION

The Government of India has constituted the Eighth Finance Commission by a notification of June 21, 1982. The Commission shall make recommendations regarding (*a*) the distribution between the Union and the States of the net proceeds of taxes which are or may be divided between them and the allocation among the States of the respective shares of such proceeds, (*b*) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India and sums to be paid to the States which are in need of assistance by way of grants-in-aid of their revenues. The Commission may also suggest changes to be made in the principles governing distribution among the States of (*a*) the net proceeds of estate duty in respect of property other than agricultural land, (*b*) net proceeds of additional excise duties, on cotton, woollen and rayon and artificial silk fabrics, sugar and tobacco including manufactured, imposed in replacement of sales taxes formerly levied by the States, (*c*) the grant to the States in lieu of the repealed Railway Passenger Fares Tax Act, 1957 and(*d*) the grant to the States on account of Wealth Tax on agricultural property. The Commission may also (*a*) examine the scope for raising revenue from the taxes and duties mentioned in the article 269 of the Constitution but not levied at present and the scope for enhancing revenue from the duties mentioned in article 268, (*b*) make an assessment of the non-plan capital gap of the States and suggest appropriate measures to deal with the non-plan capital gap and (*c*) review the policy and arrangements in regard to the financing of relief expenditure by the States affected by natural calamities and suggest modifications in the existing arrangements. The Commission shall make its report by the 31st October 1983. The recommendations will cover a period of five years commencing from April 1, 1984.

States' Plan Outlay

The Plan outlay of Rs. 9,401 crores for 1982-83 represents an increase of Rs. 1,156 crores (or 14.0 per cent) over 1981-82 (Table VII-9 and 10). In the sectoral allocations, as in the previous years, power receives the highest allocation with 31 per cent (or Rs. 2,912 crores) of the plan outlay. The outlay of the other sectors are: agriculture and allied programmes including co-operation 18.5 per cent (Rs. 1,744 crores), irrigation and flood control 17.9 per cent (Rs. 1,680 crores), transport and communications 7.4 per cent (Rs. 696 crores), industry and minerals 3.1 per cent (Rs. 293 crores), village and small industries 1.6 per cent (Rs. 152 crores) and others 20.5 per cent (Rs. 1,924 crores).

III. RAILWAY FINANCES

The Railway Budget for the year 1982-83 presented to the Lok Sabha on February 23,

Table VII—9 : Plan Outlay of States and Union Territories

(Rs. crores)

States/Union Territories	Total Proposed Plan outlay (1969-70 to 1973-74)	Actual Expenditure for 4th Plan	Actual Expenditure for 5th Plan (1974-75 to 1978-79)	1979-80 Actual Expenditure	6th Plan Approved Outlay (1980-81 to 1984-85)	1980-81 Actual Expenditure	1981-82 Revised approved outlay	1982-83 Approved Outlay
1	2	3	4	5	6	7	8	9
Andhra Pradesh	421	426	1,449	450	3,100	471	537	605
Assam	245*(28)	198	433	160	1,115	193	210	238
Bihar	480	479	1,185	321	3,225	465	560	670
Gujarat	485	545	1,374	456	3,680	584	632	760
Haryana	277	358	671	203	1,800	246	285	320
Himachal Pradesh	79	113	236	79	560	94	100	120
Jammu and Kashmir	164	162	376	124	900	149	165	168
Karnataka	340	374	1,039	318	2,265	397	419	475
Kerala	274	333	661	224	1,550	299	275	275
Madhya Pradesh	461	476	1,396	515	3,800	566	640	725
Maharashtra	906	1,005	2,612	813	6,175	896	1,068	1,322
Manipur	17	31	93	32	240	40	43	48
Meghalaya	—	36	99	31	235	41	46	51
Nagaland	42	39	97	28	210	35	38	43
Orissa	245	249	640	195	1,500	248	275	300
Punjab	360	428	940	269	1,957	299	331	385
Rajasthan	300	309	872	290	2,025	339	346	340
Sikkim	—	—	41	18	122	20	25	25
Tamil Nadu	467	552†	1,143	370	3,150	434	601	711
Tripura	20	35	75	30	245	40	45	50
Uttar Pradesh	1,023	1,163	2,909	825	5,850	972	966	1,132
West Bengal	321	364	1,230	383	3,500	451	638	638
A. Total—All States	6,927	7,675	19,571	6,134	47,204	7,279	8,245	9,401
B. Hill Areas	—	—	174	54	560	69	92	112
C. Tribal Areas**	—	—	167	70	470	70	85	95
D. Total Union Territories	365	278	655	190	1,650	255	355	394
E. North Eastern Council	—	—	91	32	340	51	70	80@
F. Scheduled Castes Component Plan@@	—	—	—	5††	—	—	—	—
G. Other Unclassified	—	—	—	—	26	—	—	—
Total (A to G)	**7,292**	**7,953**	**20,658**	**6,485**	**50,250**	**7,724**	**8,847**	**10,082**

* Includes Plan Outlay for Meghalaya also.
@ Includes Rs. 10 crores loan to be raised by NEC for Kopli Power Project.
† Excludes Rs. 19 crores on Power as outside the plan.
** Special Central assistance for Tribal sub-plan.
@@ Forms part of the Central Sector.
†† Allocations only.

Table VII—10 : States' Plan outlay by Heads of Developments

(Rs. crores)

Sectors	1981-82 (Revised approved outlay)	1982-83 (Approved outlay)	Variation over the previous year
1	2	3	4
1. Agriculture and Allied programmes including co-operation ..	1,518 (18.4)	1,744 (18.5)	+ 226 (+14.9)
2. Irrigation and flood control ..	1,482 (18.0)	1,680 (17.9)	+ 198 (+13.4)
3. Power	2,400 (29.1)	2,912 (31.0)	+ 512 (+21.3)
4. Village and Small Industries	151 (1.8)	152 (1.6)	+ 1 (+ 0.7)
5. Industry and Minerals	292 (3.6)	293 (3.1)	+ 1 (+ 0.3)
6. Transport and Communications ..	676 (8.2)	696 (7.4)	+ 20 (+ 3.0)
7. Others	1,726 (20.9)	1,924 (20.5)	+ 198 (+11.5)
8. Total (1 to 7) ..	**8,245 (100.0)**	**9,401 (100.0)**	**+ 1,156 (+14.0)**

Note: Figures in brackets in column 2 and 3 are percentages to totals while those in col. 4 indicate percentage variation over the previous year, i. e. Col. 3 over Col. 2.

Source: Annual Plan document.

1982 envisages a net surplus of Rs. 109.8 crores[1] as compared with a surplus of Rs. 51.8 crores for 1981-82 (revised estimates). In 1982-83, total receipts and expenditure of the Railways are estimated to increase by roughly the same proportion; anticipated receipts will rise by Rs. 640.1 crores or 17.6 per cent to Rs. 4,272.5 crores, while total expenditure at Rs. 3,757.6 crores is expected to show a rise of Rs. 547.2 crores or 17.0 per cent. Upward revisions in passenger fares and freight rates effective from April 1, 1982 proposed in the budget are expected to yield an additional revenue of Rs. 261.5 crores[1] in 1982-83. The season ticket fares remain unchanged.

1. The concessions announced by the Railway Minister in the Lok Sabha on March 3, 1982 would result in a revenue loss of Rs. 4.00 crores in 1982-83 and consequent reduction in budgeted surplus by an equal amount.

Revised Estimates 1981-82

The revised estimates for 1981-82, place total receipts of the Railways at Rs. 3,632.4 crores which is Rs. 928.9 crores or 34.4 per cent higher than Rs. 2,703.5 crores in 1980-81. This is attributable to the additional earnings resulting from adjustments in fares and freight rates made during the year and increase in the traffic carried. In respect of passenger traffic, the target of 3 per cent in non-suburban and 6 per cent in suburban traffic is expected to be achieved in 1981-82. In terms of traffic throughput, expressed as net tonne-kilometres,[2] a record of 165 billion (net tonne-kilometres) is estimated for 1981-82 as compared with 147.7 billions (net tonne-kilometres) achieved in the preceding year. Wagon turn-round, *i.e.* the period elapsing between two successive loadings, has come down to 13.6 days in 1981-82 on the broad gauge as compared with 15.2 days in 1980-81. The average lead of revenue earning goods traffic[3] increased from 749 kilometres in 1979-80 to 754 kilometres in 1980-81, while revenue per tonne-kilometre increased from 9.6 paise to 10.5 paise. Earnings from passenger traffic went up from Rs. 827.5 crores in 1980-81 to Rs. 984.0 crores in 1981-82 showing an increase of Rs. 156.5 crores or 18.9 per cent. Passenger traffic (both suburban and non-suburban) rose from 3,612 millions in 1980-81 to 3,761 million in 1981-82, an increase of 149 million or 4.1 per cent. The average lead of passenger traffic[4] has increased from 56.7 kilometres in 1979-80 to 57.7 kilometres in 1980-81 while average earnings per passenger kilometre rose from 3.7 paise to 4.0 paise during this period.

Total expenditure in 1981-82 is estimated at Rs. 3,210.4 crores as compared with Rs. 2,576.0 crores in 1980-81, an increase of Rs. 634.4 crores or 24.6 per cent. The rise in total expenditure was mainly due to certain post-budgetary factors like grant of additional instalments of dearness allowance to staff and steep increase in the cost of diesel oil, steel and other inputs.

2. Represents transportation of one tonne of goods over one kilometre excluding the weight of motive unit or vehicle.

3. Represents the average distance for which a tonne of goods is transported.

4. Represents the average distance each passenger is transported.

Expenditure on 'repairs and maintenance' which was Rs. 833.9 crores in 1980-81 went up by Rs. 180.0 crores or 21.6 per cent to Rs. 1,013.9 crores in 1981-82. Expenditure on 'fuel' increased by Rs. 161.8 crores or 32.9 per cent to Rs. 653.5 crores in 1981-82 as compared with Rs. 491.7 crores in the preceding year. Appropriation to Depreciation Reserve Fund is estimated higher at Rs. 350.0 crores in 1981-82 as compared with Rs. 220.0 crores in the preceding year, a rise of Rs. 130.0 crores or 59.1 per cent. With total receipts at Rs. 3,632.4 crores and expenditure at Rs. 3,210.4 crores, net revenue of the Railways in 1981-82 is estimated at Rs. 422.0 crores as against Rs. 127.5 crores in the preceding year i.e., higher by Rs. 294.5 crores or 231.0 per cent. Net revenue as percentage of Capital-at-Charge[5] is anticipated to go up from 2.1 per cent in 1980-81 to 6.4 per cent in 1981-82. After providing Rs. 370.2 crores as dividend liability to the General Revenues the surplus for the year is estimated at Rs. 51.8 crores in contrast to a deficit of Rs. 197.9 crores in the preceding year. The ratio of total expenditure to total receipts is estimated lower at 88.4 per cent in 1981-82 as compared with 95.3 per cent in the preceding year. The indebtedness of the Railways to General Revenues is anticipated to go down to Rs. 597.8 crores in 1981-82 as compared with Rs. 603.5 crores in the preceding year.

5. Represents book value of Capital Assets of the Railways.

Table VII—11 : Financial Results of Railways

(Rs. crores)

	Items	1978-79 (Actuals)	1979-80 (Actuals)	1980-81 (Actuals)	1981-82 (Budget Estimates)	1981-82 (Revised Estimates)	1982-83 (Budget Estimates)
	1	2	3	4	5	6	7
I.	**Total Receipts**	**2,161.3**	**2,404.4**	**2,703.5**	**3,359.4**	**3,632.4**	**4,272.5**
II.	**Total Expenditure**	**1,900.4**	**2,177.1**	**2,576.0**	**2,959.6**	**3,210.4**	**3,757.6**
III.	Ratio of Total Expenditure to Total Receipts	87.9	90.5	95.3	88.1	88.4	87.9
IV.	Net Revenue (I-II)	260.9	227.3	127.5	399.8	422.0	514.9
V.	Capital-at-Charge*	5,023.9	5,484.6	6,096.3	6,366.9	6,640.4	7,144.4
VI.	Net Revenue as percentage of Capital-at-Charge* ..	5.2	4.1	2.1	6.3	6.4	7.2
VII.	Payment to General Revenues	224.2	293.5@ (227.3)	325.4@ (127.5)	349.9	370.2	405.1
VIII.	Net Surplus (+)/Deficit(—) (IV-VII)	+36.7	—66.2	—197.9	+49.9	+51.8	+109.8
IX.	Appropriation from Net Surplus to :						
	(a) Development Fund ..	+34.7	—	—	+38.5	+46.1	+ 45.0
	(b) Revenue Reserve Fund..	—	—	—	—	—	—
	(c) Deferred Dividend Liability Account ..	+ 2.0	—	—	+11.4	+ 5.7	+ 64.8

Notes : 1. The concessions announced by the Railway Minister in the Lok Sabha on March 3, 1982 would result in a revenue loss of Rs. 4.00 crores in 1982-83.

2. An additional expenditure for Supplementary Demands for Grants amounting to Rs. 200.5 crores was sanctioned on July 22, 1982.

* Excludes Capital-at-Charge on Metropolitan Transport Projects.

@ Figures in brackets represent actual payment to General Revenues, the balance being transferred to Deferred Dividend Liability Account.

Source : Explanatory Memoranda on Railway Budgets.

Developmental Expenditure 1981-82

The outlay on developmental programme of the Railways for 1981-82 according to the revised estimates was higher by Rs. 163.8 crores or 16.8 per cent at Rs. 1,137.3 crores as compared with Rs. 973.5 crores in the preceding year (Table VII-12). Of the total outlay, Rs. 445.6 crores or 39.2 per cent was on account of 'rolling stock'. Expenditure on 'track renewals' and 'traffic facilities' together accounted for Rs. 312.0 crores or 27.4 per cent of the total outlay. The other important heads of expenditure were 'electrification' of projects—Rs. 68.3 crores, 'new lines'—Rs. 47.7 crores and 'signalling and telecommunications' works—Rs. 25.0 crores. Expenditure on Metropolitan Transport Projects was Rs. 55.2 crores.

Table VII—12 : Developmental Expenditure of Railways

(Rs. crores)

Items	1978-79 (Actuals)	1979-80 (Actuals)	1980-81 (Actuals)	1981-82 (Budget Estimates)	1981-82 (Modified Budget Estimates)	1981-82 (Revised Estimates)	1982-83@ (Budget Estimates)
1	2	3	4	5	6	7	8
1. Rolling Stock	234.4	273.5	348.7	424.2	436.4	445.6	527.3
2. Traffic Facilities	68.3	104.5	142.5	130.7	144.9	147.0	92.5
3. Track Renewals	73.6	88.5	124.4	142.4	162.4	165.0	190.5
4. Electrification	25.9	28.5	34.3	46.1	67.1	68.3	119.1
5. New Lines	34.2	41.2	41.5	38.7	36.8	47.7	63.6
6. Signalling & Telecommunication Works	17.8	18.1	22.7	19.9	24.3	25.0	25.2
7. Staff Quarters	10.7	8.8	10.2	8.8	10.6	10.4	10.0
8. Plant & Machinery	9.2	8.8	18.1	25.0	36.8	38.3	70.0
9. Investment in Government Commercial Undertakings—Road Services	27.3	9.8	22.0	8.0	18.0	18.0	45.0
10. Others	36.1	132.6	209.1	136.2	200.0	172.0	194.3
of which : Metropolitan Transport Projects	15.5	21.4	33.8	50.0	55.2	55.2	50.0
Total	**537.5***	**714.3**	**973.5**	**980.0**	**1,137.3**	**1,137.3**	**1,337.5**

* Inclusive of Rs 1.08 crores for financing export orders.

@ Inclusive of Supplementary Demands for Grants for Rs. 200.5 crores.

Source : Explanatory Memoranda on Railway Budgets.

Cost of Social Obligations 1981-82

The financial cost of social obligations[6] borne by the Railways is estimated to have gone up by Rs. 114.5 crores or 27.2 per cent to Rs. 535.2 crores in 1981-82 as compared with Rs. 420.7 crores in 1980-81. Of the total, Rs. 416.1 crores or 77.7 per cent are due to a loss on account of 'coaching services' i.e. suburban and non-suburban passenger traffic, parcels, luggage, etc. The balance of Rs. 119.1 crores or 22.3 per cent are on account of low-rated freight like foodgrains, coal, fodder, salt for edible use, firewood, fruits and vegetables, loss on relief supplies to the scarcity areas, drought and flood hit areas, etc. The ratio of the financial cost of social obligations to total Railway receipts is anticipated to decline from 15.6 per cent in 1980-81 to 14.7 per cent in 1981-82.

Budget Estimates 1982-83

The originating revenue earning freight traffic is estimated to increase by 10 million tonnes or 4.5 per cent to 230 million tonnes in 1982-83 as compared with 220 million tonnes in the revised estimates for 1981-82. Suburban traffic is projected to increase by 5 per cent and non-suburban traffic by 3 per cent in the budget estimates for 1982-83. Over three-fourths of the budgeted increase in freight traffic is accounted for by three commodities viz. cement (38.0 per cent), coal (26.0 per cent), pig iron and finished steel (14.0 per cent). Total receipts of the Railways are estimated to increase from Rs. 3,632.4 crores in 1981-82 by Rs. 640.1 crores or 17.6 per cent to Rs. 4,272.5 crores in 1982-83. Of the increase, Rs. 412.3 crores or 64.4 per cent is expected from revenue earning goods traffic and Rs. 210.2 crores or 32.8 per cent from passenger traffic.

Total expenditure is budgeted to increase by Rs. 547.2 crores or 17.0 per cent to Rs. 3,757.6 crores in 1982-83 as compared with an increase of Rs. 634.4 crores or 24.6 per cent at Rs. 3,210.4 crores in 1981-82. Expenditure on 'repairs and maintenance' is anticipated to rise by Rs. 180.3 crores or 17.8 per cent to Rs. 1,194.2 crores in 1982-83 as compared with Rs. 1,013.9 crores in the preceding year. Expenditure on 'fuel' is estimated to increase by Rs. 46.5 crores or 7.1 per cent to Rs. 700.0 crores as compared with Rs. 653.5 crores in the preceding year. Considering the need for progressive rehabilitation of operating assets of the Railways, appropriation to the Depreciation Reserve Fund has been budgeted higher by Rs. 150.0 crores or 42.9 per cent at Rs. 500.0 crores as compared with Rs. 350.0 crores in the preceding year.

With total receipts budgeted at Rs. 4,272.5 crores and total expenditure at Rs. 3,757.6 crores, net revenue of the Railways for the year 1982-83 is estimated at Rs. 514.9 crores as compared with Rs. 422.0 crores in 1981-82. After providing Rs. 405.1 crores as dividend liability to the General Revenues, the year is expected to close with a surplus of Rs. 109.8 crores. The ratio[7] of expenditure (excluding provision for dividend liability to General Revenues) to total receipts is anticipated to decline from 88.4 per cent in 1981-82 to 87.9 per cent in the budget estimates for 1982-83. Further, net revenue as percentage of Capital-at-Charge is expected to improve from 6.4 per cent in 1981-82 to 7.2 per cent in 1982-83. The total indebtedness of the Railways to General Revenues is anticipated to decline from Rs. 597.8 crores at the end of March 1982 to Rs. 533.0 crores at the end of March 1983 of which Rs. 224.2 crores will be under the Development Fund and Rs. 308.8 crores as Deferred Dividend Liability.

Developmental Expenditure 1982-83

In 1982-83, the Railways entered the third year of the Sixth Five Year Plan termed as a 'rehabilitation' Plan. The emphasis in the Annual Plan for 1982-83 is laid on renewal and replacement of worn-out assets. The total Plan allocation for 1982-83 inclusive of supplementary demands for grants has been

6. The social obligations include the expenditure on coaching services (i. e. suburban and non-suburban passenger traffic, parcels, luggage, etc.), transport of low-rated commodities (i. e. foodgrains, salt, fodder, charcoal, firewood, vegetables, fruits, etc.) and freight concessions on relief supplies.

7. Operating ratio of the Railways which is defined as the ratio of Total Working Expenses to Total Earnings (excluding suspense) is budgeted to decline to 88.6 per cent in 1982-83 from 89.3 per cent in the preceding year.

fixed at Rs. 1,337.5 crores, higher by Rs. 200.2 crores or 17.6 per cent than the revised budget estimates of Rs. 1,137.3 crores in 1981-82. About 13,000 kilometres of railway track are in urgent need of renewals while 40,700 wagons and 3,150 coaches are overaged. Similarly, steam locomotives need replacement by diesel/electric locomotives. Machinery and Plant in workshops also need replacement. Of the allocated amount of Rs. 1,337.5 crores, over 50 per cent is provided for replacement and renewal of worn-out assets.

In view of this, in the Plan outlay for 1982-83, increased allocation has been made for 'Rolling Stock' at Rs. 527.3 crores, as compared with Rs. 445.6 crores in the revised estimates for the preceding year, i.e. higher by Rs. 81.7 crores or 18.3 per cent. The emphasis will also be laid on accelerating the pace of electrification. It is proposed to energise about 2,800 route-kilometres in 1982-83 and to complete the ground work to increase the pace further so as to cover 1,000 route-kilometres per annum in the next Plan. The outlay on 'Electrification' is budgeted to increase sharply by Rs. 50.8 crores or 74.4 per cent to Rs. 119.1 crores in 1982-83 as compared with Rs. 68.3 crores in the preceding year. The outlay on 'plant and machinery' is anticipated to rise by Rs. 31.7 crores or 82.8 per cent to Rs. 70.0 crores as compared with Rs. 38.3 crores in the preceding year. Further, the investment in Government Commercial Undertakings—Road Services—is slated to rise from Rs. 18.0 crores in 1981-82 to Rs. 45.0 crores in 1982-83. The outlay on Metropolitan Transport Projects is budgeted at Rs. 50.0 crores as against Rs. 55.2 crores in the preceding year.

Revision in Fare and Freight Rate Structure

The National Transport Policy Committee[8] and the Rail Tariff Enquiry Committee[9] have both stressed the imperative need for rationalisation of fare structure and its alignment with cost. The National Transport Policy Committee has pointed out that the Railway cost of carriage of short distance passengers is much higher than that of the roadways. Railways fares, on the other hand are far lower in comparison with the fare charged by the road transport services. There is need, therefore, for the railway tariff being restructed so as to discourage short distance traffic coming to the railways. In the overall interests of national economy, it is considered prudent that this imbalance should be progressively corrected.

Rail transport will be under severe strain with the growth in economy and the demand for freight traffic must have precedence over passenger traffic. To meet the budgetary gap of Rs. 261.5 crores at the existing structure of the fare and freight rates, the following adjustments in the fares and freight rates (including the post-budget concessions) effective April 1, 1982 have been made. Monthly season tickets-first and second class—suburban and non-suburban are, however, completely exempt from the fare hike.

(i) Second Class Ordinary

(a) Exemptions given with effect from 15th July 1980 (from 10 per cent surcharge upto 100 kilometres) and from 1st April, 1981 (from 5 per cent surcharge upto 200 kilometres) are withdrawn and fares rounded off to the next higher multiple of 10 paise. (b) Fares have been increased by 4 paise per block of five kilometres upto 400 kilometeres, by 3 paise per block of 5 kilometres, from 401 kilometeres to 800 kilometres and by 2.5 paise per block of 5 kilometres for the journeys over 800 kilometres. (c) The minimum fare for the second class ordinary travel is raised from the present 50 paise to 70 paise.

(ii) Second Class Mail/Express

(a) Fares have been increased on the same basis as second class ordinary fare and (b) the minimum charge is Rs. 1.50 instead of Re. 1.00 charged hitherto.

(iii) First Class and AC Two-Tier Sleeper/ Air-Conditioned Chair Car:

Fares have been increased by 2 paise per kilometre for distance beyond 250 kilometres.

8. Government of India, Planning Commission, Report of the National Transport Policy Committee, New Delhi, May, 1980.

9. Government of India, Ministry of Railways,—Rail Tariff Enquiry Committee, Main Report, (Vol. I to V), April, 1980.

(iv) Surcharge on AC Two-Tier Sleepeer

The existing and revised surcharge per ticket for Two-tier Air-conditioned Sleeper over and above the normal fares are as follows:

Distance Zone kms.	Existing Surcharge per ticket	Proposed Surcharge per ticket
	Rs.	Rs.
1 - 500	15.00	15.00
501 - 1000	15.00	25.00
1001 - 1500	25.00	40.00
1501 and above	25.00	50.00

(v) Air Conditioned Class

Fares have been increased by 10 paise per kilometre for journeys beyond 80 kilometres subject to a maximum of Rs. 40.00 per ticket.

(vi) Sleeper Surcharge

The present charge of Rs. 5.00 for the first two nights was proposed to be raised to Rs. 8.00 per night for the first two nights with no surcharge for the subsequent nights. But as per the subsequent post-budget concessions, the increased rate of Rs. 8.00 is applicable only to the first night, and the charge for the second night remain unchanged at Rs. 5.00.

(vii) Supplementary Charge for Superfast Trains

The existing and proposed supplementary charge for superfast trains are given as under:

Class	Existing Supplementary charge per ticket Rs.	Proposed Supplementary charge per ticket Rs.
Air-Conditioned Class ..	20.00	25.00
First Class/Two Tier AC Sleeper	10.00	12.00
AC Chair Car	6.00	12.00
Second Class Sleeper ..	2.00	6.00
Second Class Sitting ..	2.00	No change

(viii) Rajdhani Fares

The fares for Air-Conditioned Class and Two-tier AC Sleeper have been raised by 20 per cent and AC Chair Car by 25 per cent.

As per the post budget concessions, the organisations of artists and associations of sportsmen recognised either by the State Governments or the Central Government are entitled for concession of 50 per cent. Kisans attending conventions organised by approved organisations like Bharat Krishak Samaj or any other institutions of a like nature are also entitled to receive 50 per cent concession.

Freight Charges

The exemptions from levy of supplementary charges effective April 1, 1979, July 15, 1980 and April 1, 1981 in respect of certain commodities are withdrawn. However, commodities like firewood, medicines, fodder (other than oil cake) kerosene and safety matches will continue to enjoy the present exemptions. The special concessions on freight rates for bananas and oranges were withdrawn from June 30, 1982.

Changes in Parcel Freight Structure

It has been decided to implement the Rail Tariff Enquiry Committee's recommendations on the parcel freight structure. This Committee has pointed out that the Railways had incurred a loss of Rs. 25 crores in 1976-77 for the carriage of parcel traffic and there were no compelling social grounds for running the services at a loss. The parcel traffic is now classified into six groups against fourteen as hitherto with a separate scale or norm for charging. As per the post-budget concessions a separate new scale is introduced at 90 per cent of the General Parcels Scale i. e., at 10 per cent reduction in the rates for commodities, e. g. medicines, safety matches, milk powder, baby milk powder and condensed milk, tea, coffee, beedies and cigarettes, soaps of all kinds, synthetic detergents, sports goods, candles, tooth paste, tooth brushes, shaving cream, blades, exercise books, erasers, pencils, ball point pens including refills, pen inks, and spectacle frames. As per the post-budget concessions another separate scale with a 10

per cent reduction is introduced to cover the commodities viz., handloom products, books including text books, bread, milk, bananas and vegetables.

All the post budget concessions are estimated to result in a revenue loss of around Rs. 4.00 crores.

IV. FINANCES OF THE INDIAN POSTS AND TELEGRAPHS DEPARTMENT

Revised Estimates 1981-82

Finances of the Indian Posts and Telegraphs Department improved at a considerably slower pace, in the year 1981-82. The surplus on the revenue account, before making contributions towards capital expenditure and paying dividend to General Revenues at Rs. 172.7 crores in 1981-82 (revised estimates) was higher by Rs. 12.3 crores compared to the surplus of Rs. 160.4 crores in 1980-81 (accounts). While the revenue receipts went up by Rs. 133.0 crores (or 14.6 per cent) to Rs. 1,043.0 crores, the net working expenses rose by Rs. 120.7 crores (or 16.1 per cent) and stood at Rs. 870.3 crores (Table VII-13).

The increase in revenue receipts was due in part to the revisions in certain telecommunications tariffs and rates of deposits under 'Own Your Telephone' system announced in the Budget and effected from July 1, 1981, as well as revision in the postal and telecommunications tariffs effective from March 1, 1982, the latter revisions were expected to yield an additional revenue of Rs. 8 crores in one month, i. e., March 1982 and Rs. 100 crores in a full year.

Table VII—13: Financial Working of Posts and Telegraphs Department

(Rs. crores)

Items	1979-80 (Accounts)	1980-81 (Accounts)	1981-82 (Budget Estimates)	1981-82 (Revised Estimates)	1982-83 (Budget Estimates)
1	2	3	4	5	6
1. Revenue Receipts	835.1	910.0	1,130.0	1,043.0	1,298.0
2. Working Expenses (Net)	606.9	749.6	788.7	870.3	995.1
3. Dividend to General Revenues	32.5	36.5	39.6	47.0	58.2
4. **Surplus (+)/Deficit (—) before making contributions towards Capital Expenditure [1—(2+3)]**	**+195.7**	**+123.9**	**+301.7**	**+125.7**	**+244.7**
Of which : On account of					
(*i*) Postal Services	— 8.3	— 68.5	— 31.3	— 90.1	— 69.8
(*ii*) Telecommunications Services	+204.0	+192.4	+333.0	+215.8	+ 314.5
5. Contributions towards Capital Expenditure	61.8	71.5	84.4	81.1	—
6. **Surplus (+)/Deficit(—) after making contributions towards Capital Expenditure (4—5)**	**+133.9**	**+ 52.4**	**+217.3**	**+ 44.6**	**+ 244.7**
7. **Appropriations to(+) or withdrawals from (—)**					
(*a*) Revenue Reserve Fund	+ 1.6	+ 0.4	+ 1.3	+ 1.6	+ 1.7
(*b*) Capital Reserve Fund	+132.2	+ 52.0	+216.0	+ 43.0	+ 243.0

Sources : 1. Explanatory Memoranda on the budgets of the Central Government.
2. Annual Reports of Indian Posts and Telegraphs Department.

Postal services accounted for a slightly lower share at 29.9 per cent in total revenue receipts in 1981-82 (revised estimates) compared to 30.6 per cent in 1980-81 (accounts). Correspondingly, the share of telecommunication services went up to 70.1 per cent in 1981-82 from 69.4 per cent in 1980-81.

Of the net working expenses, those on 'operation' at Rs. 458.1 crores were higher by Rs. 69.0 crores (or 17.7 per cent), while 'engineering' expenses rose by Rs. 31.4 crores (or 16.6 per cent) in 1981-82. Provision for depreciation was stepped up by Rs. 7.7 crores (or 11.1 per cent) to Rs. 77.2 crores. The contributions towards capital expenditure at Rs. 81.1 crores were higher by Rs. 9.6 crores (or 13.4 per cent). The dividend payable to General Revenues was Rs. 47.0 crores in 1981-82 as against Rs. 36.5 crores in the preceding year. The surplus, after making contributions towards capital expenditure and paying dividend to General Revenues at Rs. 44.6 crores was lower by Rs. 7.8 crores than the surplus of Rs. 52.4 crores in 1980-81.

In recent years, the deficit of the postal services has been rising rapidly from Rs. 11.5 crores in 1979-80 to Rs. 72.2 crores in 1980-81 and further to Rs. 94.3 crores in 1981-82. The surplus of telecommunications services declined from Rs. 145.4 crores in 1979-80 to Rs. 124.6 crores in 1980-81 but rose to Rs. 138.9 crores in 1981-82. Out of the total surplus of the Posts and Telegraphs Department, Rs. 43.0 crores were appropriated towards Capital Reserve Fund and Rs. 1.6 crores towards Revenue Reserve Fund.

The capital outlay of Posts and Telegraphs Department increased by Rs. 194.3 crores (or 61.7 per cent) from Rs. 314.8 crores in 1980-81 to Rs. 509.1 crores in 1981-82 (Table VII-14).

Of the increase, 'telecommunications' and 'Stores and Manufacture suspense' accounted for the major share (Rs. 190.6 crores), while postal services showed a small rise of Rs. 3.7 crores. Of the total capital outlay of Rs. 509.1 crores, the Plan outlay was Rs. 460.2 crores (or 90.4 per cent) the remainder being the non-Plan outlay. Of the non-Plan outlay of Rs. 48.9 crores, the outlay on stores and manufacture suspense accounted for as much as Rs. 48.7 crores. Capital Reserve Fund and receipts and recoveries on capital account and under stores suspense provided Rs. 93.2 crores (or 18.3 per cent) of the funds for capital outlay. To meet larger plan capital outlay, capital advanced out of General Revenues was substantially stepped up to Rs. 237.6 crores from Rs. 107.5 crores in 1980-81.

Budget Estimates 1982-83

The Central Budget, 1982-83 envisages a larger surplus (before making contributions towards capital expenditure and paying dividends to General Revenues) of Rs. 302.9 crores on revenue account of the Posts and Telegraphs Department, reflecting an improvement of Rs. 130.2 crores (or 75.4 per cent). Revenue receipts are budgeted to rise over the year by Rs. 255.0 crores (or 24.4 per cent) to Rs. 1,298.0 crores. This was anticipated mainly on the basis of two successive revisions in the rates of postal services—the first pre-budget revision effective from March 1,1982 referred to earlier and the second effective from June 1, 1982 expected to yield an additional revenue of Rs. 26.0 crores in 1982-83 and Rs. 35.3 crores in a full year.

The rate revisions were justified on the following grounds. The grant of additional instalments of dearness allowance and increases in other operating expenses added significantly to the costs of postal services. The postal services were under-priced. The rates were inadequate even to meet the direct cost of several services.

Net working expenses are budgeted to go up from Rs. 870.3 crores in 1981-82 to Rs. 995.1 crores in 1982-83 showing a rise of Rs. 124.8 crores (or 14.3 per cent) mainly due to higher operational costs, larger expenditure on engineering items and increased provision for depreciation.

The surplus after paying dividend to General Revenues, is projected to go up to Rs. 244.7 crores in 1982-83 as compared to Rs. 44.6 crores in the preceding year. There would be no contributions towards capital expenditure in the year 1982-83.

Table VII—14 : Capital Outlay of Posts and Telegraphs Department

(Rs. crores)

Item	1979-80 (Accounts)			1980-81 (Accounts)			1981-82 (Budget Estimates)			1981-82 (Revised Estimates)			1982-83 (Budget Estimates)		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. Expenditure :															
(*a*) Postal	13.0	—	13.0	15.5	—	15.5	20.2	—	20.2	19.2	—	19.2	24.8	—	24.8
(*b*) Telecommunications	261.7	—	261.7	259.6	—	259.6	443.0	0.2	443.2	441.0	0.2	441.2	442.0	0.2	442.2
(*c*) Stores and Manufacture Suspense ..	—	7.1	7.1	—	39.7	39.7	—	48.7	48.7	—	48.7	48.7	—	80.4	80.4
Total Expenditure (a to c)	**274.7**	**7.1**	**281.8**	**275.1**	**39.7**	**314.8**	**463.2**	**48.9**	**512.1**	**460.2**	**48.9**	**509.1**	**466.8**	**80.6**	**547.4**
2. Financed from :															
(*i*) Receipts and Recoveries on															
(*a*) Capital Account	0.6	—	0.6	0.5	—	0.5	1.9	—	1.9	1.2	—	1.2	1.0	—	1.0
(*b*) Under Store Suspense							—	41.9	41.9	—	42.0	42.0	—	72.4	72.4
(*ii*) Advance Rentals received under O.Y.T. and other Schemes	11.8	—	11.8	12.5	—	12.5	35.0	—	35.0	20.0	—	20.0	20.0	—	20.0
(*iii*) Capital Reserve Fund	137.0	—	137.0	13.3	39.7	53.0	196.0	7.0	203.0	43.1	6.9	50.0	241.8	8.2	250.0
(*iv*) Depreciation on Historical Costs Transferred from Revenue	62.0	—	62.0	69.8	—	69.8	80.7	—	80.7	77.2	—	77.2	91.2	—	91.2
(*v*) Contribution towards Capital Expenditure from Revenue	61.8	—	61.8	71.5	—	71.5	84.4	—	84.4	81.1	—	81.1	—	—	—
(*vi*) Capital advanced from the General Revenue	1.5	7.1	8.6	107.5	—	107.5	65.2	—	65.2	237.6	—	237.6	112.8	—	112.8
Total (i to vi)	**274.7**	**7.1**	**281.8**	**275.1**	**39.7**	**314.8**	**463.2**	**48.9**	**512.1**	**460.2**	**48.9**	**509.1**	**466.8**	**80.6**	**547.4**

Sources : (1) Explanatory Memoranda on the budgets of Central Government.
(2) Annual Reports of Indian Posts and Telegraphs Department.
(3) Director General, Indian Posts and Telegraphs Department.
(4) The Ministry of Communications, Government of India.

The capital outlay on the Postal and Telecommunications services and stores and manufacture suspense during 1982-83 would rise by Rs. 38.3 crores (or 7.5 per cent) to Rs. 547.4 crores. The capital outlay on stores and manufacture suspense would be raised by Rs. 31.7 crores to Rs. 80.4 crores, outlay on postal services would be raised by Rs. 5.6 crores to Rs. 24.8 crores and outlay on telecommunications would be raised by Rs. 1 crore to Rs. 442.2 crores. Of the total capital outlay of Rs. 547.4 crores, the Plan outlay will account for Rs. 466.8 crores (or 85.3 per cent) and the balance for the non-Plan outlay.

The capital outlay would be financed from the internal resources of Posts and Telegraphs Department to the extent of Rs. 434.6 crores (or 79.4 per cent) and the remaining Rs. 112.8 crores by advances from the General Revenues.

The capital outlay during 1980-81 to 1982-83 would amount to Rs. 1,371.3 crores accounting for 54.7 per cent of the Post and Telegraph Department's total outlay (including outlay on Indian National Satellite) of Rs. 2,508.0 crores provided in the Sixth Five Year Plan (1980-85).

V. PUBLIC DEBT AND OTHER LIABILITIES

The aggregate liabilities of the Government of India including the outstanding public debt and other liabilities* at Rs. 68,349 crores at the end of March 1982 (revised estimates) registered a smaller rise of Rs. 8,600 crores (or 14.4 per cent) during 1981-82 as against an increase of Rs. 9,534 crores (or 19.1 per cent) during 1980-81 (Table VII-15). Internal debt registered a smaller increase of Rs. 4,862 crores as compared to Rs. 6,545 crores in the preceding year. The share of public debt in the total liabilities declined nominally from 70.6 per cent at the end of March 1981 to 70.4 per cent at the end of March 1982.

Public Debt

The outstanding public debt at Rs. 48,084 crores at the end of March 1982 recorded a smaller rise of Rs. 5,922 crores (or 14.0 per cent) as against a rise of Rs. 7,879 crores (or 23.0 per cent) in the previous year. The proportion of Central public debt to Gross Domestic Product at current market prices is estimated higher at 33.6 per cent in 1981-82 than 33.5 per cent in 1980-81. Internal debt accounted for 82.1 per cent of the increase in public debt in 1981-82 compared with 83.1 per cent in 1980-81.

External Debt

The external debt of the Government of India at Rs. 12,358 crores recorded a rise of Rs. 1,060 crores (or 9.4 per cent) in 1981-82 compared with an increase of Rs. 1,334 crores (or 13.4 per cent) in the preceding year. Gross receipts under external loans are budgeted at Rs. 1,925 crores for the year 1982-83 compared with Rs. 1,487 crores during 1981-82 (Revised Estimates). The external debt is expected to reach Rs. 13,830 crores by end-March 1983.

Internal Debt

The internal debt of the Government of India at Rs. 35,726 crores at the end of March 1982 registered a smaller rise of Rs. 4,862 crores (or 15.8 per cent) as against an increase of Rs. 6,545 crores (or 26.9 per cent). All the components of the internal debt viz., market loans, treasury bills and special floating and other loans, etc., recorded increases during the year.

The estimates for 1982-83 place the internal debt at Rs. 41,327 crores indicating a rise of Rs. 5,601 crores (or 15.7 per cent) mainly on account of market loans and treasury bills.

Market Borrowings@ in 1981-82

During 1981-82 the net receipts from the market borrowings of the Central Government at Rs. 2,904 crores, registered a smaller rise of Rs. 298 crores as against the rise of Rs. 644 crores in the preceding year (Table VII-16). These, however, exceeded the budgeted amount of Rs. 2,800 crores. The Centre approached the market five times

* Including amount due from Pakistan on account of pre-partition debt.

@Subscription figures are drawn from the Reserve Bank of India records.

Table VII—15 : Public Debt and Other Liabilities of Government of India

(Rs. crores)

Items	As at the end of March						
	1977	1978	1979	1980	1981	1982 (Revised Estimates)	1983 (Budget Estimates)
1	2	3	4	5	6	7	8
A. Public Debt (1+2)	**23,068** (28.7)	**27,980** (31.1)	**29,227** (30.0)	**34,363** (32.4)	**42,162** (33.5)	**48,084** (33.6)	**55,157**
1. Internal Debt (*i* to *iv*) ..	14,457	18,995	19,854	24,399	30,864	35,726	41,327
(*i*) Current Market Loans ..	7,917	9,202	10,864	12,867	15,626	18,447	21,648
(*ii*) Others@	155	155	147	196	262	1,267	1,322
(*iii*) Treasury Bills	5,368	8,619	7,608	10,196	12,851	13,864	15,949
(*iv*) Special Floating and other Loans†	1,017	1,019	1,235	1,140	2,125	2,148	2,408
2. External Debt	8,611	8,985	9,373	9,964	11,298††	12,358††	13,830††
B. Other Liabilities (1+2)	**10,540** (13.1)	**12,193** (13.5)	**14,255** (14.6)	**15,852** (14.9)	**17,587** (14.0)	**20,265** (14.2)	**23,121**
1. Unfunded Debt (a *to c*) ..	7,710	9,131	10,757	12,407	13,953	16,621	19,312
(*a*) Small Savings	4,359	4,904	5,751	6,856	7,977	9,276	10,676
(*b*) State Provident Funds ..	1,677	1,844	2,079	2,268	2,456	2,734	2,982
(*c*) Other Unfunded Debt£ ..	1,674	2,383	2,927	3,283	3,520	4,611	5,654
2. Reserve Funds and Deposits*	2,830	3,062	3,498	3,445	3,634	3,644	3,809
C. Aggregate Liabilities (A+B) ..	**33,608** (41.8)	**40,173** (44.6)	**43,482** (44.6)	**50,215** (47.3)	**59,749** (47.5)	**68,349** (47.8)	**78,278**
D. Amount due from Pakistan on account of pre-partition debt ..	**300**	**300**	**300**	**300**	**300**	**300**	**300**
E. Net Aggregate Liabilities (C—D) (Net of pre-partition debt) ..	**33,308**	**39,873**	**43,182**	**49,915**	**59,449**	**68,049**	**77,978**

@ Comprises mainly balances of expired loans, prize bonds, premium prize bonds, compensation bonds etc. Includes special bearer bonds, Rs. 89 crores for 1981, Rs. 964 crores each for the years 1982 and 1983. Annuity Certificates are excluded from here and shown under small savings.

† These represent mainly non-negotiable, non-interest bearing securities issued to International Financial Institutions like the International Monetary Fund, International Bank for Reconstruction and Development, International Development Association, International Fund for Agricultural Development and Asian Development Bank.

†† Includes loans from I.M.F. Trust Fund to the extent of Rs. 538 crores each for the years 1981, 1982 and 1983.

£ Includes mainly Postal Insurance and Life Annuity Fund, Hindu Family Annuity Fund, borrowings against Compulsory Deposits, Income-tax Annuity Deposits, etc.

* Includes depreciation and Reserve Funds of Railways and Posts and Telegraphs, deposits of local funds, departmental and judicial deposits, civil deposits, etc.

Note : Figures in the brackets represent percentages to the CSO estimates of Gross Domestic Product at current market prices. For 1981-82 such percentages have been worked out on the basis of the Reserve Bank of India Estimates of Gross Domestic Product at current market prices.

Source : Finance Accounts of the Union Government for end-March 1977 to 1980, Ministry of Finance, Government of India for end-March 1981 and Explanatory Memorandum on the Budget of the Central Government for 1982-83 for end-March 1982 and 1983.

Table VII—16 : Market Borrowings of Government of India during 1981-82

(Rs. crores)

Date	Loans Floated	Issue price (Rupees Per cent)	Offered	Amount Subscribed			Repayment in Cash for unconverted maturing securities	Net Market Borrowings (Col. 5—8)
				Cash	Conversion	Total (Col. 5+6)		
1	2	3	4	5	6	7	8	9
27-4-1981*	6.25 Per Cent Loan, 1987	100.00		108	—	108		
	7.25 Per Cent Loan, 1997	100.00	600	120	—	120		
	8.00 Per Cent Loan, 2011	100.00		434	—	434		
				662	—	662	—	662
1-6-1981*	8.00 Per Cent Loan, 2011	100.15	100	100	—	100	—	100
21-7-1981@	6.00 Per Cent Loan, 1985	100.00		96	—	96		
	6.75 Per Cent Loan, 1991	100.00		130	91	221		
	7.50 Per Cent Loan, 2001	100.00	750	91	52	143		
	8.00 Per Cent Loan, 2011 (Second Issue)	100.00		367	—	367		
				684	143	827	54	630
12-10-1981*	7.00 Per Cent Loan, 1994	100.00		170	—	170		
	7.50 Per Cent Loan, 2001 (Second Issue)	100.00	650	162	—	162		
	8.00 Per Cent Loan, 2011 (Third Issue)	100.00		383	—	383		
				715	—	715	—	715
21-12-1981@	6.25 Per Cent Loan, 1987 (Second Issue)	100.00	400	259	49	308		
	8.00 Per Cent Loan, 2011 (Fourth Issue)	100.00		132	—	132		
				391	49	440	41	350
29-3-1982*	6.00 Per Cent Loan, 1985 (Second Issue)	100.00		224	—	224		
	6.75 Per Cent Loan, 1991 (Second Issue)	100.00	405	163	—	163		
	8.00 Per Cent Loan, 2011 (Fifth Issue)	100.00		60	—	60		
				447	—	447	—	447
	Total during 1981-82		**2905**	**2999**	**192**	**3191**	**95**	**2904**

* Offered for cash subscription only.

@ Offered on cash-cum-conversion basis.

Source : Reserve Bank of India Records.

directly and once indirectly through placements with the Reserve Bank for subsequent sale to investors.

The Centre entered the market first on April 27, 1981 by floating three loans viz., 6.25 per cent Loan 1987, 7.25 per cent Loan 1997 and 8.00 per cent Loan 2011 entirely on a cash basis and raised an aggregate amount of Rs. 662 crores. The Centre issued on June 1, 1981 further tranche of one outstanding Loan, viz., 8.00 per cent Loan 2011 for Rs. 100 crores which was initially taken up by the Reserve Bank to be placed on sale to investors subsequently. The second approach to the market was made on July 21, 1981 when four loans were floated viz. 6.00 per cent Loan 1985, 6.75 per cent Loan 1991, 7.50 per cent Loan 2001 and 8.00 per cent Loan 2011 (second issue) on a cash-cum-conversion basis, thereby raising an aggregate amount of Rs. 827 crores, of which Rs. 684 crores were in cash and the rest by way of conversion. The third floatation was made by the Centre on October 12, 1981 when it issued three loans viz., 7.00 per cent Loan 1994, 7.50 per cent Loan 2001 (second issue) and 8.00 per cent Loan 2011 (third issue) entirely on a cash basis. A total amount of Rs. 715 crores was raised through this floatation. The Centre made the fourth approach to the market on December 21, 1981 with the issue of two loans viz., 6.25 per cent Loan 1987 (second issue) and 8.00 per cent Loan 2011 (fourth issue) on a cash-cum-conversion basis and raised a total amount of Rs. 440 crores, of which Rs. 391 crores were by way of cash and the balance by way of conversion. The last floatation was made on March 29, 1982 by offering three loans viz., 6.00 per cent Loan 1985 (second issue), 6.75 per cent Loan 1991 (second issue) and 8.00 per cent Loan 2011 (fifth issue) on a cash basis which realised subscriptions to the extent of Rs. 447 crores.

The initial cash contribution of the Reserve Bank to the net market borrowings of the Central Government was Rs. 1,565 crores in 1981-82 as compared with Rs. 1,377 crores in 1980-81. As in the previous year, the issues of new market loans have been at higher rates of interest. The monthly average of gross redemption yield on Government securities was higher at 6.76 per cent during 1981-82 as against 6.36 per cent in the preceding year.

1982-83

The Central Budget 1982-83 envisages the gross market borrowings of Rs. 3,566 crores or Rs. 3,200 crores (net). The Centre has raised Rs. 2,590 crores (gross) or Rs. 2,224 crores (net) through market borrowings by December 13, 1982. The Centre entered the market on May 24, 1982 with three loans, viz., 7.25 per cent Loan 1992, 7.75 per cent Loan 2002 and 9.00 per cent Loan 2013, issued entirely on a cash basis and raised an aggregate amount of Rs. 498 crores. There is sharp increase of one per cent in the coupon rate on 2013 Loan having maturity of 31 years as compared with the coupon rate of 8.00 per cent on the loan of 30 years' maturity issued in the previous year. The coupon rates on the 10-year and the 20-year loans are higher by 0.50 per cent and 0.25 per cent respectively than those on the loans of similar maturity issued in the preceding year. The Central Government entered the market again on July 26, 1982 with the floatation of three loans viz., 6.25 per cent Loan 1986, 7.25 per cent Loan 1992 (second issue) and 9.00 per cent Loan 2013 (second issue) on a cash-cum-conversion basis and raised an aggregate amount of Rs. 605 crores of which Rs. 365 crores were by way of cash and the remainder by way of conversion. The Government of India made the third approach to the market on October 11, 1982 with the issue of four loans, viz., 6.75 per cent Loan 1989, 7.25 per cent Loan 1992(third issue), 8.25 per cent Loan 2005 and 9 per cent Loan 2013 (third issue) entirely on a cash basis. The total subscriptions to this issue amounted to Rs. 826.43 crores. The Central Government entered the market for the fourth time on December 13, 1982 with the floatation of three loans viz., 6.25 per cent Loan 1986 (second issue), 7.25 per cent Loan 1992 (fourth issue) and 8.75 per cent Loan 2010 entirely on a cash basis and raised an aggregate amount of Rs. 660 crores.

National Rural Development Bonds

The 7-Year National Rural Development Bonds introduced from July 9, 1979 continued to be on tap during the year. The

subscriptions to these bonds amounted to Rs. 28.53 crores during the period July 9, 1979 to March 31, 1980 and Rs. 44.86 crores during the financial year 1980-81. During the financial year 1981-82 subscriptions to these bonds were at Rs. 55.68 crores as against the budget estimate of Rs. 60.00 crores. The Central budget for the year 1982-83 has projected the receipts from these bonds at Rs. 55.00 crores. The subscriptions during the period April 1, 1982 to June 30, 1982 were at Rs. 12.60 crores. The total subscriptions as on June 30, 1982 aggregated Rs. 143.67 crores.

Special Bearer Bonds

The scheme of Special Bearer Bonds 1991, announced by the Government of India on January 15, 1981 for canalising the unaccounted money for productive purposes was in operation twice, first from February 2, 1981 to April 30, 1981 and second from December 1, 1981 to January 9, 1982. In order to ensure wider availability in the second phase, the bonds were made available also at selected branches of 6 nationalised banks in addition to the Reserve Bank, the State Bank and its subsidiaries. Subscriptions received from February 2, 1981 to March 31, 1981 amounted to Rs. 88.67 crores as against Rs. 200 crores envisaged in the revised estimates of the Central Government for 1980-81. Subscriptions received during April 1981 amounted to Rs. 296.88 crores. Subscriptions received during the first phase thus aggregated Rs. 385.55 crores. In the second phase subscriptions amounted to Rs. 578.90 crores bringing the total for 1981-82 to Rs. 875.78 crores (provisional) as against the budget estimate of Rs. 800 crores. The total subscriptions received during the fiscal years 1980-81 and 1981-82 aggregated Rs. 964.45 crores (provisional) as against the anticipated amount of Rs. 1,000 crores. Of the total, amount received from abroad was Rs. 3.07 crores.

Social Security Certificates

The Finance Minister announced in the budget of the Central Government for 1982-83, two new savings instruments to mobilise private savings for public use, viz., the Social Security Certificates and the Capital Investment Bonds. The Social Security Certificates specially designed for small savers, were placed on sale in all the post offices from June 1, 1982. Under this scheme, an individual between the age of 18 and 45 can invest upto Rs. 5,000 and the amount invested will triple in 10 years. The certificates are available in two denominations viz., Rs. 500 and Rs. 1,000. The rate of interest works out to 11.3 per cent per annum, compounded half-yearly. A provision has been made for payment of full maturity value of the certificate to the nominee or legal heirs in the case of an investor's demise. Premature encashment will be allowed at any time after the first 3 years and the amount payable will be the face value of the certificate together with interest at the prevailing rate for post office savings account. The certificates can be pledged as security to Government authorities, etc., as in the case of other National Savings Certificates.

Capital Investment Bonds

The Capital Investment Bonds with a maturity of 10 years and interest rate of 7 per cent, free of income tax were issued from June 28, 1982 at the selected offices of the Reserve Bank of India, selected branches of the State Bank of India and seven nationalised banks viz., Central Bank of India, Bank of India, Bank of Baroda, United Commercial Bank, Punjab National Bank, Indian Bank and Canara Bank. These bonds will be issued in multiples of Rs. 1,000/-. There is no maximum ceiling for investment in these bonds. The investment in these bonds will be exempt from wealth tax and upto Rs. 10 lakhs in the case of their first holders, from gift tax. The exemption from wealth tax will be available for an assessment year. If the bonds are owned by the tax payer from the date on which he subscribed to them or for a period of at least six months ending with the relevant valuation date whichever is shorter. The total subscriptions to these bonds since the date of their inception, i.e., June 28, 1982 upto December 30, 1982 amounted to Rs. 59.09 crores (Provisional).

Market Borrowings by local authorities and the institutions sponsored by Central and State Governments

The net market borrowings by local authorities and the institutions sponsored by Central and State Governments at Rs. 1,359 crores indicated a substantial rise of Rs. 359 crores (or 35.9 per cent) during 1981-82 as compared with the rise of only Rs. 95 crores (or 10.5 per cent) during 1980-81 (Table VII—17). The net market borrowings by the institutions sponsored by the Central Government at Rs. 844 crores were substantially higher by Rs. 263 crores (or 45.3 per cent) in 1981-82, while those of the institutions sponsored by the State Governments at Rs. 485 crores indicated a smaller rise of Rs. 95 crores (or 24.3 per cent). The net market borrowings of Municipal Corporations and metropolitan development authorities at Rs. 30 crores showed a rise of Rs. 2 crores.

Table VII—17 : Net Market Borrowings of Local Authorities and Institutions Sponsored by Central and State Governments

(Rs. crores)

Institutions	Year	
	1980-81	1981-82
1	2	3
Local Authorities	**28.29**	**29.84**
Municipal Corporations	28.29	29.84
Institutions Sponsored by the Central Government	**581.00**	**843.83**
Industrial Finance Corporation of India	70.00	95.00
Agricultural Refinance and Development Corporation	35.00	55.06
Industrial Credit and Investment Corporation of India	90.00	125.13
Industrial Development Bank of India	310.00	480.15
Industrial Reconstruction Corporation of India	—	5.00
Rural Electrification Corporation	25.00	10.00
Damodar Valley Corporation	—	15.00
Housing Urban Development Corporation	25.00	30.00
National Co-operative Development Corporation	25.00	28.49
Chandigarh Housing Board	1.00	—
Institutions sponsored by State Governments	**390.45**	**485.01**
State Electricity Boards	298.12	389.31
Housing Boards	9.90	11.17
Industrial Investment Corporations and Industrial Development Corporations	12.28	11.70
State Finance Corporations	40.00	64.10
Land Development Banks	4.00	0.52
Other Institutions	26.15	8.21
GRAND TOTAL	**999.74**	**1,358.68**

Source : Reserve Bank of India Records.

Maturity Pattern of Rupee Debt

The maturity pattern of the Government of India rupee loans underwent some changes during the year (*vide* Statement No. 95 in Volume II of the Report). While the proportion of short-dated securities (maturing within 5 years) improved from 11.9 per cent as at the end-March 1981 to 13.2 per cent as at the end-March 1982, that of long-dated securities (maturing after 10 years and undated) declined by 1.3 per cent to 70.3 per cent as at the end-March 1982. The proportion of medium-dated securities (maturing between 5 and 10 years) was slightly lower at 16.4 per cent as at the end-March 1982 than that of 16.5 per cent as at the end-March 1981.

Treasury Bills

The Government of India's outstanding treasury bills at Rs. 10,273 crores showed a decline of Rs. 2,578 crores (or 20.1 per cent) during 1981-82 as against a rise of Rs. 2,655 crores (or 26.0 per cent) in the preceding year (*vide* Statement No. 85 in Volume II of the Report). The decline in the outstanding treasury bills was mainly on account of the Reserve Bank (Rs. 1,889 crores) while holdings of commercial banks declined by Rs. 370 crores as compared to a rise of Rs. 456 crores in 1980-81. Outstandings of State Governments also were lower by Rs. 326 crores. Of the total outstandings, the Reserve Bank accounted for a preponderant share of Rs. 9,955 crores (or 96.9 per cent), commercial banks for Rs. 151 crores (or 1.5 per cent) and State Governments for Rs. 109 crores (or 1.1 per cent).

Special Floating and Other Loans

Special floating and other loans representing mainly India's contribution towards share capital of international financial institutions at Rs. 2,148 crores at the end of March 1982 showed a smaller rise of Rs. 23 crores (or 1.1 per cent) during 1981-82 while they had nearly doubled during the previous year from Rs. 1,140 crores in 1979-80 to Rs. 2,125 crores in 1980-81.

Other Liabilities*

The non-marketable debt liabilities of the Government of India rose from Rs. 17,587 crores in 1980-81 to Rs. 20,265 crores in 1981-82 indicating a rise of Rs. 2,678 crores (or 15.2 per cent) during the year. These liabilities increased by Rs. 1,655 crores (or 10.4 per cent) and amounted to Rs. 17,587 crores in the preceding year.

Small Savings

Small Savings collections (net) during the financial year 1981-82 (April-March) were higher at Rs. 1,405 crores as compared with Rs. 1,222 crores in the preceding year (*vide* Statement No. 97 in Volume II of the Report). During the year the bulk of the rise was due to investments in National Savings Certificates (Rs. 594 crores) as against only Rs. 233 crores in the previous year. The net increase in small savings through the Post Office Time Deposits in 1981-82 was also higher at Rs. 669 crores as compared with Rs. 556 crores in the previous year. The net rise in the case of Post Office Savings Bank Deposits, Cumulative Time Deposits, Post Office Recurring Deposits and Public Provident Fund Scheme together during the year at Rs. 191 crores was considerably lower than that in the preceding year (Rs. 478 crores). Small Savings at the end of March 1982 aggregated Rs. 9,891 crores as against Rs. 8,486 crores a year ago. At this rate the increase in small savings in 1981-82 showed a rise of 16.6 per cent as against 16.8 per cent in 1980-81.

Promotional Measures

As mentioned in the earlier paragraphs, the Social Security Certificates specially designed for small savers were issued from June 1, 1982 in all the post offices. The certificates are available in two denominations viz., Rs. 500, and Rs. 1,000 and have a maturity of 10 years. The rate of interest works out to 11.3 per cent per annum, compounded half yearly.

As no post office savings bank was enrolled as a sub-member of the local clearing house in 1981-82, the total number of post office savings banks enrolled as sub-members, remained unchanged at 221.

State Governments' Debt Position

The outstanding debt liabilities of the State Governments which amounted to Rs. 27,255 crores as at the end of March 1982, recorded a rise of Rs. 3,001 crores (or 12.4 per cent) against that of Rs. 2,628 crores (or 12.1 per cent) in the preceding year. The proportion of these debt liabilities to Gross Domestic Product at current market prices was lower at 19.1 per cent during 1981-82 than that of 19.3 per cent in 1980-81. According to States' budgets for 1982-83, States' debt liabilities are expected to move up by Rs. 3,325 crores (or 12.2 per cent) to reach Rs. 30,580 crores as at the end of March 1983.@

Loans and Advances from the Centre

The loans and advances from the Central Government for Plan and non-Plan purposes and loans against small saving collections constitute the major part of the States' debt. These loans and advances increased by Rs. 2,050 crores (or 11.8 per cent) to Rs. 19,370 crores during 1981-82 as against the rise of Rs. 1,564 crores (or 9.9 per cent) in the preceding year. The share of loans and advances in the States' debt declined slightly from 71.4 per cent at the end of March 1981 to 71.1 per cent at the end of March 1982. The States' indebtedness to the Centre is expected to increase further by Rs. 2,382 crores (or 12.3 per cent) during 1982-83 to Rs. 21,752 crores at the end of March 1983.

Market Loans and Bonds

Loans and bonds comprising loans floated in the market and bonds issued by the State Governments such as Zamindari/Jagirdari abolition bonds, housing bonds, etc., registered a rise of Rs. 376 crores (or 12.4 per cent) during 1981-82 as compared to an increase of Rs. 195 crores (or 6.9 per cent) in the previous year. Loans and bonds stood at Rs. 3,410 crores as at the end of March 1982 and are expected to rise further during 1982-83 by

*These liabilities include unfunded debt, Reserve Funds and Deposits of departmental undertakings.

@For State-wise break-up, please refer to Statement No. 94 in Vol. II of this Report.

Rs. 396 crores (or 11.6 per cent) to Rs. 3,806 crores as at the end of March 1983.

Market Borrowings £ in 1981-82

During 1981-82, 20 State Governments entered the market only once as against 21 states in the preceding year. Government of Meghalaya did not enter the market in 1981-82. On September 1, 1981, 20 State Governments issued 7.00 per cent loans on a cash-cum-conversion basis. All these loans were issued at par and had a maturity of 12 years. As against the notified amount of Rs. 457.25 crores, the total subscriptions retained amounted to Rs. 506.20 crores of which Rs. 422.98 crores (or 83.6 per cent) represented cash subscription and the balance conversion of maturing securities. After repayment of maturing loans amounting to Rs. 170.57 crores, the net amount raised aggregated to Rs. 335.63 crores.

The yield on the loans at the issue price in 1981-82 was higher at 7.00 per cent against 6.75 per cent in 1980-81. The monthly average of gross redemption yields was higher at 6.04 per cent during 1981-82, as compared with 5.87 per cent in the preceding year.

1982-83

Twenty one State Governments entered the market on July 14, 1982, for raising the loans aggregating Rs. 504.25 crores (notified). The total subscriptions received for State loans amounted to Rs. 595.21 crores, of which cash subscriptions were Rs. 529.56 crores (or 89.0 per cent). All these loan floatations were on a cash-cum-conversion basis, with a maturity period of 15 years and bearing 7.50 per cent interest and were issued at par. The yield on loans at the issue price in 1982-83 was higher at 7.50 per cent as against 7 per cent in 1981-82 and 6.75 per cent in 1980-81. The net amount raised by the States aggregated to Rs. 398.66 crores approximately after meeting liability of Rs. 157.19 crores on account of the maturing loans and taking into account the partial allotment made in respect of 7 States.

£ Subscription figures are drawn from the Reserve Bank of India records.

Ways and Means Advances from the Reserve Bank

According to the data presented in the State budgets for 1982-83, the ways and means advances from the Reserve Bank including the temporary overdrafts from the Reserve Bank of India repayable within 7 working days declined from Rs. 480 crores at the end of March 1981 to Rs. 441 crores at the end of March 1982, showing a decline of Rs. 39 crores during 1981-82 (or by 8.1 per cent) as against a rise of Rs. 310 crores (or by 182.4 per cent). These advances, according to the budget estimates, are expected to decline to Rs. 325 crores by the end of March 1983 showing a decline of Rs. 116 crores (or 26.3 per cent).

However, according to the information available with the Reserve Bank at the close of the financial year 1981-82, 16 State Governments had overdrafts totalling Rs. 1,492.85 crores as against Rs. 277.65 crores by 8 States at the end of 1980-81. The position deteriorated in regard to the magnitude of overdrafts as well as the number of working days for which the overdrafts continued. As on June 26, 1982, 19 out of 20 State Governments maintaining account with the Reserve Bank had overdrafts totalling Rs. 2,085.68 crores, as against Rs. 640.76 crores by 12 State Governments as on June 26, 1981. However, realising that it will not be possible for States abruptly to reverse the trend over night, the Centre helped the States to clear the overdrafts outstanding at the end of June 1982 by grant of term loans/ways and means advances, and at the same time decided to enforce the Overdrafts Regulation Scheme which was introduced in 1972 and slightly modified in 1978.

Loans from Banks and other Institutions

Loans from banks and other institutions include, *inter alia*, loans and cash credits from the State Bank of India and other commercial banks, the National Agricultural Credit (Long-

term Operations) Fund of the Reserve Bank, National Co-operative Development Corporation and the Life Insurance Corporation of India. These loans to State Governments recorded a rise of Rs. 132 crores (or 14.2 per cent) during 1981-82, which is much lower than that of Rs. 216 crores (or 30.3 per cent) in the preceding year. These loans stood at Rs. 1,061 crores as at the end of March 1982. A further rise of Rs. 105 crores (or 9.9 per cent) is anticipated during 1982-83.

Provident Funds and Other Funds

'Provident Funds and Other Funds' mainly represent balances in State Provident Funds and in trusts and endowments. These funds increased by Rs. 482 crores (or 19.3 per cent) to Rs. 2,973 crores during 1981-82 as against the rise of Rs. 343 crores (or 16.0 per cent) in the preceding year. A further rise of Rs. 558 crores (or 18.8 per cent) in these funds is envisaged during 1982-83.

Chapter VIII

Industrial Finance

The improvement noticed in the activity on the capital market during the calendar year 1980 generally continued during the year 1981 and first half of 1982. A significant addition to the institutional machinery for provision of finance and for promotional and developmental activities was the establishment on January 1, 1982 of the Export-Import Bank of India (Exim Bank)—a statutory corporation wholly owned by the Central Government. The Exim Bank took over the export finance function of the IDBI with effect from March 1, 1982.

The aggregate value of consents/acknowledgements granted by the Controller of Capital Issues to proposals of non-Government public limited companies amounted to Rs. 719.1 crores during 1981 as compared to Rs. 773.7 crores during 1980. In the first half of 1982, however, the value of consents had more than doubled to Rs. 566.8 crores from Rs. 235.8 crores in the same period of 1981. Capital issues of public limited companies (other than term-lending institutions) almost trebled from Rs. 163.9 crores in 1980 to Rs. 483.3 crores in 1981. In the first half of 1982 these had increased to Rs. 336.2 crores or by one-third from Rs. 250.7 crores in the corresponding period of 1981. The amount of capital raised by non-Government companies during 1981 at Rs. 311.1 crores recorded a rise of 38.3 per cent over the amount raised during 1980. During the period January-June 1982, the aggregate amount of capital raised was Rs. 184.9 crores, a little over three times the amount raised during January-June 1981.

The financial assistance extended by all-India and State-level financial institutions further increased during 1981-82 (April-March), with aggregate sanctions at Rs. 3,143.0 crores and disbursements at Rs. 2,094.5 crores showing increases of 23.2 per cent and 30.6 per cent, respectively, over the amount of financial assistance extended during 1980-81.

Equity prices on the major stock markets generally ruled subdued during the period July 1981—June 1982, with the RBI all-India index number of ordinary shares (Base : 1970-71=100) at 173.0 for the week ended June 26, 1982, showing a decline of 13.3 per cent over the index a year ago.

I. Capital Market

(i) Industrial Securities Market

During the period July 1981-June 1982, industrial security prices* exhibited three distinct phases in their movement. The initial phase of a downward trend lasted upto mid-September 1981, which was followed by a phase of recovery lasting till the middle of January 1982. The third phase of downward trend, set in thereafter, continued till the end of June 1982.

The Reserve Bank's all-India weekly@ index number of ordinary shares (1970-71=100) declined from 199.6 on June 27, 1981 to 183.4 on September 12, 1981. Thereafter it started recovering and reached 196.4 on January 16, 1982, but drifted down again and touched the lowest level for the year at 173.0 on June 26, 1982, recording a decline of 26.6 points or 13.3 per cent over the last year's closing level of 199.6. The average of weekly index for the year 1981-82 at 189.4, however, was 11.2 per cent higher than that of 170.3 for 1980-81.

Initially, the market sentiment was adversely affected by fears of adoption of further anti-inflationary measures by the Government, as also by the announcement of revised guidelines for issue of bonus shares on August 18, 1981.

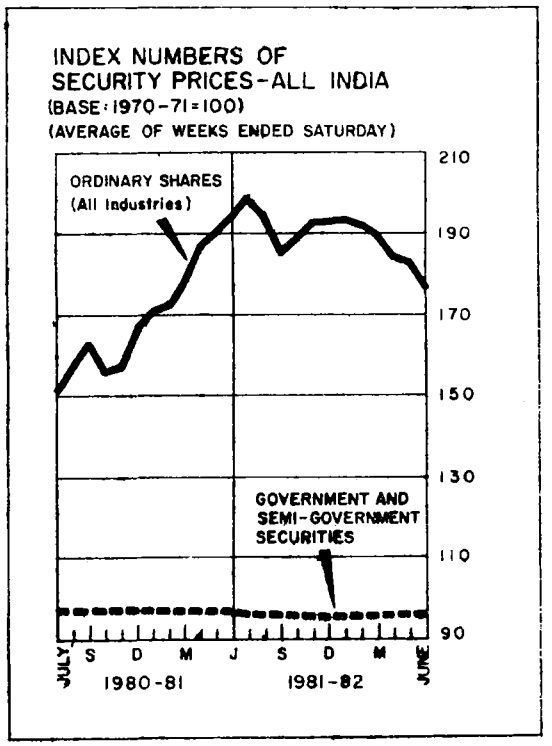
* The analysis of security prices and yields is restricted to ordinary shares only. On account of restricted transactions of preference shares and debentures on the market it is not possible to present any meaningful analysis of trends in the prices and yields of these securities.

@ Relates to week-ended Saturday.

Under the revised guidelines, conditions for issue of bonus shares were made stringent in respect of time gap between two successive bonus issues, residual reserves and profits (details given under Section (vi) 'Developments in Policy'). Bearish trend in equities continued till the second week of September with the weekly index sliding down from 199.6 on June 27, 1981 to 183.4 on September 12, 1981.

A phase of recovery in equity prices set in from the middle of September with the market operators deriving optimism from a pick-up of 11.1 per cent in the index of industrial production during the quarter April-June 1981, improved *Kharif* prospects following widespread rains in Punjab, Haryana, Rajasthan and U.P. and the Union Finance Minister's observation about better economic prospects. The favourable turn in Government policies especially with regard to prices of steel, cement and some key pharmaceuticals, as also the raising of ceiling on dividend on preference shares from 11.0 per cent to 13.5 per cent provided considerable pep to the market sentiment. The approval by the IMF of a SDR 5.0 billion loan to India, improvements in infrastructural facilities and flow of encouraging corporate news were the other contributory factors which aided the market sentiment. Consequently, the weekly index for ordinary shares rose to 196.4 on January 16, 1982 from the low level of 183.4 on September 12, 1981 recovering most of the lost ground in the early part of the year.

From the middle of January 1982, equity prices started declining again, with the fall continuing till the end of June 1982. Equity prices which initially were subdued on account of increase in floating stocks following institutional selling were further depressed on announcement of hike in passenger fares and freight rates in the Railway Budget for 1982-83 and declaration of strike in textile mills of Bombay. The reported move of the Government to relax restrictions in respect of MRTP companies in regard to their expansion in the core sector industries, as also to grant a further increase in retention price of cement, was welcomed by the market. Equities, however, ruled subdued on precautionary disinvestment on the eve of presentation of Union



Budget for 1982-83. The stock market's first reaction to the budget proposals was bearish, as pre-budget expectations had not materialised. But, soon thereafter, in the first week of March, equity prices started to rise again as the market welcomed certain budget proposals such as (*i*) granting of excise duty concessions for increased production in 38 items; (*ii*) raising of income-tax exemption limit from Rs. 3,000 to Rs. 4,000 on income from specified investments and from Rs. 2,000 to Rs. 3,000 in respect of dividend on units of the UTI; (*iii*) raising of monetary limit from Rs. 10,000 to Rs. 20,000 for income-tax benefit for investment in equity issues of new companies and (*iv*) relaxations in facilities for non-residents of Indian origin to invest in shares and debentures on a repatriation basis. The announcement of partial decontrol of cement and adoption of dual pricing policy also aided the sentiment. However, the welcome feature of the budget proposals could not keep the market enthused for long and from the second week of March itself equity prices started declining again under selling pressure.

Stock markets experienced a severe jolt on March 18, 1982 when prices of pivotals crashed

on the Bombay Stock Exchange (BSE) following heavy bull unloading. The sudden fall in values of leading scrips was unprecedented in the recent past and it disrupted trading on the BSE for a few days. This sharp fall in equity prices, however, improved the technical position of the market which induced heavy investment buying helping the market to gain some poise. The announcement of Import and Export Policy for 1982-83 which was considered liberal in trading circles, the hike in the ceiling on interest rate on non-convertible debentures from 13.5 per cent to 15 per cent and reduction by the Reserve Bank in cash reserve ratio of commercial banks from 7.25 per cent to 7 per cent inspired fresh buying support but frequent disruption of normal trading due to recurring payment crises on the BSE kept the market sentiment subdued. On April 30, 1982, trading on the BSE again came to a grinding halt following a settlement problem in an actively traded scrip. The deadlock, which continued for about a fortnight before it could be amicably resolved by the BSE authorities, gave a severe blow to the market and also attracted some restrictions on trading. Thereafter, select scrips gained some of the lost ground on institutional buying support but trading was characterised by extreme caution and hesitancy. Difficult power supply position in Maharashtra and other States and prolonged strike in textile mills of Bombay also adversely affected the market sentiment and equity prices kept drifting downwards with the weekly index touching the lowest level for the year at 173.0 on June 26, 1982.

Yield on Industrial Securities

The average gross yield on ordinary shares which had declined from 6.0 per cent in 1979-80 to 5.7 per cent in 1980-81, further came down to 5.5 per cent in 1981-82.

In November 1981, the Government raised the ceiling rate of dividend on preference shares from 11 per cent to 13.5 per cent. In April 1982, the Government also revised guidelines for issue of debentures to the public by the public limited companies under which the ceiling on interest rate on non-convertible debentures was raised from 13.5 per cent to 15 per cent and companies were also given an option to offer an incentive of a premium upto 5 per cent of the face value of such debentures at the time of their redemption.

(*ii*) Open Market Operations

During 1981-82 (July-June), both sales and purchases of Central Government securities under the Reserve Bank's open market operations were substantially larger than in the preceding year; the net absorption of

Table VIII-1 : Index Number of and Yield on Ordinary Shares

Year (July-June)	Index Number of Ordinary Shares (1970-71 = 100)				Average Gross Yield (per cent per annum)
	End of the year (Last week ended Saturday)	Highest	Lowest	Annual Average of Weekly Index	
1	2	3	4	5	6
1978-79	145.5	151.4	123.5	137.0 (+23.9)	5.5
1979-80	149.4	150.6	135.3	143.0 (+ 4.4)	6.0
1980-81	199.6	199.6	148.7	170.3 (+19.1)	5.7
1981-82	173.0	200.3	173.0	189.4 (+11.2)	5.5

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

securities by the market through these operations (*i. e.*, net sales) was, however, the smallest since 1971-72.

The sales of securities during 1981-82 amounted to Rs. 1,078.2 crores, *i. e.*, about 36 per cent larger than the quantum of sales in 1980-81 (Rs. 795.6 crores). The increase in purchases was even larger in 1981-82; purchases at Rs. 1,007.2 crores were over two times the purchases in 1980-81 (Rs. 453.8 crores). As a result of a larger increase in purchases than in sales, net sales of securities was reduced from Rs. 341.8 crores in 1980-81 to only Rs. 71.0 crores in 1981-82—this being the lowest for any year since 1971-72.

Table VIII.2 presents the data on the Reserve Bank's open market operations for each of the years 1970-71 to 1981-82. Figures of aggregate purchases and sales inclusive of those effected from time to time out of surplus funds of the IDBI, the Exim Bank and the ARDC under a special arrangement are indicated separately in the table.

Table VIII. 2 : The Reserve Bank's Open Market Operations

(Rupees crores)

Year (July-June)	Purchases	Sales	Net Sales
1	2	3	4
1970-71	207.2 (276.5)	312.9 (374.7)	105.7 (98.2)
1971-72	188.8 (258.6)	245.0 (315.0)	56.2 (56.4)
1972-73	317.1 (437.1)	459.7 (584.6)	142.6 (147.5)
1973-74	225.5 (358.8)	304.9 (426.3)	79.4 (67.5)
1974-75	371.2 (514.7)	645.4 (778.6)	274.2 (263.9)
1975-76	680.2 (868.3)	1,186.5 (1,379.6)	506.3 (511.3)
1976-77	412.3 (732.2)	942.9 (1,263.3)	530.6 (531.1)
1977-78	559.0 (926.7)	1,189.7 (1,595.4)	630.7 (668.7)
1978-79	363.7 (911.4)	1,037.5 (1,562.3)	673.8 (650.9)
1979-80	776.1 (1,630.8)	1,119.4 (2,014.1)	343.3 (383.3)
1980-81	453.8 (1,454.8)	795.6 (1,852.6)	341.8 (397.8)
1981-82	1,007.2 (2,440.3)	1,078.2 (2,589.5)	71.0 (149.2)

Notes: 1. Figures shown in brackets are inclusive of purchases and sales effected from time to time out of the surplus funds of IDBI, Exim Bank and ARDC under a special arrangement.

2. Figures are inclusive of purchases and sales on behalf of the State Governments.

Gilt-edged Market

In the gilt-edged market, the subdued tone which had prevailed during 1979-80 and 1980-81 continued to persist during 1981-82. The stringency in the money market during the major part of the year, and the increase in the coupon rate of some of the fresh Government securities issued during the year contributed to the sluggish conditions. Among Central Government securities, while a few of the short-dated securities registered small increases in price over the year, some of the medium-dated and a large number of long-dated securities recorded sizeable declines. Among State Government securities, securities of only a few State Governments showed small variations over the year; in case of the other State Governments, either prices remained unchanged over the year or price variations were restricted to one or two securities.

The Reserve Bank's All-India (combined) weekly price index (base : 1970-71=100) for Government and Semi-Government securities declined by 1.0 point from 96.5 in the last week of June 1981 to 95.5 by the last week of June 1982. The decline in the index was brought about almost entirely by Central Government securities, the index in respect of which receded over the year by 1.3 points from 95.1 to 93.8. The price index for State Government securities declined over the year only marginally from 100.2 to 100.1, while that for Semi-Government securities at 102.0 remained unchanged throughout the year.

The All-India index for Government and Semi-Government securities which stood at 96.5 in the last week of June 1981 declined to 96.3 in the week ended July 4 but remained unchanged thereafter till the last week of August. The raising of the Bank Rate from 9 per cent to 10 per cent effective from the close of business on July 11, and also the floatation on July 21 of four new Central Government loans did not result in any decline in price index. However, in the next ten weeks *i. e.* upto November 7, the index declined more or less steadily by 0.6 point from 96.3 to 95.7; this could be attributed to floatation on September 1 by 20 State Governments of loans for a total amount of Rs. 457 crores and also floatation on October 12 by the Central Government of three loans for a total amount of Rs. 650 crores. Between November 7, 1981 and May 29, 1982, the index moved both ways within a narrow range — between 95.6 and 95.9 but eased thereafter to 95.5 in the week ended June 12 and remained at that level till the end of the year, *i. e.* a decline of 1.0 point over the level of 96.5 a year ago.

The week-to-week trend in the index number of the Central Government securities was identical to that in the All-India (combined) index for Central and State Government securities during the period end-June 1981 to November 7, 1981, the index declining by 1.0 point from 95.1 to 94.1. After receding further to 93.9 in the week ended January 16, the index improved steadily to 94.3 by March 27. It remained steady during April and May, but declined to 93.8 by the second week of June and remained unchanged till June-end, thus registering a decline of 1.3 points over the year.

The price index of State Government securities moved narrowly between 100.0 and 100.3, and stood at 100.1 in the last week of June 1982, as against 100.2 in the week ended June 27, 1981. The price index of Semi-Government securities remained unchanged at 102.0 throughout the year.

As regards price variations, among Central Government securities, some of the short-dated securities registered marginal increases over the year, ranging from Re. 0.10 to Re. 0.90; this was due to demand for these securities from Provident Funds. A notable exception was, however, the $5\frac{1}{2}$ per cent loan 1984; its price declined over the year by Re. 0.40, and its yield moved up by 0.32 percentage point. Some of the medium-dated and most of the long-dated securities registered depreciation in value over the year—the losses ranged between Rs. 2.15 and Rs. 7.55 in case of loans maturing in 5 to 10 years, between Rs. 2.05 and Rs. 7.35 in respect of loans maturing in 10 to 15 years, and ranged upto Rs. 10.75 in case of loans maturing after 15 years. A few medium and long-dated securities, in contrast, showed increases varying between Re. 0.15 and Re. 1.00. The yields in respect of most of the medium and long-dated issues rose substantially over the year, ranging upto 1.34 percentage points. Among non-terminables, the 3 per cent loan 1986 or later rose by Rs. 4 and its yield declined by 0.13 percentage point (Table VIII.3).

Among State Loans, the trend was mixed. While most of the Maharashtra State Government securities registered declines ranging upto Rs. 1.75, in respect of securities of Gujarat, Karnataka, Uttar Pradesh and Madhya Pradesh Governments, some showed declines ranging upto Rs. 2.25, while one or two showed fractional increases. Some Andhra Pradesh State Government securities showed increases ranging upto Re. 0.50, while only one registered a decline of Re. 0.40. In respect of Tamil Nadu and Rajasthan State Government securities, an equal number of securities—three and four, respectively showed small increases and small declines. As against this, in Assam, Bihar, Kerala, Himachal Pradesh, Punjab, Haryana, Orissa and West Bengal State Government securities, variations were confined to only one or two scrips, an increase in case of first five and decline in last three. In other States, prices did not show any variation over the year.

(iii) New Issue Activity

The new issue activity which showed a spectacular rise during 1981, continued unabated in the first half of 1982 also. As per data collected by the Reserve Bank, fresh capital issued by public limited companies (other than term-lending institutions) during 1981 at Rs. 483.3 crores (through 397 issues)

Table VIII—3 : Price and Yield Variations of the Central Government Securities

Loans	Price as on		Variation	Yield as on		Variation
	July 2, 1981 Rs.	June 29, 1982 Rs.	Rs.	July 2, 1981 %	June 29, 1982 %	%
	1	2	3	4	5	6
Terminable less than 5 years						
5 % 1982	100.75	—	—	4.25	—	—
5½% 1982	101.50	—	—	4.05	—	—
5 % 1983	99.75	99.85	+0.10	5.13	5.15	+0.02
5 % 1984	97.80	98.70	+0.90	5.83	5.72	—0.11
5½% 1984	99.40	99.00	—0.40	5.72	6.04	+0.32
5¾% 1984	100.15	100.55	+0.40	5.70	5.49	—0.21
4½% 1985	93.60	93.60	—	6.32	6.87	+0.55
5½% 1985	99.00	99.00	—	5.78	5.86	+0.08
6 % 1985	—	99.75	—	—	6.09	—
6 % 1985 (II)	—	100.00$	—	—	6.00	—
4½% 1986	93.05	93.05	—	6.18	6.57	+0.39
5¼% 1986	96.10	96.70	+0.60	6.17	6.19	+0.02
5¼% 1986 (N.D.L.)	97.50	97.50	—	5.79	5.89	+0.10
6 % 1986	99.90	100.05	+0.15	6.02	5.98	—0.04
5 to 10 years						
6 % 1987	100.10	100.10	—	5.98	5.98	—
5½% 1987	94.50	94.50	—	6.36	6.55	+0.19
6¼% 1987	100.00	100.00$	—	6.25	6.25	—
6¼% 1987 (II)	—	100.00$	—	—	6.25	—
5¼% 1988	94.50	94.50	—	6.24	6.38	+0.14
6 % 1988	99.00	96.85	—2.15	6.17	6.61	+0.44
4¾% 1989	88.60	89.25	+0.65	6.65	6.75	+0.10
6¼% 1989	100.05	97.35	—2.70	6.24	6.73	+0.49
6 % 1989	99.50	96.25	—3.25	6.08	6.65	+0.57
5½% 1990	92.50	92.65	+0.15	6.62	6.70	+0.08
6½% 1990	99.80	97.45	—2.35	6.53	6.92	+0.39
6½% 1990 (II)	100.00	100.00$	—	6.50	6.50	—
5½% 1991	92.10	84.55	—7.55	6.58	7.92	+1.34
6¼% 1991	98.50	98.50	—	6.45	6.46	+0.01
6¾% 1991	—	100.05	—	—	6.74	—
6¾% 1991 (II)	—	100.00$	—	—	6.75	—
10 to 15 years						
5½% 1992	94.50	87.60	—6.90	6.20	7.26	+1.06
7¼% 1992	—	100.00$	—	—	7.25	—
6¼% 1993	94.40	94.40	—	6.94	6.99	+0.05
6 % 1993	94.15	94.15	—	6.71	6.76	+0.05
6 % 1994	93.55	91.50	—2.05	6.75	7.06	+0.31
6¾% 1994	100.00	95.60	—4.40	6.75	7.32	+0.57
7 % 1994	—	100.10	—	—	6.99	—
5½% 1995	89.00	85.90	—3.10	6.73	7.20	+0.47
6¼% 1995	92.60	93.50	+0.90	7.10	7.02	—0.08
6½% 1995	100.10	92.75	—7.35	6.49	7.38	+0.89
6¼% 1996	94.00	94.00	—	6.89	6.91	+0.02

Table VIII—3—(*Contd.*)

Loans	Price as on		Variation	Yield as on		Variation
	July 2, 1981 Rs.	June 29, 1982 Rs.	Rs.	July 2, 1981 %	June 29, 1982 %	%
	1	2	3	4	5	6
15 years and above						
6½% 1997	96.95	91.20	—5.75	6.82	7.49	+0.67
6¼% 1997	92.00	92.25	+0.25	7.08	7.08	—
7¼% 1997	100.00	100.00$	—	7.25	7.25	—
6 % 1998	92.00	91.00	—1.00	6.80	6.94	+0.14
6¼% 1998	97.95	97.95	—	6.45	6.45	—
7 % 1998	100.15	95.30	—4.85	6.98	7.51	+0.53
5½% 1999	86.00	80.35	—5.65	6.87	7.59	+0.72
5½% 1999	83.20	80.20	—3.00	7.17	7.59	+0.42
5½% 2000	80.00	79.55	—0.45	7.50	7.62	+0.12
6½% 2000	94.95	89.05	—5.90	6.98	7.63	+0.65
5¾% 2001	84.50	80.70	—3.80	7.23	7.70	+0.47
6½% 2001	89.85	90.85	+1.00	7.49	7.41	—0.08
5¾% 2001 (N.D.L.)	90.25	90.25	—	6.63	6.65	+0.02
7½% 2001	—	100.10	—	—	7.49	—
7½% 2001 (II)	—	100.00$	—	—	7.50	—
7¾% 2002	—	100.00$	—	—	7.75	—
5¾% 2002	85.90	81.00	—4.90	7.05	7.62	+0.57
6½% 2002	94.50	88.00	—6.50	7.00	7.68	+0.68
5¾% 2003	83.90	83.90	—	7.23	7.26	+0.03
6¾% 2003	92.90	86.15	—6.75	7.15	7.86	+0.71
6½% 2004	87.70	85.30	—2.40	7.64	7.92	+0.28
6½% 2005	89.00	84.35	—4.65	7.49	7.99	+0.50
6¾% 2006	89.20	85.65	—3.55	7.74	8.12	+0.38
6¾% 2007	88.30	84.30	—4.00	7.80	8.23	+0.43
7 % 2009	95.15	84.40	—10.75	7.41	8.48	+1.07
7½% 2010	95.10	88.40	—6.70	7.93	8.60	+0.67
7½% 2010 (II)	100.20	100.20	—	7.48	7.48	—
7½% 2010 (III)	100.20	100.20	—	7.48	7.48	—
7½% 2010 (IV)	100.20	100.20	—	7.48	7.48	—
8 % 2011	100.20	92.45	—7.75	7.98	8.72	+0.74
8 % 2011 (II)	—	100.10	—	—	7.99	—
8 % 2011 (III)	—	100.00$	—	—	8.00	—
8 % 2011 (IV)	—	100.00$	—	—	8.00	—
8 % 2011 (V)	—	100.00$	—	—	8.00	—
9 % 2013	—	100.15	—	—	8.99	—
Non-Terminable						
3 % 1986 or later	67.00	71.00	+4.00	4.48F	4.35F	—0.13
3 % (Government Rupee Paper).	67.00	66.50	—0.50	4.48F	4.51F	+0.03

N.D.L. : National Defence Loans.

$: Issue Price

F : Flat Yield

amounted almost to three times the amount of Rs. 163.9 crores issued during 1980 (through 237 issues) (Table VIII-4). Excepting for a single issue for Rs. 10 lakhs by the Mysore Lac and Paint Works Ltd., a Government company, the entire amount was issued by non-Government companies. The increase in capital issues was mainly on account of a substantial rise of 285.3 per cent in the amount issued through prospectus, which spurted from Rs. 102.1 crores to Rs. 393.4 crores. Capital issues through rights showed an increase of 45.5 per cent to Rs. 89.9 crores from Rs. 61.8 crores. This spectacular rise in new capital issues was mainly on account of issues for higher amounts by companies like (*i*) The Gujarat Narmada Valley Fertilizers Co. Ltd. (Rs. 89.0 crores), (*ii*) The Tata Iron and Steel Company Ltd. (Rs. 30.0 crores), (*iii*) The Reliance Textile Industries Ltd. (Rs. 24.0 crores) and (*iv*) three electric power supply companies of the Tata Group (Rs. 17.5 crores).

Security-wise, the amount of equity issues increased by 217.7 per cent to Rs. 283.1 crores during the year from Rs. 89.1 crores in the preceding year. The amount of debenture issues increased from Rs. 72.7 crores to Rs. 198.2 crores during the same period. The debenture issues activity was favourably influenced by the Government's efforts to make investment in debentures attractive. The ceiling rate of interest on debentures, both convertible and non-convertible, was raised from 12 per cent to 13.5 per cent in March 1981 and further to 15 per cent in respect of non-convertible debentures in April 1982. The increase in amount issued during 1981 was shared both by new companies as well as existing companies; amount of issues by the new companies increased from Rs. 57.5 crores to Rs. 209.4 crores and in respect of the existing companies from Rs. 106.4 crores to Rs. 273.9 crores.

The amount offered for public subscription during 1981 was much higher at Rs. 255.5 crores (out of Rs.393.4 crores) as compared to Rs. 64.3 crores (out of Rs. 102.1 crores) in 1980. Amount offered to public as percentage of the total amount of prospectus issues increased to 64.9 in 1981. The public response to capital issues as judged by the number of over-subscribed issues showed an improvement in 1981 over 1980. Of the 90 issues in 1980 and 176 issues in 1981, regarding which data on public response were available, the over-subscribed, fully-subscribed and under-subscribed issues were 71, 4 and 15 in 1980 and 151, 4 and 21 during 1981, respectively.

During the first half of 1982, there were 222 issues for raising an aggregate capital of Rs. 336.2 crores as against 163 issues for Rs. 250.7 crores in the corresponding period of 1981. Barring a solitary equity issue for Rs. 2.7 crores by a Government company, *viz.*, the Mysore Paper Mills Ltd., all capital issues were by non-Government companies. The amount issued through prospectus declined from Rs. 216.2 crores to Rs. 205.2 crores, while that through rights increased from Rs. 34.5 crores to Rs. 131.0 crores. Security-wise, while amount of equity issues declined to Rs. 103.1 crores from Rs. 193.5 crores, debenture issues increased substantially to Rs. 230.6 crores from Rs. 55.2 crores. Debenture issues by (*i*) Reliance Textile Industries Ltd. (Rs. 50.0 crores) and (*ii*) J. K. Synthetics Ltd. (Rs. 25.0 crores) largely contributed to the phenomenal increase in the amount of debenture issues besides two issues for Rs. 15 crores each by the Indian Hotels Co. Ltd. and the Ahmedabad Manufacturing and Calico Printing Co. Ltd. and three issues for Rs. 10 crores each by the Kothari (Madras) Ltd., the Ambalal Sarabhai Enterprises Ltd. and the Standard Mills Co. Ltd.

(iv) Consents for Capital Issues

During the year 1981, the total value of consents/acknowledgements granted by the Controller of Capital Issues to non-Government public limited companies aggregated Rs. 719.1 crores, about 7 per cent lower than those of Rs. 773.7 crores granted during 1980 (Table VIII-5). The decline in the overall value of consents was the net result of a decline of Rs. 242.1 crores in consents for issues of bonus shares and loans partly offset by a rise of Rs. 187.5 crores in the value of consents for issues of fresh capital (i.e., equity and preference shares and debentures) which had risen from Rs. 337.4 crores in 1980 to Rs. 524.9 crores in 1981.

Table VIII-4 : Fresh Capital Issues through Prospectus and Rights by Public Limited Companies*

(Amount in Rupees crores)

Year	Issues through Prospectus					Issues through Rights					Grand Total		Distribution between			
	No. of Issues	Equity Shares	Preference Shares	Debentures	Total	No. of Issues	Equity Shares	Preference Shares	Debentures	Total	No. of Issues	Amount	No. of Issues of New Companies@	Amount	No. of Issues of Existing Companies	Amount
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
I. Non-Government Companies																
(January-December)																
1978	114	73.3	5.1	2.0	80.4	50	11.1	0.4	7.8	19.3	164	99.7	75	61.4	89	38.3
1979	116	86.9	0.4	7.0	94.3	71	21.9	—	59.8	81.7	187	176.0	68	49.1	119	126.9
1980	167	66.1	1.9	34.1	102.1	70	23.0	0.2	38.6	61.8	237	163.9	141	57.5	96	106.4
1981**	311	255.2	2.0	136.2	393.4	85	27.8	—	62.0	89.8	396	483.2	254	209.4	142	273.8
(January-June)																
1981**	119	174.7	2.0	39.5	216.2	43	18.7	—	15.7	34.4	162	250.6	99	140.8	63	109.8
1982**	186	92.4	2.0	110.8	205.2	35	8.0	0.5	119.8	128.3	221	333.5	157	89.1	64	244.4
II. Government Companies																
(January-December)																
1978	1	0.8	—	—	0.8	—	—	—	—	—	1	0.8	1	0.8	—	—
1979	2	3.9	—	—	3.9	—	—	—	—	—	2	3.9	2	3.9	—	—
1980	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
1981**	—	—	—	—	—	1	0.1	—	—	0.1	1	0.1	—	—	1	0.1
(January-June)																
1981**	—	—	—	—	—	1	0.1	—	—	0.1	1	0.1	—	—	1	0.1
1982**	—	—	—	—	—	1	2.7	—	—	2.7	1	2.7	—	—	1	2.7
III. Grand Total (I + II)																
(January-December)																
1978	115	74.1	5.1	2.0	81.2	50	11.1	0.4	7.8	19.3	165	100.5	76	62.2	89	38.3
1979	118	90.8	0.4	7.0	98.2	71	21.9	—	59.8	81.7	189	179.9	70	53.0	119	126.9
1980	167	66.1	1.9	34.1	102.1	70	23.0	0.2	38.6	61.8	237	163.9	141	57.5	96	106.4
1981**	311	255.2	2.0	136.2	393.4	86	27.9	—	62.0	89.9	397	483.3	254	209.4	143	273.9
(January-June)																
1981**	119	174.7	2.0	39.5	216.2	44	18.8	—	15.7	34.5	163	250.7	99	140.8	64	109.9
1982**	186	92.4	2.0	110.8	205.2	36	10.7	0.5	119.8	131.0	222	336.2	157	89.1	65	247.1

* Other than term-lending institutions.
** Provisional.
@ Companies which had not gone for commercial production/business at the time of the public issue. Total amount of issues of these companies also includes amount subscribed by the promoters, directors, etc., before the public issue.

Source: Prospectuses/Circulars and replies to our questionnaires received from the companies.

Table VIII-5: Consents/Acknowledgements of Proposals Granted by the Controller of Capital Issues to Non-Government Public Limited Companies

(Rupees crores)

Year	Shares (Other than Bonus) and Debentures				Consents to		Bonus Shares	Miscellaneous Issues* (Loans, etc.)	Grand Total (5+8+9)
	Equity Shares	Preference Shares	Debentures	Total (2+3+4) or (6+7)	Initial Issues	Further Issues			
1	2	3	4	5	6	7	8	9	10
January-December									
1977	147.5 (79.3)	4.6 (2.5)	33.9 (18.2)	186.0 (100.0)	76.8 (41.3)	109.2 (58.7)	112.3	85.6	383.9
1978	98.7 (63.7)	7.5 (4.8)	48.8 (31.5)	155.0 (100.0)	56.8 (36.6)	98.2 (63.4)	90.9	13.0	258.9
1979	110.8 (42.8)	9.1 (3.5)	138.8 (53.7)	258.7 (100.0)	58.4 (22.6)	200.3 (77.4)	78.8	138.5	476.0
1980	261.3 (77.4)	8.4 (2.5)	67.7 (20.1)	337.4 (100.0)	121.1 (35.9)	216.3 (64.1)	125.4	310.9	773.7
1981	193.2 (36.8)	2.8 (0.5)	328.9 (62.7)	524.9 (100.0)	127.7 (24.3)	397.2 (75.7)	101.8	92.4	719.1
January-June									
1981	69.5 (35.4)	1.6 (0.8)	125.3 (63.8)	196.4 (100.0)	32.8 (16.7)	163.6 (83.3)	30.1	9.3	235.8
1982	108.5 (30.1)	6.4 (1.8)	245.3 (68.1)	360.2 (100.0)	57.4 (15.9)	302.8 (84.1)	86.4	120.2	566.8

*These are loans other than the loans granted by public financial institutions, banks, etc., which are exempted from control of capital issues.
Note : Figures in brackets in columns 2, 3, 4, 6 and 7 are percentages to the totals in column 5.
Source : Office of the Controller of Capital Issues, Government of India.

Security-wise, while aggregate consents for equity shares and preference shares declined by 27.3 per cent from Rs. 269.7 crores in 1980 to Rs. 196.0 crores in 1981, consents for debenture issues recorded a phenomenal rise from Rs. 67.7 crores in 1980 to Rs. 328.9 crores in 1981. The revival in the consents for debentures, which in 1980 had more than halved from the level of Rs. 138.8 crores reached in 1979, came about primarily on account of relaxation by the Government in October 1980 in the debt-equity norm for issuing of debentures by companies as also for payment of interest on debentures. The debt-equity ratio for the issuance of debentures was doubled from 1:1 to 2:1 and the ceiling on interest rates on debentures was raised to 12 per cent. In March 1981, the ceiling on interest rate was further raised to 13.5 per cent and in respect of non-convertible debentures the maximum interest rate was further hiked to 15 per cent in April 1982. The upward revisions in the interest rate made debentures an attractive avenue of investment for the investing public, while at the same time the relaxation in the debt-equity norm enabled companies to raise larger funds through debentures.

The climate for investment in industrial concerns seemed to be better in 1982 than in 1981, for the value of consents granted during the first half of 1982 amounted to Rs. 566.8 crores, more than double the amount of Rs. 235.8 crores consented during the period January-June 1981. Consents for equity and preference shares and debentures aggregated Rs. 360.2 crores as against Rs. 196.4 crores during the first half of 1981. As was the pattern in 1981, about two-thirds of the total consents were for debentures in 1982 also. Consents for capitalisation of reserves (bonus shares) and for miscellaneous issues (loans, etc.) also showed sizeable increase during January-June 1982 compared with those in the corresponding period of 1981.

(v) Capital Raised

Total capital raised during the year 1981 by non-Government companies (under consents/ acknowledgements of proposals granted by the Controller of Capital Issues) at Rs. 311.1 crores was higher by 38.3 per cent than the amount of Rs. 225.0 crores raised during 1980 (Table VIII-6). Capital raised by issue of shares (equity and preference) and debentures increased considerably from Rs. 67.1 crores and Rs. 63.7 crores in 1980 to Rs. 143.6 crores and Rs. 125.5 crores,, respectively, in 1981. Capital raised in the form of bonus shares,however, declined sharply from Rs. 82.7 crores to Rs. 33.7 crores and that in the form of loans, etc., from Rs. 11.5 crores to Rs. 8.3 crores.

Table VIII-6: Capital Raised (Paid-up) under Consents/Acknowledgements of Proposals

(Rupees crores)

Item	1980	1981@	January-June 1981@	January-June 1982@
1	2	3	4	5
A. Non-Government Companies (i to v)	**225.0**	**311.1**	**60.3**	**184.9**
(i) Equity	66.5	142.3	24.4	40.3
(ii) Preference	0.6	1.3	—	—
(iii) Debentures	63.7	125.5	20.2	117.3
Total (i to iii)	**130.8**	**269.1**	**44.6**	**157.6**
(iv) Bonus	82.7	33.7	8.9	24.8
(v) Loans,* etc.	11.5	8.3	6.8	2.5
B. Government Companies (i to v)	**7.0**	**N.A.**	**N.A.**	**N.A.**
(i) Equity	6.9			
(ii) Preference	0.1			
(iii) Debentures	—			
Total (i to iii)	**7.0**			
(iv) Bonus	—			
(v) Loans,* etc.	—			

* These are loans other than loans granted by public financial institutions, banks, etc., which are exempted from control of capital issues.

@ Provisional.

Note : Data relate to capital raised against consents/acknowledgements of proposals granted during the respective years as well as earlier years and are based on capital raised by the companies from which reports were received by the Controller of Capital Issues.

Source : Office of the Controller of Capital Issues, Government of India.

During the period January-June 1982, total capital raised by non-Government companies at Rs. 184.9 crores showed a two-fold increase compared with Rs. 60.3 crores during the corresponding period in 1981. While capital raised by issue of debentures increased phenomenally to Rs. 117.3 crores in January-June 1982 from Rs. 20.2 crores in the same period of 1981, that by equity shares and bonus shares increased by 65.2 per cent and 178.7 per cent to Rs. 40.3 crores and Rs. 24.8 crores from Rs. 24.4 crores and Rs. 8.9 crores, respectively. However, capital raised in the form of loans, etc., declined to Rs. 2.5 crores in January—June 1982 from Rs. 6.8 crores in the corresponding period of 1981.

(vi) Developments in Policy

During the year 1981-82, the Government adopted the following important policy measures which aimed mainly at encouraging large industrial units to raise their requirements of investment finance through capital market. While capitalisation of reserves by way of issue of bonus shares was made more

strict than before, the ceiling on payment of dividend on preference shares and interest on debentures was raised.

On August 18, 1981, the Government revised the guidelines for issue of bonus shares by the companies. The salient features of the revised guidelines are : (*i*) instead of the three timing tests followed till then, the company now can make a further application for issue of bonus shares only after 36 months have elapsed from the date of sanction by the Government of an earlier bonus issue, (*ii*) the residual reserves after the proposed capitalisation to be maintained has been raised from 33⅓ per cent to 40 per cent of the increased paid-up capital, (*iii*) 30 per cent of the average profits before tax for the previous three years should yield a rate of dividend on the expanded capital base of the company at 10 per cent instead of 9 per cent, (*iv*) the companies making bonus issue proposal must produce satisfactory evidence to the effect that they have not defaulted in respect of payment of statutory dues to the employees and (*v*) in a case where there is a default in the payment of term-loans outstanding to any public financial institution, a 'no objection' certificate from the concerned financial institution must be produced in respect of the proposed bonus issue.

In November 1981, Government increased the ceiling rate of dividend on preference shares from 11 per cent to 13.5 per cent per annum. In April 1982, Government issued revised guidelines for issue of debentures to the public by public limited listed companies and fixed different ceiling on interest rates for convertible and non-convertible debentures. While the existing rate of interest of 13.5 per cent was maintained for the issue of convertible debentures, the ceiling on interest rate was increased to 15 per cent in the case of non-convertible debentures. The provision for payment of one per cent additional interest linked to equity dividend was withdrawn for both convertible and non-convertible debentures. However, in order to make the non-convertible debentures more attractive, companies were permitted to pay a premium upto 5 per cent of the face value of the debentures at the time of their redemption. In April 1982, the Government also effected upward revision, ranging between 0.25 and 1.50 percentage points, in underwriting commission, brokerage and managing brokers' remuneration in respect of public issue of capital so as to encourage underwriters and brokers to put in more efforts to canvass the issue among the investors. Further, in June 1982, the rate of brokerage in respect of company deposits was linked to the maturity period of fixed deposits and was increased from one per cent to one and a quarter per cent in respect of deposits for a period exceeding one year but not exceeding two years, and to one and a half per cent in respect of deposits for a period exceeding two years.

The Union Finance Minister also announced in his budget speech for 1982-83 the following important decisions of the Government concerning investment in the corporate sector.

(1) To encourage investment by non-residents of Indian origin, any investment, without repatriation rights, made by them, so long as it is not for transactions in commercial property and land, will be treated on the same footing as investments of resident Indian nationals. The non-residents of Indian origin have also been allowed to invest, with repatriation rights, in any new or existing company upto 40 per cent of the capital issued by such company. They can now purchase shares of companies quoted on stock exchanges, subject to specified limits. Facilities for investment in non-resident external accounts and in Indian companies have been extended to companies, partnership firms, trusts, societies and other corporate bodies owned, to the extent of at least 60 per cent by non-residents of Indian origin. Non-residents and overseas bodies of Indian origin as indicated above have also been allowed to invest in the debentures (both convertible and non-convertible) and preference shares issued by Indian companies.

(2) The exemption limit from income-tax in respect of income from specified financial assets such as Government securities, units of the Unit Trust of India, bank deposits and shares in Indian companies has been raised from Rs. 3,000 to Rs. 4,000 and the separate ceiling in respect of income from units of the Unit Trust of India from Rs. 2,000 to Rs. 3,000 as incentives for stimulating saving and investment. As a parallel measure, the ceiling of

exemption limit from wealth tax has been raised from Rs. 1,50,000 to Rs. 1,65,000 in respect of investment in specified assets. In addition, the separate exemption limit in respect of investments in the units of the UTI has been raised from Rs. 25,000 to Rs. 35,000.

(3) With a view to encouraging larger investment in new industrial companies and companies engaged in providing long-term finance for construction or purchase of houses for residential purposes, the monetary ceiling for deduction in the computation of taxable income has been raised from Rs. 10,000 to Rs. 20,000.

(4) Having regard to the importance of basic drugs, synthetic rubber and rubber chemicals (including carbon black) the benefit of exemption from income-tax in respect of dividends received by a domestic company from an Indian company engaged exclusively in the manufacture of specified articles (covered by Section 80M of the Income-tax Act) has been extended to the manufacturers of these articles also from this year.

(5) The benefit of investment allowance at the higher rate of 35 per cent granted in respect of machinery and plant installed upto March 31, 1982, for the manufacture of articles made with know-how developed in Government laboratories, public sector companies, recognised institutions and universities has been extended for a further period of five years.

(6) With a view to giving further boost to industrial production in 1982 which has been designated as the "Productivity Year", a scheme of excise duty concession for increased production of certain specified goods during the period March 1, 1982 to February 28, 1983, has been introduced by the Government. The scheme would cover 38 tariff items including some basic raw materials, other important industrial inputs and certain finished products. Some of the items are caustic soda, fertilisers, synthetic resins, steel ingots and steel products, internal combustion engines, wires and cables, two and three wheeled motor vehicles, light and heavy commercial vehicles, tractors, railway wagons, man-made fibres and filament yarn, tyres and writing and printing paper. The benefits of the scheme would accrue only in cases where the production in the 12 months period referred to above exceeds 110 per cent of the production during the base period, namely, the 12 months ending February 28, 1982.

II. Term-Lending Institutions

During April 1981-March 1982, the operations of term-lending institutions (i. e., IDBI, IFCI, ICICI, IRCI, UTI, LIC, GIC and its subsidiaries, SFCs and SIDCs/SIICs) together recorded sizeable growth, with an increase of 23.2 per cent in their total sanctions and 30.6 per cent in disbursements. Financial assistance sanctioned and disbursed by these institutions during the financial year 1981-82 aggregated to Rs. 3,143.0 crores and Rs. 2,094.5 crores, respectively, as against Rs. 2,551.4 crores sanctioned and Rs. 1,603.9 crores disbursed during 1980-81 (Table VIII-7). Sanctions and disbursements of loans (both rupee and foreign currency loans) at Rs. 2,916.6 crores and Rs. 1,974.4 crores were higher during the year by Rs. 485.9 crores and Rs. 447.9 crores, respectively. Assistance by way of underwriting and direct subscriptions to shares and debentures also showed substantial rise over the year; while sanctions rose by 87.6 per cent to Rs. 226.4 crores, disbursements increased by 55.2 per cent to Rs. 120.1 crores.

Institution-wise, as in last year, the IDBI led all the institutions in providing financial assistance accounting for 46.8 per cent of total sanctions and 42.8 per cent of total disbursements. Excepting the ICICI and the GIC and its subsidiaries, all the institutions recorded rise in both sanctions and disbursements during 1981-82 (Table VIII-8). In the case of the ICICI, assistance sanctioned during the year under review was lower by 6.4 per cent than the sanctions in 1980-81, while the GIC and its subsidiaries recorded a fall of 23.4 per cent in disbursements.

Soft Loan Scheme

Under the Soft Loan Scheme, operated by the IDBI in collaboration with the ICICI and the IFCI to provide financial assistance for modernisation of units in the five selected industries, viz., cotton textiles, jute, cement,

Table VIII—7 : Assistance Sanctioned and Disbursed by Financial Institutions@

(Rupees crores)

Year (April-March)	Rupee Loans		Foreign Currency Loans		Underwriting and Direct Subscriptions				Total	
					Ordinary and Preference Shares		Debentures			
	Sanctioned	Disbursed	Sanctioned	Disbursed	Sanctioned	Disbursed	Sanctioned	Disbursed	Sanctioned	Disbursed
1	2	3	4	5	6	7	8	9	10	11
1979-80	1662.2 (+36.8)	1076.1 (+26.4)	89.8 (+26.1)	46.0 (+ 6.5)	104.3 (+42.7)	39.5 (—10.2)	116.0 (+90.2)	94.2 (+230.5)	1972.3 (+38.9)	1255.8 (+29.8)
1980-81*	2270.6 (+36.6)	1441.9 (+34.0)	160.1 (+78.3)	84.6 (+83.9)	79.3 (—24.0)	26.1 (—33.9)	41.4 (—64.3)	51.3 (—45.5)	2551.4 (+29.4)	1603.9 (+27.7)
1981-82* (Provisional)	2752.4 (+21.2)	1848.0 (+28.2)	164.2 (+ 2.6)	126.4 (+49.4)	114.2 (+44.0)	43.2 (+65.5)	112.2 (+171.0)	76.9 (+49.9)	3143.0 (+23.2)	2094.5 (+30.6)

@Covers IDBI, IFCI, ICICI, IRCI, LIC, GIC and its four subsidiaries, SFCs and SIDCs/SIICs.

*Data in respect of 4 SIDCs/SIICs are not covered.

Note: 1. Total assistance comprises (i) in respect of IDBI all types of assistance with the exception only of subscriptions to shares and bonds of financial institutions and seed capital assistance through SIDCs; refinance to SFCs and SIDCs are also excluded to avoid double counting and (ii) all types of assistance of other institutions.

2. Data on IDBI's assistance under its export finance schemes during 1981-82 relate to the period April 1981—February 1982, as the export finance operations were taken over by Export-Import Bank of India, with effect from March 1, 1982.

3. In the case of LIC assistance excludes sanctions and disbursements of short-term loans.

4. Assistance by GIC and its subsidiaries includes loans to State Governments for housing programmes and to HUDCO/DDA.

5. Figures in brackets are percentage variations over the previous year.

Source : Data received from respective institutions.

Table VIII-8 : Institution-wise Details of Financial Assistance

(Year: April-March) (Rupees crores)

Institutions	1980-81		1981-82 (Provisional)		Percentage change in 1981-82 over 1980-81	
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5	6	7
IDBI * £	1257.7 (49.3)	758.5 (47.3)	1469.7 (46.8)	897.1 (42.8)	+ 16.9	+ 18.3
IFCI *	206.6 (8.1)	108.9 (6.8)	221.9 (7.0)	169.0 (8.1)	+ 7.4	+ 55.2
ICICI *	328.4 (12.9)	185.3 (11.5)	307.4 (9.8)	268.4 (12.8)	— 6.4	+ 44.8
IRCI	17.9 (0.7)	16.8 (1.1)	46.9 (1.5)	28.0 (1.3)	+ 162.0	+ 66.7
UTI	40.4 (1.6)	51.0 (3.2)	85.5 (2.7)	62.7 (3.0)	+ 111.6	+ 22.9
LIC **	69.9 (2.7)	65.7 (4.1)	165.5 (5.3)	135.9 (6.5)	+ 136.8	+ 106.8
GIC and its Subsidiaries	30.8 (1.2)	44.0 (2.7)	50.0 (1.6)	33.7 (1.6)	+ 62.3	— 23.4
SFCs	383.3 (15.0)	249.1 (15.5)	514.3 (16.4)	316.0 (15.1)	+ 34.2	+ 26.9
SIDCs @@	216.4 (8.5)	124.6 (7.8)	281.8 (8.9)	183.7 (8.8)	+ 30.2	+ 47.4
Total	**2551.4 (100.0)**	**1603.9 (100.0)**	**3143.0 (100.0)**	**2094.5 (100.0)**	+ 23.2	+ 30.6

* Including guarantees. ** Excluding short-term loans. @@ Relates to 21 SIDCs/SIICs.

£ IDBI's data exclude refinance to SFCs and SIDCs, subscriptions to shares and bonds of financial institutions and seed capital assistance through SIDCs to avoid double counting and data for export finance schemes relate to the period April 1981-February 1982, as the export finance operations were taken over by Export-Import Bank of India, with effect from March 1, 1982.

Note: Figures in brackets indicate percentage share of each institution.

Source: Data received from respective institutions.

sugar and certain specified engineering industries, an aggregate assistance of Rs. 223.6 crores was sanctioned and an amount of Rs. 147.3 crores was disbursed during the year 1981-82 (July-June). The cumulative sanctions and disbursements under the scheme as on June 30, 1982 amounted to Rs. 919.0 crores and Rs. 470.8 crores, respectively (Table VIII-10). At these levels, disbursements represented 51.2 per cent of the sanctions as against the corresponding percentage of 46.5 on June 30, 1981. The largest share in the total assistance sanctioned and disbursed upto June 30, 1982 was claimed by the textile industry, followed by engineering, cement, sugar and jute in that order.

Table VIII-9 : Direct Financial Assistance Sanctioned and Disbursed by IDBI*, IFCI and ICICI

(Rupees crores)

Year (April-March)	Direct Loans Sanctioned@				Direct Loans Disbursed@			
	Newly Established Companies	Existing Companies		Total (2+3+4)	Newly Established Companies	Existing Companies		Total (6+7+8)
		New Projects	Expansion of Existing Capacity, Modernisation, etc.			New Projects	Expansion of Existing Capacity, Modernisation, etc.	
1	2	3	4	5	6	7	8	9
1979-80 ..	289.1 (40.7)	76.8 (10.8)	345.2 (48.5)	711.1 (100.0)	151.3 (36.3)	70.9 (17.0)	194.8 (46.7)	417.0 (100.0)
1980-81 ..	313.9 (33.0)	115.1 (12.1)	522.6 (54.9)	951.6 (100.0)	189.1 (30.9)	33.3 (5.5)	388.6 (63.6)	611.0 (100.0)
1981-82 ..	489.6 (48.1)	112.6 (11.1)	415.5 (40.8)	1017.7 (100.0)	266.5 (33.0)	87.0 (10.8)	454.7 (56.2)	808.2 (100.0)

* Comprising project loans, underwriting and direct subscriptions to shares and debentures, soft loans and assistance under Technical Development Fund Scheme.
@ Includes foreign currency loans also.
Note: Figures in brackets are percentages to totals.
Source: Data received from respective institutions.

Table VIII-10 : Progress of Soft Loan Scheme (upto the end of June 1982)

Industry	Applications* received		Sanctions		Disbursements		Column (7) as per cent of Column (5)
	No. of applications	Amount (Rs. crores)	No. of applications	Amount (Rs. crores)	No. of applications	Amount (Rs. crores)	
1	2	3	4	5	6	7	8
Textiles	336 (266)	684.5 (565.7)	324 (251)	472.9 (364.5)	247 (189)	266.9 (179.6)	56.4 (49.3)
Cement	21 (18)	179.4 (93.6)	21 (17)	137.1 (75.9)	17 (13)	60.2 (49.8)	43.9 (65.6)
Sugar	38 (29)	85.9 (62.5)	37 (29)	62.7 (47.4)	30 (16)	37.3 (23.9)	59.5 (50.4)
Jute	27 (23)	85.1 (73.7)	26 (22)	51.3 (44.1)	9 (5)	12.3 (6.7)	24.0 (15.2)
Engineering ..	125 (108)	280.5 (236.5)	120 (103)	195.0 (163.5)	98 (76)	94.1 (63.5)	48.3 (38.8)
Total ..	**547 (444)**	**1315.4 (1032.0)**	**528 (422)**	**919.0 (695.4)**	**401 (299)**	**470.8 (323.5)**	**51.2 (46.5)**

* After adjusting proposals rejected/withdrawn/closed.
Note: Figures in brackets indicate the progress upto the end of June 1981.

Assistance to Small-Scale Industries/Backward Areas

The IDBI's assistance to small-scale industries provided under its schemes of refinance and bills rediscounting showed further increase during 1981-82. Total assistance sanctioned and disbursed by the IDBI to small-scale sector increased to Rs. 589.9 crores and Rs. 399.5 crores from Rs. 512.7 crores and Rs. 331.1 crores, respectively, in 1980-81 (Table VIII—11). During 1981-82, SFCs' sanctions and disbursements to the units in small-scale industries sector amounted to Rs. 401.6 crores and Rs. 239.9 crores as against Rs. 273.6 crores and Rs. 168.4 crores, respectively, during 1980-81.

Table VIII-11 : Financial Assistance Sanctioned and Disbursed by Term-Lending Institutions to Projects in the Small-Scale Industries Sector

(Year: April-March) (Rupees crores)

Institutions	1980-81		1981-82 (Provisional)	
	Sanctioned	Disbursed	Sanctioned	Disbursed
IDBI*	512.7	331.1	589.9	399.5
IRCI	0.2	0.3	1.8	0.3
SFCs ..	273.6	168.4	401.6	239.9
SIDCs/SIICs@ ..	1.6	1.1	2.6	1.8

* Comprising assistance under refinance and bills rediscounting schemes.
@ Relates to 10 SIDCs.

Under the Credit Guarantee Scheme for Small-Scale Industries introduced by DICGC, replacing the earlier scheme of the Government of India with effect from April 1, 1981, the number of credit institutions participating in the scheme stood at 285 as at the end of June 1982 as against 328 institutions under the Government's Scheme at the end of March 31, 1981. During the period April 1981 to June 1982, 20,148 claims for Rs. 32.9 crores were received under the old scheme and 3,225 claims for an aggregate amount of Rs. 5.4 crores under the new scheme. In all, 14,330 claims for Rs. 22.3 crores were disposed of as on June 30,1982.

Assistance sanctioned and disbursed by financial institutions to projects in the specified backward areas increased by 39.2 per cent and 38.2 per cent to Rs. 1,238.4 crores and Rs. 792.1 crores, respectively, during 1981-82. The amount sanctioned and disbursed to new and small entrepreneurs aggregated to Rs. 218.8 crores and Rs. 133.3 crores during 1981-82 as compared with Rs. 188.2 crores and Rs. 103.8 crores, respectively, during 1980-81 (Table VIII—12).

Assistance sanctioned and disbursed by the financial institutions to units in the co-operative sector and in the public sector also showed substantial improvement. As usual, the IDBI led all other financial institutions in extending financial assistance to these sectors (Table VIII—13).

(i) Industrial Development Bank of India

Aggregate financial assistance sanctioned under all the schemes (excluding guarantees) by the Industrial Development Bank of India (IDBI) during the year 1981-82 (July-June) at Rs. 1,798.4 crores in respect of 66,551 applications was 4.7 per cent higher than Rs. 1,718.4 crores sanctioned to 62,565 applicants during the year 1980-81 (Table VIII — 14). Utilisation of the assistance during 1981-82 improved considerably with total disbursements (excluding guarantees) at Rs. 1,356.9 crores showing a rise of 21.4 per cent over Rs. 1,117.7 crores disbursed during 1980-81. The cumulative assistance (excluding guarantees) sanctioned and disbursed since inception of the IDBI upto end-June 1982 aggregated Rs. 8,812.3 crores and Rs. 6,086.6 crores, respectively. Total assistance outstanding as on June 30, 1982 was Rs. 4,185.2 crores.

Direct Industrial Assistance

Sanctions of direct assistance (including project loans, soft loans, Technical Development Fund loans and underwriting of and direct subscriptions to shares and debentures of industrial concerns but excluding guarantees) during the period under review aggregated Rs. 520.4 crores (to 415 applicants), as against Rs. 631.2 crores (to 361 applicants) sanctioned during 1980-81. Although the

Table VIII-12 : Assistance Sanctioned and Disbursed by Financial Institutions for Backward Areas and New/Small Entrepreneurs

(Year: April-March) (Rupees crores)

Institutions	Backward Districts/Areas						New/Small Entrepreneurs					
	1979-80		1980-81		1981-82 (Provisional)		1979-80		1980-81		1981-82 (Provisional)	
	Sanctions	Disburse-ments	Sanctions	Disburse-ments	Sanctions	Disburse-ments	Sanctions	Disburse-ments	Sanctions	Disburse-ments	Sanctions	Disburse-ments
1	2	3	4	5	6	7	8	9	10	11	12	13
IDBI*	204.7	183.2	334.6	234.7	566.1	338.0	34.5	2.5	18.5	2.3	16.6	12.2
IFCI@	61.3	47.2	102.2	53.7	112.9	72.5	9.0	4.7	9.1	7.2	11.9	7.5
ICICI	76.8	47.0	115.6	65.7	123.6	108.3	5.4	7.6	16.1	7.8	39.7	7.5
IRCI	0.5	0.5	2.8	1.1	12.1	4.9	—	—	—	—	—	—
SFCs	139.1	95.0	193.8	124.2	231.8	154.6	35.0	20.7	78.8†	40.7†	99.2†	56.2†
SIDCs/SIICs	99.1	53.8	124.3**	74.9**	156.8**	97.5**	47.6	18.2	29.1††	22.0††	41.7††	26.9††
Total	**581.5**	**426.7**	**873.3**	**554.3**	**1203.3**	**775.8**	**131.5**	**53.7**	**151.6**	**80.0**	**209.1**	**110.3**
LIC@@	13.9	20.4	13.9	16.1	26.4	12.5	14.4	25.7	36.6	23.8	9.7	23.0
GIC and its Subsidiaries ..	12.6	7.5	2.5	2.9	8.7	3.8	—	—	—	—	—	—
Grand Total	**608.0**	**454.6**	**889.7**	**573.3**	**1238.4**	**792.1**	**145.9**	**79.4**	**188.2**	**103.8**	**218.8**	**133.3**

* Data on assistance backward areas relate to concessional finance and those to new and small entrepreneurs cover assistance to technician entrepreneurs only.

@ Including guarantees. @@ Excluding short-term loans.

† Relates to 12 SFCs. †† Relates to 10 SIDCs/SIICs.

** Relates to 21 SIDCs/SIICs.

Table VIII-13 : Assistance Sanctioned and Disbursed by Financial Institutions to the Industrial Companies in the Co-operative and Public Sectors

(Year: April-March) (Rupees crores)

Institutions	Co-operative Sector						Public Sector					
	1979-80		1980-81		1981-82 (Provisional)		1979-80		1980-81		1981-82 (Provisional)	
	Sanctions	Disburse-ments	Sanctions	Disburse-ments	Sanctions	Disburse-ments	Sanctions	Disburse-ments	Sanctions	Disburse-ments	Sanctions	Disburse-ments
1	2	3	4	5	6	7	8	9	10	11	12	13
IDBI*	8.6	13.4	25.9	12.2	46.5	9.0	108.9	45.1	156.0	75.5	250.6	93.6
IFCI@	3.7	5.1	11.6	2.9	21.6	6.0	19.6	18.3	44.2	9.1	36.1	29.2
ICICI@	2.4	3.0	5.4	3.6	23.7	2.5	2.4	6.5	9.0	3.5	12.6	4.5
IRCI	—	—	—	—	—	—	—	0.3	0.5	0.6	7.6**	7.3**
SFCs	2.2	2.3	1.2	0.8	0.2	0.6	3.6	2.3	1.2	0.7	1.9	3.4
SIDCs/SIICs †	0.6	0.3	0.5	0.4	1.1	0.5	14.8	13.2	18.4	10.6	31.9	26.0
Total	**17.5**	**24.1**	**44.6**	**19.9**	**93.1**	**18.6**	**149.3**	**85.7**	**229.3**	**100.0**	**340.7**	**164.0**
LIC@@	—	5.5	—	0.4	17.5	18.2	6.5	15.4	10.4	10.5	8.6	16.8
GIC and its Subsidiaries ..	—	—	—	—	—	—	32.9	26.3	9.2	18.0	0.5	0.5
Grand Total	**17.5**	**29.6**	**44.6**	**20.3**	**110.6**	**36.8**	**188.7**	**127.4**	**248.9**	**128.5**	**349.8**	**181.3**

* Total assistance under all schemes of IDBI (excluding guarantees and assistance to financial institutions).

** Relates to one unit in the state sector and other units since nationalised.

@ Including guarantees. @@ Excluding short-term loans.

† Data for 1980-81 and 1981-82 relates to 21 SIDCs/SIICs.

Table VIII-14 : Summary of Operations of Industrial Development Bank of India

(Year: July-June) (Amount in Rupees crores)

Type of Assistance	Sanctions				Cumulative sanctions since inception upto end of June 1982		Disbursements		Cumulative disbursements since inception upto end of June 1982	Amount outstanding as on June 30, 1982
	1980-81		1981-82				1980-81	1981-82		
	No. of Applications	Amount	No. of Applications	Amount	No. of Applications	Amount	Amount	Amount		
1	2	3	4	5	6	7	8	9	10	11
1. Direct loans to industrial concerns (other than for exports)	298	563.8	352	488.3	1845	2647.7	349.3	422.0	1750.8	1570.2
2. Underwriting of and direct subscriptions to shares and debentures of industrial concerns..	63	67.4	63	32.1	595	262.7	4.2	24.1	101.7	96.6
3. Refinance of industrial loans	60787	677.4	64287	791.6	253545	3323.1	482.7	553.7	2338.9	1387.3
4. Rediscounting of bills	1311	235.1	1710	331.6	5392	1661.7	176.2	244.3	1273.8	650.7
5. Seed capital through SIDCs	45	2.0	74	5.0	216	10.7	1.2	1.3	4.2	4.2
6. Total export finance	37	116.0	42	69.4@	365	574.7+	50.9	30.1@	289.3+	165.8+
7. Subscriptions to shares and bonds of financial institutions	24	56.7	23	80.4	36	331.7	53.2	81.4	327.9	310.4
Total (1 to 7)	**62565**	**1718.4**	**66551**	**1798.4**	**261994**	**8812.3**	**1117.7**	**1356.9**	**6086.6**	**4185.2**
8. Guarantees for loans and deferred payments..	2	3.1	7	36.3	24	66.1	—	4.2*	23.7*	—
9. Export guarantees	104	144.4	197	144.4@	578	550.3+	138.1*	135.5*@	510.0*+	—

* Guarantees executed. @ For 8 months period from July 1981 to February 1982. + As at the end of February 1982.

Notes: (i) The number of applications in respect of rediscounting of bills (item 4) relates to the number of purchaser-users and in the case of subscriptions to shares and bonds of financial institutions (item 7) to the number of financial institutions.

(ii) In the case of bills rediscounting scheme, amount sanctioned represents face value of bills rediscounted, while amount disbursed indicates the net disbursements after deduction of discount charges from the face value of the bills.

number of projects assisted in 1981-82 was 15 per cent more than in the preceding year, the quantum of assistance sanctioned was lower by 17.6 per cent. The decline in the direct assistance sanctioned was mainly on account of lower sanctions under the project finance scheme (i. e., project loans and underwriting of and direct subscriptions to shares and debentures), which registered a decline of 24.5 per cent.

The decline in the quantum of assistance sanctioned under the project finance scheme was mainly attributed to (*i*) the prevalence of buoyant conditions in the new issues market which enabled several companies to meet their requirements from the capital market, (*ii*) the change in the financing pattern of a few large projects (which were sanctioned assistance during the year) which provided for only a relatively small portion of the project cost to be met from the institutional sources, and (*iii*) the decision of the IDBI to forgo its normal share in consortium financing in favour of some other participating institutions in the case of a few large projects promoted by established companies. Direct assistance disbursed during 1981-82 at Rs. 446.1 crores was higher by 26.2 per cent than Rs. 353.5 crores disbursed in the preceding year. Cumulative disbursement since inception upto end of June 1982 amounted to Rs. 1,852.5 crores.

Industry-group-wise, in the total assistance sanctioned (including guarantees of Rs. 36.3 crores for loans and deferred payment) consumer industries group claimed the largest share (Rs. 195.0 crores or 35.1 per cent), followed by basic industries (Rs. 165.1 crores or 29.7 per cent), intermediate goods industries (Rs. 110.8 crores or 19.9 per cent) and capital goods industries (Rs. 56.2 crores or 10.1 per cent). The remaining assistance of Rs. 28.7 crores (5.2 per cent) was in respect of projects in services industries.

Refinance and Bills Rediscounting

The IDBI's indirect assistance to industrial units is routed through SFCs, SIDCs, and commercial banks mainly under its schemes of refinance of industrial loans and rediscounting of bills relating to sale of indigenous machinery/capital equipment. Sanctions and disbursements during 1981-82 under the refinance of industrial loans scheme at Rs. 791.6 crores and Rs. 553.7 crores were higher by 16.9 per cent and 14.7 per cent, respectively. Two-thirds (Rs. 533.5 crores) of the total refinance assistance sanctioned was to small-scale sector (including small road transport operators). During the year 1981-82, IDBI also sanctioned assistance of Rs. 12.1 crores to 18,150 units under the composite loan scheme to meet both fixed and working capital requirements of the decentralised sector, comprising village and cottage industries and tiny units.

IDBI's assistance sanctioned under bills rediscounting scheme recorded an impressive growth of 41 per cent in 1981-82 as against the growth of 34.6 per cent achieved during 1980-81, with the amount of bills rediscounted (face value) increasing from Rs. 235.1 crores in 1980-81 to Rs. 331.6 crores in 1981-82. Cash disbursals (net of discount) during the year amounted to Rs. 244.3 crores as against Rs. 176.2 crores during 1980-81. Purchaser-users of indigenous machinery/capital equipment in small-scale sector and in the public sector utilities like State Electricity Boards and State Road Transport Corporations availed of assistance of Rs. 67.1 crores and Rs. 53.1 crores, respectively, during 1981-82.

Export Finance

The export finance operations hitherto operated by IDBI were transferred to the newly constituted Export-Import Bank of India (Exim Bank) with effect from March 1, 1982. During the eight months period (July 1981 - February 1982) assistance sanctioned and disbursed under the export finance scheme aggregated Rs. 69.4 crores and Rs. 30.1 crores, respectively, as against Rs. 116.0 crores and Rs. 50.9 crores, respectively, during the full year 1980-81 (July-June). Under the lines of credit granted to foreign governments for import of goods from India, IDBI sanctioned Rs. 10 crores to the Government of Kenya for import of engineering goods, Rs. 5 crores to the Government of Republic of Ghana for purchase of agricultural machinery and another Rs. 5 crores to the Government of Jamaica for purchase of engineering goods. During the same period, four new direct loans for an aggregate amount of Rs. 18

crores were sanctioned to Indian exporters for facilitating export of buses, trucks, chassis, spare parts and transmission towers to Algeria, Zambia and Kenya. Refinance assistance of Rs. 17.9 crores was sanctioned to commercial banks in respect of 26 export proposals. Under the overseas investment scheme, Rs. 8.5 crores were sanctioned for facilitating Indian participation in the equity of eight joint-ventures in Indonesia, Malaysia, Singapore, Greece, Nigeria and Sri Lanka.

Assistance to Backward Areas

During the year, IDBI sanctioned assistance, both direct and indirect, amounting to Rs. 634.2 crores and disbursed Rs. 539.5 crores to units in the specified backward districts, as against Rs. 733.8 crores sanctioned and Rs. 423.5 crores disbursed in the preceding year. Of this, the assistance sanctioned and disbursed on concessional terms both under the project finance and refinance of industrial loans schemes, amounted to Rs. 407.7 crores and Rs. 330.3 crores, respectively.

Assistance to Small-Scale Industries

The IDBI's assistance to small-scale industries and small road transport operators provided under the refinance and the bills rediscounting schemes showed a further increase during 1981-82. Refinance assistance, which constituted the major portion of total assistance to this sector, increased by 15.2 per cent from Rs. 463.0 crores in 1980-81 to Rs. 533.5 crores in 1981-82. Under the bills rediscounting scheme, bills worth Rs. 67.1 crores from industrial units in small-scale sector were rediscounted during the year as against bills worth Rs. 43.9 crores rediscounted in 1980-81.

Subscriptions to shares and bonds of Financial Institutions

During the year under review, the IDBI provided resources support of Rs. 56 crores to the bond issues of the ICICI (Rs. 36 crores) and the IFCI (Rs. 20 crores) for their participation in the Soft Loan Scheme. During the year, the IDBI extended for the first time resources support of Rs. 4 crores to the National Small Industries Corporation Ltd., by way of contribution to its *ad-hoc* bond issue. The IDBI also subscribed a sum of Rs. 21.4 crores to the share capital of 18 SFCs comprising Rs. 20.9 crores of ordinary capital and Rs. 50 lakhs of special share capital. Thus, during July 1981-June 1982, the IDBI subscribed Rs. 81.4 crores towards share capital and bond issues of financial institutions raising the total of such subscriptions to Rs. 327.9 crores as at the end of June 1982.

Interest Rates

The rates of interest charged by the IDBI on assistance extended under various schemes remained unchanged during the year (Table VIII-15).

(ii) The Industrial Finance Corporation of India

The financial assistance sanctioned by the Industrial Finance Corporation of India (IFCI) during 1981-82 (April-March) aggregated Rs. 221.9 crores, 7.4 per cent higher than Rs. 206.6 crores sanctioned during 1980-81 (Table VIII — 16). Utilisation of the assistance at Rs. 169.0 crores during 1981-82 recorded a significant rise of 55.2 per cent over that in the preceding year. Till the end of March 1982, a total of Rs. 1,445.2 crores of financial assistance had been sanctioned by the IFCI, of which Rs. 1053.7 crores or 72.9 per cent had already been utilised.

While loans (including guarantees and foreign currency loans) sanctioned showed a marginal increase of 5.9 per cent from Rs. 193.4 crores to Rs. 204.8 crores during the year, there was a substantial increase of Rs. 59.1 crores in disbursements of loans at Rs. 166.9 crores. Out of total term-loans of Rs. 198.4 crores (excluding guarantees) Rs. 96.7 crores were advanced to the newly established companies and the rest (Rs. 101.7 crores) to the existing companies, of which Rs. 33.1 crores were for new projects and Rs. 68.6 crores were for expansion and modernisation of existing projects. In the disbursements of term-loan, newly established companies accounted for Rs. 58.9 crores and the existing companies for Rs. 108.0 crores. Sanctions and disbursements under the head underwriting and direct subscriptions showed marginal

Table VIII-15: Structure of IDBI's Interest Rates

(Per cent per annum)

Scheme	Direct lending	Indirect lending		Ceiling on primary lenders' rate
		Banks	SFCs/SIDCs	
1	2	3	4	5
A. Direct Loans				
1. Basic lending rate	14.00	—	—	—
2. Concessional rates				
(a) to new units in specified backward areas upto Rs. 2 crores to a unit in the aggregate*	12.50	—	—	—
(b) on soft component under the soft loan scheme	12.50	—	—	—
(c) assistance for manufacture and installation of renewable energy systems by industrial units	12.50	—	—	—
3. Bridging loans—				
(a) normal loans	15.00	—	—	—
(b) to new units in specified backward areas upto Rs. 2 crores to a unit in the aggregate*	13.50	—	—	—
(c) on soft component under the soft loan scheme	13.50	—	—	—
4. Foreign currency loans—				
(a) normal	14.00	—	—	—
(b) to new units in specified backward areas upto Rs. 2 crores to a unit in the aggregate*	12.50	—	—	—
B. Rates under IDBI's Refinance Scheme				
1. Basic lending rate	—	10.00	10.50	14.00
2. Concessional rates for units located in specified backward areas—				
(a) composite loans upto Rs. 25,000/- per unit	—	6.00	6.75	10.25
(b) small-scale units	—	8.50	9.00	12.50
(c) other units (excluding road transport operators)	—	8.50	9.00	12.50
3. Concessional rates in non-backward areas—				
(a) composite loans upto Rs. 25,000/- per unit	—	8.25	9.00	12.50
(b) small-scale units	—	9.50	10.00	13.50
4. Rates for road transport operators—				
(a) single vehicle owners	—	8.50	9.00	12.50
(b) others	—	11.00	11.50	15.00
5. Concessional rate for units promoted by persons belonging to SC/ST (upto Rs. 25,000/- per unit)	—	6.00	6.75	10.25
6. Foreign currency loans (IBRD/IDA credit)—				
(a) loans to small-scale units—				
(i) in specified backward areas	—	—	9.00	12.50
(ii) other areas	—	—	10.00	13.50
(b) others				
(i) in specified backward areas	—	—	9.00	12.50
(ii) other areas	—	—	10.50	14.00
7. Mini-steel units	—	8.50	9.00	12.50
8. Assistance for manufacture and installation of renewable energy systems by industrial units	—	8.50	9.00	12.50

Table VIII-15: Structure of IDBI's Interest Rates (*Concld.*)

(Per cent per annum)

Scheme	Direct lending	Indirect lending		Ceiling on primary lenders' rate
		Banks	SFCs/SIDCs	
1	2	3	4	5
C. IDBI's Machinery Bills Rediscounting Scheme Unexpired usance of Bills/promissory notes				
(a) normal				
(i) 6 months to 36 months	—	10.75	—	12.50
(ii) over 36 months and upto 84 months	—	10.25	—	12.00
(b) small-scale sector (seller and/or purchaser)				
(i) 6 months to 36 months	—	9.50	—	11.50
(ii) over 36 months and upto 84 months	—	9.00	—	11.00
(c) SEBs and SRTCs in North Eastern and Himalayan Hill Regions** and SEB in the State of West Bengal for use in hill district of Darjeeling—				
(i) 6 months to 36 months ..	—	7.75	—	9.50
(ii) over 36 months and upto 84 months	—	7.25	—	9.00
(d) Assistance for manufacture and installation of renewable energy systems by industrial units—				
(i) 6 months to 36 months	—	8.25	—	10.25
(ii) over 36 months and upto 84 months	—	7.75	—	9.75

* Inclusive of new units set up by existing companies but excludes expansion/diversification projects in their existing units.

**Comprises States of Assam, Manipur, Meghalaya, Nagaland, Tripura, Jammu & Kashmir, Sikkim and Himachal Pradesh and Union Territories of Arunachal Pradesh and Mizoram. These rates will also apply to the Uttar Pradesh SRTC in respect of purchases of chassis/machinery for the operation in the districts of Almora, Chamoli, Dehradun, Nainital, Pithoragarh, Pauri-Garhwal, Tehri-Garhwal and Uttar Kashi.

Table VIII-16: Financial Assistance Sanctioned and Disbursed by the IFCI

(Year : April-March) (Rupees crores)

Type of Assistance	1980-81		1981-82		Cumulative Assistance as at the end of March 1982	
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5	6	7
1. Rupee Loans	173.8	92.8	182.2	146.6	1146.3*	848.8*
2. Foreign Currency Loans ..	19.6	15.0	22.6	20.3	192.5**	159.1**
3. **Underwriting and Direct subscriptions** (i+ii)	**13.2**	**1.1**	**17.1**	**2.1**	**106.4**	**45.8**
(i) Ordinary and preference shares	13.0	1.1	12.9	1.6	87.7	34.6
(ii) Debentures	0.2	—	4.2	0.5	18.7	11.2
Total ..	**206.6**	**108.9**	**221.9**	**169.0**	**1445.2**	**1053.7**

* Includes deferred payment guarantees.

** Includes foreign loans guarantees.

increases. During 1981-82,the IFCI had underwritten shares and debentures to the extent of Rs. 12.1 crores, of which Rs. 1.9 crores had devolved on it. The respective amounts since its inception upto March 31, 1982 aggregated Rs. 68.3 crores and Rs. 39.5 crores.

Industries of high national priority such as fertilisers, cement, power generation, paper, industrial machinery, etc., continued to claim the bulk of the total assistance sanctioned. During the year, 73.5 per cent of the total assistance sanctioned was to these industries as against 68 per cent in 1980-81. Similarly, the IFCI increased its assistance to projects in specified backward districts. The IFCI's sanctions to these projects during 1981-82 constituted 50.9 per cent of total assistance as compared to 49.0 per cent in 1980-81. In absolute terms, the sanctions and disbursements during 1981-82 to projects in these areas were of the order of Rs. 112.9 crores and Rs. 72.5 crores, respectively, as compared to Rs. 102 .2 crores and Rs. 53.7 crores, respectively, in 1980-81. The IFCI sanctioned during the year an assistance of Rs. 28.3 crores to 47 projects of 31 concerns under the Soft Loan Scheme. Thus, on March 31, 1982, the IFCI had assisted 288 projects of 201 concerns to the extent of Rs. 163.2 crores.

The Risk Capital Foundation (RCF) sponsored by the IFCI with a view to assisting new and technocrat entrepreneurs in meeting a part of the promoters' contribution to the equity capital, sanctioned Rs. 82.5 lakhs to 13 promoters of 10 projects during the year 1981-82 (April-March). Cumulative assistance sanctioned by the RCF upto March 31, 1982 amounted to Rs. 3.0 crores to 66 promoters of 41 projects, of which Rs. 2.4 crores were disbursed to 56 promoters of 34 projects.

During the year, the IFCI raised funds to the extent of Rs. 100.5 crores by issue of bonds in three tranches, one each in June 1981, December 1981 and March 1982 for Rs. 23.9 crores, Rs. 61.1 crores and Rs. 15.5 crores, respectively. The total outstanding borrowings by way of bonds as on March 31, 1982 amounted to Rs. 504.6 crores.

The IFCI was allocated DM 15 million from KFW being the XXth line of credit during the year. With this allocation, the total credit from KFW to the IFCI amounted to DM 242.5 million. Assistance in DM sanctioned and disbursed by the IFCI to industrial concerns upto March 31, 1982 aggregated DM 225.3 million and DM 194.8 million, respectively. The Government have also allowed the IFCI from October 1, 1977 to convert the amount recovered from borrower concerns, which were sanctioned assistance under KFW loans, immediately into foreign exchange and use the same for relending operations till the amounts became payable to KFW. Such recoveries, converted into DM had amounted to DM 33 million as on March 31, 1982. During the year, the IFCI was granted a further allocation of Swedish Kroners 50 million under the Indo-Swedish Development Corporation Agreement, 1979, thus bringing the total allocations made so far to Sw. Kr. 175 million. The cumulative disbursements upto March 31, 1982 aggregated Sw. Kr. 82.5 million. The IFCI had not received any further allocation during the year under UK/India Capital Investment Loans/Grants. The terminal date for disbursement under an existing allocation has already expired on March 31, 1982. Cumulative disbursements made by the IFCI under these allocations upto March 31, 1982, amounted to £ 6.94 million.

There was no change in the lending rates charged by the IFCI during the year 1981-82 (April-March). The basic lending rate of the IFCI continued to be 14 per cent.

With a view to enlarging the scope of business that the IFCI can transact as also to enable it to mobilise more resources required for expanding its activities, the IFCI Act was amended (*vide* Industrial Finance Corporation (Amendment) Act 1982) during the year. The definition of industrial concerns has been widened to include those which are engaged in (*i*) transport of passengers or goods by road, water or air, (*ii*) repair, maintenance, etc., of means of transport, (*iii*) assembling, repairing or packing of any article, (*iv*) development of any area as an industrial estate, (*v*) fishing and (*vi*) providing technical knowledge or other services in promoting industrial growth. The amended Act, *inter alia*, provides for increase in the authorised capital of the IFCI upto Rs. 100 crores and inclusion of the General

Insurance Corporation (GIC) and its subsidiaries in the list of its shareholders. Further, the limit of borrowings from the RBI for periods not exceeding 18 months has been raised from Rs. 3 crores to Rs. 15 crores. With a view to augmenting its resources, the IFCI has been allowed, in addition to issuing bonds and debentures and borrowings from the the Central Government, the RBI and the IDBI, to borrow from any other authority or institution in India with the approval of the Central Government, as also to accept deposits repayable on expiry of a period of not less than 12 months, on terms and conditions to be approved by the IDBI.

(iii) The Industrial Credit and Investment Corporation of India Ltd.

The total financial assistance sanctioned by the Industrial Credit and Investment Corporation of India Ltd. (ICICI) during 1981-82 (April-March) at Rs. 307.4 crores was lower by 6.4 per cent than Rs. 328.4 crores sanctioned in the preceding year. However, assistance disbursed during the year at Rs. 268.4 crores was substantially higher by 44.8 per cent as compared to Rs. 185.3 crores during 1980-81 (Table VIII-17). The decline in assistance sanctioned was solely on account of a fall of Rs. 26.7 crores in rupee loans sanctioned by the ICICI. Sanctions of foreign currency loans, at Rs. 130.9 crores, were marginally higher than last year's level and those under the head underwriting and/or direct subscriptions to shares and debentures at Rs. 21.8 crores were higher by Rs. 4.8 crores. There was an all round improvement in the utilisation of assistance sanctioned. While utilisation of rupee loans increased from Rs. 115.0 crores in 1980-81 to Rs. 158.9 crores in 1981-82 or by 38.2 per cent, foreign currency loans increased by 55.9 per cent from Rs. 66.5 crores to Rs. 103.7 crores and subscriptions to shares and debentures by 52.6 per cent from Rs.3.8 crores to Rs. 5.8 crores. Cumulative sanctions and disbursements by the ICICI as at the end of March 1982 aggregated Rs. 1,917.5 crores and Rs. 1,393.3 crores, respectively. In other words, about 72 per cent of the total assistance provided by the ICICI had been utilised till the end of March 1982.

Table VIII-17: Financial Assistance Sanctioned and Disbursed by the ICICI

(Year: April-March) (Rupees crores)

Type of Assistance	1980-81		1981-82		Cumulative Assistance as at the end of March 1982	
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5	6	7
1. Rupee Loans	181.4*	115.0	154.7*	158.9	844.3*	597.9*
2. Foreign Currency Loans ..	130.0	66.5	130.9	103.7	892.8	701.7
3. **Underwriting and Direct Subscriptions (a+b) .. .. ..**	**17.0**	**3.8**	**21.8**	**5.8**	**180.4**	**93.7**
(a) Ordinary and Preference Shares	13.5	2.4	14.0	3.0	124.8	57.1
(b) Debentures	3.5	1.4	7.8	2.8	55.6	36.6
**Total .. .. ..

The ICICI's sanctions to projects in the specified backward districts increased marginally from Rs. 115.6 crores in 1980-81 to Rs. 123.6 crores in 1981-82. Disbursements to such projects at Rs. 108.3 crores, however, showed substantial rise of 64.8 per cent over those in 1980-81. Cumulative sanctions and disbursements till the end of March 1982 to projects located in backward areas amounted to Rs. 599.6 crores and Rs. 411.3 crores, respectively.

The ICICI's sanctions to new companies amounted to Rs. 100.9 crores and formed 32.8 per cent of the total sanctions during 1981-82, while Rs. 206.5 crores (or 67.2 per cent) were sanctioned to the existing companies. A major portion (Rs. 172.8 crores) of the sanctions to the existing companies was earmarked for expansion and modernisation purposes and Rs. 33.7 crores for establishment of new projects. In the disbursements, the share of new companies was 20.6 per cent while the existing companies claimed 79.4 per cent — 13.3 per cent for their new projects and 66.1 per cent for expansion/modernisation programmes.

The total resources (net of cancellations and repayments) of the ICICI as at the end of March 1982 amounted to Rs. 1,267.9 crores; Rs. 694.2 crores or 54.8 per cent in rupees and the equivalent of Rs. 573.7 crores or 45.2 per cent in foreign currencies.

The rupee resources of the ICICI during 1981-82 were augmented by bond issues in three tranches - June 1981 (Rs. 60 crores), November 1981 (Rs. 50 crores) and March 1982 (Rs. 15.1 crores) aggregating Rs. 125.1 crores, as also by receipt of a loan of Rs. 20 crores from the Government of India and receipt of Rs. 1.2 crores out of KFW interest differential funds. The ICICI also received a total amount of Rs. 28 crores from IDBI for disbursements under the soft loan/modernisation scheme. The ICICI issued convertible debentures on a rights basis of the value of Rs. 13.5 crores, of which Rs. 6.75 crores have been called for and the balance amount of Rs. 6.75 crores will be called for during 1982-83. These debentures would be fully convertible into equity shares, in stages, by 1989.

With a view to augmenting and diversifying its foreign currency resources, the ICICI, in October 1981, signed an agreement for the fourteenth line of credit with the World Bank for US $ 150 million. In the same month, the ICICI arranged for a syndicated Euro-Currency loan for DM 30 million, Swiss Francs 30 million and Japanese Yen 3 billion (equivalent to US $ 38 million). In November 1981, the ICICI issued 10-year bonds for US $ 30 million in the form of Floating Rates Notes (FRNs). In March 1982, the ICICI signed an agreement with Standard Chartered Merchant Bank Ltd., for a general purpose line of credit for £ 5 million. The loan has been guaranteed by the Export Credit Guarantee Department (ECGD) of the U. K.

Housing Development Finance Corporation Ltd.

With a view to giving a fillip to the housing industry, the ICICI had also promoted a company in 1977 known as the Housing Development Finance Corporation Ltd., (HDFC). The primary objective of the HDFC is to provide long-term finance to individuals in middle and lower income groups, associations of individuals and other corporate bodies for construction and purchase on ownership basis residential houses in urban and rural areas all over the country. HDFC raises resources, besides the share capital, through term-loans from financial institutions (including International Finance Corporation) and nationalised banks and deposits from the public.

In its four years of operation, since 1978-79, the HDFC has sanctioned Rs. 101.1 crores for construction of about 35,000 dwelling units and has disbursed Rs. 60.4 crores till end-March 1982. A sizeable part of this assistance was extended during the year 1981-82 when sanctions and disbursements by the HDFC amounted to Rs. 39.8 crores (in respect of 10,950 dwelling units) and Rs. 27.9 crores, respectively.

(iv) Life Insurance Corporation of India

Assistance to Industrial Concerns

Financial assistance@ sanctioned and disbursed by Life Insurance Corporation of India (LIC) increased during the year 1981-82 (April-

@ Sanctions and disbursements relate to investments made by way of grant of term-loans (including short-term loans) to companies, industrial co-operatives and sugar co-operative societies and underwriting of and direct subscriptions to shares and debentures of companies (including subscriptions to rights shares and debentures).

March) by 30.2 per cent and 17.9 per cent, to Rs. 222.7 crores and Rs. 201.1 crores, respectively (Table VIII—18). Loans (including short-term loans) sanctioned and disbursed increased by Rs. 29.8 crores and Rs. 9.0 crores, to Rs. 183.9 crores and Rs. 167.4 crores, respectively. On the other hand, there was a phenomenal rise in assistance sanctioned and disbursed in the form of underwriting and direct subscriptions to shares and debentures, particularly debentures, which increased by Rs. 21.9 crores to Rs. 38.8 crores and by Rs. 21.6 crores to Rs. 33.7 crores, respectively. LIC has so far (upto the end of March 1982) sanctioned financial assistance of Rs. 1,002.0 crores, to industrial concerns, of which Rs. 811.1 crores have already been disbursed. Of the total amount disbursed, the amount outstanding was Rs. 778.5 crores as on March 31,1982.

Table VIII-18 : Assistance Sanctioned and Disbursed by the LIC

(Year : April-March) (Rupees crores)

Type of Assistance	1980-81		1981-82		Cumulative Assistance as on March 31, 1982		Amount outstanding as on March 31, 1982
	Sanctioned	Disbursed	Sanctioned	Disbursed	Sanctioned	Disbursed	
1	2	3	4	5	6	7	8
1. Loans (i+ii)	**154.1**	**158.4**	**183.9**	**167.4**	**689.5**	**577.3**	**418.3**
(i) Term-Loans	53.0	53.6	126.7	102.2	502.3	395.5	289.1
(a) Public Sector	10.3	10.5	14.1	16.8	N.A.	N.A.	N.A.
(b) Private Sector (including Joint-Sector)	42.7	42.7	95.1	67.2	N.A.	N.A.	N.A.
(c) Co-operative Sector	—	0.4	17.5	18.2	N.A.	N.A.	N.A.
(ii) Short-term Loans	101.1	104.8	57.2	65.2	187.2	181.8	129.2
(a) Public Sector	60.5	60.5	20.0	20.5	80.5	81.0	N.A.
(b) Private Sector (including Joint Sector)	40.6	44.3	37.2	44.7	106.7	100.8	N.A.
2. Underwriting and Direct Subscriptions (i+ii)	**16.9**	**12.1**	**38.8**	**33.7**	**312.5**	**233.8**	**360.2£**
(i) Ordinary and Preference Shares	4.3	3.9	2.2	4.2	119.5	95.1	229.2£
(ii) Debentures	12.6	8.2	36.6	29.5	193.0	138.7	131.0£
Total (1+2)	**171.0**	**170.5**	**222.7**	**201.1**	**1002.0**	**811.1**	**778.5**

£ Includes market purchases also.

LIC's Investments

LIC's investments during the year 1981-82 amounted to Rs. 873.9 crores taking the aggregate investment as at the end of March 31, 1982 to Rs. 6,894.4 crores (Table VIII — 19). Of the total increase, one-half was accounted for by investments in stock exchange securities which increased by Rs. 449.3 crores to Rs. 4,040.6 crores as at the end of March 1982 followed by loans which went up by Rs. 289.6 crores to Rs. 2,612.0 crores. The balance of Rs. 135.0 crores or one-sixth was accounted for by special deposits with the Central Government. Sector-wise, as in the previous year, the major portion (Rs. 702.9 crores) of the increase in LIC's investments, was accounted for by the public sector, followed by

Table VIII-19 : Investments by LIC

(Rupees crores)

Sector	As at the end of March 31		Net during April-March	
	1981	1982	1980-81	1981-82
1	2	3	4	5
1. Public Sector	4707.8	5410.7	792.4	702.9
2. Co-operative Sector	665.5	753.0	63.4	87.5
3. Private Sector	617.6	698.7	—124.7	81.1
4. Joint-Sector	29.6	32.0	1.7	2.4
Total (1 to 4)	**6020.5**	**6894.4**	**732.8**	**873.9**
Comprising*				
(i) Stock Exchange Securities	3591.3	4040.6	478.0	449.3
(ii) Loans	2322.4	2612.0	148.8	289.6
(iii) Special Deposits with Central Government	106.0	241.0	106.0	135.0

* LIC's investment of Rs. 75 lakhs in the capital of UTI is not included.

the co-operative sector (Rs. 87.5 crores) and private sector (Rs. 81.1 crores). Investments in the private sector had increased by Rs. 81.1 crores as against a decrease of Rs. 124.7 crores during 1980-81.

Rate of Interest

There was no change in the rate of interest charged by the LIC to companies and industrial co-operatives which continued to be the same as fixed on March 2, 1981, viz., 14 per cent on consortium loans for projects assisted along with other public financial institutions, 16 per cent on non-consortium loans and 17 per cent on short-term loans.

(v) The General Insurance Corporation of India and its Subsidiaries

The total financial assistance sanctioned for project finance and working capital requirements by General Insurance Corporation of India (GIC) and its subsidiaries* during 1981-82 (April-March) at Rs. 50.0 crores was higher by 62.3 per cent than Rs. 30.8 crores sanctioned during 1980-81. However, assistance disbursed during the year at Rs. 33.7 crores was lower by 23.4 per cent than Rs. 44.0 crores disbursed during the preceding year (Table VIII— 20). As between the two types of assistance given (loans and underwriting of /subscriptions to shares and debentures), while loans sanctioned increased from Rs. 22.8 crores to Rs. 25.8 crores, loans disbursed at Rs. 13.4 crores were lower by Rs. 18.0 crores. Assistance sanctioned and disbursed by way of underwriting of and direct subscriptions to shares and debentures, on the other hand, increased from Rs. 8.0 crores and Rs. 12.6 crores to Rs. 24.2 crores and Rs. 20.3 crores, respectively.

Sector-wise, sanctions and disbursements to units in public sector at Rs. 0.5 crore each in 1981-82 showed a sharp decline from Rs. 9.2 crores and Rs. 18.0 crores, respectively, in 1980-81. On the other hand, sanctions to units in private sector in 1981-82 showed a marked increase to Rs. 47.0 crores from Rs. 20.6 crores in 1980-81, disbursements also rose to Rs. 31.3 crores from Rs. 24.1 crores.

* The United India Insurance Co. Ltd., the Oriental Fire and General Insurance Co. Ltd., the National Insurance Co. Ltd. and the New India Assurance Co. Ltd.

Table VIII-20 : Assistance Sanctioned and Disbursed by GIC and its Subsidiaries@

(Rupees crores)

	April-March			
	1980-81		1981-82	
	Sanctioned	Disbursed	Sanctioned	Disbursed
1	2	3	4	5
A. Sector-wise Assistance				
1. Public Sector	9.2	18.0	0.5	0.5
2. Private Sector	20.6	24.1	47.0	31.3
3. Joint-Sector	1.0	1.9	2.5	1.9
Total	**30.8**	**44.0**	**50.0**	**33.7**
Of which: for projects in backward areas ..	2.5	2.9	8.7	3.8
B. Type of Assistance				
1. Loans	22.8	31.4	25.8	13.4
2. Underwriting and direct subscriptions to:				
(i) Shares	4.9	5.6	10.6	7.0
(ii) Debentures	3.1	7.0	13.6	13.3
Total	**30.8**	**44.0**	**50.0**	**33.7**

@Comprise project finance and working capital assistance sanctioned and disbursed by GIC and its subsidiaries.

Investments

The outstanding investment in shares and loans to industrial concerns by the GIC and its subsidiaries amounted to Rs. 1,030.4 crores as at the end of December 1981 as against Rs. 838.8 crores a year ago (Table VIII — 21). Investments in stock exchange securities and loans at Rs. 621.6 crores and Rs. 194.8 crores had respectively increased over the year by Rs. 87.0 crores and Rs. 45.0 crores.

Sector-wise, investments in public sector at Rs. 614.9 crores rose by Rs. 147.8 crores over the year as against an increase of Rs. 92.0 crores in 1980. Investments in private sector and joint-sector also increased during the year but by a smaller amount of Rs. 40.9 crores and Rs. 3.0 crores, respectively.

(vi) The Unit Trust of India

The downtrend in the sales of units by the Unit Trust of India (UTI), witnessed during the years 1979-80 and 1980-81 was reversed and the sales during 1981-82 (July-June) at Rs. 157.4 crores showed an appreciable increase of 202.1 per cent over the aggregate sales of Rs. 52.1 crores during the previous year (Table VIII — 22). The hike in the rate of dividend from 10 per cent in 1979-80 to 11.50 per cent in 1980-81 under the Unit Scheme 1964 and from 8.50 per cent to 8.75 per cent under the Unit Scheme 1971 was an important factor contributing to the increase in sales of units during the year. Besides, two new schemes, viz., (*i*) Scheme for Charitable and Religious Trusts and Registered Societies (CRTS), 1981 and (*ii*) Income Unit Scheme, 1982, introduced by the UTI during the year also contributed to the increased sale of units. The sales of units under the Unit Scheme 1964 increased by Rs. 25.5 crores to Rs. 65.2 crores during the year. Sales of units under the Unit Scheme 1971 (ULIP) comprising sales against contributions from new members, renewal subscriptions from existing members and dividend payable to existing

Table VIII-21 : Investment by GIC and its Subsidiaries

(Rupees crores)

Sectors	As at the end of December		Net during January-December	
	1980	1981	1980	1981
1	2	3	4	5
1. Public Sector	467.1	614.9	92.0	147.8
2. Private Sector	360.9	401.8	16.7	40.9
3. Co-operative Sector	4.4	4.3	—	—0.1
4. Joint-Sector	6.4	9.4	1.4	3.0
Total	**838.8**	**1030.4**	**110.1**	**191.6**
Of which:				
1. Stock Exchange Securities £	534.6	621.6	55.0	87.0
2. Loans	149.8	194.8	39.9	45.0
3. Others *	154.4	214.0	15.2	59.6

£ Including non-listed but saleable securities.
* Includes fixed deposits with companies/banks, special deposits with Government of India, deposits with banks under Participation Certificates, Bills Rediscounting Scheme and deposits with IDBI.

Table VIII-22 : Trends in Operations of the U.T.I.@

(Rupees crores)

Year (July-June)	Units Sold (Face Value)	Units Repurchased (Face Value)	As at the end of June			Dividend Rate** (per cent) under		Rate of yield* (1964 Scheme)
			Units Outstanding (Face Value)	Investible Funds	Investment in Shares and Debentures	1964 Scheme	1971 Scheme	
1	2	3	4	5	6	7	8	9
1977-78 ..	73.3	11.2	255.4	288.2	193.0	9.00	8.00	7.96
1978-79 ..	101.5	9.6	347.5	402.4	219.8	9.00	8.00	7.67
1979-80 ..	57.9	14.4	390.9	467.0	254.9	10.00	8.50	8.56
1980-81 ..	52.1	17.6	425.4	523.2	283.6	11.50	8.75	9.62
1981-82 (Provisional) ..	157.4	27.3	555.5	679.2	361.2	12.50	9.50	10.29

@ Covers Unit Schemes, 1964, 1971 and 1976, CRTS 1981 and Income Unit Scheme 1982.
* Dividend as percentage of weighted average sale price during the year worked out with weights proportional to the number of Units sold at different prices.
** Under the CRTS 1981, UTI declared a dividend of 12.5 per cent for the year 1981-82. The Income Unit Scheme 1982 provides for fixed rate of dividend varying from 12 per cent to 13 per cent per annum.
Source: Unit Trust of India.

members at Rs. 15.5 crores was also higher by Rs. 3.1 crores.

Repurchases during 1981-82 were higher at Rs. 27.3 crores as compared to Rs. 17.6 crores in the previous year. This was mainly due to two factors, viz., (*i*) the Trust terminated the Unit Scheme 1976 (Capital Unit Scheme) on June 30, 1981, which resulted in an outflow of Rs. 4.4 crores, and (*ii*) some of the investors who had invested in units with the objective of availing of the capital gains tax-exemption under Section 54 E of the Income-tax Act, presumably, withdrew their money after the expiry of the minimum period of three years of holding of such units.

On October 1, 1981, the Trust introduced a new scheme exclusively for Charitable Trusts, Religious Trusts and Societies registered under the Societies Registration Act, 1860. Under this Scheme, investments should be held for a period of at least 5 years. However, after the third year, unit holders will be entitled to partially resell to the Trust on a regulated basis. The sales under this scheme aggregated Rs. 9.2 crores. The scheme aims at providing a minimum rate of 12 per cent dividend per annum. The Trust, however, announced a higher dividend of 12.50 per cent for the year 1981-82.

On May 1, 1982, the Trust introduced another scheme, known as the Income Unit Scheme, 1982, for people in the lower and middle income groups. This was a close-end Scheme in the sense that sales under this scheme were kept open only for two months (May and June 1982). The unit holders under this scheme will have to keep their investments with the Trust till June 30, 1987. However, re-selling facility to the extent of 50 per cent of the original holding will be available on one or two occasions after June 30, 1984. The sales under this scheme aggregated to Rs. 67.5 crores. The rate of dividend under this scheme has been fixed at 12 per cent to 13 per cent per annum and the dividend is payable on a half yearly basis.

At the end of June 1982, units sold and outstanding with the public under all the Schemes of the Trust aggregated to Rs. 555.5 crores as against Rs. 425.4 crores at the end of June 1981. The Unit Scheme 1964 accounted for the major share at Rs. 433.2 crores.

With the objective of reaching out to the semi-urban and rural areas and of extending prompt and personalised service to the unit holders, the Trust opened one more sub-office at Vijaywada in Andhra Pradesh, during the year in addition to two sub-offices, one at Ludhiana in Punjab and the other at Trichur in Kerala opened during the last year.

The Trust stepped up the rate of dividend for the year 1981-82 to 12.50 per cent from 11.50 per cent in respect of the Unit Scheme 1964 and to 9.50 per cent from 8.75 per cent in respect of the Unit Scheme 1971.

The investible funds of the Trust rose to Rs. 679.2 crores as on June 30, 1982 from Rs. 523.2 crores at the end of the previous year. Out of the total investible funds, equity shares claimed Rs. 152.3 crores (22.4 per cent), preference shares Rs. 13.6 crores (2.0 per cent) and debentures Rs. 195.3 crores (28.7 per cent). The balance Rs. 318.0 crores (46.9 per cent) were mainly invested in advance deposits against investment commitments, fixed deposits, bridge finance and money at call and short notice.

(vii) The Industrial Reconstruction Corporation of India Ltd.

During the year 1981-82 (April-March), the Industrial Reconstruction Corporation of India Ltd. (IRCI) recorded a significant improvement in its operations. While total assistance (term-loans and hire-purchase assistance) sanctioned during the year more than doubled to Rs. 46.9 crores from Rs. 17.9 crores in 1980-81, disbursements increased by 66.7 per cent to Rs. 28.0 crores from Rs. 16.8 crores in 1980-81. The cumulative sanctions and disbursements since inception of the IRCI upto end-March 1982 aggregated Rs. 143.1 crores and Rs. 110.7 crores, respectively (Table VIII—23). In other words, about 77.4 per cent of the sanctions had been utilised by the end of March 1982.

Assistance sanctioned and disbursed to the projects located in specified backward areas

Table VIII-23 : Financial Assistance Sanctioned and Disbursed by Industrial Reconstruction Corporation of India Ltd.

(Rupees crores)

Year (April-March)	Number of Units	Sanctioned	Disbursed
1	2	3	4
1980-81	34 (5*)	17.9	16.8
1981-82	74 (38*)	46.9	28.0
Cumulative position as at the end of March 1982	137	143.1	110.7

*Number of fresh units for which assistance was sanctioned during the year and also included in the total.

increased substantially from Rs. 2.8 crores and Rs. 1.1 crores in 1980-81 to Rs. 12.1 crores and Rs. 4.9 crores, respectively, in 1981-82. Assistance sanctioned to projects in small-scale industries sector at Rs. 1.8 crores also registered a rise of Rs. 1.6 crores while disbursements at Rs. 34 lakhs were more or less at the last year's level. Sanctions to projects in public sector and private sector amounted to Rs. 7.6 crores and Rs. 39.3 crores and disbursements to Rs. 7.3 crores and Rs. 20.7 crores, respectively, during 1981-82.

Interest Rates

In view of the increasing cost of funds to the IRCI, the rates of interest charged on loans by it were revised upward with effect from April 1,1982. The normal rate of interest charged by the IRCI for all purposes (including hire-purchase) was raised from 9.15 per cent to 12.50 per cent. However, the rate of interest charged to small-scale industries and on finance provided under the Lines of Credit Scheme through the State-level institutions remained unchanged at 8.15 per cent. Interest rate for working capital loans and assistance for renovation and modernisation of very weak units has been raised from 13.45 per cent and 8.10 per cent to 14.00 per cent and 10.25 per cent, respectively. Where the finance is provided by the IRCI in consortium with other financial institutions, the rate of interest is the same as charged by other participating institutions.

(viii) Operations of State Financial Corporations

Operations of State Financial Corporations (SFCs) during 1981-82 showed a marked improvement over the preceding year. Total assistance of Rs. 514.3 crores sanctioned by the 18 SFCs (including the Tamil Nadu Industrial Investment Corporation Ltd.) during 1981-82 (April-March) was 34.2 per cent higher than Rs. 383.3 crores sanctioned during 1980-81 (Table VIII-24). The amount of assistance disbursed during the year also went up by 26.9 per cent to Rs. 316.0 crores from Rs. 249.1 crores in 1980-81. Total loans outstanding as at the end of March 1982 stood at Rs. 1,206.7 crores as compared with Rs. 969.7 crores as at the end of March 1981. State-wise, the Andhra Pradesh SFC maintained its leading position with sanctions of Rs. 61.9 crores and disbursement of Rs. 37.4 crores during 1981-82. A significant development in SFCs' operations during the year under review was the considerable step-up in assistance extended by the SFCs of practically all the States except Himachal Pradesh, Kerala, Maharashtra and Punjab. The assistance sanctioned by majority of SFCs showed increases varying between 23 per cent (in the case of Rajasthan) and more than 300 per cent (in the case of Assam) during 1981-82 over 1980-81 whereas in Himachal Pradesh, Maharashtra and Punjab it was 5 per cent, 2 per cent and 17 per cent, respectively. Kerala was the only State where the amount sanctioned by the SFC declined by more than fifty per cent.

Table VIII-24 : Operations of State Financial Corporations

(Rupees crores)

	1980-81 (April-March)	1981-82 (April-March) (Provisional)
Loans Sanctioned ..	383.3	514.3
Loans Disbursed ..	249.1	316.0
Loans Outstanding as at the end of March ..	969.7	1206.7

Source: Industrial Development Bank of India.

(ix) The National Small Industries Corporation Ltd.

The National Small Industries Corporation Ltd., (NSIC), established primarily to assist small industries in obtaining a fair share of Government contracts, gradually diversified its activities. The emphasis now is on the development of backward and rural areas, identified as priority areas from time to time. The NSIC also gives publicity to the products of small-scale industries by participating in various national and international exhibitions and thus helps the small units in exporting their products. Table VIII-25 furnishes the details of the NSIC's operations during 1981-82 (April-March) in respect of its traditional functions, *viz.*, (*i*) supply of machinery and equipment on hire-purchase basis to the existing as well as prospective small-scale units, (*ii*) providing of marketing support to units in small-scale sector through its Government Purchase Programme, (*iii*) development of prototypes of certain machines for commercial exploitation by small-scale units and (*iv*) providing of training to artisans in small-scale units in various trades through its Prototype Development and Training Centres (PDTCs).

Table VIII-25 : Business Turnover of NSIC

Type of Activities	1980-81 (April-March)	1981-82 (April-March)
1	2	3
1. Value of machines supplied under hire-purchase scheme to small-scale units (Rupees crores)	8.31	7.46
2. Exports (Rupees crores)	3.54	1.95
3. Small-scale units registered for executing Government contracts (Nos.)	1401	1625
4. Contracts secured under Central Government Store Purchase Programme		
Nos.	2179	2022
Value (Rupees crores)	71.87	82.29
5. Number of trainees at various PDT Centres (As at the end of March)	563	617

Under its hire-purchase scheme, NSIC supplied machines worth Rs. 7.5 crores as against Rs. 8.3 crores during the previous year. The total amount due from the hirers of machines under the scheme stood at Rs. 4.9 crores.

Under its marketing programme, the NSIC continued to help small-scale units in marketing their products by assisting them to form consortia of their units for the supply of handmade paper, starch, electric fans and air pollution control equipment.

Under the Government store purchase programme, the NSIC acts as a liaison agency for Government, and during 1981-82 it secured 2,022 contracts worth Rs. 82.3 crores as compared with 2,179 contracts for Rs. 71.9 crores secured during 1980-81.

The NSIC is also engaged in export of projects on turn-key basis to developing countries like Tanzania, Nigeria and Kenya. It has already executed more than 50 projects in these countries. Countries like Uganda,

Yemen and Mauritius have also shown interest in importing turn-key projects.

The NSIC continued to design different training programmes in its four Prototype Development and Training Centres. By the end of March 1982, training programmes had been arranged for 617 persons. Of these, 240 trainees hailed from industrially backward and rural areas for whom special courses are being run from July 1979.

(x) The National Industrial Development Corporation Ltd.

The National Industrial Development Corporation Ltd., (NIDC) which was set up in 1954 as a Government company has been rendering consultancy services for industrial development including the provision of detailed designs and engineering services to industrial projects. The services of the NIDC are made use of not only by the Central and State Governments, public and private sector enterprises in India but also by the United Nations and Foreign Governments and entrepreneurs abroad.

During the year 1981-82 (April-March), the NIDC took up ten new projects in India for providing detailed designs and engineering services, preparation of feasibility reports, conducting market surveys, etc., in addition to 13 projects already on hand. The major new projects taken up during the year included (a) detailed design and engineering works for setting up (*i*) a 30 lakhs CKM cable factory at Hyderabad for Hindustan Cables Ltd., (*ii*) a jute mill in Bihar for Bihar State Industrial Development Corporation Ltd., and (*iii*) seed processing and storage complexes at Sirsa (Haryana), Bhubneshwar (Orissa), Kanpur, Faizabad and Mathura (Uttar Pradesh), for the National Seeds Corporation; (b) preparation of feasibility report for setting up (*i*) aluminia plant at Ratnagiri in Maharashtra for SICOM and (*ii*) Ophthalmic glass project for the Bharat Ophthalmic Glass Ltd. (c) preparation of detailed project reports for setting up of projects of (*i*) wrist watches and light commercial vehicles for the Hyderabad Allwyn and (*ii*) a plywood factory for the Director of Industries, Mizoram and (d) conducting of market surveys for the setting up of (*i*) 2 ethyle hexanol project, (*ii*) cinema arc carbon project, (*iii*) electric resistance wire project and (*iv*) alcohol from potato project in U. P. for Pradeshiya Industrial and Investment Corporation of U. P., Ltd.

As regards activities abroad, besides continuing the work on three projects in Tanzania and one each in the Algeria and Zanzibar, the NIDC took up during 1981-82 a new assignment of preparing techno-economic feasibility reports for eight product groups identified in the Regional Industrial Development Planning Studies of Misurata Sirte and Fezzan-Al-Jufra of Libya for Industrial Research Centre, Tripoli, Libya.

The value of the consultancy services rendered by the NIDC during 1981-82 amounted to Rs. 1.5 crores. The net foreign exchange earned by the NIDC aggregated to Rs. 54.3 lakhs during the year under review as against Rs. 99.0 lakhs last year.

III. (i) Financing of Small-Scale Industries by Scheduled Commercial Banks

Loans and advances by scheduled commercial banks to small-scale industries, small road and water transport operators and for setting up of industrial estates recorded further rise during the year 1980. Total credit limits in force, (including term-loans and advances to craftsmen and other qualified entrepreneurs), extended by scheduled commercial banks to 7,94,436 small-scale industrial units* at the end of December 1980 amounted to Rs. 3,933.0 crores as against Rs. 3,303.5 crores to 6,80,731 units at the end of December 1979. While the number of units availing of credit limit increased by 1,13,705 or 16.7 per cent, the amount of loan limit availed of rose by Rs. 629.5 crores or 19.1 per cent. The average amount of credit limits sanctioned per unit remained unchanged at the previous year's level of Rs. 0.49 lakh. The amount outstanding at the end of December 1980 stood at Rs. 3,136.5 crores i.e., higher by Rs. 503.7 crores or 19.1 per cent than that at the end of December 1979 (Table VIII-26).

* Industrial units with investments in plant and machinery upto Rs. 20 lakhs and in case of ancillary units upto Rs. 25 lakhs.

Table VIII-26: Loans and Advances by Scheduled Commercial Banks to Small Scale Industries, Small Road and Water Transport Operators and for Setting up Industrial Estates

Particulars as on the last Friday of	Number of Units				Limits in Force (Rupees crores)				Balance Outstanding (Rupees crores)			
	December 1979	December 1980	Increase/Decrease during		December 1979	December 1980	Increase/Decrease during		December 1979	December 1980	Increase/Decrease during	
			1980	1979			1980	1979			1980	1979
1	2	3	4	5	6	7	8	9	10	11	12	13
I. Small-Scale Industries	680,731 (114,775)	794,436 (131,276)	+113,705 (+16,501)	+122,466 (+6,868)	3303.5 (517.2)	3933.0 (608.1)	+629.5 (+90.9)	532.9 (+91.3)	2632.8 (426.2)	3136.5 (519.9)	+503.7 (+93.7)	+470.1 (+66.0)
Of which to:												
(i) Artisans, Village & Cottage Industries.	295,999	346,291	+50,292	N.A.	65.3	86.0	+20.7	N.A.	51.4	69.4	+18.0	N.A.
(ii) Tiny Sector ..	112,400	148,258	+35,858	N.A.	189.6	247.5	+57.9	N.A.	165.4	203·3	+37.9	N.A.
II. Small Road and Water Transport Operators..	255,943	290,965	+35,022	+28,921	632.4	823.4	+191.0	+118.5	513.8	667.2	+153.4	+98.6
III. For Setting-up of Industrial Estates	222	179	—43	—39	32.0	42.7	+10.7	+2.1	29.1	34.9	+5.8	+1.8

Note: 1. Data are provisional.

2. Data in brackets relate to term-loans.

Of the total limits in force, Rs. 86.0 crores were in respect of artisans, village and cottage industries and Rs. 247.5 crores in respect of units in the tiny sector@. The corresponding figures at the end of December 1979 in respect of these two categories were Rs. 65.3 crores and Rs. 189.6 crores, respectively. The amounts outstanding at the end of December 1980 in respect of artisans, village and cottage industries were Rs. 69.4 crores and in respect of tiny sector Rs. 203.3 crores as against Rs. 51.4 crores and Rs. 165.4 crores, respectively, a year ago.

The craftsmen and other qualified entrepreneurs numbering 78,206 availed of a total credit of Rs. 116.1 crores from scheduled commercial banks forming 3.7 per cent of the total credit to small-scale industries.

Term-Loans

Term-loans sanctioned by scheduled commercial banks to small-scale industrial units in 1980 recorded a rise of Rs. 90.9 crores to Rs. 608.1 crores. The amount of term-loans outstanding as at the end of December 1980 stood at Rs. 519.9 crores spread over 1.31 lakh units.

Loans and Advances to Small Road and Water Transport Operators

Loans and advances sanctioned by scheduled commercial banks to small road and water transport operators as at the end of December 1980 amounted to Rs. 823.4 crores and the amount outstanding at Rs. 667.2 crores. The increase in 1980 in limits sanctioned and the amount outstanding were of the order of Rs. 191.0 crores and Rs. 153.4 crores, respectively. Of the total outstandings at Rs. 667.2 crores, a little more than one-fourth were availed of by taxis, scooters and auto-rickshaw drivers and persons plying boats and barges.

Advances for Setting-up of Industrial Estates

The credit limits sanctioned by scheduled commercial banks for setting up of 179 industrial estates aggregated to Rs. 42.7 crores and the amount outstanding was Rs. 34.9 crores at the end of December 1980.

@ Industrial units located in villages and towns with population not exceeding 50,000 (1971 census) and with original investment in equipment and machinery upto rupees one lakh.

(ii) Credit Guarantee Scheme for Small Scale Industries

The credit guarantee scheme for small-scale industries, viz., the Small Loans (Small-Scale Industries) Guarantee Scheme, 1981, was introduced by the Deposit Insurance and Credit Guarantee Corporation (DICGC) in place of the Government of India's Credit Guarantee Scheme for small-scale industries, with effect from April 1, 1981. The DICGC took over liabilities and obligations of the Government in respect of the accounts in default as on March 31, 1981 when the erstwhile scheme of Government ceased to operate.

The new scheme provides guarantee support to all eligible credit institutions assisting industries in the small-scale and priority sector. While the essential features of the erstwhile scheme have been incorporated in the new scheme, the terms and conditions of the new scheme have been so designed as to ensure that the guarantee support under the scheme is weighted in favour of the weakest of the weaker sections of the society.

A concessional rate of guarantee-fee of 1/2 per cent per annum is payable in regard to advances to smaller borrowers availing of credit facilities not exceeding Rs. 25,000 as against the usual rate of 3/4 per cent per annum.

The guarantee is as much as 90 per cent in the case of borrowers having credit facilities not exceeding Rs. 25,000 and 75 per cent for borrowers having credit facilities of over Rs. 25,000 but not exceeding Rs. 2 lakhs. In regard to other borrowers, the guarantee cover is to the extent of 50 per cent but in the case of small-scale industries located in backward districts a higher guarantee cover of 66-2/3 per cent is provided. The highest guarantee cover of 90 per cent is also provided in respect of advances to technician entrepreneurs subject to certain monetary limits.

The new scheme stipulates a combined ceiling of Rs. 10 lakhs in regard to the claim

liabilities in respect of term-loans and working capital finance.

The participation in the scheme is voluntary and is open to all commercial banks, regional rural banks (RRBs), State financial corporations (SFCs) and also to certain other term-lending institutions and co-operative banks approved by the DICGC in this behalf. Till the end of June 1982, 285 credit institutions, comprising 71 commercial banks, 71 Regional Rural Banks, 126 co-operative banks, 13 SFCs and 4 State development agencies have joined the new scheme by executing the prescribed agreements and paying the necessary guarantee fee.

As on March 31, 1981, i.e., the date of cancellation of the old scheme, 30,826 claims for Rs. 98.2 crores were pending with the erstwhile Credit Guarantee Organisation and these were transferred to the DICGC. During the period April 1981 to June 1982, 20,148 claims for Rs. 32.9 crores were received apart from 3,225 claims for an aggregate amount of Rs. 5.4 crores received under the new scheme. In all, 14,330 claims for Rs. 22.3 crores were disposed of during the period.

IV. Investment in Private Corporate Sector

The trends in capital consents, capital issues, capital raised and assistance extended by term-financing institutions as discussed in the preceding paragraphs reflect an improvement in investment activity of the private corporate sector during 1981-82. Other broad indicators of the investment of private corporate sector, such as issuance of letters of intent and industrial licences and foreign collaboration approvals particularly during the first half of 1982, as also the issue of import licences for capital goods and heavy electrical plants during the financial year 1981-82 further corroborate this trend.

The number of letters of intent and foreign collaboration approvals increased during January-June 1982 to 427 and 257 from 402 and 169, respectively, in the first half of 1981. Similarly, the number of industrial licences issued at 260 recorded a rise of 48 during the first half of 1982 (Table VIII-27).

Table VIII-27: Trends in Issue of Letters of Intent and Industrial Licences and Foreign Collaboration Approvals

(Numbers)

Year	Letters of Intent	Industrial Licences	Foreign Collaboration Approvals
1	2	3	4
1979	550	365	267
1980	946	475	526
1981	916	476	389
January-June			
1981	402	212	169
1982	427	260	257

Source: Ministry of Industry, Government of India.

The value of import licences issued to the private sector during 1981-82 for import of capital goods and heavy electrical plants was higher at Rs. 526 crores, as compared to the value of import licences of Rs. 405 crores issued during 1980-81 (Table VIII-28).

Table VIII-28: Trends in Import Licences for Capital Goods and Heavy Electrical Plants

(Rupees crores)

Year (April-March)	Value of Import Licences		
	Government	Private	Total
1	2	3	4
1979-80	452 (+35.3)	285 (+25.6)	737 (+31.4)
1980-81	722 (+59.7)	405 (+42.1)	1127 (+52.9)
1981-82	1234 (+70.9)	526 (+29.9)	1760 (+56.2)

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

Source: Chief Controller of Imports and Exports.

Indian Joint-Ventures Abroad

India's efforts in encouraging and promoting joint-enterprises abroad are very recent, but Indian enterprises, particularly in the private sector have shown a keen interest in joint-ventures. For many enterprises these ventures have become a significant part of their development strategy. A number of companies belonging to the public sector have also come forward to set up joint-ventures in diverse fields such as machine tools, engineering contracts, fertilizers, etc. As at the end of June 1982, there were 228 effective joint-ventures of which 134 were in operation and 94 under various stages of implementation (Table VIII-29). These ventures are located in 37 countries, both developing and developed ones. Prominent among these countries are Malaysia, Singapore, Indonesia, Kenya, Nigeria, Thailand, the U. K. and the U. S. A.

As at the end of June 1982, Indian investment by way of equity share in these ventures aggregated to Rs. 120.4 crores; Rs. 46.4 crores in the ventures in operation and Rs. 74.0 crores in the ventures under implementation. Of the 134 joint-ventures in operation as on June 30, 1982, the largest number was in the field of light engineering, followed by textiles and allied products, trading and marketing, hotels and restaurants, and chemicals and pharmaceuticals.

The new fields of joint-ventures being established include tea blending and packing, tea auction centres, merchant banking and exchange company and phosphatic fertilisers and phosphatic acid.

Table VIII-29 : Indian Joint-Ventures Abroad

As at end-December	In Operation		Under Implementation		Total	
	No. of Joint-Ventures	Indian Equity (Rs. crores)	No. of Joint-Ventures	Indian Equity (Rs. crores)	No. of Joint-Ventures	Indian Equity (Rs. crores)
1	2	3	4	5	6	7
1980	115	35.49	92	59.18	207	94.67
1981	125	42.10	97	75.06	222	117.16
1982 (June)	134	46.37	94	74.00	228	120.37

Sources: Ministry of Commerce, Government of India for 1980 and 1981 data and the Report of FICCI "Workshop on Indian Joint-Ventures Abroad and Project Exports" for 1982 data.

Chapter IX

Developments in Foreign Trade

I. Trends in India's Foreign Trade —1981-82 (April-March)

Overall Trends

On the foreign merchandise trade front, the rapid deterioration in the trade position noticed in the preceding three years was arrested during the year. According to the provisional figures of the Director General of Commercial Intelligence and Statistics (DGCI&S) as revised upto June 1982, the merchandise trade deficit which had risen sharply from Rs. 1,089 crores in 1978-79 to Rs. 2,449 crores in 1979-80 and further to Rs. 5,813 crores in 1980-81, narrowed down to Rs. 5,779 crores during 1981-82. Although the overall trade position is still disturbing, it is encouraging to note that the improvement in the trade position was due more to the rise in the rate of growth of exports than to the deceleration in the rate of growth in imports.

Exports

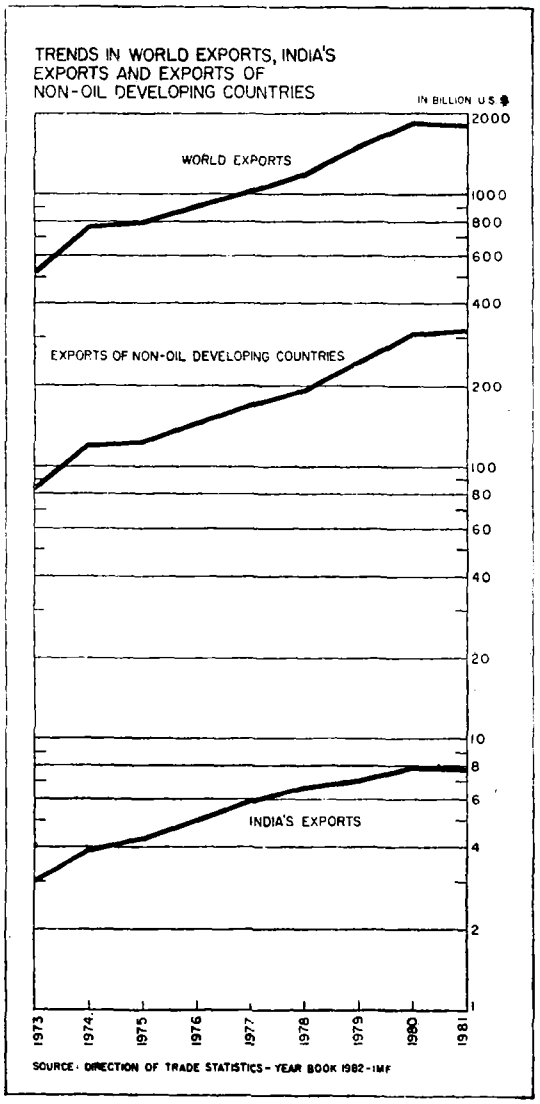
Aggregate exports (including re-exports) during 1981-82, according to the up-dated but still provisional figures, are placed at Rs. 7,781 crores, showing an increase of Rs. 1,070 crores or 15.9 per cent over the year as against a rise of Rs. 252 crores or 3.9 per cent to Rs. 6,711 crores in 1980-81.

The international trading environment during the past year, characterised as it was by a deepening of the recessionary tendencies, rising unemployment and widespread resort to restrictive and protectionist trade practices in industrial countries, if anything, worsened further; and reflecting this, world trade during 1981, according to the Direction of Trade Year Book 1982, (a publication of International Monetary Fund), declined by two per cent in value terms over the level in 1980. Viewed against this background, India's export performance during 1981-82 was impressive. The share of India in world exports, which had been shrinking steadily from 0.57 per cent in 1977 to a low of 0.42 per cent in 1980, registered in 1981 a increase to 0.43 per cent (*vide* chart marginal on page 298).

The encouraging progress in general economic conditions, a marked step up (in the economic activities) in the key sectors of the economy and the improvement in the infrastructural facilities for export production aided the increase in exports. Needless to say, the export promotion measures taken by the Government of India in recent years, such as liberalisation of facilities for import of technology and for imports of ancillaries required for production for export purposes, arrangement for the supply of raw materials at international prices for export production, setting up of free trade zones and providing other liberal facilities for export-oriented units, and the establishment of the Export-Import Bank assisted in the export growth.

Though detailed classification of exports is not yet available, the provisional data on the value of exports as released by the DGCI & S in respect of a few major commodities are set out in Table-IX-1. The data available are reviewed in brief in the following paragraphs, supplemented with information furnished by the Export Promotion Councils/Commodity Boards. It should be pointed out here that the data on aggregate level of exports are revised from time to time but the commodity break-up for the revisions is not available. As will be seen from the table, the export performance during 1981-82 in respect of a number of growth items like machinery and transport equipment, chemicals and allied products, gems and jewellery, ready-made garments, rice and marine products showed substantial increases.

Export earnings from machinery and transport equipment increased from Rs. 525 crores



in 1980-81 to Rs. 606 crores in 1981-82 showing a rise of Rs. 81 crores or 15 per cent which was in no small measure due to the promotional efforts and improvements in the infrastructural facilities referred to earlier.

Export earnings from gems and jewellery which had recovered somewhat in 1980-81, after a sharp decline in export in 1979-80 due to the recessionary conditions in overseas markets, improved further in 1981-82 to Rs. 692 crores showing an increase of Rs. 74 crores or 12 per cent over that of 1980-81. Export earnings from rice increased sharply in 1981-82 by Rs. 119 crores or 53 per cent to Rs. 343 crores over that of the previous year. On the basis of details available from the Processed Foods Export Promotion Council, the increase was brought about mainly by an increase in the quantum.

Exports of chemicals and allied products were higher by Rs. 120 crores or 53 per cent at Rs. 345 crores. According to information available from the Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council, a large proportion of the increase was accounted for by the group glycerine, soaps, cosmetics etc; next in importance being drugs, pharmaceuticals and fine chemicals which also accounted for a sizeable part of the increase. On the other hand, exports of crude drugs and dyes intermediates group showed small declines. Exports of ready-made garments advanced over the year by Rs. 109 crores or by 23 per cent from Rs. 481 crores in 1980-81 to Rs. 590 crores in 1981-82. Export earnings from marine products which had declined by Rs. 36 crores to Rs. 217 crores during 1980-81 due to lower offtake by Japan and the USA, showed during 1981-82 a rise of Rs. 51 crores or 24 per cent to Rs. 268 crores. The rise was, according to the Export Promotion Council, entirely due to increase in the unit value realisation, the quantum having shown a fall this year. A substantial portion of the increase came from larger exports of frozen shrimps, particularly to Japan. Among others, the more important commodities which showed increases were iron ore, cashew kernels, unmanufactured tobacco and leather and leather manufactures. Export earnings from cashew kernels have gone up by Rs. 28 crores or by 20 per cent to Rs. 168 crores. Here again the increase was, according to the Export Promotion Council, due to an increase in unit value realisation, the quantum having declined as a result of lower offtake chiefly by the USA, the Netherlands and Japan during the year, though it was partly offset by larger imports by the U.S.S.R. Export earnings from unmanufactured tobacco were significantly higher during the year as compared with that of last year. According to data made available by the Tobacco Board, exports of unmanufactured tobacco went up from Rs. 124 crores in 1980-81 to Rs. 197 crores in 1981-82 showing a rise of Rs. 73 crores or 59 per cent. The rise was contributed by increases in the quantum as

Table IX—1 : India's Principal Exports

(Rupees crores)

Commodities	1979-80	1980-81	1981-82	Increase(+)/Decrease(—) of col. 4 over col. 3	
				Absolute	Percentage
1	2	3	4	5	6
Tea	368	425	371	— 54	—12.7
Coffee	163	214	130	— 84	—39.3
Tobacco, unmanufactured	102	124	197	+ 73	+58.9
Sugar	129	38	40	+ 2	+ 5.3
Cashew kernels	118	140	168	+ 28	+20.0
Oil cakes	128	125	139	+ 14	+11.2
Spices	149	111	94	— 17	—15.2
Marine products	253	217	268	+ 51	+23.5
Rice	123	224	343	+ 119	+53.1
Cotton, raw	75	165	35	— 130	—78.9
Iron ore	285	303	343	+ 40	+13.2
Manganese ore	13	13	9	— 4	—30.8
Mica	21	18	28	+ 10	+55.6
Cotton yarn	15	25	20	— 5	—20.0
Cotton fabrics	287	332	251	— 81	—24.4
Ready-made garments	460	481	590	+ 109	+22.7
Made-up articles wholly or chiefly of cotton n.e.s. ..	78	97	104	+ 7	+7 .2
Fabrics of man-made fibres	32	31	34	+ 3	+ 9.7
Silk fabrics	19	22	26	+ 4	+18.2
Jute manufactures	336	330	249	— 81	—24.5
Coir & coir manufactures	36	17	24	+ 7	+41.2
Leather & leather manufactures (excl. footwear)	486	337	374	+ 37	+11.0
Footwear	34	40	N.A.	—	—
Chemicals & allied products	198	225	345	+ 120	+53.3
Gems & Jewellery	543	618	692	+ 74	+12.0
Carpets, handmade	140	164	172	+ 8	+ 4.9
Metal manufactures	217	199	201	+ 2	+ 1.0
Machinery & transport equipment	447	525	606	+ 81	+15.4
Iron & steel (including manufactures)	105	82	70	— 12	—14.6
A. Total of above items	**5,360**	**5,642**	**5,923**	**+ 281**	**+ 5.0**
B. Grand Total	**6,418**	**6,711**	**7,358**	**+ 647**	**+ 9.6**

Note : Aggregate exports for 1979-80 & 1981-82 have been further revised to Rs. 6,459 crores & Rs. 7,781 crores respectively for which commodity-wise details are not available.

Source : DGCI & S.

well as higher unit value realisation. Export of leather and leather manufactures, which had shown a decline from Rs. 486 crores in1979-80 to Rs. 337 crores in 1980-81 due to recession in the international markets, recovered partially to Rs. 374 crores in 1981-82. In contrast, the exports of some of the commodities like tea, jute manufactures, cotton textiles, coffee and spices, which have traditionally been the major foreign exchange earners, suffered declines during the year. In the case of tea, during 1981-82, both the quantity and value are reported to have registered declines, export earnings having declined from Rs. 425 crores to Rs. 371 crores or by 13 per cent. A large part of the decline is attributed to the fall in the unit value from Rs. 18.78 per kg. in 1980-81 to Rs. 17.98 per kg. in 1981-82. Export of jute manufactures suffered a decline in 1981-82 for the second year in succession. As compared with last year, exports at Rs. 249 crores were lower by Rs. 81 crores or by 25 per cent due, reportedly, to the fall in both the quantum as well as unit value realisation. The bulk of the decline is attributed to the fall in exports of hessian due again to lower unit values. Exports of carpet backing are reported to have shown a rise during 1981-82. In the case of coffee, the increase in world production and availabilities depressed the price. In the London market, the annual average price of coffee declined from £ 1,211 per tonne in 1980-81 to £ 1,084 per tonne in 1981-82. Consumption of coffee in the USA, the world's largest market, has also been on the decline recently. India's exports of coffee at Rs. 130 crores in 1981-82 showed a decline of Rs. 84 crores or 39 per cent attributable, reportedly to the fall in quantity as well as unit value. Export of spices which suffered a set-back during the last two years, dwindled further during 1981-82, its value having declined from Rs. 111 crores in 1980-81 to Rs. 94 crores in 1981-82 or by 15 per cent. The set-back has been due mainly to severe competition from other producing countries, in particular, Indonesia, Brazil and Malaysia in the case of pepper and Guatemala in the case of cardamom. The decline was attributable, according to the Spices Export Promotion Council, to the declines in both quantities as well as unit values of almost all the major items viz., pepper, cardamom, turmeric and chili.

Imports

The uptrend in imports in evidence during the past four years continued during 1981-82 also, though the pace had significantly slackened, imports having risen by only 8 per cent as against a rise of 41 per cent recorded in 1980-81. As in the case of exports, though fuller details of commodity composition of imports are not available as yet, on the basis of the partial data released by the DGCI &S presented in Table IX— 2 and other relevant information available in this regard, a brief analysis of the composition pattern is outlined in the following paragraph.

The outlay on imports of POL items registered, during the year, a fall estimated around Rs. 105 crores or 2 per cent over the level in 1980-81. Other items which registered significant declines included manufactured fertilisers, edible oils, non-ferrous metals and pearls, precious and semi-precious stones. However, the shrinkage in the import bill on account of these commodities seems to have been more than offset by increased imports of several other items which included iron and steel, wheat, synthetic fibres, paper, paper boards and manufactures, chemicals, machinery and transport equipment, manufactures of metals etc., as is evident from the steep increases in their values.

Direction of Trade

Data on the direction of India's foreign trade which are available on a provisional basis for the full financial year 1980-81 and only for six months (April - September '81) for 1981-82 are set out in Table IX—3 alongwith the corresponding figures for the previous year.

India's foreign merchandise trade during 1980-81 showed an adverse trade balance of Rs. 5,813 crores which was of an unprecedented magnitude and was larger by Rs. 3,364 crores than the level of Rs. 2,449 crores recorded during 1979-80. The more important among the regions which accounted for the increase in the deficit were the ESCAP, the ECM and North America. India's trade deficit with the ESCAP group of countries in 1980-81 at Rs. 1,858 crores was more than five times that of Rs. 357 crores in 1979-80.

Table IX—2 : India's Principal Imports

(Rupees crores)

Commodities	1979-80	1980-81	1981-82	(Increase (+)/Decrease(—) of col. 4 over col. 3	
				Absolute	Percentage
1	2	3	4	5	6
Petroleum, petroleum products and related materials ..	3,267	5,266	5,161	— 105	— 2.0
Fertilizers, crude	60	63	67	+ 4	+ 6.3
Fertilizers, manufactured	371	590	361	— 229	—38.8
Iron and steel	834	779	1,076	+ 297	+38.1
Non-ferrous metals	336	424	299	— 125	—29.5
Paper, paper-board and manufactures thereof	155	176	235	+ 59	+33.5
Vegetable oils, fixed (edible oil)	430	568	315	— 253	—44.5
Organic chemicals	197	191	201	+ 10	+ 5.2
Inorganic chemicals	117	133	154	+ 21	+15.8
Machinery and transport equipment	1,368	1,573	1,584	+ 11	+ 0.7
Cereals and cereal preparations, of which:	106	76	228	+ 152	+200.0
Wheat	84	58	193	+ 135	+232.8
Pearls, precious and semi-precious stones	347	388	346	— 42	—10.8
Synthetic and regenerated fibre	108	90	162	+ 72	+80.0
Artificial resins, plastic material etc.	95	117	105	— 12	—10.3
Manufactures of metals	62	79	89	+ 10	+12.7
A. Total of above items	**7,853**	**10,513**	**10,383**	**—130**	**— 1.2**
B. Grand Total	**9,022**	**12,524**	**13,447**	**+923**	**+ 7.3**

Note: Aggregate imports for 1979-80 and 1981-82 have been further revised to Rs. 8,908 crores and Rs. 13,560 crores respectively for which commodity-wise details are not available.

Source : DGCI & S.

This was mainly the result of a fall in exports, from Rs. 1,651 crores to Rs. 1,541 crores in the face of a phenomenal increase in imports from Rs, 2,008 crores to Rs. 3,399 crores during the period. Larger imports of POL items from Iran were primarily responsible for the increase in imports from this region.

India's trade transactions with the ECM countries showed in 1980-81 a wide trade deficit of Rs. 1,268 crores, larger by Rs. 842 crores than the level of Rs. 426 crores recorded in 1979-80. This was attributable to the increased deficits with the UK, West Germany, the Netherlands and Italy. Exports to ECM at Rs. 1,464 crores during 1980-81 were lower by 16.4 per cent than the level of Rs. 1,751 crores in 1979-80, which incidentally, reduced the share of the region in India's total exports from 27.1 per cent in 1979-80 to 21.8 per cent in 1980-81. In contrast, imports from this region, went up from Rs. 2,177 crores to Rs. 2,732 crores or by 25.5 per cent during the period.

Trade with North America, comprising the USA and Canada, showed a sharp increase in the adverse trade balance from Rs. 273 crores in 1979-80 to Rs. 874 crores in 1980-81. This was brought about by a marginal in-

Table IX-3: Regional Pattern of India's Trade

(Rupees crores)

Regions	Exports				Imports				Trade Balance			
	April-March		April-September		April-March		April-September		April-March		April-September	
	1979-80	1980-81	1980	1981*	1979-80	1980-81	1980	1981*	1979-80	1980-81	1980	1981*
1	2	3	4	5	6	7	8	9	10	11	12	13
1. E.C.M.	1751 (27.1)	1464 (21.8)	596 (20.9)	651 (19.6)	2177 (24.1)	2732 (22.0)	1380 (23.9)	1304 (21.8)	— 426	— 1268	— 784	— 653
2. E.F.T.A.	168 (2.6)	165 (2.5)	69 (2.4)	75 (2.3)	253 (2.8)	347 (2.8)	158 (2.7)	135 (2.3)	—85	— 182	—89	— 60
3 North America ..	880 (13.6)	913 (13.6)	349 (12.2)	443 (13.3)	1153 (12.8)	1787 (14.4)	753 (13.0)	681 (11.4)	— 273	— 874	— 404	— 238
4. East European Countries	892 (13.8)	1435 (21.4)	620 (21.7)	819 (24.6)	1118 (12.4)	1288 (10.4)	476 (8.2)	757 (12.7)	— 226	+ 147	+ 144	+ 62
5. E.S.C.A.P.	1651 (25.6)	1541 (23.0)	662 (23.2)	731 (22.0)	2008 (22.3)	3399 (27.3)	1418 (24.5)	1663 (27.8)	— 357	—1858	— 756	— 932
6. Rest of Asia & Oceania	701 (10.9)	701 (10.4)	336 (11.8)	372 (11.2)	1949 (21.6)	2149 (17.3)	1235 (21.4)	962 (16.1)	—1248	—1448	— 899	— 590
7. Africa	348 (5.4)	428 (6.4)	194 (6.8)	197 (5.9)	207 (2.3)	247 (2.0)	86 (1.5)	211 (3.5)	+ 141	+ 181	+ 108	— 14
8. L.A.F.T.A.	17 (0.3)	18 (0.3)	8 (0.3)	7 (0.2)	107 (1.2)	336 (2.7)	144 (2.5)	227 (3.8)	— 90	— 318	— 136	— 220
9. Others	51 (0.7)	44 (0.6)	20 (0.7)	31 (0.9)	50 (0.5)	150 (1.1)	132 (2.3)	35 (0.6)	+ 1	— 106	— 112	— 4
10. **Total**	**6,459 (100)**	**6,709 (100)**	**2,854 (100)**	**3,326 (100)**	**9,022 (100)**	**12,435 (100)**	**5,782 (100)**	**5,975 (100)**	**—2,563**	**—5,726**	**—2,928**	**—2,649**

Notes : 1. Figures in brackets represent percentage to total.
2. Aggregate exports for 1980-81 have been further revised to Rs. 6,711 crores and aggregate imports for 1979-80 to Rs. 8,908 crores and for 1980-81 to Rs. 12,524 crores for none of which region-wise classification is available.
3. ESCAP countries include Afghanistan, Australia, Bangladesh, Brunei, Burma, Peoples' Republic of China, Christmas Islands, Cook Islands, Fiji Islands, Gilbert and Ellice Islands, Hong Kong, Indonesia, Iran, Japan, Kampuchea Democratic Republic of (Formerly Khmer), Korea Republic of, Laos, People's Democratic Republic (Laos), Malaysia, Mongolia, Nauru Republic, Nepal, New Zealand, Pakistan, Papua and New Guinea, Philippines Singapore, Solomon Islands, Sri Lanka, Thailand, Tonga, Tuvalu, Republic of Vietnam, Western Samoa.
4. LAFTA includes Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela.
5. "Others" include West European countries not included in ECM and EFTA and South and Central American countries not included in LAFTA.
* Provisional.
@ Includes Yugoslavia.

Source : Annual Report of Ministry of Commerce—1981-82.

crease in exports from Rs. 880 crores to Rs. 913 crores as against a sharp rise in imports from Rs. 1,153 crores to Rs. 1,787 crores. The larger imports from this region were entirely accounted for by the USA.

India's trade transactions with the East European Countries which were in deficit to the extent of Rs. 226 crores in 1979-80, showed in 1980-81 a surplus of Rs. 147 crores following a substantially larger increase in exports from Rs. 892 crores to Rs. 1,435 crores as against the smaller increase in imports from Rs. 1,118 crores to Rs. 1,288 crores. Trade with the USSR, which showed a surplus of Rs. 202 crores in 1980-81 as against a deficit of Rs. 186 crores in 1979-80, was mainly responsible for the reversal in the trend.

Among other regions, India's trade surplus improved with Africa from Rs. 141 crores to Rs. 181 crores, while the trade balance with the Latin American region deteriorated, the deficit having increased from Rs. 90 crores in 1979-80 to Rs. 318 crores in 1980-81. The sharp increase in the trade deficit with the Latin American region was entirely due to the sharp rise in imports from the region mainly from Brazil.

During the first-half of 1981-82 (April-September-81, India's trade deficit at Rs. 2,649 crores was lower by Rs. 279 crores than in the corresponding period of 1980-81. This was largely contributed by the ECM, North America and the rest of Asia and Oceania. India's trade transactions with the ESCAP countries resulted in a larger deficit amounting to Rs. 932 crores as compared with Rs. 756 crores in 1980-81. This was the result of a larger increase in imports (Rs. 245 crores) than in exports (Rs. 69 crores). As a result, the region's share in exports came down by 1 percentage point, while its share in imports went up by 3 percentage points. Almost the entire rise in the trade deficit with this group of countries was attributable to Iran.

The Indo-African trade showed an adverse trade balance of Rs. 14 crores during the first-half of 1981-82 as compared with a surplus of Rs. 108 crores in the corresponding period of 1980-81. This resulted from a near-stagnation in exports to this group as against a rise in imports of Rs. 125 crores during the period. Like-wise, the balance of trade with the Latin American region worsened further, in that the trade deficit increased to Rs. 220 crores during the first half of 1981-82 as compared with Rs. 136 crores in the same period last year. The larger trade deficit was accounted for by Venezuela.

The trade deficit with the rest of Asia and Oceania at Rs. 590 crores during the half-year (April-September 1981) showed a sharp fall from the level of Rs. 899 crores recorded in the same period of 1980-81. This was the result of a modest rise in exports from Rs. 336 crores to Rs. 372 crores, in contrast to a fall in imports from Rs. 1,235 crores to Rs. 962 crores during the period. The region's share in exports was almost maintained at the same level (11 per cent) while its share in imports declined by 5 percentage points to 16 per cent. The sharp fall in the deficit from this region was contributed by Iraq, due mainly to reduced imports of POL items, which registered a steep decline from Rs. 756 crores in 1980-81 to Rs. 127 crores in 1981-82, exports remaining stagnant at around Rs. 30 crores. This was, however, partly offset by larger imports from Saudi Arabia and U.A.E. whose combined imports shot up from Rs. 214 crores in April-September 1980 to Rs. 558 crores in April-September 1981.

During the half-year, exports to North America showed a rise of Rs. 94 crores to Rs. 443 crores, while imports were lower by Rs. 72 crores at Rs. 681 crores resulting in a contraction of the trade deficit from Rs. 404 crores at Rs. 238 crores due largely to India's reduced trade deficit with the USA during the first-half of 1981-82 as compared with the same period of 1980-81. The trade deficit with the ECM countries at Rs. 653 crores during April-September 1981 narrowed by Rs. 131 crores, largely because of a fall in the trade deficit with the UK by Rs. 173 crores which resulted from an increase in exports by Rs. 80 crores as against a fall in imports by Rs. 93 crores.

Import Licences

There was a substantial increase both in the number and value of import licences

issued during the year 1981-82 reflecting both the liberal nature of the licensing policy for actual users as well as the buoyancy in the industrial activity leading to increased demand for imports of raw materials, components and spares thereof. The total number of licences issued in 1981-82 having gone up by 8,304 or 11.9 per cent from 69,766 in 1980-81 to 78,070 and the value thereof by Rs. 2,415 crores or 45.2 per cent from Rs. 5,340 crores to Rs. 7,755 crores (Table IX — 4).

Table IX—4 : Classification of Import Licences issued by Major Categories and Sectors 1979-80 to 1981-82

(Rupees crores)

Category	Year	Total	*Of which*			
			Government Sector	% to total licences issued during the year	Private Sector	% to total licences issued during the year
1	2	3	4	5	6	7
Actual Users (Industrial)	1979-80	686	621	14.8	65	1.6
	1980-81	1,191	1,134	21.2	57	1.1
	1981-82	2,308	2,212	28.5	96	1.2
Actual Users (Non-Industrial) ..	1979-80	205	201	4.8	4	0.1
	1980-81	235	227	4.3	8	0.1
	1981-82	234	228	2.9	6	0.1
Raw Materials (DGTD Units) ..	1979-80	755	291	6.9	464	11.0
	1980-81	743	304	5.7	439	8.2
	1981-82	1,090	449	5.8	642	8.3
Small-Scale Industries	1979-80	212	—	—	212	5.0
	1980-81	216	—	—	216	4.0
	1981-82	233	—	—	233	3.0
Registered Exporters	1979-80	1,090	71	1.7	1,019	24.2
	1980-81	1,422	58	1.1	1,364	25.5
	1981-82	1,763	44	0.6	1,719	22.2
Capital goods/Heavy electrical plants	1979-80	737	452	10.8	285	6.8
	1980-81	1,127	722	13.5	405	7.6
	1981-82	1,760	1,234	15.9	526	6.8
State Trading Agencies	1979-80	208	208	5.0	—	—
	1980-81	206	206	3.9	—	—
	1981-82	157	157	2.0	—	—
Others*	1979-80	313	226	5.4	87	2.1
	1980-81	200	135	2.5	65	1.2
	1981-82	211	153	2.0	58	0.7
Total	**1979-80**	**4,206** (60,094)	**2,071** (5,295)	**49.2**	**2,135** (54,799)	**50.8**
	1980-81	**5,340** (69,766)	**2,786** (4,610)	**52.2**	**2,554** (65,156)	**47.8**
	1981-82	**7,755** (78,070)	**4,476** (4,159)	**57.7**	**3,279** (73,911)	**42.3**

* Include the categories 'Ad-hoc Licences', 'Customs Clearance Permits', 'Director General of Supplies and Disposals Contracts', 'Railway Contracts', 'Government and against Government Contracts', 'Replacement Licences' and 'Co-operative Societies'.

Note : Figures within brackets indicate number of licences issued.

Source : Chief Controller of Imports and Exports.

The value of licences issued to 'acutal users (industrial)' rose substantially from Rs. 1,191 crores in 1980-81 to Rs. 2,308 crores in 1981-82 accounting for nearly one half of the overall increase. Consequently, the share of this category in the total rose from 22 per cent in 1980-81 to nearly 30 per cent in 1981-82. The value of licences issued to the category of 'registered exporters' at Rs. 1,763 crores formed 22.7 per cent of the total whereas this category had accounted for the largest share of 26-27 per cent of the total in each of the past three years. The value of capital goods/heavy electrical plants licences increased by Rs. 633 crores bringing the share of this category in the total to 22.7 per cent, from the previous year's level of 21.1 per cent. Licences issued for import of 'raw materials (DGTD units)' rose by Rs. 347 crores or 46.7 per cent over the year to Rs. 1,090 crores thereby raising the share of this category in the total to 14 per cent—marginally higher than in 1980-81. Among the other categories, the value of licences issued to "actual users (non-industrial)" at Rs. 234 crores showed a marginal decline of Rs. 1 crore while that to the State Trading Agencies at Rs. 157 crores showed a larger decline of Rs. 49 crores. Licences to the residual category of 'others' increased by Rs. 11 crores.

Classified sector-wise, the Government sector accounted for 70 per cent of the net increase over the year, as the value of licences issued to this sector went up by Rs. 1,690 crores (60.7 per cent) to Rs. 4,476 crores. The share of the private sector recorded a smaller increase of Rs. 725 crores (28.4 per cent) raising the value of licences to Rs. 3,279 crores. The gradual improvement in the share of the government sector in the total value of licences,the trend set previously, continued in 1981-82. The share which had risen from 49.2 per cent in 1979-80 to 52.2 per cent in 1980-81 rose further to 57.7 per cent in 1981-82. The private sector's share declined correspondingly from 50.8 per cent in 1979-80 to 47.8 per cent in 1980-81 and to 42.3 per cent in 1981-82.

II. Developments in Foreign Trade Policy

The salient features of India's foreign trade policy for 1981-82 announced in April 1981 were presented in a summary form in the last Report. The more important developments in the field of trade policy and procedures during 1981-82 are briefly indicated below:

Export Policy : 1981-82

In recognition of the need to maximise export earnings in a situation of rising trade deficits and the continuing unfavourable trading environment all round the world, the emphasis of the export strategy continued this year also in keeping export controls to the barest minimum. Broadly, the policy in vogue in 1980-81 was continued during 1981-82 and controls imposed only in respect of a few select commodities whose supply position demanded export restriction in the larger national interest. Thus, while a few more commodities were added to OGL — 3 for free export to all destinations, exports of a few essential commodities of mass consumption were banned.

During 1981-82 ban was imposed on the exports of *i*) silver salts and silver chemicals and compounds, irrespective of the percentage of silver content on June 4, 1981 and ii) silver coins, irrespective of silver content (excluding commemorative proof set coins) on January 2, 1982. At the same time, restrictions on the export of a number of commodities were removed or otherwise liberalised (depending upon the merits of the case). For instance, the ban on the export of cotton seed expeller cake, meat of Indian goat, jaggery and sugar was removed and export of these commodities except sugar was allowed within a limited ceiling. In the case of sugar, export was canalised through the State Trading Corporation under OGL—4 under which the canalising agency may export to any country, except to a country to which export is prohibited by any law for the time being in force. Minimum export prices were fixed for certain commodities like woollen knitwear and sandalwood oil, while in the case of commodities like basmati and other rice, which were already subject to minimum export prices, they were raised to take advantage of the firming up of the international prices. Again, in keeping with the trends in international prices,

minimum export prices of certain grades of barytes and of peanuts were reduced.

Having regard to domestic supply considerations, export of commodities like edible groundnut flour, protein isolate and peanut butter was brought within control and their export was allowed within a limited ceiling. A few more items like fresh vegetables, other than onions and potatoes, basmati rice, were placed under OGL-3 list, under which, any person can export to any country, except the prohibited countries, subject to stipulated conditions.

Adjustment in export duties were made in a flexible manner in keeping with the changing overseas market conditions, and were designed primarily to provide a competitive edge to Indian commodities and/or to raise unit value realisations. Accordingly, following a fall in the international prices of HPS groundnuts, export duty on HPS groundnuts was first reduced—from Rs. 3,000 per tonne to Rs. 1,500 per tonne on groundnut kernels and from Rs. 2,250 per tonne to Rs. 1,125 per tonne on groundnuts in shell—with effect from October 20, 1981 and subsequently abolished with effect from February 15, 1982. As in the last year, international coffee prices showed two-way fluctuations. Export duty on coffee was adjusted accordingly. The duty was abolished on June 19, 1981 when international prices fell from £ 1,072 per tonne on May 2, 1981 to £ 863 per tonne on June 13, 1981. Subsequently, however, export duty at the rate of Re. 0.75 per kg., was levied, effective August 21, 1981, consequent on the increase in the international price from £ 741 per tonne on June 27, 1981 to £ 1,007 per tonne on August 15, 1981. The duty was abolished again on September 10, 1981 when the price eased steadily to £ 874 per tonne on September 5, 1981. The prices hardened again to £ 1,384 on February 13, 1982, whereupon the export duty which was levied at the rate of Re 0.85 per kg, on November 12, 1981 was raised subsequently to Rs 3.00 per kg. on February 17, 1982. The export duty on lumpy iron ore with iron content 63 per cent or more was reduced from Rs. 10.50 per tonne to Rs. 6.00 per tonne with effect from May 20, 1981, after a review of the export of iron ore from India.

During the year, the Government took a number of measures aimed at easing procedural bottlenecks and at creating exportable surpluses and generally to encourage export activity. Procedures for determination/revision of draw-back rates were streamlined on the recommendations of the Duty Draw-back Committee. The scope of Duty Exemption Scheme, in operation since 1976-77 was widened by the inclusion of a number of new items which are allowed to be imported, duty-free against advance licences for export production. In the areas of incentives for exports, the new duty draw-back rates, covering a number of new all-India rates have been announced. The cash compensatory support rates which were valid for a period of three years ending March 31, 1982 were extended to September 30, 1982 pending a detailed analysis of the costs and other factors to determine the fresh rates.

The Task Force on Project Exports constituted by the Government in May 1981 submitted its report to the Commerce Minister in June 1982, and the measures outlined by this Task Force to boost exports, are being examined in detail by the Ministry. The Government has set up another Task Force to rationalise the activities of export promotion councils and its report is expected shortly. In the budget for 1982-83, the Government of India have provided tax relief to exporters whose export turnover for any year exceeds that of the preceding year by more than 10 per cent. The Government has also laid emphasis on increasing exports of agricultural products.

Import Policy : 1981-82

During the year, further modifications and procedural simplifications were introduced in the import policy with the objective of reducing the dependence on imports but at the same time providing for essential imports for strengthening the production base, enabling fuller utilisation of available capacities as well as providing greater impetus for export efforts.

Accordingly, 165 items of raw materials, components and machinery were removed from the OGL list and brought within the purview of the system of specific licensing for actual users. Similarly, 42 items were transferred from the restricted/canalised lists to the banned list. At the same time, 63 items of raw materials, machinery and equipment were placed on the OGL list. The maximum value of repeat licences, which a small scale industrial unit could obtain without production of a consumption certificate was raised from Rs. 50,000 to Rs. one lakh. Issue of supplementary licences was tightened in order to ensure that actual users availed of domestic supplies before arranging for imports.

The facility for imports under OGL enjoyed by Departmentally-run public sector undertakings and the Railways was extended to Coal India Ltd. and The Neyveli Lignite Corporation Ltd.

As before, registered exporters could avail of import replenishment licences for importing banned or canalised items and packing material. Further, during 1980-81 manufacturer exporters were given the facility of importing against REP licences, the items required for their own use which did not appear in the shopping list. This facility was extended to all manufacturers whether they exported their products themselves or through others. The "actual user" condition imposed on manufacturer exporters of specified export products under the scheme allowing duty-free imports of raw materials against REP licences introduced in the previous year was waived thereby enabling a larger section of manufacturers to avail of these facilities. The Advance Licensing (Duty Exemption) Scheme was extended to new export products and the procedure for the issue of licences under this scheme was simplified. The licences were issued on the basis of pre-determined input-output norms in the case of certain export products thereby waiving the requirement of a certificate from a chartered engineer or a recommendation from the Directorate General of Technical Development (DGTD). Manufacturer exporters who have been exporting for at least three years, were permitted under the revised procedure to obtain bulk advance licences with a single duty exemption entitlement certificate helping in the proper planning and implementation of their export production programmes.

Taking into account the vital role played by the export houses, particularly, the larger ones in promoting and nourishing India's foreign trade, in view of their organisational and financial strength and also technical capabilities, the scheme for registration of Trading Houses was introduced. These institutions were required to attain higher export performance standards and correspondingly, they were provided with increased import facilities. To become eligible for recognition as a trading house, the export house was required 1) to be in the export field for at least three years, with average annual exports of select products of atleast Rs. 10 crores during these three years, (2) to have a record of having exported a minimum of three product group covering products manufactured by small scale units to the extent of 10 per cent by way of direct exports or 20 per cent by way of indirect exports of products manufactured by ancillary units,(3) to have adequate financial and technical resources and arrangements for quality control. To be eligible for continuance as a trading house after the first three years, the concern was required to achieve an annual average growth in exports of at least 15 per cent. To facilitate the achievement of these higher export performance norms, the trading houses were made eligible, besides the normal REP benefits, for additional licences at 20 per cent (as against 15 per cent for other export houses) of the f. o. b. value of their export of select products in 1980-81. They were also eligible for foreign exchange allocation for export promotion activities such as establishment of warehouses and offices in overseas countries, at 2.5 per cent of their total exports (as other export houses) in the previous year, subject to a higher ceiling of Rs. 40 lakhs against Rs. 7.5 lakhs for other export houses.

Non-resident Indians returning home for settlement were allowed to import machinery not only for setting up new industries but also for participation in the expansion or diversification of existing units. The value ceiling on their machinery imports was also

removed. Professional and technical persons were allowed to import banned items of machinery and computer systems provided the applicant was using the equipment for at least one year before his return to India, or where the computer was a built-in part of the equipment being allowed for import.

The list of capital goods allowed for import by actual users under the OGL was expanded, the main additions being machinery items required by the electronic and film industry. The ban on certain capital goods items viz., textile machinery was lifted as their indigenous production was insufficient and import of these was allowed on merits. Having regard to indigenous production and capabilities, a number of capital goods items were removed from the OGL list. Import of some important machines like plastic extruders, spraying machines and thread-rolling machines etc. was allowed on merits depending on domestic availabilities. The value limit for import of machinery against REP licences was raised from Rs. 15 lakhs to Rs. 20 lakhs. The ban on imports of second hand machinery was removed. Eleven banned machinery items like motors, generators etc. were allowed to be imported when required as spares or components for a complete machinery item.

Foreign Trade Policy: 1982-83

India's foreign trade policy for 1982-83 was announced on April 5, 1982. While the basic framework of the policy has been kept unchanged for the fifth year in succession, in the larger interests of promoting sustained economic expansion, an attempt has been made for the first time, to take a co-ordinated view of the complex requirements of the export-import trade. A major thrust of the policy is on the reduction of the technological gap, particularly in the export sector, through a system of liberal import allocations for upgradation and development of technology. Another noteworthy feature is the establishment of a machinery for systematic and effective monitoring and evaluation of the flow and utilisation of imports, particularly, under the export promotion schemes.

The main objectives of the policy, are: (*a*) to provide to industries, especially in the small-scale sector, easier and more regular access to their requirements of inputs, in order to maximise their output and improve their productivity; (*b*) to provide a stimulus to those engaged in exports and, in particular, to manufacturing units contributing substantially to the export efforts; (*c*) to reduce or dispense with licensing formalities wherever possible, and to further simplify and streamline procedures, with accent on time-bound systems; (*d*) to extend support to upgradation of technology, especially, with a view to cost reduction, energy saving and maximisation of output and (*e*) to move forward towards self-reliance by specific measures of support to indigenous industry where necessary.

Export Policy

The following changes in export control were made in the policy for 1982-83. The restrictions imposed on the export of nylon staple-fibre and cotton yarn above 60 counts have been withdrawn and their export is freely allowed. The export of gum rosin which was allowed within a quantitative ceiling, has been put on OGL-3 list. The ban imposed on the export of Red Sanders wood in log and sawn sizes has been withdrawn and its export is now allowed within a limited ceiling and subject to a prescribed minimum price. The annual limit in value terms on export of samples of text books has been doubled to Rs. 10,000. Like-wise, the upper value limit on other items of samples has been raised from Rs. 300 to Rs. 1,000 except for grains and flour as well as its products whose export is not permitted.

The minimum export prices of footwear (except closed shoes) have been abolished and those of synthetic blended yarn containing 50 per cent of synthetic fibres have been reduced from Rs. 29 per kg. to Rs. 27 per kg. Minimum export prices, however, have been raised in respect of live buffaloes, live sheep and goat, meat of culled buffaloes (both male and female) and parts thereof and polyester fibre and viscose staple fibre spun yarn. Exports of soyabean extractions/meal and of petroleum products have been canalised.

The new policy has imposed a ban on the export of mustard/rape seed, mustard oil/

rape seed oil and sesame seed oil, cane, parafin wax and certain wild life items like lizard, bulbuls and robbins. Exports of these commodities were hitherto allowed either 'on merits' or under the OGL-3 list.

Import Policy

The more important provisions of the new import policy as applicable to the different licence categories are briefly as follows:

As in the past, the actual users (industrial) would continue to receive their requirements of imported raw materials, components, consumables and spares through the open general licence, automatic licence and supplementary licence. Substantial procedural changes have been introduced this year, designed primarily to enable actual users to obtain all their inputs expeditiously and thus maximise production and improve productivity.

Keeping in view the need to encourage investment and facilitate the timely execution of production programmes, one hundred new items of raw materials, components and consumables have been put under the OGL for import by actual users viz., iodine, mercury, unmanufactured ivory, polypropylene film, DMT, channel black, TV tuners, micro-wave components, telephone dials, transistor headers and certain other electronic components, silver powder suspension, High Speed Steel of certain specifications, copper berylium strips, zinc dust/granulations, nitric acid, geranium oil, calcium silicide and certain other chemicals. Further, 85 machinery items, not available locally and which are required by industries like electronics, textiles, dairy, chemicals and printing, have been added to the OGL list. At the same time, certain other goods, namely, 5 capital goods items and 33 raw material and component items, whose indigenous supply is deemed to be adequate to meet the domestic demand have been removed from the OGL list and added to the non-permissible or banned lists. The more important among those removed from the OGL list are: some machine tools, industrial x-ray films, graphic art films, caprolactum, ball-pen inks, lead alloys, aluminium extrusions and a number of drug intermediates. A noteworthy procedural liberalisation is that a number of items can now be imported under the OGL by both actual users and others. This waiver of the actual user stipulation is primarily intended to assist the small industrialist who can now buy them off-the-shelf and thus cut down on the cost of inventory holding. Commodities that can be so imported include certain metal scraps like brass scrap, copper scrap, wattle extract and electronic components.

The restrictions on the import of several commodities are kept under close and constant review in the light of the output performance of the domestic industry. A recent review indicated that the domestic output of some of the products was either inadequate to meet the growing demand or the industry has attained a fair measure of self-reliance and can meet the domestic requirements at competitive prices with the existing tariff structures. Accordingly, the following commodities have been removed from the non-permissible (banned) list (formerly the list of absolute banned items): acetic acid, acetic anhydride, butyl acetate, liquid chlorine, channel black, decorative papers, emery grains, lead powder, mica powder, pentaerythritol (other than nitration grade), iso-butyl acetate, synthetic organic tanning agents, polypropylene fibre, zinc dust, number of electronic components and High Speed Steel in certain specifications. At the same time, in view of the improved domestic availabilities, 5 capital goods items have been included in the banned list and 31 raw materials and components in the limited permissible list (earlier known as the banned list). The more important among these are: crimping, texturising and draw-texturising machines, bi-metal/tri-metal/multi-metal bearings, alternators upto 1000 KVA, rubber hoses, glassmetic terminals for compressors, acrylic plastic scrap, citronella oil, glyoxal and diosgenin.

The more important among the 44 items added to the non-permissible (banned) list are cocoa beans and powder, snap and zip fasteners, woollen yarn, A. B. S. moulding powder, wrist-watch dials costing not more than Rs.48 per dozen, trimmings and embellishments for garments, self adhesive tapes, vanillin, synthetic tops and spun yarn, analgin, hydrazine hydrate/sulphate and a number of insecticides.

Actual users having an automatic licence for 1981-82 with a value not exceeding Rs. one lakh are permitted to use the same licence on a repeat basis during 1982-83. This procedural innovation would relieve more than one half of the small-scale units and over 25 per cent of the large-scale units from the formalities of securing fresh licences. The facility of "repeat" operation of automatic licence has also been extended to those units which exported (1) at least 25 per cent of their production of select products subject to a minimum of Rs. 5 lakhs or (2) select products of at least Rs. 1 crore in value (f. o. b.) in any of the two previous financial years. In their case, automatic licence of any value could be utilised on a repeat basis.

Other actual users (industrial), i. e., those not entitled to the facility of repeat operation, are eligible for automatic licence on the basis of their actual consumption of raw materials, components and consumables in any of the preceding two financial years. Further, keeping in view the price increases abroad, the value of the automatic licence to which an actual user is eligible has been enhanced by 10 per cent over and above the actual past consumption in value terms, thus relieving the actual users from the formality of applying for small value supplementary licences. The additional value allowed over the past consumption level will be 20 per cent in the case of industrial units which exported at least 10 per cent of their production of select products in any of the two previous financial years. The 20 per cent enhancement in the value of past consumption will also be available to units which obtained both automatic and supplementary licences in 1981-82 and are willing to forego the supplementary licence facility in 1982-83.

The goods which an actual user can import under automatic licences are enumerated in Appendix 5 of Volume I of the Policy Book. This apart, one-tenth of the licence in value terms can also be utilised for import of (1) limited permissible items indicated in Appendices 3 and 6, provided the value of a single item does not exceed Rs. 1 lakh (as against Rs. 50,000 last year) and (2) certain canalised items (listed in Appendix 8) required as raw materials, provided the value of any such single item does not exceed Rs. 25,000.

Industrial units which secured supplementary licences in 1981-82 could also use these licences on a repeat basis for the import of the same products and upto an identical value as in 1981-82. An industrial unit that proposes to utilise supplementary licence on a repeat basis can also import directly, as part of this licence, canalised items required for its own use upto 25 per cent of the licence value, subject to a maximum of Rs. 1 lakh per item.

A number of modifications have been introduced in the policy as applicable to registered exporters to enable them to obtain their import requirements speedily. Thus, an industrial unit engaged in export production can obtain all its requirements of imported inputs against its REP licence. Further, an additional entitlement equal to 10 per cent of the f.o.b. value of exports has also been provided in the same REP licence for import of items enumerated in the automatic list, a facility similar to the one available to the actual users under the automatic licence.

The facility available to manufacturers of export products of importing under REP licence, all their requirements specified under different appendices has also been thrown open to manufacturing export houses.

Supplies of capital goods, raw materials, components and spares made by registered exporters to 100 per cent export-oriented units will be treated as exports of the former for issue of import replenishment licences, provided such supplies were manufactured in India and were made at international prices.

Import licensing formalities have been dispensed with, altogether, in the case of approved 100 per cent export oriented units, they being allowed to import all their inputs of capital goods, raw materials, components and spares under the OGL provided their entire production and operations are under customs bonded factory, and goods manufactured are exported except rejects upto 5 per cent or such percentage as may be fixed by Government.

New units in the small-scale sector are now eligible for initial licences for import of raw materials, components and consumables of a

substantially larger order of Rs. 5 lakhs, as against Rs. 3 lakhs earlier. Further, they are also eligible to import upto 10 per cent of the value of the licence, products enumerated in the limited permissible lists, provided the value of a single item imported did not exceed Rs. 1 lakh, as against Rs. 50,000 earlier. In the case of units set up in a backward area or by graduates/diploma holders in professional subjects or by ex-servicemen/persons belonging to scheduled castes/scheduled tribes, the maximum value of the initial licence has been enhanced from Rs. 5 lakhs earlier to Rs. 7.5 lakhs. The number of backward areas eligible for such preferential treatment has been substantially enlarged and now cover all districts that do not, at present have a large or medium scale industry.

The policy accent being on the stimulation of investment and promotion of a vigorous export drive, the import of capital goods and equipment by entrepreneurs of certain industries and manufacturer-exporters have been liberalised, mainly by way of cutting down on licensing formalities. As many as 85 capital goods (CG) items required by electronics, textiles, dairy, chemicals and printing industries together with 14 items of equipment required by the gem and jewellery industry and 17 items of equipment required by cinematographic studios and film laboratories have been put under the OGL. Similarly, 7 items of equipment like folding wheeled chairs etc., needed by physically handicapped persons and solar energy equipment have also been included in the OGL list for import by any person. A manufacturer-exporter is allowed to import machinery against replenishment licences without the recommendation of the sponsoring authority, without indigenous clearance and without reference to the capital goods committee, provided (1) he exported at least 10 per cent of his production of select products in any of the two previous financial years subject to a minimum of Rs. 5 lakhs or the f.o.b. value of the exports of select products during any of the two previous financial years was at least Rs. 1 crore; (2) the total c.i.f. value of machinery to be imported does not exceed Rs. 20 lakhs in 1982-83; (3) the machinery to be imported is not a banned item; (4) the proposed machinery will not result in excess licensed/approved capacity for the unit concerned and (5) the import of machinery is subject to 'actual user' condition. This facility is also available to other manufacturer-exporters with lesser export performance for CG imports upto Rs. 50,000, and where the value of the machinery exceeds Rs. 50,000 they are required to obtain the necessary indigenous clearance.

The import of capital goods of small value i. e., upto Rs. 2 lakhs has been exempted from the usual CG procedures, namely, recommendation from the sponsoring authority and clearance of the regional capital goods committee, provided the application is cleared by the DGTD. Further, the Regional Capital Goods Committees have been authorised to deal with applications for the import of capital goods upto Rs. 20 lakhs instead of Rs. 10 lakhs hitherto. Similarly, the sanctioning power of CG Adhoc committee under the Chief Controller of Imports & Exports (CCI & E) has been raised from Rs. 25 lakhs to Rs. 50 lakhs. The delegation of larger powers to the regional committees is primarily designed to enable small-scale industrial units to get their import licences for capital goods at the regional level itself. Furthermore, the DGTD would announce a list of machinery cleared from the indigenous angle, thus doing away with yet another time-consuming procedure of advertising in the domestic market before the intending importer could apply for such import licences.

Taking note of the progress made in production of diesel-generating sets in the country, it was decided to allow applications for import of sets of rating 850 KVA and above without reference to the indigenous angle, while those for sets between 400 KVA and 850 KVA would be considered depending upon the delivery from indigenous sources. In case of manufacturer-exporters importing DG sets against REP licence indigenous clearance has been waived for sets above 500 KVA.

The scheme of advance licensing with the benefit of customs duty exemption has been further enlarged by extending its coverage to manufacture of intermediate products which are supplied to another advance licence holder or to an industrial unit in the free trade zone

in India for use in the production of the ultimate product for export. Practically all imported items of raw materials and components required for export production as also those required in the manufacture of goods to be supplied against IDA/IBRD projects in India have been exempted from payment of customs duty. Additionally, the stipulation that customs duty payable by the applicant should not be less than 5 per cent of the f. o. b. value of the export product has been withdrawn. The scheme has been further simplified and the regional offices have been delegated wider powers for issue of advance licences.

For the convenience of exporters, the Duty Exemption Entitlement Certificate will be issued in two parts, one for imports and the other for exports. Export/Trading Houses will, henceforth, be entitled to bulk advance licences. In the case of goods manufactured in the cottage industry sector, the Advance Licensing Committee may allow on merits, a merchant exporter to execute the export bond by himself, instead of jointly with the manufacturers concerned as required hitherto. Alongside these substantial liberalisations, a provision for penal action against misuse has also been built into the scheme. Where the export performance does not measure upto the level of export obligation committed for, the concerned exporter would be liable to pay both the customs duty on the imported materials that are in excess of what was needed for manufacture of the product actually exported and the interest on the amount of duty that became payable, for a period from the date of clearance of the imported goods to the date on which the payment of duty was actually made.

The scheme of duty-free import of raw materials by manufacturers against their REP licences which has been in operation during the past two years in respect of a very few selected products mainly produced in the decentralised sector has now been substantially expanded to cover several new export products. These include silk fabrics, woven woollen carpets, articles made of plastic (other than PVC) and articles of hosiery and knitwear. Commensurately, the list of items of raw materials for the manufacture of the relevant export product has also been enlarged to cover materials such as spun silk yarn, noil yarn (silk), wool tops, woollen yarn, mulberry raw silk, plastic raw material (other than PVC) etc.

In the current situation of the steadily rising import bill and the large trade deficit, there is an imperative need for vigorous all-round efforts to force the pace of export growth. In this task, the trade policy recognises that the trading and other export houses can play a major role both by augmenting their own export efforts and by supplying inputs to their supporting manufacturers to attain increased production for export. With a view to facilitating them to augment their exports, their import entitlements and other facilities have been liberalised. Export houses and trading houses have been authorised to import, in bulk, on behalf of their supporting manufacturers in the small-scale sector by pooling together the latter's import entitlement and obtaining consolidated licences. They can also import against their REP licences (1) capital goods for setting up common servicing centres to their supporting manufacturers, and (2) non-OGL capital goods (other than those in the banned list) upto a value of Rs. 20 lakhs for disposal among eligible actual users, subject to indigenous clearance. As in the past, these agencies are free to import against their REP licences, capital goods, raw materials, components, consumables and spares placed under OGL for actual users (industrial), but where this facility was availed of, the REP licences would become non-transferable.

Foreign exchange earnings by export houses through certain services rendered abroad namely erection charges, consultancy/collaboration fees and ship repairs were eligible on par with select products for determining minimum export performance. In future, net foreign exchange earned by way of commission from foreign buyers would also be reckoned as part of such invisible earnings, subject to a maximum of 10 per cent of the minimum export performance level fixed for recognition.

In order to ensure that trading houses which are required to actively promote exports of goods manufactured in the decentralised sector, make determined efforts to this end a new stipulation has been enjoined on them that

their exports of each of the 3 product groups from the decentralised sector should henceforth be not less than 10 per cent of the minimum performance fixed for receiving recognition. It has, however, been clarified that, where two or more products technically fall in the same product group, but are distinctly different from each other from the point of view of raw materials used, production process and technology and the international marketing pattern, they would be considered as separate products for purposes of the above requirement. Trading houses are authorised to avail of a larger order of foreign exchange upto a maximum limit of Rs. 50 lakhs as against Rs. 40 lakhs hitherto, for export promotion activities, including the setting up of warehouses and offices abroad. Similarly, the larger export houses i. e., those with an export turnover of Rs. 5 crores a year, can avail of foreign exchange for export promotion activities upto Rs. 15 lakhs as against Rs. 7.5 lakhs earlier. Trading houses will no longer be required to obtain prior permission from the Reserve Bank of India for setting up warehouses and offices abroad.

The policy of canalisation of imports of select commodities, namely those commodities, which, it is advantageous to import in bulk, through a single agency or those whose import and/or distribution is to be regulated in the larger national interest, is continued. The import programmes and arrangements as well as distribution and pricing by the public sector canalising agencies are under the supervision of an Inter-Ministerial Monitoring Committee. On a review of the emerging demand and supply position, the import of the following eight new commodities have been canalised, namely, caprolactum, flint buttons, vitamin 'A' and premixes of vitamin 'A', derivatives of vitamin 'E', acetyl salicyde acid, aviation methonol, bitumen and asphalt.

Care is however, taken to ensure that this process of canalisation of imports does not interrupt the steady flow of supplies to the actual users. As a built-in safeguard, the actual users are permitted to import on their own, the eight newly canalised commodities upto 25 per cent of their actual consumption in 1981-82. Furthermore, actual users are also authorised to import, on their own, other canalised goods in the event the canalising agencies were not in a position to respond within 90 days of the registration of demand. At the same time, six items have been taken out of the canalised list, namely, DMT, mercury, cocoa beans/powder, monoethylene glycol, sulphamethoxazole and stainless steel of the type required for making watch cases and pen nibs.

As pointed out at the beginning, a major accent of the current year's policy is on upgradation of technology and modernisation, and to this end, the policy provides liberal facilities including enhancement of the value limit for import of know-how, designs, consultancy, machinery, drawings, samples, prototypes etc. The Ministry of Industry provides foreign exchange to industrial units from the Technical Development Fund for the import of accessories for improvement of quality and/or quantity of output, import of technical know-how, acquiring foreign consultancy services etc. The value limit, per unit, for imports to promote technological upgradation and modernisation under this Fund has been doubled from U. S. $2.5 lakhs to U. S. $5 lakhs. Similarly, the value limit for import of samples and prototypes have in most cases been doubled.

Additionally, 'scheduled industrial units' are permitted to import, over a year, designs and drawings for a value upto Rs. 10 lakhs, subject to clearance from the Secretariat of Industrial Approvals of the Ministry of Industry. Besides, actual users are also allowed to import technical designs and drawings against their REP licences; such imports upto Rs. 5 lakhs can be effected without clearance from DGTD, while such imports of higher value require the prior permission of the DGTD. Research and Development units (R & D units) and scientific and research laboratories have been permitted to import all their requirements for Research and Development purposes under the OGL.

Applications for imports for upgradation/development of technology will be examined by a Co-ordination Committee headed by the Chief Controller of Imports and Exports and comprising representatives of all concerned Ministries/departments of the

Government. In regard to the import of machinery and equipment, consideration will be shown to units that seek to reduce energy consumption as well as those that attempt to reduce production costs or raw material consumption by at least 10 per cent, particularly, those units that export 25 per cent of their production with a minimum of Rs. 5 lakhs and those proposing to use their REP licences for the required import.

Certain specified products like anticorrosive paints, ceramic fibres, foam-glass insulations etc. will be allowed to be imported for energy conservation.

Industrial units that exported 50 per cent or more of their production in the preceding 5 years can obtain foreign exchange, without any monetary ceiling, for improvement of technology by way of import of know-how, designs, consultancy etc., subject to the clearance of their proposals by the Co-ordination Committee, while units with an export performance ranging from 25 to 49 per cent in the past 3 years with a minimum export of Rs. 5 lakhs in each year, will be allowed, on the recommendation of the Co-ordination Committee, foreign exchange upto Rs. 1 crore for the purpose.

The facilities for import of capital goods and equipment available to non-resident Indians returning home for settlement or those resident abroad and investing in India through foreign exchange remittances have been further liberalised. Such prospective entrepreneurs who were hitherto allowed to import capital goods for setting up new industrial units or for participation in the expansion or diversification of existing industrial units are now eligible to make such imports for setting up servicing units, as also to import new or second-hand professional equipment without indigenous clearance, provided it was used by them abroad for a period of at least one year, and where such equipment was not in use for the prescribed minimum period, such import is limited to Rs. 1 lakh in value terms. Further, they may also import banned capital goods other than texturising machines, warp knitting machines and second-hand paper mill machinery if such machinery was used by them abroad for at least one year and where it was not in use for the required minimum period, the value of the equipment should not be more than 10 per cent of the total value of machinery being imported. Generating sets of above 500 KVA rating and office equipment purchased out of the applicant's own foreign exchange earnings and resources abroad can also be imported. Furniture used abroad by the applicant can also be imported provided the value of the furniture and the office equipment mentioned above, taken together, does not exceed Rs. 1 lakh. They are also permitted to import raw materials, consumables, components and spares for a period of 5 years, with an annual ceiling of Rs. 5 lakhs.

Under a new scheme for promoting non-resident Indians' investment in certain electronics industries, such prospective investors are allowed to import the entire machinery required by an electronics industrial unit under the OGL without any ceiling limit on the value of the equipment and without indigenous clearance, provided their share in the equity capital of the unit is not less than 20 per cent, and the machinery has been acquired through their own foreign exchange earnings abroad. Industrial units that propose to manufacture electronic components, electronic instruments, tape recorders, two-in-ones, HI-FI equipments, electronic teaching aids, industrial and process control systems etc., can avail of the facilities under this scheme. The benefits of this scheme are also available to prospective units manufacturing radars, navigational aids and communication equipment, but in such cases, prior approval of the Department of Electronics is necessary. Further, they are also permitted to import under the OGL, raw materials, components, consumables and spares (other than those in the non-permissible and limited permissible lists) required by these units for a period of 12 months, provided these are financed out of foreign exchange earnings abroad. Imports of items included in the non-permissible and limited permissible lists (Appendices 3, 4 and 6) require prior approval of the Department of Electronics. Investments under this scheme and dividends earned therefrom are not eligible for repatriation.

Machinery for the systematic and effective monitoring and evaluation of import licences

issued and utilisation of imports as also of imports related export performance of trading houses, export houses, manufacturer-exporters and actual users has been set up in the Ministry of Commerce. All importers — importing either against individual licences or under the OGL are required to obtain code numbers. The customs authorities will not allow clearance of goods by an importer not in possession of a valid code number. Departments of the Central or State Governments and persons importing for their personal use are, however, exempted from this requirement.

A Monitoring and Assistance cell has been set up in the CCIE's office to analyse on an on-going basis, the periodical returns filed by trading houses, export houses, actual users, etc. and to assess their export performance and (import) licence utilisation. This cell will be responsible for monitoring the progress of 100 per cent export-oriented units and will also help identify the areas where exporters and industrial units require assistance for timely execution of export programmes.

III. Specialised Foreign Trade Agencies

The State Trading Corporation of India

The State Trading Corporation of India (STC) as the important one among the public sector canalising agencies, has been handling a variety of import and export items since its inception in May 1956. The total turnover in respect of foreign trade (imports and exports) of the Corporation increased by Rs. 81 crores to Rs. 1,846 crores during 1981-82. While imports declined by Rs. 24 crores or 2 per cent, exports registered a much sharper increase of Rs. 105 crores or 23 per cent. The rise in imports was brought about mainly by rubber which increased by Rs. 30 crores to Rs. 53 crores. In addition, imports of newsprint at Rs. 159 crores was higher by Rs. 26 crores over the level of Rs. 133 crores during 1980-81. During the year the STC also imported 44 thousand tonnes of white printing paper valued at Rs. 30 crores on behalf of the DGS & D, New Delhi and the Hindustan Paper Corporation, Calcutta. This item was canalised through the STC with effect from April 3, 1981. In contrast, imports of edible oils at 10.6 lakh tonnes valued at Rs. 780 crores during the year recorded a decline in terms of both quantity and value from 11.3 lakh tonnes and Rs. 805 crores during 1980-81. Imports of sugar during the year at Rs. 73 crores were also lower by Rs. 20 crores. Imports of cement, however, remained the same at Rs. 79 crores.

Exports handled by the STC increased substantially during the year from Rs. 450 crores to Rs. 555 crores or by 23 per cent. The rise was mainly under non-canalised items which rose by Rs. 87 crores or by 37 per cent to Rs. 324 crores. More important among the commodities which contributed to the rise under this group were tobacco, jute goods, rice and processed foods and fruits. Exports of coffee, however, showed a steep decline of Rs. 37 crores to Rs. 52 crores. Under the canalised items, the rise was modest at Rs. 18 crores attributed mainly to sugar and castor oil. While exports of sugar during 1981-82 went up by Rs. 14 crores to Rs. 50 crores and those of castor oil from Rs. 27 crores to Rs. 40 crores, exports of groundnut extractions declined steeply to Rs. 45 crores from Rs. 73 crores during 1980-81. It may be mentioned here that the entire export of sugar amounting to 1.4 lakh tonnes valued at Rs. 50 crores was effected after November 2, 1981 following the removal of the ban imposed earlier on exports of sugar. The steep fall under groundnut extractions was due to the imposition of a ban by the U. K., intensified competition from other proteins like soyabean meal and restrictions by other EEC countries regarding the afflatoxin content.

The Corporation's exports of engineering products rose from Rs. 1 crore in 1980-81 to Rs. 2 crores in 1981-82 while those of construction material remained stationary at Rs. 2 crores.

The STC pursued its efforts at locating new markets abroad for many of the traditionally established export items and at the same time to seek overseas markets for newer products. Among the new markets found, mention may be made of the U. K. for dehydrated onion slices and golf shoe uppers, Hungary for roasted and salted peanuts and fashion garments, Iran for tea, Spain for coffee and football and Uganda, Vietnam and Iran

for bicycles and bicycle parts. Some of the new items which the STC succeeded in exporting were rayon viscose fabrics to the USA, handmade durries to Australia, electronic music reproducing stereo equipments to Hungary and green tea to Algeria.

The STC continued to render a wide range of other services to the export sector. With a view to improving the quality of processed food and broadening its supply base, the STC made available, the services of technical consultants to the processed foods industry. The STC enabled the footwear units to make use of various patterns in different sizes and fittings devised by the Design and Development Division which was specially constituted for the leather industry by the STC. It has also initiated work regarding the establishment of a Design-cum-Development Centre for the sports goods industry. With an initial investment of Rs. 1.25 crores, the project is intended to cover activities like product-design and development, prototype production samples, quality testing, raw material bank, display rooms, etc. In order to help the textile industry to capture sophisticated markets for fashion garments, the STC has set up a Textile Design Centre which will offer new designs to the garment industry.

With a view to giving a boost to the export of fashion gloves of leather, the STC entered into an agreement with a Bulgarian firm for setting up a 100 per cent export oriented unit for the production of leather fashion gloves. Keeping in mind the need for diversification of its markets, the STC conducted a micro-level study on Japan for identifying trade opportunities in that country.

State Chemicals and Pharmaceuticals Corporation of India

The export-import trade in chemicals, drugs and pharmaceuticals is handled by the State Chemicals and Pharmaceuticals Corporation of India in addition to monitoring the supply of bulk drugs produced within the country. During the year, imports by the Corporation of canalised items at Rs. 90 crores were higher by 10 per cent than that of the previous year's level of Rs. 82 crores. A little less than one half of this was accounted for by bulk drugs which amounted to Rs. 40 crores as against Rs. 49 crores during 1980-81. Imports of non-canalised items, on the other hand, declined considerably from Rs. 19 crores in 1980-81 to Rs. 9 crores during 1981-82. The Corporation continued to service the raw material needs of diversified range of industries. During the year, the Corporation received more than 5000 applications from actual users indenting for the supply of canalised and non-canalised items of raw materials.

During the year, the Corporation also made intensified efforts to broaden the base of its export structure and diversify export markets. Besides achieving a substantial growth in the exports of detergents, crushed bones, feldspar, etc., the Corporation introduced kieserite to Sri Lanka, streptomycin formulations to the USSR and anti-snake venom to Bangladesh and Aden, thereby boosting its exports during 1981-82 to Rs. 14 crores from Rs. 10 crores in 1980-81.

Cashew Corporation of India

The Cashew Corporation of India has been assisting the export-oriented units in the cashew processing industry by importing and distributing raw cashewnuts at fair prices. Consequent on the decanalisation of imports of raw cashewnuts with effect from April 27, 1981, import of raw cashewnuts was put under OGL-3. In addition to Cashew Corporation of India, Actual Users (Industrial), Export Houses and Trading Houses also were allowed to import raw nuts subject to certain specified terms and conditions. During 1981-82 (July-June) the Corporation imported 9,700 tonnes of raw nuts valued at Rs. 11 crores. More than 50 per cent of the imports came from Tanzania, a traditional source, while another one-third came from Kenya, a new source. With a view to augmenting the supplies of raw nuts, the Corporation has been working on arranging for a joint venture for developing cashew plantations abroad. A feasibility study of this project has already been completed and is under examination.

Handicrafts and Handloom Exports Corporation

The Handicraft and Handloom Exports Corporation made substantial progress during

the year; its exports having risen to Rs. 62 crores as against Rs. 27 crores in 1980-81. Commodity-wise, the sharpest rise was registered by gold jewellery which moved up from Rs. 4.0 crores in 1980-81 to Rs. 40 crores in 1981-82 followed by handlooms which recorded an increase of Rs. 1.7 crores to Rs. 6.5 crores in 1981-82, thanks to the Corporation's efforts at enlarging the production base and introduction of new designs in handloom production in line with the changing fashions in world markets. During the year, the Corporation participated in two exhibitions organised in the Middle East for gold jewellery and also sold jewellery worth Rs. 6 crores. In contrast, however, exports of handicrafts and carpets declined by Rs. 4.7 crores and Rs. 2.1 crores to Rs. 10.8 crores and Rs. 7.0 crores respectively.

Projects and Equipment Corporation of India

The Projects and Equipment Corporation of India was established in April 1971 as a Government company to promote exports of engineering equipment and projects. Its annual turnover in 1981-82 reached an all-time high of Rs. 55.3 crores representing an increase of 43 per cent over that of the preceding year. The Corportion's exports at Rs. 48.9 crores showed an increase of 27 per cent over that of Rs. 38.4 crores during 1980-81. The increase was mainly in the non-canalised items, whose exports showed a significant rise from Rs. 15.8 crores in 1980-81 to Rs. 38.9 crores in 1981-82 or by 146 per cent. Product-wise, exports of engineering equipment recorded a phenomenal increase from Rs. 11.6 crores in 1980-81 to Rs. 29.2 crores in 1981-82 or by 152 per cent. During the year, the Corporation completed a 260 km. transmission line route survey in Nepal and also supplied equipment for a lighthouse project in Malaysia and commenced work on a cement plant in Indonesia. Its turnover from project exports was of the order of Rs. 9.7 crores and was attributable to exports to Libya, Zanzibar and Tanzania. The year also witnessed a record increase in import sales from Rs. 0.15 crore in 1980-81 to Rs. 1.4 crores in 1981-82. A major item of import was printing machinery from German Democratic Republic. The Corporation also imported steel from time to time to meet the needs of the manufacturer-exporters.

The Minerals and Metals Trading Corporation of India

The Minerals and Metals Trading Corporation of India is the accredited canalising agency for handling the export trade in ores and minerals and import trade in non-ferrous metals, stainless steel, fertilisers and other industrial raw materials. The Corporation's import turnover during 1981-82 at Rs. 1,424 crores was lower by Rs. 191 crores or by 12 per cent as compared with the level of Rs. 1,615 crores during 1980-81. The decline was due to the fall in imports of aluminium (Rs. 131 crores), finished fertilisers (Rs. 117 crores) and stainless steel (Rs. 43 crores). This was, however, partly offset by increases in imports of sulphur and rock phosphate (Rs. 68 crores) and zinc (Rs. 25 crores). While lower imports of aluminium was attributed mainly to the reduced demand from cable manufacturers, the fall in imports of finished fertilisers was attributed mainly to increased availability from domestic production and in the case of stainless steel imports, the fall was due to increased availabilities of thinner gauge stainless steel sheets from REP sources at relatively lower prices.

Exports handled by the Corporation during the year at Rs. 304 crores were higher by Rs. 47 crores or by 18 per cent over the previous year's level of Rs. 257 crores, almost the whole of which was attributable to exports of iron ore, the value of which appreciated by Rs. 49 crores or 23 per cent to Rs. 267 crores. This increase gains greater significance in view of the recessionary conditions prevalent all over the world and also the fact that the USSR refrained from buying iron ore from India during 1981-82. The rise in export value was largely due to the increase in the unit value realisation which went up from Rs. 137 per tonne in 1980-81 to Rs. 166 per tonne in 1981-82, though, to some extent, the purchase of additional quantities of ore by South Korea, Rumania, Pakistan and Saudi Arabia also contributed to the increase in total value. Export of coal which is allowed in limited quantities to neighbouring countries rose by nearly two-thirds to Rs. 4 crores and that of

manganese ore by 50 per cent from Rs. 14 crores in 1980-81 to Rs. 21 crores during the current year.

Trade Development Authority

The Trade Development Authority (TDA) provides comprehensive assistance to its members in order to help them increase their exports. The TDA helps in popularising Indian products through participation in international trade fairs and exhibitions and arranging buyer-seller meets. During the year, the TDA was responsible for generating 1,900 specific trade enquiries through its overseas offices and its various propaganda measures. The TDA imported over 100 samples of different items mainly from the USA, West Europe, Japan and China for further development internally by its members. To enable Indian products to keep up to the requisite standards, the TDA offers assistance in toning up the quality and also arranges for the regular supply of inputs for meeting export commitments. Thus, the TDA sponsored during the year 34 applications from its members for the release of 6,931 tonnes of steel on a priority basis for executing export orders worth Rs. 4.7 crores covering items like hand-tools, bicycle components and industrial fasteners. With a view to exploring new markets, the TDA undertakes market surveys for some of the selected products. The TDA arranged participation of its members in a number of international fairs during the year. The TDA-sponsored Indian manufacturers of electronic components and instruments participated in the Paris Electronics show held in April 1981, whence enquiries valued at nearly US $ 6.0 million were received. Leading Indian auto manufacturers under the banner of TDA participated in the International Automobile Austellung, arranged at Frankfurt in September 1981 and spot orders worth US $ 1.5 million were booked and trade enquiries for US $ 8.0 million were received.

In the International Cycle and Motorcycle Fair in Milan, which is considered to be one of the major fairs for two-wheeled vehicles, TDA's members participated and spot orders worth US $ 4.0 million were booked and enquiries worth US $ 7.0 million were received. In addition, the Indian manufacturers of house furnishings and carpets under the banner of the TDA, participated in the fair for home-furnishing and carpets at Milan in May 1981, in the 'Partners for Progress' fair at Berlin in September-October 1981, in Bahrain in November 1981 and in Cologne in January 1982. In the Japan Electronics show held in Osaka, sixteen leading manufacturers of electronic components and instruments took part to publicise the products of electronic industry in India and its plans for further expansion.

An India Industrial Exposition was organised in Toronto during September-October 1981 with financial and technical assistance from the International Trade Centre, Geneva. This was the first of its kind in Canada and the northern parts of the USA as target markets. Over 79 industrial units producing a wide range of industrial products participated in the Exposition. Trial orders worth US $ 4.0 million were received and trade enquiries to the extent of US $ 12.5 million were generated. In mid-October 1981, another India Industrial Exposition was held in Atlanta, Georgia with assistance from the Commonwealth Fund for Technical Co-operation, London. This was the first of its kind organised in the USA on a large scale wherein 84 Indian companies participated and spot orders for about US $ 3.4 million were booked in addition to receiving US $ 14 million worth of trade enquiries.

The TDA continued to make use of the Contact Promotion Programme under which an Officer of the TDA conducts an intensive study in the target markets followed by visits of manufacturer-exporters for an on-the-spot study and business negotiations. During the year, five such programmes were arranged for home furnishings and carpets in Japan, USA and Canada, for processed foods and vegetables in Saudi Arabia and Kuwait, for electrical equipment and accessories in the Middle East and for builders' hardware in Australia.

The TDA organised the visit of 29 buying delegations to India to whom exporters dealing in products of interest to them were introduced. The delegations were mainly from the industrially advanced countries such as the USA, West Germany and Japan which

evinced interest in buying from India, a wide range of light engineering and consumer goods.

With a view to exploring the prospects of augmenting exports of cutting tools through a study of the marketing practices prevalent in foreign markets as well as the level of technology used by India's competitors in such markets, the TDA, along with the representatives from the DGTD and the Cutting Tool industry, undertook in-depth studies in the leading marketing and production centres for cutting tools like the USA, West Germany, the UK and Japan. The Government approved four proposals of the TDA to set up 100% export oriented joint venture units covering products like ceramic capacitors, pre-recorded video tapes, stereo systems and mica capacitors. During the year, TDA also conducted a study with financial and technical assistance from the Commonwealth Fund for Technical Co-operation, London to explore the possibilities of setting up 100% export oriented joint venture units for leather goods with suitable collaborators from the UK, France, West Germany and Italy. Further, a five-member delegation sponsored by the Japan Measuring Instruments Federation visited India in November 1981 with a view to studying the feasibility of setting up joint ventures in the field of measuring instruments.

During the year, the TDA conducted market surveys for hand tools, electronic equipment and components, industrial fasteners and builders' hardware in Norway, Finland and Denmark. It was found that most of the Indian items were acceptable in the low-quality and low-price range but they lacked the quality for professional application. Similar surveys were also conducted for items such as lace and embroidered goods and silk scarves in Norway, Sweden, Netherlands, Belgium, France, and West Germany. The TDA also undertook a study to find out the means of strengthening the production base of meat and meat products with a view to increasing their exports. In a feasibility study carried out for the setting up of an Export Processing Zone in Kerala, the TDA has identified over 90 specified products for the purpose of export promotion within the Zone.

With a view to locating the areas for product adaptation and also for promoting non-traditional exports, the TDA initiated a programme for the establishment of Advisory Committees for specific export products. These Committees will identify items and areas where product development and adaptation are necessary. The Committees will thus prepare proposals and frame programmes for export development. It will assist the manufacturers and the new entrepreneurs in the various stages of the production process and render assistance, particularly in upgradation of technology for export production.

The Santacruz Electronics Export Processing Zone (SEEPZ)

The Santacruz Electronics Export Processing Zone has been making sustained progress in its export performance year after year. Its exports, which had gone up from Rs. 11 crores in 1979-80 to Rs. 19 crores in 1980-81, recorded an impressive growth when it increased to Rs. 30 crores during 1981-82 showing a rise of Rs. 11 crores or 58 per cent. The share of SEEPZ exports in the total exports of electronic goods from India also showed a marked rise from 25 per cent in 1979 to about 50 per-cent in 1981. It may be mentioned that a sizeable portion of electronic goods produced and exported from SEEPZ were of high technology like computer software, computer peripherals and sub-assemblies. Further, nearly 87 per cent of the Zone's exports went to industrially developed countries, chiefly to the USA (33 per cent), West Europe including the UK (23 per cent), Hong Kong and Singapore (28 per cent) and Japan (3 per cent). During the year, three more units commenced operations bringing the total number of units operating in the Zone to 38.

The Kandla Free Trade Zone

The Kandla Free Trade Zone was set up in March 1965 with the main objective of giving a boost to the export efforts of the country by utilising the facilities provided by the port of Kandla. Till March 1980, however, the performance of the Zone was rather tardy, the cumulative exports amounting to only Rs. 33 crores. During the last two years, however, the export performance of the Zone had im-

proved, exports having more than doubled reaching Rs. 70 crores in 1981-82 showing an increase of Rs. 44 crores within 2 years. During the year, 19 more units were added to the 54 already in operation, and with the 6 dormant units removed from the Zone, the total number of units in operation at the end of March 1982 stood at 67. During 1982-83, 29 more units were to go on stream. The Gujarat Industrial Development Corporation has already taken on hand, the construction of 30 sheds at a total cost of Rs. 1 crore. In addition, 20 sheds were constructed by CPWD at a cost of Rs. 30 lakhs. A number of units are also constructing their own self-designed buildings thereby bringing the total area currently under construction to 6 lakh sq. ft.

IV. Trade Agreements and Economic and Technical Co-operation with other countries

Among the various steps taken by the Government to broaden and diversify the scope of the country's export/import trade, one has been to enter into bilateral agreements on trade, economic and technical co-operation with various foreign countries.

Trade Agreements and Trade and Payments Arrangements

By way of indicating the availabilities of commodities and facilities of mutual interest, these agreements have helped to strengthen the ties and smoothen the economic relations between India and these countries. Basically, there is no specific commitment on either part regarding the quantum, value or price, the availablilities of commodities/facilities, being subject to policy dictates. Sincere efforts are, however, made to remove any hurdles or extraneous bottlenecks in trade/economic transactions. The agreements are reviewed periodically and necessary modifications incorporated by mutual consent.

The most common features of these agreements are stipulations (1) that MFN treatment would be extended by each to the other in respect of both commodities and services in their mutual trade, (2) that payments for transactions would be settled in freely convertible currencies through normal banking channels in accordance with the foreign exchange regulations in force in the respective country, (3) that the agreements would initially be operative for one or two years with provisions for renewal for further periods as also for modifications or termination on the prescribed notice being given by either of the signatories, (4) that the agreements would be reviewed periodically by joint committees set up for the purpose of monitoring the progress and discussing of problems arising in the process. These committees would also help in identifying areas offering scope for increased trade and co-operation between India and these countries and help in the exchange of information that may be of interest to each other and (5) that each country would provide facilities to the other for organisation and/or participation in exhibitions/fairs in its territory and arrange for mutual visits by technical commercial and business delegations. Besides these common features found in practically all the bilateral agreements, certain additional provisions are incorporated in respect of some, where the political/economic setup warrant it.

In the case of the special rupee payments agreements, annual trade protocols are signed laying down a target for growth and the commodity specifications for exchange.

During the year under review, trade agreements were signed with Maldives, Ghana, Uganda, Liberia, Morocco, Zambia, Zimbabwe, Argentina and Guatemala. The trade agreement with Philippines signed in 1979 came into force with effect from September 1, 1981 after the ratification (on that date) of the agreement. Annual trade protocols were signed with Iraq, Czechoslovakia, Poland, the German Democratic Republic, Romania and the U.S.S.R. A summary of the texts of the agreements are briefly outlined in the following paragraphs.

In the case of the agreement with Maldives, India has agreed to continue the supply of essential commodities that have traditionally been made available to Maldives and to supply them even if the general export policy restricts/prohibits their exports. By the end of November of each year, Maldives would furnish to India, a list of its requirements in the coming year and India on its part, would make specific quota allocations keeping in view, the

availability position and the needs of Maldives before end-December.

In the agreement with Ghana, India has agreed to co-operate in the exploration and exploitation of that country's diamond resources as also to consider Ghana's requests for credits on soft terms. Ghana on its part has agreed to sell diamonds directly to India at prices to be mutually negotiated.

The agreement with the rest of the countries contained the usual provisions mentioned earlier, essential details of which are set out in the chart on page 325.

On April 30, 1981 India and the U. S. S. R. signed an agreement outlining the trade plan for 1981-82. The agreement provides for delivery of one million tons of crude oil and 350,000 tonnes of petroleum products to India in 1981 by Soviet foreign trade organisations. In return, India would supply to the U. S. S. R. during 1981-82, 5 lakh tonnes of rice, 1 lakh tonnes of barley, 2 lakh tonnes of corn, 10,000 tonnes of white sesame seed, 20,000 tonnes of HPS groundnuts, 50,000 tonnes of alumina and 2 million pieces of semi-tanned goat skin.

Simultaneously, the two countries also signed a protocol on the deliveries of machinery and equipment from the Soviet Union to India during the five year period 1981-1985 on deferred payment terms. Items covered therein include, among others, equipments, spares, replacements, etc. for industries like earth-moving, construction, air-conditioning, transportation, printing, mining, agriculture and textiles, machinery, dredgers and marine engines. The protocol provides for the granting of deferred payment facility for a period of 10 years at an interest rate of 4 per cent per annum. The details regarding the prices, delivery schedules etc. will be incorporated in respective individual contracts between the sellers and the buyers. The payments will be made in non-convertible Indian rupees in accordance with the five year trade agreement concluded between the two countries in December 1980 and the prices in the contracts would be denominated in Indian rupees.

In October 1981, a new trade plan for 1982 was formulated by the Indo-Iraq Joint Commission. The programme envisages exports to Iraq, of products valued upto $ 180 million during the year. Imports from Iraq would include among other essential items, urea and sulphur.

Trade protocols providing for expansion during 1982 of exports of non-traditional items from India were also entered into, with five of the East European Countries namely, U.S.S.R., Poland, Czechoslovakia, the German Democratic Republic and Romania with whom India has bilateral arrangements for payments in non-convertible Indian rupees.

Economic and Technical Co-operation

Besides these trade agreements, India also signed agreements on economic and technical co-operation with the European Economic Community, Bahrain and Saudi Arabia, major features of which are enumerated below :

European Economic Community

In June 1981, India and the European Economic Community signed an agreement on commercial and economic co-operation. This agreement became effective from December 1,1981, for a period of five years with provision for automatic extension on an annual basis unless either of the contracting countries desired to terminate the agreement. Amendments, if necessary, could be effected by mutual consent. Most clauses applicable to individual bilateral agreements like the extension of MFN treatment to each other as well as facilities for the exchange of information on mutual requirements and availabilities and provision of facilities for the arrangement of fairs, visits by delegations etc. creation of the scope for investment etc. were all incorporated in these agreements also. The joint commission set up under the agreement would, in particular, (*a*) find out ways and means of furthering the development of mutual economic and commercial co-operation and overcoming tariff and non-tariff trade barriers and (*b*) examine and recommend ways and means of progressive reduction of imbalances. Besides reviewing the progress in implementing the agreement, the commission would ensure the proper

functioning of the sectoral agreements concluded or which may be concluded on jute, coir and coir textiles and cottage industry goods (handicrafts and handlooms). The EEC agreed to improve the system of generalised preferences and also take into account, the interests of India in the extension and strengthening of its trade relations with the Community. India would, in turn, indicate for consideration by the Community, the areas in which the Community's generalised scheme of preferences could be elaborated. India would also notify the Community, the list of products in respect of which total tariff suspension would be desirable.

Bahrain

An agreement on economic and technical co-operation was signed on April 28, 1981 to remain in force for five years and would continue, thereafter, for extended periods unless terminated by notification by either party, six months prior to the desired date of termination. The agreement provides for (*i*) a joint undertaking of projects of technical and economic nature on the basis of special arrangements, (*ii*) collaboration arrangements for jointly carrying out pre-investment survey in various fields such as engineering, medical, agriculture, petrochemicals, fertilizers and pharmaceuticals etc. and (*iii*) organisation of training programmes including deputation of experts for consultation and short assignments and exchange of technical know-how. For the purpose of implementing the agreement, periodic meetings are to be held, to discuss any issues including problems arising in the course of implementation of the agreement, co-ordination of technical co-operation and measures required to strengthen mutual relations.

Saudi Arabia

On April 14, 1981 India and Saudi Arabia signed an agreement on economic and technical co-operation with a validity period of three years, subject to renewal for consecutive periods of one year unless either of the governments gave six months' notice for termination. The salient features of the agreement are assurance of maximum co-operation and encouragement in the area of: (*i*) establishment of agricultural, animal husbandry, industrial and technical development projects, (*ii*) exchange of scientific and technical information and (*iii*) exchange and training of technical staff required for specific co-operation programmes. Both the governments agreed to promote and encourage economic and technical co-operation between the institutions of each other's country, including legal entities and establishment of joint ventures and companies in different spheres. A joint commission formed for the purpose will meet alternately in each other's country for consultation and also for adopting measures to implement the agreement. The agreement will become effective on the date of exchange of the instruments of ratification.

V. INTERNATIONAL TRADE NEGOTIATIONS

Tokyo Round of Multilateral Trade Negotiations

A reference was made in the last Report to the agreement reached at the Tokyo Round of Multilateral Trade Negotiations on a programme of tariff cuts spread over an 8-year period, as also to the first two annual tariff cuts that were effected on January 1, 1980 and January 1, 1981 respectively. The third round of annual tariff cuts was brought into force on January 1, 1982. It may be mentioned that giving effect to all the scheduled tariff cuts would result in the total reduction in the level of tariffs imposed by industrial countries on imports of manufactured goods to about one-third of the level prevalent in July 1979, when the Protocol to the General Agreement on Tariffs and Trade (GATT) was opened. Tariff cuts on agricultural products have been following the same schedule as those for industrial products, but spread over seven years.

In respect of textile products, however, the *first* round of tariff cut was implemented by the principal countries concerned only as of January 1, 1982. This was because several participating countries adopted during the Tokyo Round a special time table for tariff reductions on textile products, spread over five years, with a proviso that these tariff cuts would be put into effect from January 1, 1982 only if the Multi-fibre Agreement (MFA) is extended. The approval for extension of the MFA on December 22, 1981

paved the way for implementation of tariff reductions on textile products.

Several industrial countries have adopted accelerated schedules for tariff reductions on imports of manufactured products from developing countries. Some twenty developing countries have themselves granted tariff concessions.

A session of the GATT Contracting Parties at Ministerial level was held in November 1982 after a gap of nine years. At the Meeting, *inter alia*, the following major decisions were taken:

(i) To draw up and adopt by 1983 a comprehensive understanding on safeguards against disruptive imports;

(ii) To conduct a review by the Committee on Trade and Development of the extent of fulfilment of the major objectives of Part IV of the General Agreement by developed countries;

(iii) To settle disputes between Contracting Parties by consensus;

(iv) To set up a Group to review the quantitative and other non-tariff restrictions with an ultimate objective of eliminating all such restrictions that are not in confirmity with the General Agreement and to report to the Contracting Parties before the end of 1984.

Multi-Fibre Arrangements

At a meeting of the Textiles Committee of the GATT on December 22, 1981, it was decided that the Arrangement Regarding International Trade in Textiles generally known as the Multi-Fibre Arrangement—should be extended for a further period of four years and seven months from January 1, 1982 to July 31, 1986.

The extension of the MFA was by a legal Protocol, and the 41 present signatories (counting the 10-nation European Community as a single signatory) account for over four-fifths of the world trade in textiles and clothing.

The MFA was originally negotiated in late 1973, and entered into force for a period of four years from January 1, 1974. It was renewed in late 1977 for a further four year period.

While extending the MFA effective January 1, 1982, the participants in the Arrangement emphasised that the principal aims of the MFA continue to be to ensure the expansion of trade in textile products, particularly for the benefit of the developing countries, and progressively to achieve the reduction of trade barriers and the liberalisation of world trade in textile products while, at the same time, avoiding disruptive effects in individual markets and on individual lines of production in both importing and exporting countries. Participants recognised that implementation of the Arrangement would secure a significant increase in the earnings from exports of textile products by the exporting countries. It was also agreed *inter alia* by the participating countries that (*a*) restraints on exports from small suppliers and new entrants should "normally" be avoided; (*b*) exports of cotton textiles from cotton producing exporting countries should be given special consideration, especially in terms of quotas, growth rates and flexibility where restraints are applied ; (*c*) the provisions relating to exceptional circumstances should be applied "sparingly" to exports from new entrants, small suppliers and trade in cotton textiles of cotton producing developing countries; and (*d*) requests for invocation of safeguard measures by the importing countries on grounds of market disruption should be accompanied by relevant specific factual information. It was further agreed that the situation prevailing when such action was requested should be reviewed periodically by the concerned parties, and the resulting modifications are promptly conveyed to the Textiles Surveillance Body (TSB).

By March 15, 1982, the extended MFA was accepted by sixteen countries, including the Commission of the European Communities on behalf of its ten member States. The other fifteen signatories were : Brazil, Egypt, Finland, Hong Kong, Hungary, India, Japan, Korea, Mexico, Pakistan, Philippines, Poland, Sri Lanka, Switzerland and the United States.

Sixth International Tin Agreement

In view of the expiry of the extended Fifth International Tin Agreement at the end of June 1982, the Sixth International Tin Agreement was signed in June 1982, by 24 countries (including the members of the EEC) and ratified by 19 of the signatories. Its duration is for five years, effective from July 1, 1982. The current Agreement, as its earlier ones, aims at preventing excessive fluctuations in the price of tin and ensuring long-term equilibrium between supply and demand through the use of a buffer stock facility, floor and ceiling prices and export controls. The proposed buffer stock will consist of a maximum of 39,000 metric tons, with members financing 19,000 metric tons, and the rest financed through loans.

Generalised System of Preferences

The UNCTAD's Special Committee on Preferences during its eleventh session in May 1982, reviewed the implementation, maintenance, improvement and utilisation of the Generalised System of Preferences (GSP). During the session, the Group of 77 (developing countries) urged, among others, the removal of all restrictive or discriminatory elements that have been introduced into the GSP Schemes, such as quantitative limitations or ceilings and competitive need or country exclusions. The Group called for the institution of GSP as 'a legal and permanent instrument of trade' and for progressive elimination and phasing out of the existing graduation measures through a resolution. The Group B countries, however, did not accept this resolution as it was introduced at too late a stage to permit 'the proper evaluation of these far reaching measures'.

Common Fund for Commodities

A reference was made in the last Report to the Common Fund for Commodities, a centerpiece of the UNCTAD's 'Integrated Programme for Commodities', the Articles of which were formally adopted on June 27, 1980 by the United Nations Conference on Common Fund for Commodities after a prolonged negotiation for over four years. The Fund, in terms of the Articles of Agreement, would come into effect when 90 States, representing two-thirds of the directly-contributed capital, ratify the Agreement. The Agreement was kept open for signature from October 1980 and was to close by March 1982. India deposited the Instrument of Acceptance on December 22, 1981. By March 1982, only 25 States ratified the Agreement. The Secretary-General of UNCTAD, therefore, convened a meeting of these 25 States on June 3, 1982 for the purpose of taking a decision on the entry into force of the Agreement. In this meeting it was decided to extend the deadline for ratification of the Agreement to September 30, 1983. By July 6, 1982, 86 countries had signed the Agreement and 32 countries had ratified it.

UNCTAD — VI

The 124-member Trade and Development Board, an on-going organisational machinery of the UNCTAD, at its annual meeting in March 1982, reviewed the issues of protectionism and structural adjustment, and adopted conclusions that paved way for intensifying efforts within the UNCTAD to analyse these problems and find suitable soulution to them. The Board asked the UNCTAD Secretariat to prepare reports and in-depth studies on the policies that influence structural adjustment and trade not only in manufactures but also in the field of agriculture and services for consideration at its next conference—the sixth—at Belgrade (Yugoslavia) in June 1983. A provisional agenda for UNCTAD-VI was adopted, wherein issues relating to commodity markets, international trade in goods and services, financial and monetary spheres and the progress made in the implementation of the Substantial New Programme of Action for the Least Developed Countries figure prominently.

Broad Features of the Trade Agreements—1981-82

Country	Date of signing and effective date	Duration of Agreement	Commodity details	Other features, if any
1	2	3	4	5
1. Maldives	March 31, 1981. Came into force on the same day.	One year. Thereafter it will continue until it is modified or terminated by either party with a three months' notice to the other.	Maldives would furnish, every year by November a list of its requirements from India for the following year. India will supply specified quantities of essential commodities it has been supplying traditionally to Maldives by bilateral settlement even if they fall under the prohibited or restricted category subject, however, to certain stipulations.	Merchant cargo bearing vessels of either contracting party shall be granted MFN treatment in respect of entry into, stay in and departure from the ports of the other party as well as in the use of the facilities therein subject to operative laws, rules and regulations in force and except in the case of maritime activities legally reserved by either party for its own organisations or enterprises including fishing, coastal trade and inland shipping.
2. Guatemala	April 23, 1981. The agreement is yet to be ratified.	Three years. Thereafter to be automatically renewed each year unless either party desires its termination and gives 3 months' notice to the other.	Every year the two parties will exchange and give wide publicity to indicative lists of goods and services of export interest to them.	The two Governments would have direct trade avoiding thereby trade through a third country. meaning thereby that goods exchanged would be for their own internal use only and not for re-export, in which case, prior approval of the exporting country would be required.
3. Zambia	Ratification on May 16, 1981 of the agreement signed on December 8, 1978.	Two years from the date of ratification. Thereafter to be continued automatically for additional periods unless one of the parties desires its termination and gives six months' notice to the other.	**Imports** Copper and copper products, teak, lead and lead oxide, zinc, cobalt and semi-precious stones. **Exports** Animal and marine products, agricultural products and food articles, drugs, pharmaceuticals, chemicals and allied products, industrial plant and machinery and types of engineering goods mineral ores and products thereof, plastic and sports goods, textiles, cotton and woollen goods, jute products and iron and steel.	

Broad Features of the Trade Agreements—1981-82

Country	Date of signing and effective date	Duration of Agreement	Commodity details	Other features, if any
1	2	3	4	5
4. Zimbabwe	May 22, 1981. Ratification on November 1, 1981.	Two years from 1-11-1982. Thereafter, to be renewed for further periods of 2 years unless either party desires its termination and gives 6 months' notice to the other.	**Imports** Sugar, cement, steel, vegetable oil and oilseeds. **Exports** Spices, marine products, iron ore, cotton textiles, capital goods and engineering goods, jewellery and electronic items.	
5. Ghana	July 1981	Three years. Thereafter to be renewed for further periods.	**Imports** Diamonds, cocoa beans, cocoa products, railway sleepers, other timber and wood products. **Exports** Tea, jute products, light engineering and capital goods, tyres and tubes, pharmaceuticals and chemicals.	Co-operation in exploration and exploitation of Ghana's diamond resources. Ghana has agreed to sell diamonds directly to India at mutually agreed prices and India has also agreed to consider granting of credit on soft terms.
6. Argentina	July 28, 1981. The agreement is yet to be ratified.	Three years. Thereafter to be automatically renewed for successive periods of one year each time unless either party desires its termination and gives 3 months' notice to the other.	**Imports** Agricultural equipment and spare parts, fishing vessels and freighters, non-ferrous metals, dyestuffs, hides and skins, lead and zinc ingots etc. **Exports** Engineering goods, chemicals and allied products, agricultural and allied products, and miscellaneous items like tea, coffee, finished leather, sports goods, gems and jewellery, jute manufactures etc.	The two countries agree to reserve their right of insuring with their own insurers, commodities exported or imported where their supplier or buyer as the case may be, had borne the transport risk.
7. Liberia	November 16, 1981. The agreement is yet to be ratified.	Two years from the date of ratification. Thereafter to be automatically extended for further periods of one year each time unless either party desires its termination and gives 90 days' notice to the other.	No specific list of commodities for trade exchanges drawn up.	

Broad Features of the Trade Agreements—1981-82

Country	Date of signing and effective date	Duration of Agreement	Commodity details	Other features, if any
1	2	3	4	5
8. Morocco	November 17, 1981. The agreement is yet to be ratified.	Three years from the date of ratification. Thereafter to be renewed automatically for further periods of one year each time unless either party desires its termination and gives 3 months' notice to the other. However, the agreement will be applicable, provisionally, from the date of signing, *i. e.*, November 17, 1981.	No specific list of commodities for trade exchanges drawn up.	1. This agreement supersedes and replaces the Indo-Moroccan trade agreement of August 3, 1962. 2. The Governments agree to facilitate conclusion of long term trade contracts to impart continuity to commercial exchanges.
9. Uganda	November 24, 1981. Came into force forthwith.	Two years. Thereafter to be renewed automatically for further periods of two years unless either party desires its terminaton and gives six months' notice to the other.	**Imports** Cotton, coffee, cassava, fish and fish products, timber and wood products leather, hides and skins, tobacco, copper and copper alloys, cobalt phosphates, super phosphates etc. **Exports** Spices, tobacco, cotton piece-goods, industrial plant and machinery, steel structures, steel and pig-iron based items, non-ferrous products, bicycles, autoparts diesel engines and compressors, chemical and allied products etc.	The two governments agree to give preference next to their own national carriers to the carriers of the other country wherever possible for transport of goods in their mutual trade.

Chapter X

Balance of Payments and International Monetary Developments

I Balance of Payments Trends

The full details of India's balance of payments position for the year 1981-82 are not known, but the available indicators point to a further substantial deterioration in the payments position of the country during this year. A large number of non-oil developing countries experienced payments difficulties, although the extent of the pressure on the payments position varied from country to country. The world economic activity remained weak and this in turn further depressed the already sluggish growth in international trade. The persistence of high interest rates in international markets together with growing indebtedness of many non-oil developing countries not only affected their current account balances but also constrained their ability to finance imports and thus adversely affected their development efforts.

Developments in India's exchange reserves (foreign currency assets of the Reserve Bank, gold and SDR holdings) show that India's balance of payments situation worsened appreciably during 1981-82 (April-March). The fall in these reserves during 1981-82 aggregated to Rs. 2,185 crores excluding drawals of Rs. 637 crores from the IMF under the extended Fund facility. This fall was roughly 80 per cent higher than the decline of Rs. 1,215 crores during the preceding year, excluding the receipts of the IMF Trust Fund loan of Rs. 545 crores and a drawal of Rs. 274 crores from the IMF under its compensatory financing facility.

The performance on the merchandise trade front was somewhat encouraging. The DGCI&S provisional data, discussed earlier in Chapter IX, indicate that the trade deficit which had been rising rapidly in the preceding three years declined, albeit, nominally to Rs. 5,783 crores during 1981-82 from that of Rs. 5,813 crores in 1980-81 and this improvement was brought about by a distinct improvement in the growth of exports to 16 per cent from barely 4 per cent in 1980-81 accompanied by a deceleration in the pace of import growth from 41 per cent to 8 per cent over the same periods.

The available data on invisibles indicate that the rising trend in net receipts noticed in the past few years was reversed in 1981-82 and thus contributed to the deterioration in the balance of payments position. Though travel receipts seem to have increased, receipts on account of transfer payments which were continuously rising from 1973-74 declined from the peak reached in 1980-81. On the payments side, the outgo on account of interest payments and other heads of invisibles was of a larger order over the year.

On capital account, net external assistance continued the upward trend during the year when aid receipts (net of amortisation) amounted to Rs. 1,380 crores as compared with Rs. 1,260 crores (excluding the Trust Fund loan) in the preceding year. Other capital transactions together, however, seem to have recorded a net outflow during the year. Thus faced with pressure on both current and capital accounts, India had to draw down her reserves and approach the Fund for resources of SDR 5 billion under the extended Fund facility discussed later in the Chapter.

During 1981-82, the foreign currency assets of the Reserve Bank declined by Rs. 1,468 crores to Rs. 3,354 crores. But for the drawals of Rs. 637 crores from the IMF under its extended arrangement, the decline in these assets would have been substantially higher at Rs. 2,105 crores, as compared with that of Rs. 1,161 crores during 1980-81 (excluding the drawals under the Fund's compensatory financing facility and the IMF Trust Fund loan referred to earlier).

The SDR holdings declined by SDR 65.4 million during 1981-82 to SDR 425.1 million,

as against the fall of SDR 38.6 million in 1980-81. During 1981-82, India utilised SDR 34.4 million towards repurchases of earlier obligations to the Fund and paid charges (net of remuneration receipts) amounting to SDR 31.0 million for the use of IMF resources and SDRs. In the preceding year, use of SDRs for repurchases of earlier obligations was of the order of SDR 7.3 million. The payment of charges was also lower at SDR 12.9 million. Further, SDR 143.1 million were paid towards increase in the Fund quota. On the other hand, India received SDR 116.8 million through allocation of SDRs and SDR 8.0 million under the designation plans.

Gold holdings remained unchanged at Rs. 226 crores (valued at Rs. 84.39 per 10 gms.) throughout 1981-82 as compared with the marginal rise of Rs. 87 lakhs in 1980-81 on account of the gold acquired by the Reserve Bank from banks, etc., under the procedure for repayment of National Defence Gold Bonds, 1980.

During the first quarter of 1982-83, *i. e.*, April-June 1982, the foreign currency assets of the Reserve Bank declined further by Rs. 80 crores to Rs. 3,274 crores. After excluding the drawal of Rs. 312 crores under the Fund's extended arrangement, the decline would have amounted to Rs. 392 crores, as compared with the fall of Rs. 495 crores during the first quarter of 1981-82. SDR holdings at SDR 399 million by end-June 1982 were also lower by SDR 26 million, brought about by payment of charges on use of Fund resources and SDRs, net of interest received on remunerated position with the Fund. This fall in SDR holdings was substantially higher when compared to that of SDR 9 million during April-June 1981. Gold holdings, however, remained unchanged during the first quarter of both the financial years.

II. Foreign Investment Policy and Developments

With a view to attracting remittances from Indians resident abroad, Union Finance Minister announced in the Budget speech for 1982-83 liberalised facilities in regard to bank deposits and investment in equity shares of the corporate sector. Subsequently, in July and August 1982 these facilities were further liberalised and extended to cover preference shares and debentures issued by Indian companies. Concurrently, the Reserve Bank simplified the exchange control procedural formalities to facilitate such investments. Secondly, the Government decided to borrow from international capital markets to the extent that the availability of the low cost multilateral and bilateral resources falls short of the requirement of external resources. In line with this policy, Indian enterprises, both public and private companies, have been selectively permitted to raise funds abroad.

Details of the new facilities made available to non-resident Indians are given in the following paras. Hitherto, the facilities available for deposits in non-resident accounts and investment in shares of Indian companies were confined to non-resident individuals of Indian nationality or origin.

The entire gamut of the liberalised facilities have been extended to overseas companies, partnership firms, trusts, societies and other corporate bodies in which at least 60 per cent of the ownership/beneficial interest is vested in non-resident individuals of Indian nationality or origin.

(1) *Facilities for investments without benefits of repatriation of capital and income*

Non-resident Indians and overseas corporate bodies can make portfolio investment through stock exchanges in India in equity/preference shares and convertible/non-convertible debentures without any limit on the quantum or value. They can also invest in the new issues of public or private limited companies in any business activity (except real estate business) upto 100 per cent of the issued capital without any obligation to associate resident Indian participation in the equity capital at any time.

Payment for purchases either through stock exchanges or for direct investment in new issues can be made by the eligible investor either (a) by fresh remittances from abroad or (b) out of the funds held in the non-resident external accounts designated in rupees or in foreign currencies and ordinary non-resident accounts.

(2) *Facilities for investment with benefits of repatriation of capital and income*

Non-residents of Indian nationality or origin and overseas corporate bodies predominantly owned by non-resident Indians are permitted to make portfolio investment in equity/preference shares and convertible/non-convertible debentures, through stock exchanges in India, provided such investment in shares and convertible debentures in any one company by each non-resident investor does not exceed one per cent of the paid-up value of the equity/preference shares and convertible debentures issued by the concerned company. Portfolio investment in convertible debentures issued by a company in different series can be made upto one per cent of the total value of each debenture series. Further, the equity shares allotted on conversion would be in addition to the shares of the concerned company purchased through stock exchanges upto the limit of one per cent of the paid-up equity capital. No limit either on quantum or value is stipulated in regard to purchases of non-convertible debentures.

Payment for the portfolio investment in ordinary/preference shares, convertible/non-convertible debentures is required to be made either by fresh remittances from abroad or out of the funds held in the non-resident external accounts/FCNR accounts with a bank in India.

Apart from the purchases of shares and debentures through stock exchanges, non-resident Indians including corporate bodies owned by them are now permitted to invest, with repatriation benefits, in the capital raised by any new or existing company (other than a FERA company) through new issues of equity/preference shares and convertible/non-convertible debentures. Investment in new issues of non-convertible debentures will be allowed without any monetary limit. However, in the case of new issues of shares and convertible debentures through prospectuses, non-resident Indians and corporate entities will be allowed to invest upto 40 per cent of the new capital raised. They can also invest in the capital raised, other than through prospectus, upto 40 per cent of the new issues of shares and convertible debentures of any company (public or private limited), subject to a quantitative ceiling of Rs. 40 lakhs. The liberalised facility of direct investment by non-resident Indians is confined only to capital raised by Indian companies for setting up new industrial projects or for expansion/diversification of existing industrial undertakings. However, with the abolition of the list of industries which were hitherto not open for direct investment by non-residents and with the addition of the hotel industry, the scope for investment by non-resident Indians has been widened.

The existing facility of non-resident investment upto 74 per cent in equity capital raised by companies/partnership firms engaged in priority industries has also been extended to direct investment in new issues of convertible debentures/preference shares and covers investment in hotels with at least three star rating.

In addition to the facilities for investment outlined above, non-resident Indians and corporate bodies have also been permitted to invest freely in 12 per cent Six-Year National Saving Certificates. The fiscal incentive provided is that these investments will be free from wealth, income and gift taxes. Purchases of these certificates should be made either by fresh inward remittances or out of funds held in the investor's non-resident external rupee account/FCNR account.

A significant change made in regard to the FERA companies is the enlargement of the list of industries open to them (Appendix I), subject to the provision that the specific item of manufacture is not reserved for the public or small sector. Ordinarily, such companies will not be permitted to establish industries outside this list except where the product is predominantly for export, that is, 60 per cent export in respect of items not reserved and 75 per cent in respect of items reserved for the small sector. The changes made in the list take into account the objectives of (*i*) stimulating growth in industries in the core sector and in those with potential for export or for import substitution; (*ii*) giving encouragement for adoption of advanced technologies and for economies of scale; and (*iii*) providing increased scope for large scale ancillarisation.

Secondly, Government of India has permitted equity shareholding of foreign investors to be maintained at a level of 51 per cent or

below, that is, the same level of foreign equity which the foreign majority companies have been allowed to retain under the FERA even when there is a likelihood of its reduction as a result of exercise of the 'convertibility clause' option by financial institutions. This is, however, subject to two provisions, namely, (*i*) the foreign shareholders bring in the required foreign exchange in cash to acquire the shares at about the market price to maintain the stipulated level of foreign equity holding; and (*ii*) the required special resolution under Section 81 of the Companies Act, 1956 is passed.

The amount of foreign participation in the capital consents to non-Government public limited companies increased further substantially from Rs. 88.4 crores in 1980-81 to Rs. 154.3 crores in 1981-82. The share of amounts permitted to be issued to non-residents in total consents improved from 11.3 per cent in 1980-81 to 16.7 per cent in 1981-82 (Table X-1).

Table X-1: Consents for Capital Issues* : Aggregate and by Non-Residents (N.R.) 1979-80 to 1981-82 (Provisional)

(Rupees crores)

Year	Initial Issues			Further Issues			Bonus Issues		
	Total	N. R.	2 as % of 1	Total	N. R.	5 as % of 4	Total	N. R.	8 as % of 7
(April to March)	1	2	3	4	5	6	7	8	9
1979-80.. ..	45.7	1.9	4.2	61.6	1.1	1.8	67.7	15.9	23.5
1980-81.. ..	129.5	4.7	3.6	155.0	17.3	11.2	130.2	31.6	24.3
1981-82.. ..	124.2	3.1	2.5	80.7	3.2	4.0	147.6	22.9	15.5

(Rupee crores)

Year	Debenture Issues			Loans, etc.			Total		
	Total	N. R.	11 as % of 10	Total	N. R.	14 as % of 13	Total	N. R.	17 as % of 16
(April to March)	10	11	12	13	14	15	16	17	18
1979-80.. ..	138.1	6.5	4.7	63.9	11.9	18.6	377.0	37.3	9.9
1980-81.. ..	83.0	—	—	282.9	34.8	12.3	780.6	88.4	11.3
1981-82.. ..	416.8	—	—	155.2	125.1	80.6	924.5	154.3	16.7

* Non-Government public limited companies.

Among the consents for various types of capital issues, consents for raising loans from non-residents increased four-fold, from Rs. 34.8 crores in 1980-81 to Rs. 125.1 crores in 1981-82 and accounted for the increase in non-residents' share in consents for capital issues. The shares of others—initial issues, further issues and bonus issues—declined both in absolute amounts and in terms of the ratio to consents for raising capital in respective categories. Of the total loans consented to be raised by these companies during 1981-82, as much as 80.6 per cent as compared with 12.3 per cent in 1980-81 were permitted to be raised from non-residents. The amounts of bonus shares consented for issue to non-residents during 1981-82 far exceeded the consents for their participation in share capital through initial and further issues. The amounts of foreign participation consented to in shares other than bonus declined from Rs. 22.0 crores in 1980-81 to barely Rs. 6.3 crores in 1981-82, although the number of consents issued for non-resident participation in the initial issues increased from 8 to 9, and that in the further issues from 15 to 21 during 1981-82.

As regards the liberalised facility for investment in India by the Oil Exporting Developing (OED) countries, only two cases involving an investment of Rs. 1.2 crores have been approved in 1981-82.

Approvals granted for financial and technical collaboration arrangements declined from 519 in 1980-81 to 442 in 1981-82 (April-March). But they were still higher than 289 approvals granted in 1979-80 (April-March).

During the year under review, 19 applications from the drug and manufacturing companies received under the FERA were disposed of. As a result, excepting 3 cases all the 895 applications received were disposed of by June 30, 1982. Also, 17 companies complied during the year with the directives regarding dilution/Indianisation, bringing the number of such companies to 317 by June 30, 1982. Forty-one companies in respect of which final orders in this regard have been passed are at various stages of compliance.

The Government of India granted, during the year under review, approval for setting up abroad 43 Indian joint ventures and 6 wholly owned Indian subsidiaries. Total investments by the Indian joint ventures abroad amounted to Rs. 118.2 crores as of March 31, 1982. Details of remittances received in India from Indian joint ventures abroad are given below:

(Rs. lakhs)

Year (April-March)	Dividends	Other repatriations†
1979 - 80	190	494
1980 - 81*	137	340
1981 - 82*	13	169

† Other repatriations include fees receivable for services such as for technical know-how, engineering services, management services, consultancy and selling agency services, etc.

* Figures for 1980-81 and 1981-82 are incomplete.

Source : Ministry of Commerce, New Delhi.

III External Assistance*

Total external assistance authorised to India during 1981-82 amounted to Rs. 2,400 crores, as compared to Rs. 3,047 crores in 1980-81 (Table X-2). The reduction in total external assistance during 1981-82 was mainly due to the curtailment of loans by the soft loan window of the World Bank group, viz., the IDA, as well as by the USSR and the USA. Although the external assistance in the form of grants almost doubled, it could not make good the shortfall in loans due to its lower composition in the total aid.

The position regarding actual utilisation of assistance was somewhat better, as gross utilisation of assistance (including debt relief provided by donor countries) rose from Rs. 1,317 crores in 1980-81 to a new record level of Rs. 1,473 crores during the year, showing a rise of 12 per cent (Table X-6). At the same time, debt service payments increased by only

* The rupee values of authorisations, utilisation and undisbursed balances of aid to India are given at pre-December 1971 IMF par rates unless specifically stated otherwise. In tables X-2 to X-4 and X-6, the figures are also given for the years 1974-75 through 1981-82 at the rupee's relevant annual average rates of exchange.

Table X-2 : External Assistance
(Fiscal Years)

(Rupees crores)

Items	Loans	Grants	P.L. 480 Aid	Total (2+3+4)
1	2	3	4	5
1. Amount undisbursed as at the end of March 1966	**1,606**	**86**	**108**	**1,800**
2. Amount undisbursed as at the end of March 1969	**1,603**	**25**	**123**	**1,751**
3. Authorisations during 1969-74	**3,793**	**197**	**32**	**4,022**
4. Authorisations during 1974-78	**5,019 (6,012)**	**1,162 (1,220)**	—	**6,181 (7,232)**
5. Authorisations during				
(a) 1978-79	1,579 (1,857)	452 (488)	—	2,031 (2,345)
(b) 1979-80	791 (987)	444 (490)	—	1,235 (1,477)
(c) 1980-81	2,959 (3,248)	88 (121)	—	3,047 (3,369)
(d) 1981-82	2,226 (2,855)	174 (201)	—	2,400 (3,056)
6. Utilisation during 1969-74	**3,510**	**158**	**155**	**3,823**
7. Utilisation during 1974-78	**3,880 (4,681)**	**848 (923)**	—	**4,728 (5,604)**
8. Utilisation during				
(a) 1978-79	727 (934)	367 (398)	—	1,094 (1,332)
(b) 1979-80	850 (1,058)	289 (307)	—	1,139 (1,365)
(c) 1980-81	1,020 (1,226)	297 (352)	—	1,317 (1,578)
(d) 1981-82	1,188 (1,502)	285 (301)	—	1,473 (1,803)
9. Amount undisbursed as at the end of March 1982	**6,795 (8,408)**	**298 (340)**	—	**7,093 (8,748)**

Notes : 1. 'Loans' include P. L. 480 Title I convertible currency credits and refinance credits, but exclude rupee loans out of P. L. 480/P.L. 665 rupee counterpart funds. 'Grants' include grants under debt relief but exclude grants out of P. L. 480/P.L. 665 rupee counterpart funds. P. L. 480 aid comprises value of imports on rupee payment terms under P. L. 480 Title I programme.

2. The rupee values of amounts undisbursed at the end of March 1966 (except those for P. L. 480 aid which are given at the pre-devaluation rate of exchange) are shown at the post-devaluation rate of exchange. The rupee values of amounts undisbursed at the end of March 1969, the amounts authorised and utilised during each of the subsequent years, and the amounts undisbursed at the end of March 1982 have been arrived at on the basis of pre-December 1971 IMF par values. Figures in brackets shown against items 4, 5, 7, and 8 indicate the rupee values calculated at the rupee's annual average rate of exchange for the respective years, while figures in brackets shown against 'Amount undisbursed as at the end of March 1982' (item 9) represent rupee values, calculated at the rates prevalent at end-March 1982.

Table X-3 : Loans Authorised and Utilised during 1980-81 and 1981-82
(Fiscal Years)

(Rupees crores)

Country/Institution	Authorisations								Utilisation							
	1980-81				1981-82				1980-81				1981-82			
	Project	Non-Project	Debt Relief	Total	Project	Non-Project	Debt Relief	Total	Project	Non-Project	Debt Relief	Total	Project	Non-Project	Debt Relief	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. IBRD/IDA	1,866 (1,969)	—	—	1,866 (1,969)	1,640 (1,962)	—	—	1,640 (1,962)	618 (652)	—	—	618 (652)	877 (1,049)	—	—	877 (1,049)
2. EEC (Special Action Credit)	—	—	—	—	—	—	—	—	18 (19)	—	—	18 (19)	—	—	—	—
3. IFAD	13 (14)	—	—	13 (14)	—	—	—	—	7 (7)	—	—	7 (7)	10 (12)	—	—	10 (12)
4. Canada	67 (65)	—	—	67 (65)	87 (94)	14 (15)	—	101 (109)	21 (20)	—	—	21 (20)	23 (25)	—	—	23 (25)
5. France	103 (137)	32 (43)	—	135 (180)	108 (126)	—	—	108 (126)	49 (65)	6 (8)	—	55 (73)	18 (21)	14 (16)	—	32 (37)
6. West Germany	48 (98)	21 (43)	—	69 (141)	64 (121)	17 (32)	—	81 (153)	54 (110)	17 (35)	—	71 (145)	48 (90)	20 (38)	—	68 (128)
7. Italy	—	—	—	—	—	—	—	—	—	1 (1)	—	1 (1)	—	—	—	—
8. Japan	26 (50)	—	—	26 (50)	153 (289)	—	—	153 (289)	33 (63)	1 (2)	—	34 (65)	14 (26)	—	—	14 (26)
9. Netherlands	—	36 (67)	—	36 (67)	—	34 (57)	—	34 (57)	—	40 (74)	—	40 (74)	—	52 (88)	—	52 (88)
10. UK	—	—	—	—	—	—	—	—	1 (1)	—	—	1 (1)	—	—	—	—
11. USA	127 (134)	—	—	127 (134)	10 (12)	—	—	10 (12)	77 (81)	—	—	77 (81)	59 (71)	—	—	59 (71)
12. OPEC*	54 (57)	79 (83)	—	133 (140)	70 (107)	—	—	70 (107)	37 (44)	1 (1)	—	38 (45)	18 (25)	—	—	18 (25)
13. USSR	486 (486)	—	—	486 (486)	—	—	—	—	33 (33)	—	—	33 (33)	23 (23)	—	—	23 (23)
14. Others	—	1 (2)	—	1 (2)	1 (1)	28 (39)	—	29 (40)	—	6 (10)	—	6 (10)	—	12 (18)	—	12 (18)
Total	**2,790 (3,010)**	**169 (238)**	—	**2,959 (3,248)**	**2,133 (2,712)**	**93 (143)**	—	**2,226 (2,855)**	**948 (1,095)**	**72 (131)**	—	**1,020 (1,226)**	**1,090 (1,342)**	**98 (160)**	—	**1,188 (1,502)**

Note : Figures in brackets indicate the rupee values at the average annual rates of exchange prevalent during respective years.
* Comprises Iran, Iraq, Kuwait, Abu Dhabi, Saudi Arabia and OPEC Special Fund.

7 per cent from Rs. 687 crores in 1980-81 to Rs. 737 crores in 1981-82. Thus, the net aid inflow (net of amortisation and interest payments) registered a further rise of Rs. 106 crores during the current year over and above the increase of Rs. 169 crores in 1980-81. The net aid receipts at Rs. 736 crores during 1981-82 were, however, much less than the peak level of Rs. 927 crores attained in 1975-76.

Authorisations

The decline in loan authorisations was, as mentioned earlier, mainly due to cut back in authorisations by the IDA (Rs. 365 crores), the USA (Rs. 117 crores), the OPEC group (Rs. 63 crores) and France (Rs. 27 crores) and absence of fresh commitments by the USSR and the IFAD as against the authorisations of Rs. 486 crores and Rs. 13 crores, respectively, during the last year. On the other hand, loan commitments by Japan rose more than five-fold from Rs. 26 crores in 1980-81 to Rs. 153 crores in 1981-82. The share of the IBRD increased to Rs. 555 crores in 1981-82 from Rs. 416 crores in the preceding year. West Germany maintained the same level of assistance as in the previous year, while Canada increased its authorisations during 1981-82 by Rs. 34 crores to Rs. 101 crores (Table X-3).

With the decline in loan authorisations, there was a corresponding decline in authorisation of project loans during 1981-82, the share of which in total loans, however, rose from 94 per cent in 1980-81 to 96 per cent in 1981-82. The total project loan authorisations fell by 24 per cent to Rs. 2,133 crores in 1981-82, which may be attributed mainly to lower loan authorisations from the IDA and the USA and absence of authorisations from the USSR.

The non-project loan authorisations fell sharply by Rs. 76 crores to Rs. 93 crores in 1981-82 and correspondingly their share in total loan authorisations declined by two points to 4 per cent. This decline was mainly due to the absence of fresh authorisations by the OPEC and France during the year.

The authorisations of grants in 1981-82 almost doubled from Rs. 88 crores in 1980-81 to Rs. 174 crores. The UK, Sweden and EEC mainly contributed to this increase. The UK and EEC authorised Rs. 67 crores and Rs. 22 crores, respectively, in 1981-82, there being no authorisations by them in the preceding year; at the same time, Sweden's authorisations more than doubled from Rs. 30 crores in 1980-81 to Rs. 63 crores in 1981-82. Japan maintained its authorisations at last year's level of Rs. 8 crores, while the USA and the Netherlands decreased their authorisations and Canada made no fresh authorisations during this year (Table X-4).

There were no marked changes in the terms and conditions of assistance granted by the donor countries.

Debt Relief

In response to the plea made by low income countries (including India) for larger debt relief, a substantial sum of Rs. 70 crores was sanctioned as debt relief in 1981-82, which was over five times that authorised in 1980-81 (Rs. 13 crores). The UK, after a break during the year 1980-81, resumed debt relief assistance by authorising Rs. 67 crores, while Japan and the Netherlands reduced their authorisations from Rs. 5 crores and Rs. 8 crores in 1980-81 to Rs. 2 crores and only Rs. 31 lakhs, respectively, in the current year (Table X-5).

Trends in Utilisation

At the beginning of 1981-82, aid available in the pipeline was Rs. 6,165 crores (revised). This, together with authorisations of Rs. 2,400 crores during the year, constituted the total aid available for utilisation (Rs. 8,565 crores) during 1981-82. Of this amount, Rs. 7,612 crores represented project assistance accounting for 89 per cent of the total aid available, Rs. 371 crores non-project loans and the balance of Rs. 582 crores, grants.

Total aid utilised rose by 12 per cent to Rs. 1,473 crores in 1981-82 and accounted for 17 per cent of the available aid. There was a substantial rise in the utilisation of project loans to Rs. 1,090 crores in 1981-82 as against Rs. 948 crores in 1980-81. Utilisation of project aid as a proportion of total project aid available during the year worked out to 14 per cent which was slightly lower than that in the preceding year. Utilisation of

Table X-4 : Grants@ Authorised and Utilised during 1980-81 and 1981-82
(Fiscal Years)

(Rupees crores)

Country/Institution	Authorisations		Utilisation	
	1980-81	1981-82	1980-81	1981-82
1	2	3	4	5
1. Canada	5 (5)	—	—	—
2. West Germany	—	—	1 (2)	—
3. Japan	8 (15)	8 (15)	15 (29)	5 (9)
4. Netherlands	20 (37)	13 (22)	19 (35)	11 (19)
5. Sweden	30 (38)	63 (72)	41 (52)	29 (34)
6. Switzerland	—	—	5 (12)	3 (7)
7. U.K.	—	67 (64)	189 (194)	211 (201)
8. U S A (Other than PL 480/PL665)	25 (26)	1 (1)	—	—
9. EEC	—	22 (27)	27 (28)	26 (31)
Total	**88 (121)**	**174 (201)**	**297 (352)**	**285 (301)**

Note : Figures in brackets indicate the rupee values at the average annual rates of exchange prevalent during respective years.

@ Including Debt Relief.

Table X-5 : Debt Relief Assistance
(Fiscal Years)

(Rupees lakhs)

Country	Authorisations		Utilisation	
	1980-81	1981-82	1980-81	1981-82
1	2	3	4	5
A. By way of grants				
1. U K	—	67,16	21,00	93,32
2. Japan	5,13	2,36	9,55	5,02
Total A	**5,13**	**69,52**	**30,55**	**98,34**
B. By way of reduction of interest payments				
Netherlands	7,87	31	7,87	31
Grand Total	**13,00**	**69,83**	**38,42**	**98,65**

non-project aid also increased from Rs. 72 crores in 1980-81 to Rs. 98 crores in 1981-82. In spite of the increase in grant authorisations, utilisation of grants fell, though marginally, by Rs. 12 crores to Rs. 285 crores in 1981-82, forming 49 per cent of the total grants available during the year.

Debt servicing

The debt service payments rose further in 1981-82 to the peak level of Rs. 737 crores since 1970-71 (Table X-6). The debt service liabilities as a proportion of gross aid receipts, which had dropped to 52 per cent in 1980-81, declined to 50 per cent in 1981-82. Similarly, as a proportion of exports (DGCI&S data) these payments at current prices dropped further to 12 per cent from a high level of 15 per cent in 1978-79, mainly due to the higher growth in the value of exports during the period from 1978-79 to 1981-82. The proportion was 13 per cent in 1980-81.

Cumulative Assistance

Total external assistance authorised to India from August 15, 1947 to end-March 1982 amounted to Rs. 30,016 crores, of which 82 per cent was in the form of loans (Table X-7). The share of grants to total assistance upto end-March 1982 remained at 11 per cent despite the increase in grant authorisations during the year. Assistance utilised upto the end of March 1982 aggregated to Rs. 23,036 crores forming 77 per cent of the total aid authorised. The percentage utilisation of grants at 91 per cent was higher than that for loans at 72 per cent.

The World Bank Group continued to be the largest single institutional source of aid to India and their share in total authorisations improved to 35 per cent at the end of March 1982 from 32 per cent upto end-March 1981 (Table X-8). The combined authorisations by the IBRD and the IDA amounted to Rs. 10,477 crores by end-March 1982 as compared with Rs. 8,837 crores at the end of March 1981. Similarly, the utilisation of assistance provided by these institutions increased from Rs. 5,160 crores to Rs. 6,037 crores over the year and formed 26 per cent of total aid utilised by end-March 1982 as against 24 per cent at end-March 1981.

Among the donor countries, the USA continued to occupy the top place in terms of both cumulative aid authorisations and utilisation, followed by the UK, the USSR and West Germany. All other countries and the OPEC group more or less maintained their relative shares both in respect of authorisations and utilisation at the previous year-end levels.

At the end of March 1982, total assistance comprising loans and grants available in the pipeline was of the order of Rs. 7,093 crores which was Rs. 928 crores higher than that at the commencement of the year. Of this, Rs. 6,522 crores or 92 per cent represented project assistance, Rs. 273 crores non-project assistance and Rs. 298 crores grants. About 63 per cent of the aid in the pipeline represented loans from the IBRD and the IDA and, country-wise, the USSR accounted for 11 per cent.

Aid Prospects for 1982-83

Both gross and net aid to India during 1982-83 is expected to be higher than that in 1981-82. The rate of growth in assistance committed for 1982-83, in U. S. dollar terms, by the Aid-India Consortium was, however, smaller than the rates of growth in gross or net aid expected to be received in this year.

The Central Government budget for 1982-83 has taken credit for gross external assistance of Rs. 2,227 crores during 1982-83, showing a rise of Rs. 358 crores over the revised estimates of Rs. 1,869 crores for 1981-82. The net aid (net of loan repayments and interest) would work out at Rs. 1,365 crores in 1982-83 which would be Rs. 266 crores larger than the revised estimates of Rs. 1,099 crores for 1981-82.

The members of the Aid-India Consortium at the meeting in Paris in June 1982 pledged assistance to India of U. S. $3.73 billion which is 7.8 per cent higher than that of U. S. $3.46 billion in 1981-82. In terms of SDRs, however, at SDR 3.30 billion, the increase in aid committed for 1982-83 works out to 17.0 per cent higher as compared to assistance of SDR 2.82 billion committed for 1981-82. The impressive performance of the Indian economy during 1981-82 and the adjustment efforts that have been initiated evoked positive responses from many donors to India's plea

Table X-6 : Inflow of Foreign Assistance — Gross and Net
(Fiscal Years)

(Rupees crores)

Year	Gross Utilisation	Amortisation Payments	Interest Payments	Total Debt Services (3+4)	Net Inflow of Aid (2—5)
1	2	3	4	5	6
1970-71	780	254	158	412	368
1971-72	821	271	175	446	375
1972-73	605	302	177	479	126
1973-74	803	300	184	484	319
1974-75	968 (1,087)	331 (368)	181 (201)	512 (569)	456 (518)
1975-76	1,436 (1,739)	335 (427)	174 (224)	509 (651)	927 (1,088)
1976-77	1,248 (1,529)	383 (471)	187 (242)	570 (713)	678 (816)
1977-78	1,076 (1,249)	464 (561)	203 (260)	667 (821)	409 (428)
1978-79	1,094 (1,332)	479 (600)	218 (286)	697 (886)	397 (446)
1979-80	1,139 (1,365)	440 (570)	238 (301)	678 (871)	461 (494)
1980-81	1,317 (1,578)	448 (569)	239 (281)	687 (850)	630 (728)
1981-82	1,473 (1,803)	477 (588)	260 (323)	737 (911)	736 (892)

Notes: 1. Gross aid utilisation includes debt relief provided in the form of refinancing credits and grants. Debt service payments in these cases are covered in columns (3) and (4).
2. Figures in brackets indicate the rupee values at the average annual rates of exchange prevalent during respective years.
3. Both amortisation and interest payments exclude payments which are either postponed or rescheduled as under:

(Rupees crores)

Country/ Institution	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82
1. I.B.R.D.	11	—	—	—	—	—	—	—	—	—	—	—
2. Canada	1	1	1	1	—	—	—	—	—	—	—	—
3. Japan..	19	15	25	31	25	26	25	—	—	—	—	—
4. U.S.A.	7	7	—	—	—	—	—	—	—	—	—	—
Total	**38**	**23**	**26**	**32 (44)**	**25 (32)**	**26 (36)**	**25 (36)**	—	—	—	—	—

Table X-7 : Aggregate External Assistance
(Fiscal Years)

(Rupees crores)

Period	Loans	Grants	P. L. 480/665 Aid and Third Country Currency Assistance	Total (2+3+4)
1	2	3	4	5
Authorisations from August 15, 1947				
1. Upto March 1966	5,952	617	1,511	8,080
2. Upto March 1974	11,977	981	2,165	15,123
3. Upto March 1978	16,995	2,143	2,165	21,303
4. **Authorisations during**				
(*a*) 1978-79	1,579	452	—	2,031
(*b*) 1979-80	791	444	—	1,235
(*c*) 1980-81	2,959	88	—	3,047
(*d*) 1981-82	2,226	174	—	2,400
Total (upto March 1982)	**24,558**	**3,301**	**2,165@**	**30,016**
Utilisation from August 15, 1947				
1. Upto March 1966	4,346	531	1,403	6,280
2. Upto March 1974	10,091	917	2,277	13,285
3. Upto March 1978	13,971	1,765	2,277	18,013
4. **Utilisation during**				
(*a*) 1978-79	727	367	—	1,094
(*b*) 1979-80	850	289	—	1,139
(*c*) 1980-81	1,020	297	—	1,317
(*d*) 1981-82	1,188	285	—	1,473
Total (upto March 1982)	**17,756**	**3,003**	**2,277@**	**23,036**

Note: Refer to Notes to Table X-2.
@P. L. 480 authorisations were fully utilised by the end of 1971-72. The difference between rupee values of total authorisations and total utilisation is attributable to the devaluation of rupee on June 6, 1966.

for increase in assistance. For some time there have been uncertainties regarding the magnitude of resources that would be available from the IDA. Some encouraging indications have been there of late, but unless they get reflected immediately into an improvement in IDA flows, the debt servicing burden would get affected adversely.

Borrowing under the Extended Arrangement with the Fund

In November 1981, the Fund approved an extended arrangement to support the external adjustment programme of India whereunder purchases of foreign currencies equivalent of upto SDR 5.0 billion were authorised from

Table X-8: Aggregate External Assistance—Source-wise

(Upto end-March 1982)

(Rupees crores)

Country/Institution	Authorisations				Utilisation			
	Loans	Grants	P.L. 480/ 665 Aid and Third Country Currency Assistance	Total (2+3+4)	Loans	Grants	P. L. 480/ 665 Aid and Third Country Currency Assistance	Total (6+7+8)
1	2	3	4	5	6	7	8	9
I.B.R.D./I.D.A.	10,477	—	—	10,477 (34.9)	6,037	—	—	6,037 (26.2)
United Nations	—	44	—	44 (0.1)	—	44	—	44 (0.2)
E.E.C.	40@	245	—	285 (0.9)	40@	224	—	264 (1.1)
I.F.A.D.	92	—	—	92 (0.3)	17	—	—	17 (0.1)
U.S.A.	3,945	313	2,165	6,423 (21.4)	3,832	277	2,277	6,386 (27.7)
U.S.S.R.	1,917	12	—	1,929 (6.4)	1,112	11	—	1,123 (4.9)
U.K.	1,419	1,370	—	2,789 (9.3)	1,408	1,235	—	2,643 (11.5)
West Germany	1,692	43	—	1,735 (5.9)	1,536	42	—	1,578 (6.9)
Japan	901	38	—	939 (3.1)	739	30	—	769 (3.3)
O.P.E.C.*	1,501	—	—	1,501 (5.0)	1,009	—	—	1,009 (4.4)
Others	2,566	1,236	—	3,802 (12.7)	2,026	1,140	—	3,166 (13.7)
Total	**24,550**	**3,301**	**2,165**	**30,016 (100.0)**	**17,756**	**3,003**	**2,277**	**23,036 (100.0)**

Notes: 1. Please refer to Notes to Table X-2.
2. Figures in brackets represent percentage to the total.
@ Relates to Special Action Credit.
* Comprises Iran, Iraq, Kuwait, Abu Dhabi, Saudi Arabia and the OPEC Special Fund.

the Fund over a three-year period. Under the first year's economic programme, purchases equivalent of SDR 900 million were permitted by June 1982 and India drew all that amount. The economic programme for the second year was approved in July 1982 and a sum equivalent of SDR 1800 million is permitted to be drawn over the 12 months ending June 1983. Of this, India purchased SDR 600 million in July 1982. Thus, by end-July 1982, India had drawn SDR 1,500 million out of the total authorised purchases equivalent of SDR 5.0 billion under the extended arrangement.

IV. Exchange Rate Developments

The exchange rate of the rupee continues to be determined in terms of a weighted basket of the selected major international currencies,

with the pound sterling as the intervention currency. The volatility in exchange rates of major currencies witnessed during 1981-82 was reflected in the movements in the rupee-pound sterling rate. (These are presented in the Annexure). The number of changes in the rupee-pound sterling rate between July 1981 and June 1982 was over 50 per cent larger than during July-June 1980-81, and the months of December 1981, and April and May 1982 exhibited particularly frequent changes.

The Table X-9 below gives the annual average (July-June) rate of the rupee in relation to SDR and four major international currencies during the last five years.

Table X-9 : The External Value of the Indian Rupee

(Rs. per unit of SDR/foreign currency)

July-June (annual average*)	SDR	US $	£	DM	Yen
1977 - 78	10.1972	8.50	15.52	3.92	0.0352
1978 - 79	10.4399	8.21	15.76	4.10	0.0429
1979 - 80	10.4551	8.03	17.92	4.49	0.0346
1980 - 81	10.1002	8.04	18.42	4.02	0.0376
1981 - 82	10.4633	9.20	16.89	3.92	0.0395

Note : SDR rate is as given in the IMF Survey. For the pound sterling, it is the middle rate of the R.B.I. quotations. For other currencies, the rates are the middle rates on the London market as crossed with the R. B. I. middle rates for the pound sterling.

* Based on monthly averages.

As will be seen from the above table, during 1981-82 (July-June) the average rate of the rupee depreciated against the SDR by 3.5 per cent, against the U.S. dollar by 12.6 per cent and against the Japanese yen by 4.8 per cent. The rupee, however, appreciated against the pound sterling by 9.1 per cent and against the DM by 2.6 per cent.

The appreciation of the rupee against the SDR noticed in 1980-81 was more than wiped out during the year under review and the annual average rupee-SDR rate during 1981-82 at Rs. 10.463 per SDR slipped below the level of Rs. 10.455 per SDR in 1979-80. In terms of monthly average rate, the rupee almost steadily lost ground against the SDR during the second half of 1981 to reach a level of Rs. 10.66 per SDR in December 1981. During the first six months of 1982, excepting January and May, the rupee recovered and hovered around Rs. 10.45 per SDR.

The annual average rate of the rupee against the US dollar had steadily appreciated during 1977-78 to 1979-80 and had remained almost at the 1979-80 level during the following year. In 1981-82, however, the rupee depreciated, as pointed out earlier, by 12.6 per cent; the US dollar, in fact, strengthened against a large number of currencies including those of major industrial countries. With a few exceptions, the monthly average rupee—US dollar rate steadily depreciated during the year 1981-82 from Rs. 8.91 per dollar in July 1981 to Rs. 9.48 in June 1982.

The annual average rupee-pound sterling rate, after depreciating for four successive years ending 1980-81, appreciated by 9.1 per cent in 1981-82 to Rs. 16.89 per pound sterling. In the second half of 1981, the rupee had weakened almost steadily and the monthly average rate in December 1981 reached Rs. 17.44 per pound sterling. Since then, the rupee recovered to Rs. 16.63 per pound in April 1982 and the average monthly rate in June 1982 stood at Rs. 16.66 per pound sterling.

In terms of the annual average rate, the rupee firmed up further against the DM during 1981-82 rising by 2.6 per cent to Rs. 3.92 per DM, on top of a rise of 11.7

per cent in 1980-81. Month-wise, between September and November 1981 the rupee depreciated against the DM, the monthly average rate moving down to Rs. 4.10 per DM. In the first half of 1982, the rupee appreciated and the rate was marked up to around Rs. 3.90 per DM.

The depreciation of the rupee-yen rate, in terms of the annual average rate, continued in 1981-82 though at a somewhat slower rate. In the second half of 1981 the rupee depreciated against the yen by 7.9 per cent but this loss was more than made good by the subsequent hardening of the rupee in the first half of 1982. Thus, between June 1981 and June 1982 the rupee rate improved by 2.1 per cent.

V. India's Financial Assistance to Other Countries

During 1981-82, the Government of India sanctioned financial assistance to nine developing countries in addition to the authorisations under the ITEC programme, for an aggregate sum of Rs. 91 crores which was larger by Rs. 12 crores than that authorised in the preceding year (Table X-10). Five new countries—namely Ghana, Mozambique, Peoples' Democratic Republic of Yemen, Seychelles and Uganda—were added to the list of beneficiary countries that received assistance in 1980-81. As in last year, the major portion of the assistance was in the form of grants, extended primarily to two neighbouring countries—Bhutan and Nepal—the total magnitude of which rose over the year from Rs. 49 crores to Rs. 56 crores and constituted 68 per cent of the aggregate assistance authorised during the year. The loan component also went up over the year from Rs. 30 crores to Rs. 35 crores and represented 32 per cent of the total. Country-wise, Bhutan accounted for Rs. 48 crores—more than half of total aid authorised—and retained its top position in the list of beneficiaries, followed by Nepal and Vietnam at a fair distance.

Table X-10: Assistance Extended by India to Other Countries
(Fiscal Years)

(Rupees crores)

Country/Programme	Authorisations						Utilisation					
	1980-81			1981-82			1980-81			1981-82		
	Loans	Grants	Total	Loans	Grants	Total	Loans	Grants	Total	Loans	Grants	Total
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Bangladesh	—	0.2	0.2	—	0.4	0.4	0.5	0.2	0.7	0.1	0.4	0.5
2. Bhutan	6.8	31.1	37.9	9.6	37.9	47.5	6.8	31.1	37.9	9.6	37.9	47.5
3. Ghana	—	—	—	5.0	—	5.0	—	—	—	—	—	—
4. Mauritius	—	—	—	—	—	—	2.9	—	2.9	6.5	—	6.5
5. Mozambique	—	—	—	4.0	—	4.0	—	—	—	0.2	—	0.2
6. Nepal	—	14.2	14.2	—	15.8	15.8	—	5.9	5.9	—	15.8	15.8
7. Peoples' Democratic Republic of Yemen	—	—	—	1.0	—	1.0	—	—	—	—	—	—
8. Seychelles	—	—	—	2.5	—	2.5	—	—	—	—	—	—
9. Sri Lanka	10.0	—	10.0	—	—	—	6.4	—	6.4	1.6	—	1.6
10. Tanzania	—	—	—	—	—	—	—	—	—	0.6	—	0.6
11. Vietnam	13.5	—	13.5	10.0	—	10.0	18.9	—	18.9	8.7	—	8.7
12. Uganda	—	—	—	2.5	—	2.5	—	—	—	0.7	—	0.7
13. Zambia	—	—	—	—	—	—	—	—	—	0.9	—	0.9
14. Assistance under ITEC Programme@	—	3.0	3.0	—	2.1	2.1	—	3.0	3.0	—	2.1	2.1
Total	**30.3**	**48.5**	**78.8**	**34.6**	**56.2**	**90.8**	**35.5**	**40.2**	**75.7**	**28.9**	**56.2**	**85.1**

Notes: 1. Aid to Nepal excludes grant expenditures on Kosi and Gandak schemes executed by the Bihar Government and the grant expenditure on training of Nepalese scholars in India.

2. Authorisations are net of de-obligations/cancellations.

@ Country-wise details are not available.

Utilisation

The utilisation of aid marginally increased during 1981-82 to Rs. 85 crores from Rs. 76 crores in 1980-81. As in the past, Bhutan utilised the entire aid authorised to that country (Rs. 48 crores), accounting for more than one-half of the total utilisation in 1981-82, followed by Nepal which also utilised the entire authorisation of Rs. 16 crores. Ghana, Peoples' Democratic Republic of Yemen and Seychelles which were granted loans in 1981-82 had not begun utilisation thereof during the year.

Cumulative Assistance provided by India

Total aid authorisations upto end-March 1982 by India amounted to Rs. 1,070 crores, of which 61 per cent represented grants (Table X-11). Bhutan became the top beneficiary relegating Bangladesh to the second place. Bhutan was provided Rs. 307 crores or 29 per cent of the total assistance authorised, followed by Bangladesh (Rs. 262 crores) and Nepal (Rs. 223 crores). These three countries together thus accounted for roughly three-fourths of total aid authorisations by India. In terms of utilisation also Bhutan occupied the first place utilising almost the entire authorisation, accounting for nearly 32 per cent of the total aid disbursed by India. Bangladesh ranked second accounting for 23 per cent followed by Nepal with a share of about 21 per cent of the total aid disbursed till end-March 1982.

VI. International Monetary Developments

On the whole, the international economic situation continued to remain difficult during the year and the economic outlook for the remaining months of 1982 and the year 1983 seems equally bad, if not worse. The economic activity in the group of industrial coun-

Table X-11: Aggregate Assistance Extended by India to Other Countries
(Upto end-March 1982)

(Rupees crores)

Country/Programme	Authorisations			Utilisation			Amount undisbursed as at the end of March 1982		
	Loans	Grants	Total	Loans	Grants	Total	Loans	Grants	Total
1	2	3	4	5	6	7	8	9	10
1. Afghanistan	6.4	—	6.4	6.4	—	6.4	—	—	—
2. Bangladesh	116.3	146.1	262.4	92.5	131.2	223.7	23.8	14.9	38.7
3. Bhutan	36.8	270.6	307.4	36.8	270.3	307.1	—	0.3	0.3
4. Burma	20.0	—	20.0	20.0	—	20.0	—	—	—
5. Ghana	5.0	—	5.0	—	—	—	5.0	—	5.0
6. Indonesia	10.0	—	10.0	10.0	—	10.0	—	—	—
7. Mauritius	15.0	—	15.0	13.3	—	13.3	1.7	—	1.7
8. Mozambique	4.0	—	4.0	0.2	—	0.2	3.8	—	3.8
9. Nepal..	21.5	201.3	222.8	21.5	181.1	202.6	—	20.2	20.2
10. Peoples' Democratic Republic of Yemen	1.0	—	1.0	—	—	—	1.0	—	1.0
11. Seychelles	2.5	—	2.5	—	—	—	2.5	—	2.5
12. Sri Lanka	74.5	—	74.5	54.4	—	54.4	20.1	—	20.1
13. Tanzania	7.4	—	7.4	6.0	—	6.0	1.4	—	1.4
14. Vietnam	88.7	—	88.7	80.8	—	80.8	7.9	—	7.9
15. Uganda	2.5	—	2.5	0.7	—	0.7	1.8	—	1.8
16. Zambia	10.0	—	10.0	0.9	—	0.9	9.1	—	9.1
17. Assistance under ITEC programme@	—	30.5	30.5	—	30.5	30.5	—	—	—
Total	**421.6**	**648.5**	**1,070.1**	**343.5**	**613.1**	**956.6**	**78.1**	**35.4**	**113.5**

Notes: 1. Refer to Notes to Table X-10.
2. Aid to Bangladesh does not cover the relief goods of the value of Rs. 17 crores supplied to that country in 1971-72.

@ Country-wise details are not available.

tries continued to be sluggish and in turn adversely affected output growth in the developing countries—both oil and non-oil—and expansion of world trade. Some gains on the inflation front were achieved by industrial countries but their unemployment rates generally moved up from the already high levels. The current account imbalances of the industrial countries and the oil exporting countries narrowed down significantly; the deficit of industrial countries dropped from $ 45 billion* in 1980 to $ 4 billion in 1981 while the surplus of oil exporting countries fell from $ 115 billion to $ 71 billion over the same years. The deficit of non-oil developing countries, however, rose further from $ 86 billion in 1980 to $ 99 billion in 1981 and not much relief is expected in 1982. The instability in exchange markets persisted; the U.S. dollar strengthened further while gold weakened. The non-oil developing countries are facing a particularly difficult situation. Their current account deficits have grown substantially despite deceleration in volume of imports, necessitating financing on hard terms as the flow of concessional resources to them has failed to keep pace with their financing needs, and they had to borrow at market or near market interest rates which hardened and generally remained at high levels. The high and fluctuating interest rates and the volatility in exchange markets have added to the problems faced by this group of countries. Their efforts to expand exports have been thwarted by the poor economic outturn in industrial countries and the protectionism that has been gaining ground. All in all, many non-oil developing countries have found it difficult to sustain the adjustment effort initiated by them.

Output and Prices

The overall growth of real GNP of the industrial countries as a group is expected to be around one per cent for the third successive year, in 1982, as against the annual average rate of growth of 4 per cent during the four year period 1976-79. There are differences of views on whether the year 1983 would show any better results than during the 1980-82 period. The widespread slowdown in growth of output during the past two years reflects the squeeze on growth of aggregate demand from inflationary pressures and the tightening of financial policies. The continued sluggishness in economic activity and the dim economic prospects in the short-term future in industrial countries would hinder any noticeable pick-up in export volume expansion as well as any improvement in terms of trade of the non-oil developing countries as a group.

The growth in real GDP of non-oil developing group of countries which was holding out satisfactorily, dropped to 2.5 per cent in 1981, the lowest in the last two decades, as compared with that of 4.8 per cent in 1980. As the recovery in their output during 1982 and 1983 is contingent on what happens in the industrial world, there are serious doubts regarding the order of improvement in this group's economic growth during this period. Apart from the recession in industrial countries and the constraint on imports of non-oil developing countries arising out of their financing difficulties, the restrictive influence on domestic demand of adjustment policies pursued by many of them contributed to their slow growth in output.

The overall output of oil-exporting countries which fell by 4.5 per cent during 1981 is expected to decline further in 1982 as a result of a substantial decrease in oil sector output arising out of recession in industrial world, efforts at conservation of energy and rise in oil output outside this group. However, the rise in this group's non-oil production improved to 5 per cent during 1981 and this rate of growth is expected to be maintained in 1982.

One of the encouraging features of the period under review is the deceleration in consumer prices in the group of industrial countries as a whole. The rate of increase in consumer prices declined from 12 per cent in 1980 to 10 per cent in 1981 and is expected to move down to 8 per cent in 1982. Apart from the tight financial policies adopted by this group, stability in oil prices and decline in commodity prices contributed to the slowing down of the increase of consumer prices. The amplitude of divergences of inflation rates

* $ refers to the U.S. dollar in this chapter, unless specifically stated otherwise.

among the major industrial countries also narrowed down over the year. Thus, over the year ending June 1981, consumer price increases of seven large industrial countries ranged from 4.9 per cent in Japan to 18.9 per cent in Italy; over the year ending June 1982 the rise in these prices varied from 2.2 per cent in Japan to 15.0 per cent in Italy.

For the non-oil developing countries as a group, the inflation rate remained high because of higher cost of imported goods, shortages of certain essential items and accommodating financial policies. The rate of consumer price increase came down only marginally from 32 per cent in 1980 to 31 per cent in 1981 and is expected to be around 29 per cent in 1982. The sub-group of Asian countries fared much better on the price front with the growth in cosumer prices sliding down from 13 per cent in 1980 to 10 per cent in 1981; during 1982 the rate of price rise is expected to fall further to 8 per cent; this is an achievement which compares well with the rates of inflation in industrial countries.

The unemployment rates in major industrial countries continued to rise, causing a measure of anxiety among them. Their steadfastness with restrictive financial policies to control inflation remains undaunted, though some of them have laid greater emphasis on reduction of unemployment without hurting the anti-inflationary pursuit. The unemployment rate for the group as a whole moved up by one percentage point to 6.6 per cent in 1981, and in 1982, an addition of another point is expected. The monthly unemployment rate over the year ending July 1982 increased the sharpest in Canada from 7.2 per cent to 11.8 per cent. In August 1982, one out of eight British workers was out of job, while in the U.S.A. the ratio was about 1 to 10. Among the major industrial countries unemployment rate was the lowest in Japan, though there, roo, the rate rose by 0.3 percentage points to 2.5 per cent over the year ended July 1982.

Money Supply and Interest Rates

For some years, the major thrust of industrial countries has been on restrictive financial policies to control the inflationary pressures and the rigidities in the fiscal systems have forced these countries to rely more on tighter monetary policies. Accordingly, the target or target-ranges for monetary expansion were set in many countries on a declining pattern. The tighter monetary policies led to a rise in interest rates.

The expansion in narrow money (M_1) of seven larger industrial countries was reduced to 5.6 per cent in 1980 but rose marginally to 6.3 per cent in 1981. In real terms, (adjusting for inflation rates) the M_1 declined by 3.1 per cent in 1980 and by 1.8 per cent in 1981. The performance of individual countries differed widely. In the U.S.A., Canada, West Germany and Japan the rate of expansion in M_1 during 1981 was lower than that in 1980, and in the first quarter of 1982 it continued to be lower than in the same period of 1981 in the U.S.A., Canada and West Germany. In Japan, France and the U.K., the rate of growth in money supply accelerated between 1980 and 1981. In 1980, Japan had the lowest rate of expansion of 0.8 per cent in money supply in this group while Italy topped with 15.9 per cent. In 1981, it was West Germany which achieved the smallest rise of 0.9 per cent followed by Canada and Japan with less than 4 per cent expansion in money supply. In France, the money supply growth was the highest at 12.3 per cent in 1981 as against 8.0 per cent in the preceding year.

The nominal short-term interest rates hardened further from 11.7 per cent in 1980 for the group of seven larger industrial countries to 13.1 per cent in 1981, but there has been some softening of these rates in the more recent months after the Versailles summit. The real interest rates, (adjusting for inflation rates) rose relatively more from 2.6 per cent in 1980 to 4.5 per cent in 1981 indicating greater risk premium demanded against the future course of inflation in these countries. The nominal short-term interest rates per annum in 1980 in some selected countries were as follows: Italy 15.9 per cent; the U.K. 15.1 per cent; the U.S.A. 11.4 per cent; Japan 10.7 per cent; and West Germany 9.5 per cent. In 1981, interest rates in Japan and the U.K. declined whereas those in other countries rose. Thus, the rate was 7.4 per cent in Japan; 13.0 per cent in the U.K.; 14.0 per cent in

the U.S.A.; and 12.1 per cent in West Germany. The long-term interest rates also moved up in sympathy with short-term rates, though by a lesser margin.

The rate of expansion in money supply in the group of non-oil developing countries remained above 30 per cent per annum in recent years. For the sub-group of Asian countries, however, it steadily decelerated from 19.5 per cent in 1978 to 13.0 per cent in 1981.

WORLD TRADE AND BALANCE OF PAYMENTS

The last Report referred to the marked changes that were taking place in the rate of growth in world trade in volume terms, the terms of trade of major groups of countries and their current account balances. The year 1981 witnessed further radical changes in the distribution of current account imbalances as a result of a recession in industrial countries, drop in commodity prices and high levels of interest rates in international markets.

According to the preliminary assessment by the GATT, world merchandise trade amounted to nearly $ 2,000 billion in 1981 indicating a fall of 1 per cent over the year, as against a rise of more than 20 per cent in 1980. This represented the first year-over-year decline in the value of world trade since 1958. In volume terms, aggregate world trade stagnated in 1981 after expanding by 2 per cent in 1980. The levelling off of the trade volume was the result of a fall in mineral exports offset by expansion in other product categories. World exports of petroleum declined by 14 per cent in volume and those of other minerals by 5 per cent.

Imports of industrial countries, in U.S. dollars, declined by 5.3 per cent in 1981 whereas their exports fell by 1.6 per cent mainly because of a sluggish economic activity in these countries and the strengthening of the dollar, and in the process reducing the dollar unit values of traded items. It was the second successive year during which their imports in volume terms fell; the 2.3 per cent decline in 1981 was, however, greater than that of 1.3 per cent in the preceding year. Volume of exports, however, continued to expand though the rate of growth at 2.6 per cent was much slower than that of 4.6 per cent in 1980 which itself was lower than the average for recent years. There was also a decline in the intra-area trade. The trade deficit of industrial countries which had shot up to $65 billion in 1980 dropped to $18 billion in 1981 or roughly one-half of that in 1979 towards the end of which oil prices were raised sharply again. The deterioration in terms of trade of this group dropped from about 8 per cent in 1980 to 1 per cent in 1981.

In 1981, exports of oil exporting countries, in value terms, declined by 8.0 per cent; for the second consecutive year the volume of exports fell and the rate of decrease accelerated to 16.3 per cent. The largest export losses were suffered by Iran and Iraq (about 50 per cent) and by Libya and Nigeria (30 per cent). Saudi Arabia was the only OPEC member to maintain the volume of its exports. Imports of this group of countries, however, continued to expand though the 18.0 per cent growth therein during 1981 was far below that in the preceding year. The aggregate trade surplus of this group which had climbed up to $167 billion in 1980 dropped by $46 billion over a year but was still higher than that of $113 billion in 1979.

The merchandise trade expansion of the non-oil developing countries as a group slowed down considerably in 1981. In value terms, their exports increased by barely one per cent as against a rise of 27 per cent in 1980 mainly because export unit values in dollar terms which had risen by 19.9 per cent in 1980, declined by about one per cent in 1981. The pace of growth in imports, in value terms, of these countries also slumped from 31.2 per cent in 1980 to 8.4 per cent in 1981. In volume terms, exports of these countries increased by 3.9 per cent in 1981 as compared with a rise of 5.6 per cent in the previous year. Similarly, the growth in volume of imports slowed down from 3.9 per cent in 1980 to 2.2 per cent in 1981. The terms of trade continued to weaken further with a decline of 2.2 per cent in 1981 on top of that of 4.3 per cent in 1980, 0.3 per cent in 1979 and 4.1 per cent in 1978. The trade deficit of non-oil developing countries as a group widened fur-

ther from $71 billion in 1980 to $75 billion in 1981.

The low income countries among this group of non-oil developing countries experienced a fall of 8.3 per cent in value of exports, in dollar terms in 1981, as against a rise of 11.9 per cent in the previous year. The value of their imports, in dollar terms, declined by 6.0 per cent, as against a rise of 26.9 per cent over the same two years. Their terms of trade declined by 8.3 per cent in 1981 and thus over the four years ending 1981, this group of countries have suffered a loss of over 44 per cent on account of a continuous deterioration in their terms of trade.

The current account deficit of industrial countries as a group dropped from $44.8 billion in 1980 to $3.7 billion in 1981 because of a similar drop in their trade deficit; their surplus on invisibles also was reduced from $19.8 billion to $13.9 billion. It is expected that these countries as a group might balance their trade in 1982 and show a surplus of about $11 billion on current account. The current account surplus of oil exporting countries as a group also dropped from $115.0 billion in 1980 to $70.8 billion in 1981 or close to that in 1979, again because of a similar drop in their trade surplus. The Fund has estimated that this group's surplus might drop further to $25.0 billion in 1982 in which case it would be the lowest in recent years with the exception of 1978.

The current account deficits of non-oil developing countries widened further in 1981 and amounted to $75.2 billion; the rate of growth of these deficits, however, dropped down from 46.3 per cent in 1980 to 14.8 per cent in 1981. Both the trade deficit and deficit on invisibles rose, the increase in the latter being of the order of as much as 51.9 per cent.

While the imbalances in current account of the two other groups are narrowing down, the current account deficit of non-oil developing countries, given the unfavourable international trading environment characterised by deepening of recession in industrial countries and their widespread resort to restrictive trade and protectionist policies, is expected to remain high in 1982. Already the financing of the steadily growing magnitude of deficits in recent years through borrowing at high interest rates have led to an appreciable rise in their external debt and debt servicing. For many of these countries continued borrowing in the markets or from international banks at the current high rate to finance their deficits, especially at a time when trade prospects are uncertain, is an impracticable proposition. In this situation unless the industrial countries reorient their policies in a manner which would enable non-oil developing countries to improve their exchange earnings substantially, the grim alternative facing this group of countries with large populations below the poverty line is to cut their imports and rates of output growth, and further extend the time by which they could provide the acceptable living standards to these poor people.

DEVELOPMENTS IN EXCHANGE RATES OF MAJOR CURRENCIES

The instability in exchange markets continued during the year under review despite reductions in current account imbalances of some major countries and deceleration in their inflation rates leading to a measure of convergence therein. Several European central banks intervened to moderate the volatility in their exchange rates. There was, however, no consensus among leading countries whether any actions other than those to improve the fundamentals of the economies were warranted to achieve greater stability in exchange markets.

During the year under review, the U.S. dollar displayed a firm tendency in relation to all the major international currencies and the SDR. The pound sterling showed an easy trend against the SDR, the U.S. dollar and the DM, but was relatively firm against the Japanese yen. The DM showed firmness against the SDR, the pound sterling and the Japanese yen, while the Japanese yen eased against the U.S. $, the SDR, the DM and the pound sterling.

Over the year (end-June 1982 over end-June 1981) in the London Exchange Market, the U. S. dollar firmed up against all the major currencies and the SDR. It moved up strongly against the pound sterling by 11.1

per cent on top of the appreciation of 22.2 per cent in the previous year and against the Japanese yen by 12.3 per cent in continuation of a rise of under 3 per cent in the preceding year. The U.S. dollar improved but moderately against the DM and the SDR by 2.6 per cent and 5.3 per cent, respectively; in the previous year the dollar had gained sharply both against the DM (by 36 per cent) and the SDR (by 15 per cent).

The developments in economic indicators influencing the exchange rate movements in the U.S. dollar in the recent period were as follows: The current account surplus of the U.S. improved from $8.4 billion in 1980 to $11.0 billion in 1981 but is projected to be much lower in 1982. A moderate growth in GNP during 1981 is expected to be followed by a fall therein in 1982. The price front has shown encouraging developments in the recent period and further improvement was visualised till the short-term interest rates fell recently. The short-term interest rates during 1981 were generally higher than during 1980 though they eased in more recent months. Among the non-economic factors, uncertainties generated by the political developments in Europe were important.

The slide down of the pound sterling which began early in 1981 continued during the year under review except for the brief recovery in the last quarter of 1981. Over the year (June 1981 to June 1982) the pound sterling eased by 10.0 per cent against the U.S. dollar on top of the depreciation of over 18.0 per cent in the previous year. However, the pound sterling appreciated by 6.1 per cent against the SDR in addition to the appreciation of 5.6 per cent in the previous year. In relation to the DM, the pound sterling depreciated by nearly 8 per cent and in the process shed more than half of the gain of 11.2 per cent recorded in the past year, whereas against the Japanese yen, it remained generally steady at the low level touched in 1980-81 when it had lost by 15.5 per cent; over the year the pound sterling gained by about one per cent *vis-a-vis* the yen.

The economic developments having a bearing on the exchange rate of the pound sterling are briefly given below: The current account position of the U.K. improved dramatically during 1981, the surplus reaching close to $20 billion; the forecast for 1982 is that surplus on current account will drop by about one-third. For two successive years in 1980 and 1981 the GDP declined but the outlook for 1982 is that it will show some growth. The deceleration in consumer prices during 1981 was perhaps the steepest among the major industrial countries and expectations are that there will be further improvement on the price front in 1982. Even so, the inflation rate would continue to rule well above that in the USA, West Germany and Japan. The short term interest rates declined in 1981 and remained lower than those in the USA. In the first half of 1982 these rates were marginally higher than those in the USA.

The German mark displayed generally a firm tendency in relation to all the major European currencies, the Japanese yen and the SDR, but weakened in relation to the US dollar. Over the year, the DM depreciated by 2.5 per cent in relation to the US dollar over and above the decline of 26.4 per cent noticed in the preceding year. The DM strengthened by 8.3 per cent against the pound sterling, by 9.5 per cent in relation to the Japanese yen and by 2.4 per cent *vis-a-vis* the SDR. In 1980-81, it had weakened by 10.1 per cent in relation to the pound sterling, by 24.0 per cent against the yen and by 15.4 per cent *vis-a-vis* the SDR.

The strengthening of the DM reflects the improvement in the fundamentals of the German economy. The current account deficit including official transfers dropped from $16.3 billion in 1980 to $7.6 billion in 1981 and a surplus of $4.0 billion is projected for 1982. The output had fallen moderately in 1981 but is estimated to show a rise of about one per cent in 1982. The rate of inflation which had accelerated to 5.9 per cent in 1981 is expected to slow down to about 5.3 per cent in 1982. The government bond yields had risen to over 11 per cent in the third quarter of 1981 before declining to 9 per cent in the second quarter of 1982.

Despite a sharp turn around in the current account position during 1981 and expectations of further improvement in 1982, the Japanese yen weakened over the year under review

against the U.S. dollar, the pound sterling, the DM and the SDR. The yen moved down for the second year in succession in relation to the U.S. dollar by over 11 per cent in 1981-82 following the decline of 3.2 per cent in the preceding year, whereas the depreciation of 8.7 per cent against the DM and of 6.3 per cent against the SDR was in the nature of a corrective reaction to the gains of 31.6 per cent and 10.9 per cent, respectively, recorded in the preceding year. The over-the-year depreciation in the yen *vis-a-vis* the pound sterling by 1.1 per cent is quite nominal in comparison with the sharp gain of 18.0 per cent recorded in the preceding year.

There were a number of factors favouring a strong yen over 1981-82. The current account position including official transfers swung from a deficit of $10.7 billion in 1980 into a surplus of $4.8 billion in 1981 and the surplus is expected to improve further to $12.0 billion in 1982. Though the output growth decelerated in 1981, it was almost the highest among major industrial countries and is expected to be around 3.5 per cent during 1982, again achieving the fastest growth among this group. The rate of inflation measured in terms of the consumer price index came down sharply from 8.0 per cent in 1980 to 4.9 per cent in 1981—the lowest among major industrial countries, and is visualised to decelerate further to 4.0 per cent in 1982 which again would be the lowest among this group. The short-term money rates remained the lowest and well below those in many industrial countries which resulted in some outflow of funds from the yen denominated assets.

FINANCING OF DEFICITS OF NON-OIL DEVELOPING COUNTRIES

The current account deficits of non-oil developing countries as stated earlier are estimated to have risen from $86 billion in 1980 to $99 billion in 1981 and would probably remain in 1982 around the 1981 level. Their total financing needs including those for augmentation of their reserves are placed at $91 billion in 1980 and $101 billion in 1981. Roughly 26 per cent of the needs in both the years were met through non-debt creating flows such as direct investments, grants from governments, SDR allocation and valuation changes. In this category, direct investment flows showed an impressive rise of over one-third in 1981. The official long-term capital flows declined marginally in absolute terms in 1981, but in percentage terms these came down by about 2.4 percentage points to 20.1 per cent. Long-term borrowings from private sources—financial institutions and others—rose sharply from 27.5 per cent in 1980 to 35.4 per cent in 1981. Though the borrowings from the Fund net of repayments increased almost three times during 1981 to roughly $6.4 billion, the share of 'other financial flows' including short-term borrowings declined from 23.6 per cent in 1980 to 18.4 per cent in 1981. The steady increase in reliance on long-term borrowings from private sources reflects the resilience shown by financial institutions, though more recently, because of the difficulties faced by some countries, international banks are reportedly tending to be more selective in provision of finance. On the whole, given the rising magnitude of debt and high interest rates, the ability of this group of countries to finance their growing deficits through banks must have been eroded somewhat.

Development Assistance

In the field of development assistance, 1981 has been a disappointing year, in that the official development assistance, in dollar terms, from the OECD countries, declined over the year. The preliminary data compiled by the OECD show that the ODA of OECD countries in nominal terms fell from $27.3 billion in 1980 to $25.5 billion in 1981 or by 6.6 per cent, and in consequence the DAC members' collective ODA/GNP ratio which had risen to 0.38 per cent in 1980 moved down to 0.35 per cent—the level attained during most of the 'seventies.

A part of this decline in the ODA during 1981 was statistical arising from the practice of expressing in U.S. dollar terms the aid provided by individual countries in their own currencies by converting aid value into U.S. dollars at the prevailing exchange rate; during 1981 the dollar strengthened strongly against most of the OECD countries and as a result the aid provided by members of the OECD

other than the U.S. was lower in dollar terms. However, if adjustment is made for both the exchange rate effect and price rise, the fall in the ODA volume is placed around 4 per cent.

During 1981 most of the countries in the OECD group increased their ODA both in absolute terms expressed in their national currencies and in terms of the ODA/GNP ratios. In the case of the USA, Japan and Australia their contributions to ODA declined both in terms of absolute amount expressed in their national currencies and in relation to their GNP. In addition, the ODA/GNP ratios of New Zealand and Norway were lower in 1981; even so, the Norway's ratio of 0.82 per cent was far above the average for the OECD as a group and also exceeded the U.N. target of 0.70 per cent. If these five countries are excluded, the ODA/GNP ratio of others increased from 0.47 per cent in 1980 to 0.51 per cent in 1981.

The problems faced by donors in providing larger assistance at a time when their economies remain sluggish are well understood. At the same time, it should be recognised that the poor economic performance of the donors is in itself a major obstacle in the pursuit of adjustment by developing countries because if the donors' economies were growing at a satisfactory rate, it would have facilitated the adjustment effort in developing countries as their exports would have picked up, and it would have become easier for donors to make rapid progress to achieve the U.N. aid target of 0.7 per cent of GNP which was to have been attained by mid-'seventies.

WORLD BANK

During the year 1981-82 (July-June) the financial assistance to member countries from the World Bank Group—the Internationl Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the International Finance Corporation (IFC)—increased by 4.0 per cent in terms of commitments to $13,627 million and disbursements rose by 19.4 per cent to $8,580 million. The rate of growth of commitments decelerated in relation to 1980-81 but accelerated in respect of disbursements (Table X-12). During 1981-82, the loan commitments of the IBRD aggregated $10,330 million, showing acceleration in the rate of rise to 17.3 per cent. The disbursements were higher even more significantly by 24.9 per cent from $5,063 million in 1980-81 to $6,326 million. The number of projects assisted also went up from 140 to 150 over the same years though the number of countries benefiting contracted from 50 to 43.

Table X-12: Loans by the World Bank Group—1980-81 and 1981-82

(Million $)

	Year (July-June)	Loan Commitments	Disburse-ments	Assistance provided to	
				Number of projects	Countries
IBRD	1980-81	8,809 (15.2)	5,063 (16.0)	140	50
	1981-82	10,330 (17.3)	6,326 (24.9)	150	43
IDA	1980-81	3,482 (—9.3)	1,878 (33.1)	106	40
	1981-82	2,686 (—22.9)	2,067 (10.1)	97	42
IFC	1980-81	811@ (19.1)	243* (—16.8)	56	34
	1981-82	611@ (—24.7)	187* (—23.0)	61	31
Total	**1980-81**	**13,102 (7.7)**	**7,184 (18.4)**	**302**	
	1981-82	**13,627 (4.0)**	**8,580 (19.4)**	**308**	

@ Approved investments.
* Rise in investments (loans and equity held).
Note: Figures within brackets show percentage change over the previous year.

During 1981-82, the IBRD loan commitments for 7 Indian projects amounted to $1,265 million forming 12.2 per cent of the IBRD's total commitments during the year and substantially exceeded those of $430 million accounting for 4.9 per cent of total IBRD commitments during 1980-81. The rise in commitments was to an extent at the cost of IDA approvals, which declined as discussed below. If IBRD commitments and the IDA approvals for 1981-82 are taken together these would show a rise of 26.5 per cent from $1,711 million in 1980-81 to $2,165 million in 1981-82. Of the 1981-82 commitments, $605 million were for two power projects, $ 300 m. for two industrial projects, $210 m. for two projects in agriculture and rural development sector and $150 m. for the Industrial Credit and Investment Corporation of India (ICICI). Commitments for $250 million were at 10.6 per cent rate of interest and the remaining at 11.6 per cent.

Because of the uncertainty regarding the IDA resources, for the second successive year the IDA credit approvals declined. The approvals which in 1979-80 totalled $3,838 million dropped by about one-third to $2,686 million in 1981-82. Disbursements, however, continued to grow though at a slower pace; during 1980-81 disbursements shot up by 33.1 per cent to $1,878 million but were followed by an increase of 10.1 per cent to $2,067 million in 1981-82. India's share in IDA's total commitments fell further from 36.8 per cent in 1980-81 to 33.5 per cent in 1981-82 and in absolute terms the drop in commitments to India was of the order of 30 per cent though the approvals of the IDA as a whole fell by 22.9 per cent. Sectorally, commitments for agriculture and rural development were for $475 million and those for power and urbanisation amounted to $400 million and $25 million, respectively.

For sometime funding of the IDA has been facing difficulties so much so that there are apprehensions that the IDA VI would be spread over four years ending-June 1984instead of the normal three year period ending June 1983. If that happens the IDA VII replenishments would be postponed at least by one year affecting the resource flows to poor countries some of which are already facing severe financial constraint. Additional funds for the IDA to cover 1983-84 disbursements are to be raised by setting up a special fund and an IDA 1984 account in terms of the Toronto agreement. With the Peoples' Republic of China claiming a share of the IDA resources, unless the IDA VII replenishments are augmented substantially, the prospects of which as of now seem bleak, the existing beneficiaries from the IDA may suffer decline in their shares of the IDA resources.

The financial assistance committed by the IFC during 1981-82 dropped by 24.7 per cent to $ 611 million from the previous year's level of $ 811 million because of unfavourable investment climate in many developing countries for large projects. The disbursements also fell but somewhat less by 23.0 per cent to $ 187 million. For India, however, both the approvals and their share in total approvals by the IFC rose during 1981-82. During the year, for six Indian projects $ 89 million of assistance was committed accounting for 14.6 per cent of total IFC commitments for the year. In the preceding year, approvals for investments in Indian companies aggregated $ 76 million and formed 9.4 per cent of total commitments by the IFC.

Use of IMF Resources

In more recent years, in the context of their widening balance of payments deficits the non-oil developing countries have had increased recourse to the Fund resources and intra-monetary authority borrowings for financing these deficits, although the draft on the Fund's resources was quite small *vis-a-vis* the total magnitude of the deficit. The table X-13 gives details of use of Fund resources in 1980 and the subsequent period. The total purchases from the Fund which had doubled in 1980 over 1979 increased substantially from SDR 3,753 million in 1980 to SDR 7,082 million in 1981. Purchases during the first half of 1982, however, were running only marginally higher than those in the same period of 1981. All the purchases during 1980 and 1981 were made by non-oil developing countries; in the first half of 1982, purchases by this group of countries of SDR 3,259 million were roughly 13 per cent lower than those during the corresponding period of 1981. Net purchases (net of repurchases)

Table X-13: Use of Fund Resources

(Million SDRs)

	1980	1981	January-June 1981	January-June 1982
1. Total Purchases	**3,752.7**	**7,081.7**	**3,770.8**	**3,846.2**
2. Total Repurchases	**3,344.8**	**2,109.8**	**1,188.3**	**966.1**
3. Net Purchases (1-2)	**407.9**	**4,971.9**	**2,582.5**	**2,880.1**
Break-up of Total Purchases				
(a) Reserve Tranche	359.2	310.4	207.4	1,045.5
(b) Credit Tranche	1,798.6	3,436.6	2,100.2	862.4
(Of which, SFF)	(943.1)	(1,468.9)	(710.1)	(570.2)
(Of which EFF)	(—)	(305.5)	(145.2)	(95.2)
(c) Compensatory Financing	980.4	1,242.5	466.8	849.6
(d) Buffer Stock	—	—	—	83.0
(e) Extended Fund Facility (EFF)	614.5	2,092.2	996.4	1,005.7
(Of which, SFF)	(275.2)	(570.7)	(324.5)	(218.5)
(Of which, EAP)	(—)	(480.6)	(190.1)	(300.0)

by this group nearly trebled from SDR 1,893 million in 1980 to SDR 5,488 million in 1981.

In 1981, it was mainly the expansion in credit tranche and Extended Fund Facility (EFF) purchases with relatively high conditionality which contributed to the rise in use of Fund resources. The increase in low conditionality resources during 1981 under the compensatory financing facility (CFF) was SDR 262 mlliion more than that in 1980. In the first half of 1982, however, the reserve tranche and CFF purchases accounted for one-half of total purchases and rose sharply in relation to similar purchases in the period January-June 1981. Purchases under credit tranches dropped from SDR 2,100 million in the first half of 1981 to SDR 862 million in the first half of 1982, while those under the EFF increased marginally over the same periods to SDR 1,006 million during January-June 1982.

With effect from May 1, 1981 the rate of charge on use of all ordinary resources of the Fund, irrespective of the period over which the purchases remained outstanding, had been changed to 6.25 per cent per annum. This rate was raised to 6.6 per cent from May 1, 1982. The initial rate of interest on Supplementary Financing Facility (SFF) borrowings by members which was 13.95 per cent for the first half of 1981 increased to 15.075 per cent for the second half of 1981 but came down to 14.75 per cent for the first half of 1982. The charges in respect of the Enlarged Access Policy (EAP) followed a similar trend; these charges increased from 12.78 per cent for the first half of 1981 to 13.33 for the second half but fell to 12.97 per cent for the first half of 1982.

IMF Quota Review

A reference was made in the last Report to the exercise on hand in the Fund on the Eighth General Review of Quotas, and an agreement on the quota increase is to be reached before December 11, 1983. The various organs of the Fund have been intensively discussing this important issue but no consensus has been reached so far on the overall magnitude of the increase, not to speak of how the increase will be distributed among members. There was widespread support in the Interim Committee meeting at Toronto in

September 1982 for a substantial quota increase to enable the Fund to perform its functions in an effective manner in the 1980s but no figure has been mentioned in this regard. On the question of distribution, the Committee holds the view that quotas of individual members should be brought more in line with their relative positions in the world economy, while maintaining a proper balance between different groups of countries. The Committee hopes that the remaining issues on size and distribution of the quota increase would be resolved by April 1983 when it meets again.

At the end of June 1981, aggregate quotas of the Fund members amounted to SDR 59.6 billion. Since then, as a result of the special adjustment in the quota of Saudi Arabia from SDR 1,040.1 million to SDR 2,100 million which became effective in September 1981 and five countries including Hungary joining the Fund membership, the total quotas of 146 members have gone up to SDR 61.1 billion by end-June 1982.

Special Drawing Rights (SDRs)

At the close of the Third basic period which ended on December 31, 1981, total allocations of SDRs amounted to SDR 21.4 billion. The proportion of SDRs in non-gold reserves of the Fund members was about 5.4 per cent at the end of June 1982.

The discussions on the allocation of SDRs during the Fourth basic period beginning January 1, 1982 have so far been unproductive because of the hard line taken by a few industrial countries which hold the view that the need for fresh allocation of SDRs which is required to be established under the Articles, has not been established. Some of them further argue that fresh allocations, at this stage, would give wrong signals regarding the earnestness for inflation control in the world. The developing countries on the other hand maintain that fresh allocations of SDRs are justified in terms of the letter and spirit of the Articles of Agreement of the Fund, that the progress towards achieving the objective under the Articles of making the SDR the principal reserve asset of the international monetary system calls for regular and sizeable allocations of SDRs, and that the amount of SDR allocation advocated would not jeopardise anti-inflationary policies if liquidity creation by international markets is taken note of. A decision on fresh allocations of SDRs requires support of members commanding 85 per cent of the voting rights, and until the major industrial countries are convinced of the need for such allocations there is little chance of progress on this front.

The rate of interest on use of SDRs by participants and the rate of remuneration to be paid by the Fund on members' remunerated positions with the Fund in the General account, for the recent quarters, are as follows :

Calendar quarter beginning	per cent per annum SDR interest rate	Rate of remuneration
July 1, 1981	14.03	11.93
October 1, 1981	13.99	11.89
January 1, 1982	11.63	9.89
April 1, 1982	12.15	10.33
July 1, 1982	12.01	10.21

International Reserves

The rate of growth in international liquidity slowed down considerably during 1981 reflecting substantial changes in imbalances on current account of different country groups, fall in world trade, tight monetary policy in many countries and high rates of interest on international capital markets.

The total international reserves comprising the foreign exchange, the SDR holdings and the reserve positions in the Fund, but excluding gold, as compiled by the Fund for its members and Switzerland increased over the year 1981 by SDR 18 billion or by 5.4 per cent to SDR 343 billion, as against a rise of SDR 51 billion or 21.4 per cent in 1980. In the first half of 1982 these declined by 3.8

per cent, in contrast to a rise of 6.6 per cent in the corresponding period of 1981.

The movements in official gold holdings, in terms of quantity were small in 1981, as also during the first half of 1982. These holdings declined fractionally during 1981 but rose by a small quantity in the first half of 1982. As the gold prices fell, the gold holdings, at London market prices, dropped by SDR 115 billion to SDR 325 billion at the end of 1981 and further to SDR 277 billion at the end of June 1982. In 1980 the market value of gold holdings had increased by SDR 73 billion, mainly because of the rise in gold prices.

Of the total rise in reserves of SDR 18 billion during 1981, SDR 8.5 billion or nearly one-half was on account of foreign exchange and the remaining half of SDR 9 billion was shared equally by SDRs and reserve positions in the Fund. For the second successive year, the reserve positions in the fund rose by over SDR 4 billion. While the foreign exchange holdings have fallen by SDR 14.9 billion during the first half of 1982, holdings of SDRs have risen by SDR 458 billion and reserve positions in the Fund by SDR 1.5 billion. Thus, at the end of June 1982, foreign exchange holdings amounted to SDR 289.8 billion, the SDR holdings to SDR 16.9 billion and the reserve positions in the Fund to SDR 22.8 billion.

Regarding the distribution of reserves among the main country groups, though the industrial countries' holdings increased marginally during 1981 their share declined from 55 per cent at end-1980 to 52 per cent at end-1981. The reserves of oil exporting countries increased by over 10 per cent and their share in the total moved up by one percentage point to 24 per cent at the end of 1981. Rise in reserves of non-oil developing countries during 1981 at SDR 2.7 billion was appreciably lower than the annual increase from 1975 to 1979, though higher than that of SDR 2.2 billion in 1980. Substantial increases in reserves during 1981 were observed in a few countries such as the Peoples' Republic of China, Singapore, Mexico, Brazil, Trinidad and Tobago, and Bahrain, while a large number of countries lost reserves, some of them, considerably. The non-oil developing countries' share remained at about one-fifth at the end of 1981. In the first half of 1982, reserves of industrial countries declined markedly whereas those of the oil exporting countries and non-oil developing countries remained broadly unchanged.

Reserves of non-oil developing countries in absolute terms have steadily risen in recent years but the ratio of their reserves to imports which dropped from 27 per cent in 1978 to 18 per cent in 1980 moved down further to 17 per cent in 1981. The expectations are that the ratio might fall further in 1982. If the few countries which were able to augment their reserves substantially in 1981 and those few which might be able to do so in 1982 are excluded, the reserve-import ratios in respect of a large number of other countries would be much more tight reducing their policy choices in economic management and development initiatives. Reduction in interest rates in international markets, greater financial assistance from governments and international banks and institutions, and resumption of allocations of SDRs would help to mitigate the reserves problem of many countries in this group.

Gold in International Market

The gold prices on leading international markets continued to decline during 1981-82 (July-June). The London gold price which was $ 426 an ounce at the end of June 1981 or about one-half of the all time high of $ 850 an ounce reached in January 1980 pierced the floor of $ 300 per ounce in June 1982. Between June-end 1981 and June-end 1982, the gold price per ounce reached the peak of $ 463.50 on September 21, 1981 and the trough of $ 296.75 on June 21, 1982. Thus, the amplitude of variation in prices during 1981-82 was smaller in absolute terms than during the preceding 12 month period. The London market's final fixing at the end-June 1982 at $ 317.50 an ounce showed a fall of 25.5 per cent over the year.

The price of gold in the London market which had dropped towards the end-June 1981 and early July 1981 recovered temporarily in August and September 1981 before resuming the slide down which lasted till mid-March 1982. After a brief upward movement thereafter for about a month, the price

of gold continued to weaken till almost the end of June 1982. The general downtrend in gold prices during 1981-82 was mainly due to a fall in demand for gold. With high interest rates prevailing in the Western countries, investment in gold and jewellery became less attractive. The recovery in August-September 1981 was associated with the weakness of the U.S. dollar aided by scepticism about the success of the U.S. government's objective to balance the Federal budget and to control inflation through restrictive monetary policy. The political tensions in Poland and a mild softening of short-term interest rates in the U.S. were other contributory factors. The downtrend from September 1981 to March 1982 was reportedly induced by speculative liquidation prompted by expectations that interest rates would remain high and the U.S. dollar would firm up strongly. The short-lived uptrend in April 1982 is linked with the confrontation over the Falkland islands and increased unrest in the Middle-East. With the settlement of the Falkland issue, the underlying weakness in gold prices reasserted itself.

An official gold exchange commenced operations in Tokyo from March 23, 1982. The establishment of the Tokyo Gold Exchange reflects the emergence of Japan as a major user of gold.

The number of countries that issued gold coins in 1981 was 70 compared with 57 in 1980 and the amount of gold used in coin minting rose to 7.9 million ounces from 6.1 million ounces in 1980. Among the countries with new issues were Botswana, Costa Rica, Greece, Malaysia, Sierre Leone, Singapore, Swaziland, Trinidad and Tobago, Turkey, and Zambia.

ANNEXURE

Developments in Exchange Control

This Annexure covers changes in the Reserve Bank's buying and selling rates for the pound sterling during the period July 1, 1981 to end-August 1982 and the transaction rate for the rouble. Besides, important exchange control measures taken during the year 1981-82 pertaining to dealings of authorised dealers with the Reserve Bank, sale of foreign currency to travellers by authorised money changers, authorisation to Exim Bank, etc., are briefly described in the following paragraphs.

The Reserve Bank's buying and selling rates from July 1, 1981 for the pound sterling which changed from time to time following the fluctuations in exchange rates of major international currencies are detailed below.

R.B.I.'s Spot Rates for Purchases and Sales of Pound Sterling

Date	Buying Rate		Selling Rate		Middle Rate
	£ per Rs. 100/-	Rs. per £1	£ per Rs. 100/-	Rs. per £1	Rs. per £1
30- 6-1981	5.8997	16.95	5.8651	17.05	17.00
1- 7-1981	5.9347	16.85	5.8997	16.95	16.90
2- 7-1981	5.9880	16.70	5.9524	16.80	16.75
21- 7-1981	6.0241	16.60	5.9880	16.70	16.65
3- 8-1981	6.0790	16.45	6.0423	16.55	16.50
4- 8-1981	6.1162	16.35	6.0790	16.45	16.40
10- 8-1981	6.1538	16.25	6.1162	16.35	16.30
18- 8-1981	6.0976	16.40	6.0606	16.50	16.45
20- 8-1981	6.0423	16.55	6.0060	16.65	16.60
24- 8-1981	6.0060	16.65	5.9701	16.75	16.70

R.B.I.'s Spot Rates for Purchases and Sales of Pound Sterling

Date	Buying Rate		Selling Rate		Middle Rate
	£ per Rs. 100/-	Rs. Per £ 1	£ per Rs. 100/-	Rs. per £ 1	Rs. per £ 1
26- 8-1981	6.0423	16.55	6.0060	16.65	16.60
9- 9-1981	6.1162	16.35	6.0790	16.45	16.40
16- 9-1981	6.0241	16.60	5.9880	16.70	16.65
17- 9-1981	5.9880	16.70	5.9524	16.80	16.75
24- 9-1981	6.0423	16.55	6.0060	16.65	16.60
28- 9-1981	6.1162	16.35	6.0790	16.45	16.40
1-10-1981	6.0569	16.50	6.0277	16.60	16.55
5-10-1981	6.0024	16.66	5.9737	16.74	16.70
6-10-1981	5.9137	16.91	5.8858	16.99	16.95
12-10-1981	5.7937	17.26	5.7670	17.34	17.30
14-10-1981	5.9137	16.91	5.8858	16.99	16.95
21-10-1981	5.9666	16.76	5.9382	16.84	16.80
27-10-1981	6.0205	16.61	5.9916	16.69	16.65
30-10-1981	5.9488	16.81	5.9207	16.89	16.85
2-11-1981	5.8275	17.16	5.8005	17.24	17.20
13-11-1981	5.7770	17.31	5.7504	17.39	17.35
16-11-1981	5.7438	17.41	5.7176	17.49	17.45
25-11-1981	5.6948	17.56	5.6689	17.64	17.60
27-11-1981	5.6625	17.66	5.6370	17.74	17.70
30-11-1981	5.5991	17.86	5.5741	17.94	17.90
3-12-1981	5.6465	17.71	5.6211	17.79	17.75
9-12-1981	5.6786	17.61	5.6529	17.69	17.65
10-12-1981	5.7110	17.51	5.6850	17.59	17.55
11-12-1981	5.7604	17.36	5.7339	17.44	17.40
14-12-1981	5.8962	16.96	5.8685	17.04	17.00
15-12-1981	5.8617	17.06	5.8343	17.14	17.10
16-12-1981	5.7937	17.26	5.7670	17.34	17.30
22-12-1981	5.8275	17.16	5.8005	17.24	17.20
23-12-1981	5.8106	17.21	5.7837	17.29	17.25
30-12-1981	5.7770	17.31	5.7504	17.39	17.35
1- 1-1982	5.7438	17.41	5.7176	17.49	17.45
5- 1-1982	5.6948	17.56	5.6689	17.64	17.60

R.B.I.'s Spot Rates for Purchases and Sales of Pound Sterling

Date	Buying Rate		Selling Rate		Middle Rate
	£ per Rs. 100/-	Rs. per £ 1	£ per Rs. 100/-	Rs. per £ 1	Rs. per £ 1
11- 1-1982	5.7438	17.41	5.7176	17.49	17.45
12- 1-1982	5.7937	17.26	5.7670	17.34	17.30
14- 1-1982	5.8789	17.01	5.8514	17.09	17.05
19- 1-1982	5.8106	17.21	5.7837	17.29	17.25
25- 1-1982	5.8617	17.06	5.8343	17.14	17.10
29- 1-1982	5.8275	17.16	5.8005	17.24	17.20
2- 2-1982	5.8789	17.01	5.8514	17.09	17.05
5- 2-1982	5.8275	17.16	5.8005	17.24	17.20
8- 2-1982	5.8617	17.06	5.8343	17.14	17.10
10- 2-1982	5.8962	16.96	5.8685	17.04	17.00
19- 2-1982	5.8617	17.06	5.8343	17.14	17.10
24- 2-1982	5.8962	16.96	5.8685	17.04	17.00
1- 3-1982	5.9488	16.81	5.9207	16.89	16.85
5- 3-1982	5.9137	16.91	5.8858	16.99	16.95
9- 3-1982	5.9666	16.76	5.9382	16.84	16.80
12- 3-1982	5.9844	16.71	5.9559	16.79	16.75
16- 3-1982	5.9488	16.81	5.9207	16.89	16.85
22 -3-1982	5.9666	16.76	5.9382	16.84	16.80
24- 3-1982	5.9488	16.81	5.9207	16.89	16.85
26- 3-1982	5.9844	16.71	5.9559	16.79	16.75
30- 3-1982	6.0024	16.66	5.9737	16.74	16.70
6- 4-1982	6.0386	16.56	6.0096	16.64	16.60
7- 4-1982	6.0753	16.46	6.0459	16.54	16.50
8- 4-1982	6.0569	16.51	6.0277	16.59	16.55
13- 4-1982	6.0366	16.56	6.0096	16.64	16.60
16- 4-1982	6.0569	16.51	6.0277	16.59	16.55
20- 4-1982	6.0205	16.61	5.9916	16.69	16.65
26- 4-1982	6.0569	16.51	6.0277	16.59	16.55
27- 4-1982	6.0205	16.61	5.9916	16.69	16.65
28- 4-1982	6.0024	16.66	5.9737	16.74	16.70
30- 4-1982	5.9844	16.71	5.9559	16.79	16.75
4- 5-1982	5.9666	16.76	5.9382	16.84	16.80
6- 5-1982	5.9488	16.81	5.9207	16.89	16.85

R.B.I.'s Spot Rates for Purchases and Sales of Pound Sterling

Date	Buying Rate		Selling Rate		Middle Rate
	£ per Rs. 100/-	Rs. per £ 1	£ per Rs. 100/-	Rs. per £ 1	Rs. per £ 1
7- 5-1982	5.9312	16.86	5.9032	16.94	16.90
10- 5-1982	5.9137	16.91	5.8858	16.99	16.95
12- 5-1982	5.8962	16.96	5.8685	17.04	17.00
14- 5-1982	5.9137	16.91	5.8858	16.99	16.95
18- 5-1982	5.9488	16.81	5.9207	16.89	16.85
20- 5-1982	5.9844	16.71	5.9559	16.79	16.75
21- 5-1982	6.0024	16.66	5.9737	16.74	16.70
24- 5-1982	5.9666	16.76	5.9382	16.84	16.80
26- 5-1982	5.9488	16.81	5.9207	16.89	16.85
31- 5-1982	5.9844	16.71	5.9559	16.79	16.75
9- 6-1982	6.0024	16.66	5.9737	16.74	16.70
18- 6-1982	6.0205	16.61	5.9916	16.69	16.65
21- 6-1982	6.0569	16.51	6.0277	16.59	16.55
28- 6-1982	6.0753	16.46	6.0459	16.54	16.50
1- 7-1982	6.0569	16.51	6.0277	16.59	16.55
2- 7-1982	6.0386	16.56	6.0096	16.64	16.60
7- 7-1982	6.0753	16.46	6.0459	16.54	16.50
12- 7-1982	6.0569	16.51	6.0277	16.59	16.55
19- 7-1982	6.0386	16.56	6.0096	16.64	16.60
26- 7-1982	6.0024	16.66	5.9737	16.74	16.70
29- 7-1982	6.0205	16.61	5.9916	16.69	16.65
3- 8-1982	6.0024	16.66	5.9737	16.74	16.70
5- 8-1982	6.0386	16.56	6.0096	16.64	16.60
6- 8-1982	6.0753	16.46	6.0459	16.54	16.50
9- 8-1982	6.1125	16.36	6.0827	16.44	16.40
18- 8-1982	6.0938	16.41	6.0643	16.49	16.45
20- 8-1982	6.0386	16.56	6.0096	16.64	16.60
24- 8-1982	6.0205	16,61	5.9916	16.69	16.65
25- 8-1982	5.9844	16.71	5.9559	16.79	16.75
30- 8-1982	6.0205	16.61	5.9916	16.69	16.65
31- 8-1982	6.0753	16.46	6.0459	16.54	16.50

The Rouble-Rupee Exchange Rate

The protocol between India and the USSR of November 25, 1978 provides for periodical adjustments in the Rouble-Rupee exchange rate in respect of credit agreements and commercial transactions. In terms of this protocol, the rate which was Rouble 1 = Rs. 9.4137 as on June 30, 1981 was revised during the year under review as follows : Rouble 1 = Rs. 9.7247 effective September 10, 1981, Rouble 1 = Rs. 10.0259 effective September 24, 1981 and Rouble 1 = Rs. 9.6997 effective June 25, 1982.

Under the Deferred Payments Protocol of April 31, 1981 between India and the USSR relating to deliveries of machinery and equipment from the USSR to India on deferred payments terms during January 1, 1981 to December 31, 1985, the Indian rupee value applicable to contracts concluded under the protocol, which was Rs. 9.9496 as on the date of signing of the protocol, was revised to Rs. 10.2783 on September 10, 1981, Rs. 10.5966 on September 24, 1981 and further to Rs. 10.2518 on June 25, 1982.

Suspension of Spot Purchases of Deutsche Marks

Effective March 22, 1982, the Reserve Bank decided to suspend until further notice spot purchases of Deutsche marks acquired by authorised dealers from their overseas branches/head offices/correspondents for funding their rupee accounts in India. However, the Reserve Bank continues to purchase Deutsche marks both spot and forward in cover of actual merchant transactions entered into by authorised dealers with exporters in India.

Dealings with Reserve Bank of India

Effective October 1, 1981 authorised dealers were allowed to make offers of forward sales to the Reserve Bank without the prior approval of the Exchange Control Department. Hitherto, all offers for forward sales of pound sterling, U.S. dollars, Deutsche marks and Japanese yen by authorised dealers to the Reserve Bank for amounts above the specified limits required prior approval of the Exchange Control Department.

The basis of the Reserve Bank's spot quotations which were for settlement on the same day was changed effective October 1, 1981 for settlement on the second working day following the date of the deal, *i.e.*, the Reserve Bank's quotations would be for 'spot' (delivery after 2 business days) basis only instead of 'ready' or 'cash' basis. This is in line with the international practice. In order to help authorised dealers and customers, the Bank, however, decided, on the basis of specific requests from ADs, to quote 'cash' rates in exceptional cases and for valid reasons.

Sale of Foreign Currency to Travellers by Authorised Money Changers

With effect from February 8, 1982 full-fledged money changers have been authorised to sell foreign exchange in the form of currency notes/coins to eligible persons under Neighbourhood Travel Scheme (NTS) and Foreign Travel Scheme (FTS). While all authorised dealers are permitted to release admissible foreign currency in any form, *viz.*, drafts, travellers cheques or foreign currency notes/coins, full-fledged money changers are permitted to release exchange only in the form of currency notes and coins. This delegation in favour of authorised money changers is initially valid for a period of one year, *i.e.*, upto February 8, 1983.

Payment of Hotel Bills by Foreign Tourists

In terms of the Government of India Notification issued in August 1981, every foreign national, barring certain exempted categories, will have to make payment of hotel bills *only* in foreign currencies specified therein.

Non-Resident (External) Rupee Accounts and Foreign Currency (Non-Resident) Accounts

Overseas companies, partnership firms, societies and other corporate bodies which are owned to the extent of at least 60 per cent by non-residents of Indian nationality or origin, as well as overseas trusts in which at least 60 per cent of the beneficial interest is irrevocably held by such persons, can now open with any bank authorised to deal in foreign exchange in India, Non-Resident (External) Rupee Accounts and Foreign Currency (Non-Resident) Accounts in U.S. dollar/pound sterling out of

the funds transferred by them to India. Hitherto, only non-resident individuals of Indian nationality/origin were given this facility. All authorised banks have been permitted to freely open such accounts out of the funds received from any country in the external group.

Effective March 1, 1982, commercial banks which are authorised to deal in foreign exchange and to accept term deposits of one year and above under the Foreign Currency (Non-Resident) Accounts Scheme and Non-Resident (External) Rupee Accounts Scheme, are required to pay on such deposits additional interest at 2 per cent per annum over the rates permissible on domestic deposits of comparable maturities.

Authorisation to Export—Import Bank of India

The Export-Import Bank of India (Exim Bank) has been authorised to undertake in all permitted currencies certain types of foreign exchange transactions which are incidental to that Bank's normal functions.

Authorised Dealers in Foreign Exchange

A licence to deal in foreign exchange in India has been granted by the Reserve Bank to Banque De L'Indochine Et De Suez (INDOSUEZ), France; the bank can undertake all types of foreign exchange transactions in all permissible currencies at its branch in Bombay.

Purchase and Sale of Foreign Currency by the Reserve Bank at Ahmedabad

The facility of spot and forward purchase and spot sale of sterling has been provided at the Ahmedabad office of the Reserve Bank from July 1, 1982.

Importer's Code Number

The Import Trade Control Authorities have introduced a system of allotting code numbers to importers as from July 1, 1982. Importers are required to quote these numbers invariably in all bills of entry relating to imports as well as in forms A^1 and A^2 while effecting remittances from India.

Opening of Offices of the Exchange Control Department

The Cells of Exchange Control Department at Bhubaneswar and Patna have been converted into full-fledged offices with effect from April 1, 1982. The jurisdiction of these offices will be the States of Orissa and Bihar, respectively.

APPENDIX—I

IMPORTANT EXPORT CONTROL/PROMOTION ANNOUNCEMENTS

APRIL 1981—MARCH 1982

A. CHANGES IN EXPORT CONTROL

Sr. No.	Item	Month of Announcement	Details
1	2	3	4
1.	All Aluminium Conductors and Aluminium Conductors Steel Reinforced	August 1981	Export was allowed freely by endorsement on shipping bills by the Licensing Authorities. Earlier, export was allowed only as part of project contracts.
2.	Barytes	November 1981	Floor prices for export of barytes powder/lumps were reduced as follows : a) in the case of barytes powder OCMA/API grade (with 4.20 specific gravity) from US $ 67 to US $ 64 per tonne f.o.b.; (*b*) in the case of barytes lumps OCMA/API grade (with 4.20 specific gravity) from US $ 42 to US $ 40 in the case of West Asia and to US $ 38 to all other destinations.
3.	Barley	April 1981	Export of barley to U.S.S.R. was allowed within a limited ceiling on a first-come first-served basis against confirmed irrevocable letters of credit, through the following Central/State Government agencies. (1) Haryana State Co-operative Supply and Marketing Federation Ltd. (2) U.P. Export Corporation Ltd. (3) Rajasthan Co-operative Marketing Federation Ltd. (4) Punjab State Civil Supplies Corporation Ltd. (5) National Agricultural Co-operative Marketing Federation of India Ltd. Export of barley to other countries would continue to be allowed through the State Trading Corporation (STC) within a limited ceiling. The exports would, however, be subject to a minimum export price of Rs. 2,100 per tonne in both cases.
		August 1981	In supersession of the above policy, export of barley was allowed to all destinations. The export was canalised through the STC within a ceiling. The minimum price restriction was removed. In the case of prior commitments, the other Central/State Government agencies designated earlier had also to approach the STC for effecting shipments.
4.	Brass sheets and copper sheets	November 1981	Export was allowed freely without any restriction by the Customs authorities directly.
5.	Calcined magnesite	April 1981	Export of lightly calcined magnesite with silica content of 6.5% or above would be allowed within a limited ceiling during 1981-82 on a first-come first-served basis.
6.	Cottonseed expeller cakes	April 1981	The ban on export of cottonseed expeller cakes imposed in December 1979 consequent upon the acute drought conditions in the country, was lifted in April 1981 and their export was canalised within a limited ceiling through the All India Cottonseed Crushers' Association.
7.	Crushed bones	April 1981	Export of crushed bones and steamed crushed bones was continued to be allowed within a ceiling. Export of steamed crushed bones of the following categories was also brought under control and allowed within a ceiling : steamed crushed bones of (*a*) mesh size 3/8" to 3/32" and (*b*) with a minimum 21 per cent of P_2O_5 content, provided an analysis certificate from one of the recognised laboratories/agencies was produced.

Sr. No.	Item	Month of Announcement	Details
1	2	3	4
8.	Edible groundnut flour	March 1982	Export of edible groundnut flour was brought within control, and was allowed within a limited ceiling subject to a minimum export price of Rs. 6,000 per tonne.
9.	Fresh fruits and vegetables other than onions and potatoes	May 1981	Export of fresh fruits was continued to be allowed under OGL-3: Fresh vegetables, other than onions and potatoes, hitherto allowed 'on merits' through State and Central Government Agencies, were also allowed under OGL-3. Under OGL-3, any person can export to any country, except Pakistan and any other country to which export is prohibited by any law in force at the time of export, subject to fulfilment of conditions stipulated in the licence.
10.	Scheme for export of gold jewellery against gold supplied by foreign buyer	April 1981	The Scheme introduced in October 1980, was continued for the year 1982-83. The scheme provides for the entire gold content required for manufacture of the permissible items of gold jewellery to be supplied in advance to the manufacturer by the foreign buyer.
		October 26, 1981	The Handicrafts and Handlooms Export Corporation/its associates was allowed to export gold ornaments and articles, except gold coins, for sale at exhibitions to be held in the United Arab Emirates in November 1981. The exports were to be governed by provisions of the scheme for export of gold jewellery introduced in October 1980 along with a few other conditions which provided that : (*i*) the exports be made on a consignment basis with the approval of the Reserve Bank of India for holding exhibitions in the UAE, (*ii*) the description of each item exported, its total weight/value, weight and purity of gold content along with other details such as stones and gems/pearls, if used, should be furnished, (*iii*) unsold items be sent back within 15 days of the conclusion of the exhibition, (*iv*) gold content of sold items be imported as replenishment within 15 days of the close of the exhibition.
		December 23, 1981	The foregoing provisions were made applicable *mutatis mutandis* to export of gold ornaments and articles for sale at the exhibition to be held in Kuwait in January 1982.
11.	Gypsum—mineral and Phospho	April 1981	Export of mineral and phospho gypsum of any purity would be allowed within a limited ceiling on first-come first-served basis. Export of all other categories of gypsum of any purity would be allowed 'on merits'. Hitherto, export of chemical and marine gypsum with purity below 80 p.c. was allowed under OGL-3. All other categories of gypsum were allowed 'on merits'.
12.	Hides and Skins—Semi-processed	April 1981	Export of all categories of semi-processed hides and skins including E. I. Tanned and wet blue hides and skins and crust leather was continued to be canalised through the STC but the quota for 1981-82 for each quota holder was to be 10 per cent less than the quota allocated to them for the various categories during 1980-81. The above-quota cut, however, would not apply to small tanners whose quota allotments for 1980-81 did not exceed 28,000 pieces in the case of goat and sheep skins, 8,400 pieces in the case of cow calf and buff calf skins and 5,600 pieces of cow hides and buff hide.
13.	Jaggery (gur)	January 1982	Ban on export of jaggery (gur) was lifted and its export was permitted within a limited ceiling.
14.	Knitwears (woollen and mixed)	May 1981	Export of woollen knitwears would be allowed against contracts registered with Wool and Woollen Export Promotion Council subject to the minimum export price of Rs. 152 per kg. f.o.b. Export of such knitwear below the minimum export price would be canalised through the Handicrafts and Handlooms Export Corporation of India Ltd. under OGL-4. Under OGL-4, the canalising agency named in the licence may export to any country, except to a country to which export is prohibited by any law for the time being in force.

Sr. No.	Item	Month of Announcement	Details
1	2	3	4
15.	Maize	August 1981	Export of maize was allowed only to the U.S.S.R. and was canalised through the STC within a quantitative ceiling.
		November 1981	Export was allowed to all permissible destinations including the U.S.S.R. Other stipulations remained unchanged.
16.	Man-made fibres and yarns	July 1981	Export of rayon tyre yarn of 850 deniers and above, rayon tyre cord and yarn tyre fabric was continued to be allowed under OGL-3. The policy of allowing export of nylon tyre/yarn/cord/fabric, nylon, polyester and rayon filament yarns and viscose staple fibre 'on merits' was continued. Export of synthetic blended yarn containing 50% or more of synthetic fibre, nylon, and polyester staple fibres and viscose staple fibre spun-yarn which was earlier allowed 'on merits' was now allowed within a limited ceiling subject to certain minimum export prices.
17.	Meat of Indian goat	June 1981	The ban on export of meat and organs of Indian goat, imposed on February 7, 1980 was lifted, and its export was allowed within a limited ceiling released on a monthly basis subject to a minimum export price of Rs. 16/- per kg. f.o.b.
18.	Peanuts	December 1981	Export of blanched and roasted peanuts continued to be allowed within a limited ceiling. However, the minimum export price was reduced from Rs. 16,000/- to Rs. 11,000/- per tonne f.o.b..
			Roasted and salted peanuts continued to be exported under OGL-3. However, the minimum export price in respect of consumer packs upto 2 kgs. in cans was reduced from Rs. 25,000 to Rs. 19,000 per tonne and that of roasted and salted peanuts in laminated pouches upto 2 kgs. was fixed at Rs. 16,500 per tonne f.o.b.
19.	Peanut butter	July 1981	Export of peanut butter was brought under control and its export was allowed within a limited ceiling.
20.	Protein isolate	March 1982	Export of protein isolate was brought under control and its export was allowed within a limited ceiling subject to a minimum export price of Rs. 25,000 per tonne.
21.	Project exports	April 1981	Export of any item required for completion of a project abroad, undertaken by an Indian contractor/sub-contractor/consultancy organisation, was allowed irrespective of the export policy in force at the time of export, on the basis of approval/sanction letter issued by the Projects Committee in the Ministry of Commerce.
		May 1981	In respect of items not covered by Export Control, it was clarified that they would continue to be available freely.
22.	Rice	April 1981	Export of fine and superfine varieties of rice (non-basmati continued to be allowed within a ceiling by the designated Central and State Government agencies but subject to a minimum export price of Rs. 3,100 per tonne as against Rs. 2,750 per tonne earlier. Export of coarse rice was also continued to be permitted by the same agencies without any minimum export price restriction.
		October 1981	The minimum export price for export of basmati rice was raised from Rs. 5,500 per tonne to Rs. 6,000 per tonne f.o.b. with effect from October 29, 1981. Export of this variety was allowed under OGL-3.
23.	Sandalwood oil	December 1981	Export of sandalwood oil was allowed subject to a minimum export price of Rs. 800 per kg. f.o.b. to all permissible destinations except to countries having a common land frontier with India. Its export was earlier allowed without the minimum export price restriction.

Sr. No.	Item	Month of Announcement	Details
1	2	3	4
24.	Sheep and goats	April 1981	Export of live sheep and goats was allowed within a limited ceiling on a first-come first-served basis subject to a minimum export price of Rs. 8 per kg. of live weight.
25.	Silver	June 1981	Export of silver salts and silver chemicals and compounds, irrespective of the percentage of silver content, was banned for export with effect from June 4, 1981. Prior to this, such salts, chemicals and compounds with more than 50 per cent silver content alone was banned. Export of certain specified manufactures and products having silver as an ingredient such as engineering items, handicrafts and silver jewellery was allowed under OGL-3 subject to the following conditions, viz., that their f.o.b. value should be at least 33⅓ per cent more than the international value of silver content in the item exported. Export on consignment basis was not allowed. Manufactures other than those specified were banned for export.
		January 1982	Export of silver coins irrespective of silver content was banned, with effect from January 2, 1982; commemorative proof set coins (uncirculated quality), however, were permitted to be exported only by India Government Mint, Bombay and the Customs authorities would directly allow such exports.
26.	Sugar	November 1981	Ban on export of sugar imposed on February 21, 1981 was lifted and its export was canalised through the STC under OGL-4.
27.	Textile products, other than apparel products	January 1982	Export of all types of textile products, viz., non-quota items exported to quota countries and all items exported to non-quota countries, other than apparel products, was allowed under OGL-3.

B. COMMODITIES SUBJECT TO EXPORT DUTY DURING APRIL 1981-MARCH 1982

Sr. No.	Item	Rate of duty as on March 31, 1982	Changes during the year		Effective date
			From	To	
1	2	3	4	5	6
1.	Coffee*	Rs. 3.00 per kg.	Rs. 1.50 per kg.	NIL	June 19, 1981
			NIL	Re. 0.75 per kg.	August 21, 1981
			Re. 0.75 per kg.	NIL	September 10, 1981
			NIL	Re. 0.85 per kg.	November 12, 1981
			Re. 0.85 per kg.	Rs. 3.00 per kg.	February 17, 1982
2.	Cardamom	NIL	Rs. 5.00 per kg.	NIL	May 20, 1981
3.	Turmeric				
	(*i*) Whole turmeric ..	NIL	No change		November 11, 1980
	(*ii*) Turmeric powder ..	NIL	No change		November 11, 1980
4.	Tobacco (unmanufactured).	20 per cent *ad valorem* or 75 paise per kg., whichever is less	No change		June 6, 1966
5.	Raw cotton				
	(*i*) Assam/Comilla cotton, yellow pickings and zoda cotton pickings and sweepings	Rs. 550.00 per tonne	No change		October 14, 1966
	(*ii*) Bengal Deshi ..	Rs. 2,500 per tonne	No change		January 9, 1979
	(*iii*) Cotton linters ..	25 per cent *ad valorem*	No change		October 14, 1966
	(*iv*) Other varieties below 24.5 mm staple length	Rs. 1,000 per tonne	No change		January 12, 1979
6.	Cotton waste				
	(*i*) Soft cotton waste ..	25 per cent *ad valorem*	No change		August 17, 1966
	(*ii*) Cotton waste (others)	40 per cent *ad valorem*	No change		June 15, 1966
7.	Raw wool	25 per cent *ad valorem*	No change		August 2, 1976
8.	Mica				
	(*i*) Mica loose splittings of grade numbers 5½ and 6 and mica mixed torn loose grade number 5 and 5½	15 per cent *ad valorem*	No change		January 1, 1973
	(*ii*) Mica splittings of all grades other than those specified against Sr. No. 8 (*i*) above	20 per cent *ad valorem*	No change		January 1, 1973
	(*iii*) Mica blocks and condenser films of all grades number 2 and grades superior thereto	30 per cent *ad valorem*	No change		April 28, 1973
	(*iv*) Mica blocks and condenser films of all grades other than those specified against Sr. No. 8 (*iii*) above	20 per cent *ad valorem*	No change		April 28, 1973
	(*v*) Fabricated mica ..	10 per cent *ad valorem*	No change		May 1, 1972
9.	E. I. tanned and vegetable tanned leather	10 per cent f.o.b.	No change		January 6, 1981
10.	Groundnuts				
	(*i*) Groundnut kernels ..	NIL	Rs. 3,000 per tonne	Rs. 1,500 per tonne	October 20, 1981
			Rs. 1,500 per tonne	NIL	February 15, 1982
	(*ii*) Groundnuts in shell ..	NIL	Rs. 2,250 per tonne	Rs. 1,125 per tonne	October 20, 1981
			Rs. 1,125 per tonne	NIL	February 15, 1982

Sr. No.	Item	Rate of duty as on March 31, 1982	Changes during the year		Effective date
			From	To	
1	2	3	4	5	6
11.	Oilcakes				
	(*i*) De-oiled groundnut oilcake	Rs. 125 per tonne		No change	June 6, 1966
	(*ii*) De-oiled groundnut meals (solvent extracted variety containing less than 1 per cent oil)	Rs. 125 per tonne		No change	June 6, 1966
12.	Jute manufactures (hessian cloth and bags)	NIL		No change	September 8, 1980
13.	Manganese ore				
	(*i*) Manganese ore having less than 10 per cent of manganese content	Rs. 7 per tonne		No change	July 24, 1967
	(*ii*) Manganese ore having 10 per cent or more but not more than 48 per cent of manganese content	Rs. 12.50 per tonne		No change	May 26, 1967
	(*iii*) Manganese ore having more than 48 per cent of manganese content	Rs. 20 per tonne		No change	August 2, 1966
14.	Manganese dioxide ..	20 per cent *ad valorem*		No change	August 2, 1966
15.	(*a*) Iron ore				
	(*i*) Lumpy iron ore having manganese content less than 10 per cent and combined manganese and iron content less than 3 per cent (commonly known as black iron ore)	Rs. 7 per tonne		No change	May 28, 1973
	(*ii*) Lumpy iron ore with iron content 63 per cent or more	Rs. 6 per tonne	Rs. 10.50 per tonne	Rs. 6 per tonne	May 20, 1981
	(*iii*) Lumpy iron ore having 60 per cent or more but less than 63 per cent of iron content	Rs. 6 per tonne			
	(*iv*) Lumpy iron ore having 58 per cent or more but less than 60 per cent of iron content	Rs. 5 per tonne		No change	August 31, 1968
	(*v*) Lumpy iron ore having less than 58 per cent of iron content	Rs. 4 per tonne			
	(*b*) Iron ore fines (including blue dust)				
	(*i*) Iron ore fines (including blue dust) where the iron content is less than 62 per cent	Rs. 3 per tonne		No change	July 24, 1967
	(*ii*) Iron ore fines where the iron content is 62 per cent or more	Rs. 4 per tonne		No change	May 25, 1967
16.	Sillimanite	20 per cent *ad valorem*		No change	August 2, 1966
17.	Kyanite	Rs. 40 per tonne		No change	August 2, 1966
18.	Chrome concentrates ..	Rs. 15 per tonne		No change	August 2, 1966

Sr. No.	Item	Rate of duty as on March 31, 1982	Changes during the year		Effective date
			From	To	
1	2	3	4	5	6
19.	Chromites				
	(*i*) High grade fines and concentrates with Cr_2O_3 content 47 per cent and above	Rs. 200 per tonne			
	(*ii*) Medium grade fines and concentrates with Cr_2O_3 content 35 per cent and above but below 47 per cent	Rs. 150 per tonne			
			No change		May 12, 1977
	(*iii*) Lumpy ore with Cr_2O_3 content 35 per cent and above but below 42 per cent	Rs. 75 per tonne			
	(*iv*) Low grade lumpy ore fines or concentrates with Cr_2O_3 content below 35 per cent and FeO content above 25 per cent	Rs. 50 per tonne			
20.	Barytes	Rs. 50 per tonne	No change		September 2, 1978

* Duty on coffee was reduced from Rs. 3.00 per kg. to Rs. 1.20 per kg. on June 1, 1982. It was, however, raised to Rs. 1.90 per kg. on July 5, 1982. Subsequently, it was raised to Rs. 3.00 per kg. with effect from September 20, 1982 and then to Rs. 4.40 per kg. with effect from November 3, 1982.

APPENDIX—II

A—IMPORTANT ANNOUNCEMENTS WITH REGARD TO IMPORT CONTROL POLICY

APRIL 1981—MARCH 1982

Sr. No.	Item	Month of Announcement	Details
1	2	3	4
1.	Open General Licence No. 1*@	April 1981	Permission was granted for the import of raw materials, components and consumables, other than instruments and items in the banned or restricted lists, by actual users (industrial) for their own use subject to the conditions that (*i*) the intended imports were not already allowed to be imported by Export Houses and Small Industries Corporations of State Governments/Union Territories under a separate open general licence, (*ii*) for the import of man-made fibres, tow and yarn, contracts were registered with the Textile Commissioner in advance, (*iii*) man-made fibres, tows and yarn can be imported by the State Chemicals and Pharmaceuticals Corporation of India for distribution to actual users (industrial), (*iv*) for import of caprolactum, the contracts were registered with the Department of Petroleum (Ministry of Petroleum, Chemicals and Fertilisers), (*v*) in the case of import of woollen rags/shoddy wool/synthetic rags, the goods were completely mutilated, (*vi*) in respect of import of insecticides and weedicides, the actual user (industrial) intimated the Department of Agriculture (Plant Protection Division) within seven days of clearance of goods, the details of quantity and c.i.f. value of imports of each consignment.
2.	Open General Licence No. 2@	April 1981	Permission was granted for import of Capital Goods as specified in Appendix 2 of the Import Policy 1981-82 by industrial and non-industrial actual users for their own use, provided that (*i*) by the import of these goods production of the unit would remain within the authorised capacity, (*ii*) in the case of imports of second-hand or reconditioned items, they were not more than 10 years old, their remaining life was at least five years and a certificate by a Chartered Engineer of the country from where the imports were made was produced at the time of clearance of the goods from Customs.
3.	Open General Licence No. 3*	April 1981	Industrial and non-industrial actual users were permitted to import for their own use permissible spares (i.e. spares not included in the banned lists) required for maintenance of capital goods including accessories and ancillary equipments, control and laboratory equipments and safety appliances installed or in use as on April, 1 1981. However, import of permissible spares for computer systems will be limited to 3 per cent of the c.i.f. value of imported computers or ½ per cent of the purchase price of indigenously manufactured computer systems, the c.i.f. value or the purchase price to be certified by a Chartered/Cost Accountant or the concerned sponsoring authority. Further, half-yearly returns giving the c.i.f. value of imports made together with the description of items imported with value exceeding Rs. 2 lakhs are to be furnished to the concerned authorities.
4.	Open General Licence No. 4	April 1981	Permission was granted for the import of the following items: (*i*) free gifts of trade catalogues and circulars upto a value of Rs. 2,000, (*ii*) blueprints and drawings (including micro-films) relating to machinery and plant sites, work and building, research data supplied free of charge and having no commercial value, (*iii*) bonafide technical and trade samples supplied free of charge and not exceeding a c.i.f. value of Rs. 10,000 in one consignment. However, vegetable seeds, bees, tea and new drugs will not be covered by this provision, (*iv*) bonafide advertising material supplied free of charge not exceeding a c.i.f. value of Rs. 2,000 in one consignment, (*v*) goods supplied free of charge by foreign suppliers or imported against an insurance (marine) claim or in replacement

Sr. No.	Item	Month of Announcement	Details
1	2	3	4
			of goods found defective, damaged or otherwise unfit for use, (*vi*) drugs and medicines supplied free of charge for clinical trials on approval and subject to the conditions laid down by the Drugs Controller, (*vii*) bonafide trade samples of drugs and medicines whose c.i.f. value did not exceed Rs. 10,000 supplied free of charge to sole agents on the recommendation of the Drugs Controller, (*viii*) human vaccines and sera, animal including poultry vaccines supplied free of charge or on payment, on clearance obtained from the Drugs Controller, or the State Director/Commissioner of Animal Husbandry and (*ix*) technical and trade samples of insecticides supplied free of charge on approval of the Central Insecticides Board.
5.	Open General Licence No. 5	April 1981	Research and Development units, scientific or research laboratories, institutions of higher education and hospitals recognised by the Central or State Governments were allowed to import raw materials, components, consumables, machinery, equipments, instruments, accessories and spares (except consumer goods) required by them, provided they satisfy the "actual user" condition and furnish to the concerned authorities, within 30 days of clearance of the goods from Customs, particulars of goods having a value of Rs. 1 lakh or more.
6.	Open General Licence No. 6	April 1981	Designated Public Sector (canalising) Agencies were permitted to import specified goods as listed in Appendices 8 and 9 of the Import Policy, 1981-82, subject to the conditions that (*i*) the goods are imported against the foreign exchange released for the purpose and (*ii*) the imported items are distributed as per the procedure stipulated in the Import Policy document.
7.	Open General Licence No. 7@	April 1981	Actual users (industrial) were allowed to import, for their own use, jigs, fixtures, moulds (including moulds for die-casting) and press tools (other than those banned) provided that where second-hand or reconditioned items were imported at the time of clearance from Customs, the importer produced a certificate from a Chartered Engineer of the country from where the imports were being made that the items were not more than ten years old and that their remaining life was at least five years.
8.	Open General Licence No. 8	April 1981	Oil and Natural Gas Commission, Oil India Ltd., Coal India Ltd. and M/s. Neyveli Lignite Corporation Ltd., were allowed to import all items of raw materials, components, consumables, spares, machinery, equipment, instruments and accessories (but not consumer goods) subject to the conditions that (*i*) clearance was obtained from the DGTD/Department of Electronics, (*ii*) the imports were against foreign exchange released for the purpose by the Government and (*iii*) the "actual user" condition was satisfied.
9.	Open General Licence No. 9	April 1981	Air India, Indian Airlines and other members of the IATA were granted permission for importing spares, consumables (excluding greases and lubricants covered by Appendix 9 to the Import Policy for 1981-82), aircraft tyres and tubes, manuals, technical drawings, illustrations and other technical literature, etc. for their own use and pertaining to the fleet of aircrafts operated and maintained by them and the associated test and training equipments.
10.	Open General Licence No. 10	April 1981	Permission was granted for import of drugs and medicines, medical (including surgical, optical and dental) instruments, apparatus, appliances, replacement parts and accessories thereof and dental material, sutures and needles for surgical purposes, X-ray intensifying screens, scientific and measuring instruments and chemicals, spare parts of motor vehicles and agricultural tractors, testing instruments required by licensed radio amateures within specified frequency ranges and power limits, wattle extracts, industrial X-ray films, graphic art films and drawing reproduction films provided that the imports were made by specified eligible importers and

Sr. No.	Item	Month of Announcement	Details
1	2	3	4
			within specified value limits laid down for each category of eligible importers. Details of eligible importers, the purpose of import and the value limits were indicated in the schedule attached to the notification.
11.	Open General Licence No. 11	April 1981	Integrated steel plants were allowed to import stopper heads and nozzles (excluding fire clay stopper heads and nozzles). Integrated steel plants as also mini steel plants and electric arc furnaces were allowed to import copper moulds (for continuous billet casting) provided they conformed to the "actual user" condition.
12.	Open General Licence No. 12	April 1981	Permission was granted for import of any goods by Government Departments (Central/State) or projects under their ownership or control provided the imports were free of cost and in accordance with the provisions made in the relevant agreements concluded between the Government of India and foreign Governments. In terms of this OGL, personal effects of foreign experts coming into India were also allowed to be imported provided the project authorities certified that the imports were in accordance with the concerned agreement and that the imports, except consumables, would be re-exported at the time the foreign expert left India.
13.	Open General Licence No. 13	April 1981	Import of machinery, equipment, testing apparatus, tools and implements required by registered exporters of gems and jewellery and co-operative societies of goldsmiths and artisans were allowed subject to their satisfying the "actual user" condition.
14.	Open General Licence No. 14	April 1981	(1) Permission was granted to Departmentally-run Government industrial undertakings and Railways for the import of raw materials, components, consumables, spares and capital goods against foreign exchange released for the purpose subject to clearance from the DGTD in respect of the banned items and of the Department of Electronics in the case of electronic goods of the c.i.f. value of Rs. 5 lakhs and above and marine electronic equipment and parts irrespective of value. (2) State Electricity Boards/Projects/Undertakings in the Public Sector and the Director-General Doordarshan were permitted to import against foreign exchange released for the purpose, spares under this licence. In the case of non-permissible spares a clearance from the DGTD and in the case of electronic items with a c.i.f. value of Rs. 5 lakhs and above a clearance from the Department of Electronics would be required. (3) Public sector industrial undertakings under the Defence Ministry were allowed to import raw materials, components, consumables and spares. R & D units under the Ministry of Defence were permitted to import raw materials, components, consumables, machinery, equipment, instruments, accessories, tools and spares (other than office machines). Imports by any unit under this provision were subject to the value limits of the foreign exchange allocated to it by the Defence Ministry for the purpose during the year 1981-82.
15.	Open General Licence No. 15	April 1981	General permission was granted for import of certain items listed in the schedule attached to this notification, subject to the conditions laid down for each item. The items specified include teaching aids, books—educational, scientific and technical, medicines, instruments and equipment required for the blind, wattle bark for tanning leather, pickled, raw or salted hides and skins, finished drugs, life saving and anti-cancer drugs, homeopathic medicines, other crude drugs required for making ayurvedic and unani medicines, family planning instruments, appliances and equipment, pulses, spices, dates (wet or dry), rock salt, X-ray and other films, lubricating oils for watches, clocks, time-pieces and house service meters, gum arabic, viscose

Sr. No.	Item	Month of Announcement	Details
1	2	3	4
			filament yarn, cupramonium filament yarn, educational/instructional films, photographic films and colour papers, records for learning of languages, rudraksha beads, unexposed cinematographic films (8 mm colour and 8 mm black and white negatives), dental materials, spares for printing machines, machine tools, cinematographic equipment, certain earth moving machinery and internal combustion engines above 75 h.p.
16.	Open General Licence No. 16*@	April 1981	Permission was granted for the import of (*i*) poultry vaccines (all types) by poultry farms hatcheries approved by the Department of Agriculture, (*ii*) high-grade molybdenum ore and molybdenum metal (including scrap/molybdic oxide/molybdenum oxide, (*iii*) used scrap rubber tyres, (*iv*) nylon waste and (*v*) paper waste required by industrial units provided that: (*a*) the importer of poultry vaccines complies with the "actual user" condition and furnishes a certificate regarding the essentiality of the material (description/ quantity/value) from the Director of Agriculture or the State Director of Animal Husbandry/Veterinary Services at the time of clearance of the goods from customs, (*b*) used/scrap rubber tyres and nylon waste will be allowed to be imported only by actual users (industrial) engaged in reclaiming rubber or caprolactum as the case may be and the imported rubber tyre had at least one cut and (*c*) paper waste will be allowed to be imported only by actual users (industrial) engaged in the manufacture of pulp, paper and paperboards.
17.	Open General Licence No. 17@	April 1981	Export houses/trading houses/Small Industries Corporations of State Governments/Union Territories were allowed to import : (*i*) Aluminium scrap/dross, (*ii*) brass scrap/ash/dross, (*iii*) copper scrap/ copper mill scale, (*iv*) lead scrap including ash, skimmings, blowings and drosses, (*v*) tin dross/ash/residues and tin alloy residues and (*vi*) zinc scrap/zinc alloy scrap/ash dross provided the imported items are sold only to actual users (industrial) who satisfy the actual user condition.
18.	Open General Licence No. 18*	April 1981	Permission was given to actual users located in the Kandla Free Trade Zone and the Santa Cruz Electronics Export Processing Zone, for the import of capital goods, raw materials, components, consumables, spares, packing materials, tools, jigs, fixtures and gauges for their own use. On the recommendation of the Development Commissioner, they were also allowed to import, for their own production, product diversification and development, prototypes, technical and trade samples, (of not more than two in each type of sample), drawings, blueprints, charts, technical data including micro-films and office equipment with spares and consumables thereof. Such actual users could also import goods, (*i*) received for repairs/reconditioning by them in the zone and to be re-exported, or (*ii*) received back from the consignee overseas within 3 years of the date of their despatch to him.
19.	Open General Licence No. 19	April 1981	Goods imported and bonded on arrival for sale at duty free shops to out-going or incoming passengers against payment in free foreign exchange were exempted from Import Trade Controls.
20.	Raw Cashewnuts	April 1981	Import of raw cashewnuts was decanalised though the Cashew Corporation of India (CCI) was allowed to continue importing raw cashewnuts for distribution to actual users under the OGL. Industrial actual users (processing units) as also trading and export houses were allowed to import this product under the OGL, provided (1) they offered half the quantity of the intended imports to the CCI immediately a contract for import was entered into, (2) registered the import contract with the CCI within 7 days of its execution and (3) in the case of imports by export/trading houses, they distributed the imports to actual users.
21.	Selenium metal	April 1981	Selenium metal of purity 99.999% or more was added to the list of restricted items.

Sr. No.	Item	Month of Announcement	Details
1	2	3	4
22.	REP benefits	April 1981	Advance licences were made eligible for import replenishment benefits to the extent of balance value if any after meeting export obligations.
23.	List of select products expanded	April 1981	Books, journals and periodicals were added to the select list of export products.
24.	Iron & Steel	April 1981	(1) Permission was granted to actual users (industrial) and export and trading houses to import certain specified iron and steel items—namely (*i*) High carbon (carbon 0.6 per cent and above) steel wire rods in coils, (*ii*) all grades of carbon steel (carbon 0.6 per cent or less) wire rods in coils, (*iii*) hot rolled steel strips/coils in thickness 2.5 mm and below, (*iv*) carbon steel billet to specifications IS-2830/2831 or equivalent and (*v*) squares/rounds/rods/hexagons/octagons/flats of carbon steel of all grades under the OGL, provided they registered their import contracts, within 15 days of entering into them, with the Iron and Steel Controller, Calcutta. (2) All seconds/second grades/defectives/cutting/circles in uncoated condition of all grades of carbon steel plates/sheets/strips /coils in any form/shape were included in the restricted list.
25.	Dry Fruits (excluding cashewnuts and dates)	May 1981	Under the existing rules ,licences for import of dry fruits (excluding cashewnuts and dates) were issued only to such dealers who were engaged in this trade and who had imported these products in the 3 previous years (1978-79 to 1980-81), on the basis of 50 per cent of their annual average imports in these three years subject to a minimum of Rs. 10,000. The rules were modified giving an option to the dealers to apply for licences under the existing rules or at the rate of 50 per cent of their imports in 1977-78 with a minimum of Rs. 10,000.
26.	Iron & Steel scrap	May 1981	Actual users (industrial) were allowed to import (*i*) cast iron scrap/ wrought iron scrap, (*ii*) re-rollable scrap of all grades of carbon steel and (*iii*) scrap of coated steel sheets/strips, coils marketed as "Tin free steel", under Open General Licence.
27.	List of Capital Goods under OGL expanded	June 1981	The following Cinematographic and film laboratory equipments were added to the list of OGL imports: (*i*) 16 mm Dual/Triple/ Dubber, (*ii*) 16 mm optical recorders, (*iii*) optical effects and trick printing machines (16 mm) and (*iv*) 16 mm colour processing plants.
28.	Seamless steel pipes/tubes	June 1981	Import of Seamless steel tubes and pipes including carbon and alloy steel tubes and pipes (other than stainless steel tubes) in wall thickness of 5 mm and above in size 60 mm to 219.1 mm outside diameter and other than those covered by the list of restricted items, were removed from the restricted list and included in the banned list of items.
29.	Tallow of animal origin	June 1981	Besides mutton tallow, which was already a canalised item, tallow of any animal origin was also canalised. The State Trading Corporation has been designated as the canalising agency.
30.	Nickel Silver Scraps	June 1981	Export Houses, Small Industries Corporations of State Governments/Union Territories were allowed to import Nickel Silver Scrap (German Silver Scrap) for sale to actual users, under the OGL.
31.	Iron & Steel	June 1981	Carbon steel rods, rounds (plain and twisted) and flats and carbon steel billets to IS-2830/2831 or equivalent were permitted to be imported by any person under the OGL. The conditions regarding registration of the import contract with the Iron and Steel Controller within 15 days of entering into the contract in respect of other iron and steel imports will apply to imports of the above mentioned items also.

Sr. No.	Item	Month of Announcement	Details
1	2	3	4
32.	Life saving drugs—list expanded	June 1981	Quinapyramine Sulphate/Chloride injection, Suramin powder, Penbandazole Bolus/suspension/powder and Oxyclozamide liquid were added to the list of drugs and life-saving medicines allowed for import under the OGL
33.	Supplies to 100% Export Oriented units granted REP benefits	June 1981	Supplies of raw materials, capital goods, components and spares made to 100 per cent export oriented units by Registered Exporters will be eligible for import replenishment provided (*i*) the goods supplied were manufactured within India, (*ii*) the supplies were made at international prices, (*iii*) the concerned buyer unit had an import licence to import the same goods and (*iv*) the buyer unit's import licence is debited invalidating it for direct imports to the extent procured locally.
34.	List of Public Sector undertakings eligible for OGL imports expanded	July 1981	The facility to import their requirements of raw materials, components, consumables, machinery, equipment, instruments/accessories and spares under the OGL available to M/s Coal India Limited and M/s. Neyveli Lignite Corporation Ltd. was extended to M/s. Bharat Coking Coal Ltd., M/s Central Coalfields Ltd., M/s. Eastern Coalfields Ltd., M/s. Western Coalfields Ltd., M/s Central Mine Planning and Design Institute Ltd. and M/s. Singareni Collieries Co. Ltd.
35.	List of banned items expanded	July 1981	(*i*) Calcined Petroleum coke, (*ii*) camphor, (*iii*) carbon black (*iv*) ethyl acrylate monomer, and (*v*) Pentaerythritol (other than nitration grade) were transferred from the list of restricted items to the list of banned items.
36.	Fan belts	July 1981	Fan belts were added to the banned list.
37.	Copper and copper alloys	July 1981	The policy with regard to import of copper alloy plates and sheets (less than 1200 mm width), strips and foils was modified placing those in thickness above 0.16 mm in the banned list and those in thickness of 0.16 mm and below in the restriced list. Earlier import of these items in thickness above 0.07 mm was banned and in 0.07 mm and below restricted.
38.	Books	July 1981	Books published before 1978 were included in items of import allowed under the OGL.
39.	Film laboratory equipment	July 1981	16 mm Zenon arc projectors with a throw of 60 feet or more for theatrical use were added to the list of Capital Goods allowed for import under OGL.
40.	Bright steel rounds	July 1981	Bright steel rounds of non-cobalt bearing high speed steel 3.5 mm to 5·00 mm dia. in any finish, was transferred from the restricted list to the banned list.
41.	Watch dial crystal	July 1981	The ban on imports of watch dial crystals/winding knobs/watch dials was slightly modified and the ban was made applicable only to watch dial crystals when imported separately and not as a part of watch assembly or sub-assembly/winding knobs/watch dials costing more than Rs. 40 per dozen (c.i.f.).
42.	Benemyl and portable generators	July 1981	Benemyl and portable generators were included in the list of restricted items.
43.	Decanalisation	July 1981	Import of art chrome paper and Board and chloramphenicol stearate, chloramphenicol sodium succinate and non-edible vegetable fats was decanalised.
44.	Machinery equipment for Gem and Jewellery industry	July 1981	"Scai fos and semi automatic (indexed) deps and tangs" was added to the list of machinery equipment etc. allowed for import under OGL by gem and jewellery exporters and cooperatives of goldsmiths/artisans.

Sr. No.	Item	Month of Announcement	Details
1	2	3	4
45.	Surgical blades	July 1981	Surgical blade was removed from the OGL List.
46.	Electronic items	September 1981	The value of banned electronic items allowed to be imported by actual users (industrial) was enhanced to Rs. 1.5 lakhs from Rs. 1 lakh.
47.	OGL Imports by Public Sector Enterprises under the Ministry of Defence	September 1981	Public Sector enterprises under the Ministry of Defence were allowed to import under the OGL teaching aids, computer spares and other items required by them as raw materials, components or consumables as are allowed to be imported by actual users/all persons under the OGL.
48.	Fresh Fruits/ Vegetables	September 1981	Exports of fresh fruits/vegetables have been included in the list of "select products" for the purposes of granting/renewal of eligibility certificates to export houses.
49.	Textile machinery	September 1981	Carding sets for woollen industry have been added among the textile machinery allowed for imports under the OGL.
50.	Pig iron canalised	September 1981	"Pig Iron (all grades)" was canalised and the Steel Authority of India Ltd. was designated as the Canalising Agency.
51.	Lead scrap	September 1981	Besides actual users and Small Industries Corporations of State Governments/Union Territories who were already allowed to import lead scrap, including ash, skimmings, blowings and drosses under the OGL, export houses were also permitted these imports for sale to actual users.
52.	Import of machinery for sea food industry	October 1981	A number of machinery items for the sea food industry were permitted to be imported under the OGL.
53.	Drawing reproduction films	October 1981	"Drawing reproduction films" was transferred from the list of items permitted for import under the OGL to the list of restricted items of import.
54.	Changes in the lists of OGL, banned and restricted items	November 1981	(1) The ban on Graphite crucibles (silicon carbide) upto size 200 was extended to cover sizes upto 300 while retaining those of size above 300 in the restricted list. (2) Sulphonated codecyl benzene/alkyl benzene (acid slurry) was included in the list of banned items. (3) Granulated cork was removed from the OGL list and included in the banned list. (4) Certain loom parts and accessories, i.e. loom bolts, nuts, washers and chains were removed from the list of banned items. (5) Salbutamol was removed from the OGL List and included in the list of restricted items. (6) Appliances and aids for training of dental students and for teaching of health education, heat resistant and shock proof table tops for laboratory tables, instrument trays and spittoon bowls were removed from the OGL list. (7) The ban on import of watch dial crystals and winding knobs when imported separately and not as part of watch assembly/ sub-assembly/watch dials was made applicable to those costing not more than Rs. 48 per dozen.
55.	Iron and Steel	November 1981	All grades of carbon steel sheets strips/coils in deep drawing and extra deep drawing qualities were canalised.
		December 1981	(1) Hot rolled sheets/strips/coils in thickness above 2.5 mm but below 5.00 mm were removed from the list of restricted items and canalised.

Sr. No.	Item	Month of Announcement	Details
1	2	3	4
			(2) Permission for import of billets to IS-2830/2831 or equivalent, and carbon steel bars/rods/rounds/hexagons/octagons/flats/squares/ wire rods under OGL was withdrawn and they were canalised.
56.	Raw cotton	December 1981	Raw cotton (long staple) was removed from the list of select export products.
57.	Capital goods	January 1982	The following weather processing/finishing/manufacturing machinery were allowed to be imported as capital goods items under the OGL: (*i*) Hydraulic/hydropneumatic band knife splitting machines, (*ii*) automatic rotary type spraying machines with four spray guns or more and (*iii*) automatic hydraulic press (750 tonnes or more).
58.	Life-saving drugs	January 1982	Imports of inactivated rabies vaccine (prepared from culture of rabies virus on human disploid cells) were allowed under the OGL.

* A proper account of utilisation of the goods imported under this licence is required to be maintained and submitted to the authorities within such time as may be specified.

@ The description and c.i.f. value of imports made under this licence is required to be furnished half-yearly to the concerned authorities.

B—CHANGES IN IMPORT DUTIES

The Central Government Budget for 1982-83 presented to the Lok Sabha on February 27, 1982 has proposed the following changes in import duties:

(*a*) The exemption from levy of import duty on cement has been withdrawn. A customs duty (basic plus auxiliary) of 10 per cent *ad valorem* and additional (countervailing) duty equal to the excise duty will now be payable on cement imports.

(*b*) The import duty (basic) on aniline (aniline oil) has been increased from 60 per cent *ad valorem* to 80 per cent *ad valorem.*

(*c*) The import duty (basic) on synthetic organic dye-stuffs (including pigment dye-stuffs), certain pigments and colours, paints, varnishes, enamels, optical bleaching agents, etc. has been increased from 60 per cent/100 per cent *ad valorem* (standard) to 100 per cent *ad valorem*/150 per cent *ad valorem* (standard) and from 50 per cent *ad valorem* (preferential) to 90 per cent *ad valorem* (preferential) in respect of optical bleaching agents.

(*d*) The import duty (basic) on polyester chips has been stepped up from 100 per cent *ad valorem* to 140 per cent *ad valorem.*

(*e*) The import duty (basic) on cork and articles of cork has been raised from 40 per cent *ad valorem* to 60 per cent *ad valorem.*

(*f*) The import duty (basic) on certain items of iron and steel such as melting scrap of stainless steel/heat resisting steel, tinplate waste, alloy steel (excluding stainless steel/heat resisting steel), ingots, blooms, billets, bars, rods etc. has been raised from varying rates to a uniform 60 per cent *ad valorem.*

(*g*) The import duty (basic) on copper tubes and pipes etc. has been raised from 40 per cent *ad valorem* to 60 per cent *ad valorem.*

(*h*) The import duty (basic) on unwrought zinc has been raised from 40 per cent *ad valorem* to 45 per cent *ad valorem.*

(*i*) The import duty (basic) on electronic items such as computers, calculating machines, accounting machines, cash registers and certain sub-assemblies has been raised from 40 per cent *ad valorem*/50 per cent *ad valorem*/60 per cent *ad valorem* to 100 per cent *ad valorem.*

(*j*) The rates of auxiliary customs duty on all imported goods (including machinery and project imports) has, with certain exceptions, been increased by 5 percentage points.

(*k*) The import duty (basic plus auxiliary) on zinc concentrates has been reduced from 50 per cent *ad valorem* to 15 per cent *ad valorem.*

(*l*) The import duty (basic plus auxiliary) on lead concentrates has been reduced from 50 per cent *ad valorem* to 5 per cent *ad valorem.*

(*m*) The import duty (basic and auxiliary) on acetate filament yarn has been reduced from 125 per cent *ad valorem* to 20 per cent *ad valorem.*

(*n*) The import duty (basic, auxiliary and additional) on certain specified machines and instruments for electronics industry has been brought down from the existing rates to 35 per cent *ad valorem.*

(*o*) The import duty (basic plus auxiliary) on certain raw materials and components for electronics industry has been reduced from the existing rates to 55 per cent *ad valorem*; additional (countervailing) duty would be leviable only on items classifiable under Central Excise Tariff Item No. 68.

(*p*) 3 GATT items have been fully exempted from the levy of auxiliary duty of customs. Existing levels of auxiliary duty of customs are being maintained on other GATT items.

(*q*) The existing import duty of 15 per cent *ad valorem* on newsprint imported for printing of newspapers, books and periodicals has been changed to a specific duty at Rs. 825 per tonne (basic plus auxiliary).

(*r*) Two fertilisers, namely, calcium ammonium nitrate and ammonium sulphate have been totally exempted from the levy of import duty.

(*s*) Certain specified bulk drugs used in the manufacture of life-saving drugs and medicines have been totally exempted from the import duty of 80 per cent *ad valorem* (basic plus auxiliary).

(*t*) The import duty (basic plus auxiliary) on internal combustion piston engines and parts for power tillers and parts of such engines imported for manufacture of engines for power tillers has been reduced from 125 per cent *ad valorem* to 50 per cent *ad valorem.*

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