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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Chapter I, however, is based on more uptodate data/information.

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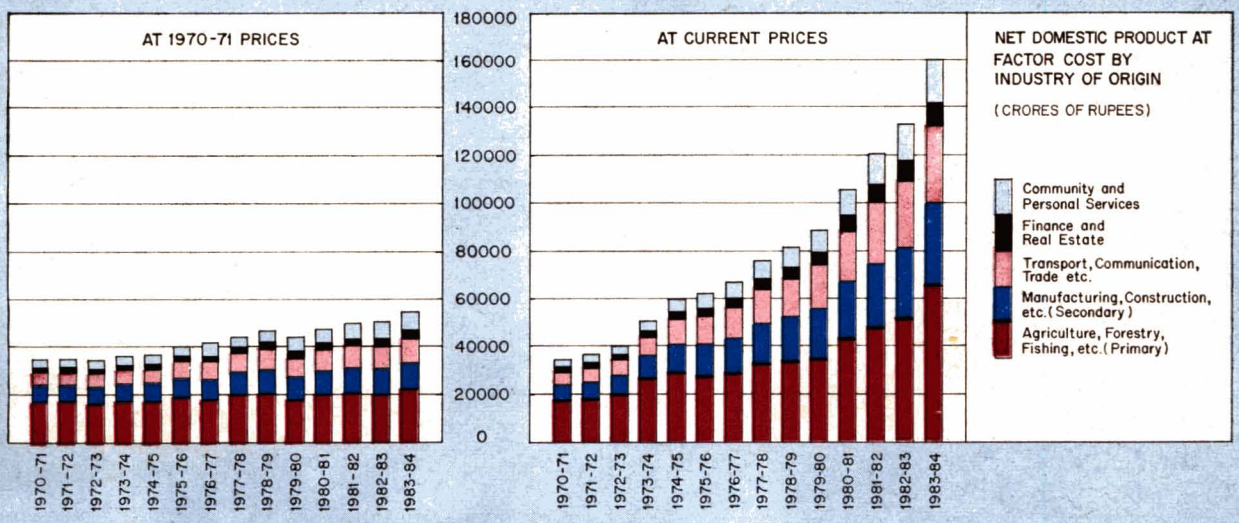
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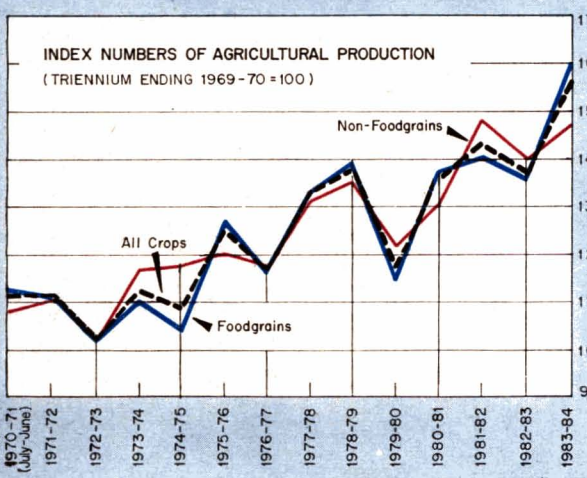
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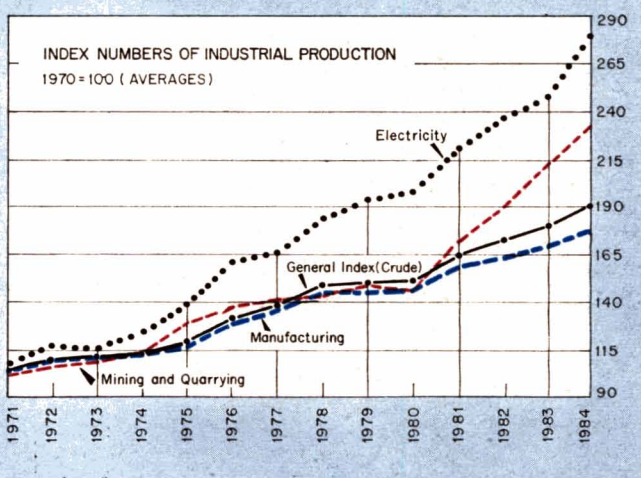
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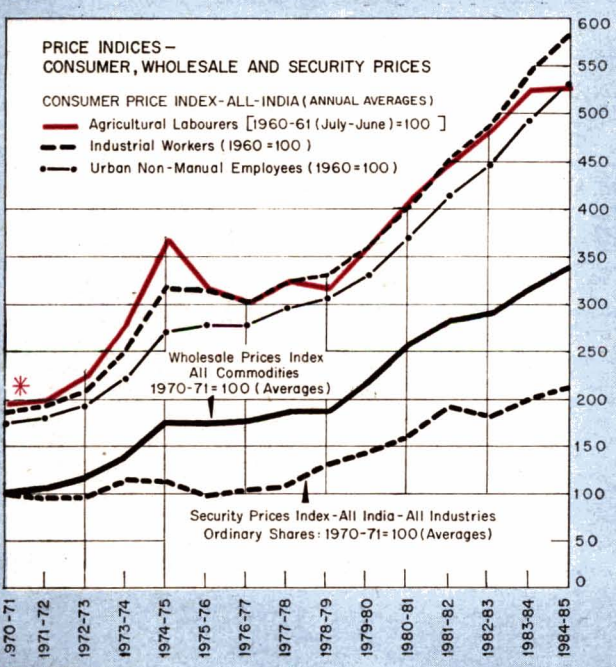
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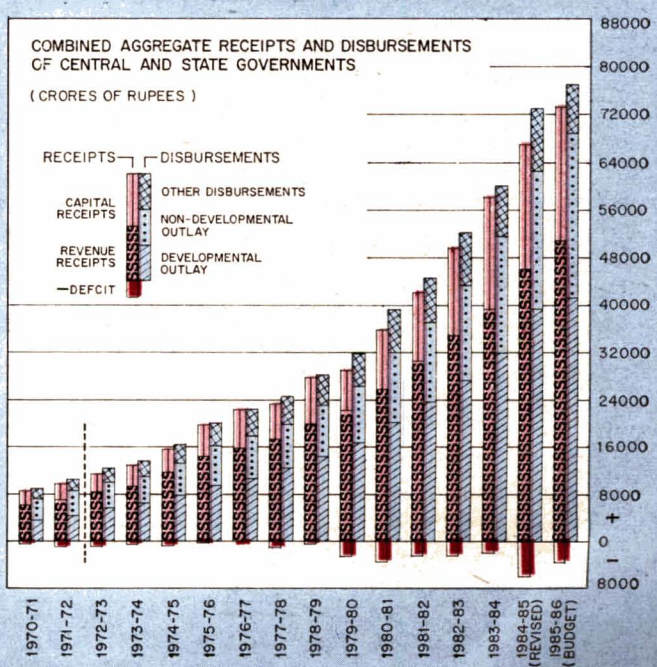
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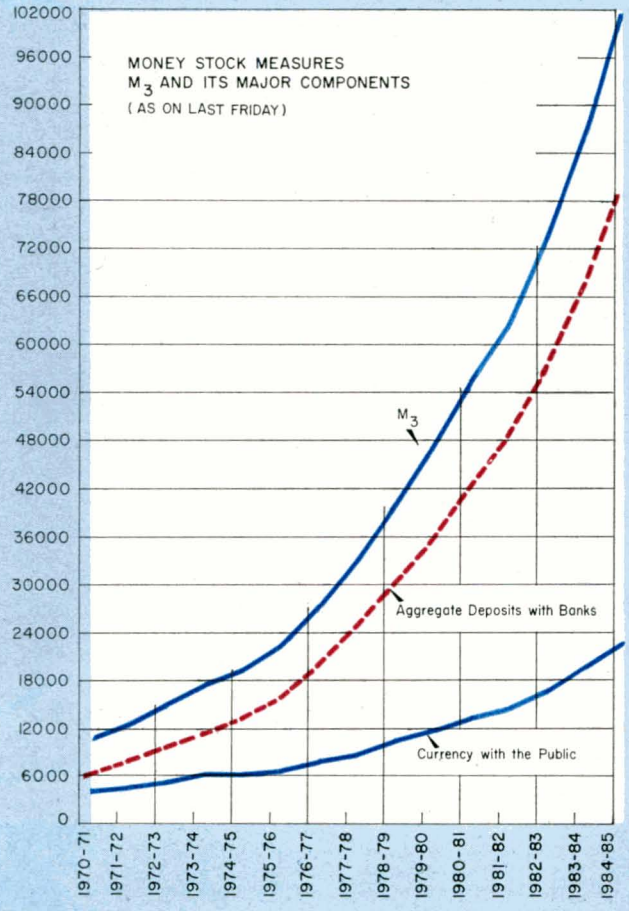


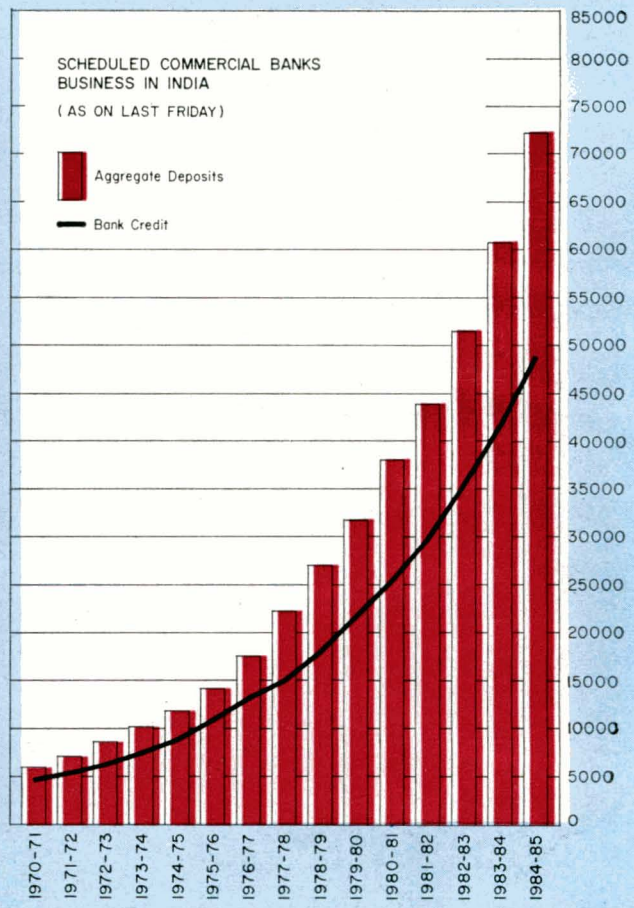


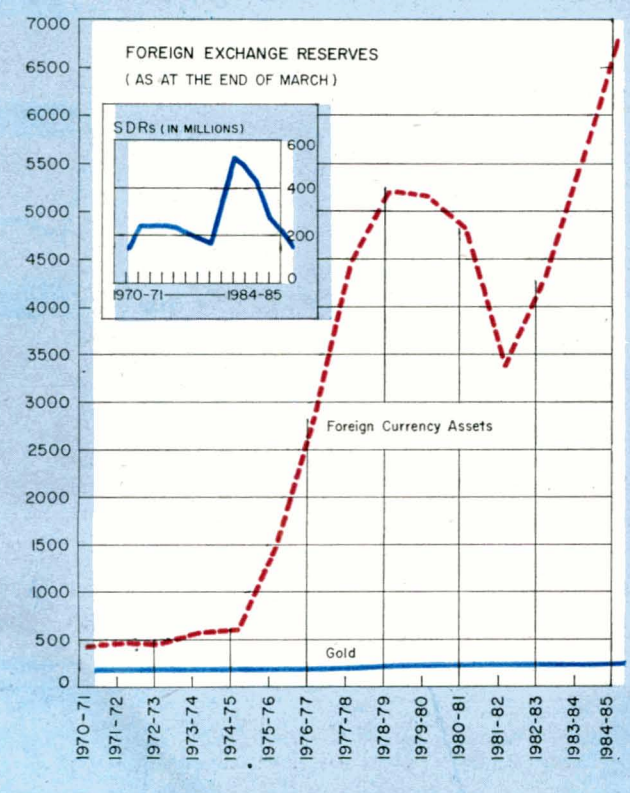


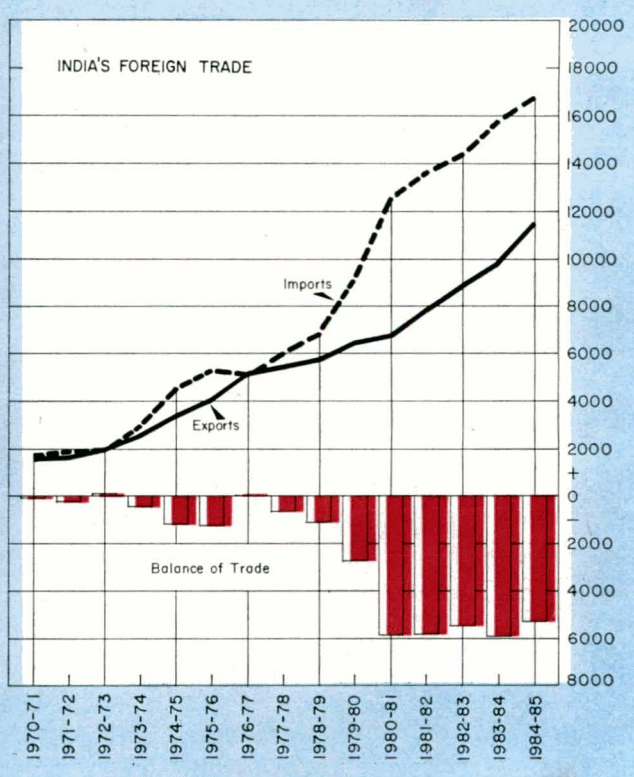
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Chapter I

Review and Outlook

With an estimated growth in real national income of around 3.5 per cent, the year 1984-85 may be considered, on the whole, a good year. Though the growth rate as such was modest, the performance of the economy could still be regarded as good because the growth of 3.5 per cent came close on the heels of a significantly higher growth of 7.6 per cent during the previous year. The growth in 1984-85 could have been higher but for the weather factor which affected adversely agricultural production resulting in a marginal decline. Foodgrains production in 1984-85 at 148 million tonnes was lower by about 3 million tonnes than the level reached in 1983-84. This decline in agricultural production was more than compensated by industrial production which recorded a growth of 6.3 per cent as compared to a growth of 5.5 per cent attained during the previous year. On the external front, export earnings rose by as much as 20 per cent while the increase in imports was more moderate. As a result, the balance of payments situation showed an improvement; this is reflected in the foreign exchange reserves which, excluding net drawings from the IMF, rose by Rs. 1,201 crores as against a decline of Rs. 157 crores witnessed during the previous year. The most striking feature of the performance of the economy in 1984-85 was in the sphere of prices. Wholesale prices decelerated to a rise of 7.4 per cent in 1984-85, from a rise of 8.9 per cent witnessed in 1983-84. More impressive was the deceleration in consumer prices from 11.2 per cent in 1983-84 to 5.0 per cent.

In 1984 only 26 out of the 35 meteorological sub-divisions received normal or excessive rainfall as compared with 32 in 1983, while 7 subdivisions received deficient rainfall as compared with 3 in 1983. Two sub-divisions received scanty rainfall as against none in the previous year. Furthermore, the deficiency in post-monsoon rains caused great precipitation stress in major *rabi* growing States like Haryana, Punjab, Uttar Pradesh, Rajasthan, Gujarat and Bihar.

Lower foodgrains production in 1984-85 was entirely due to unfavourable weather conditions. The fact that loss of output could be

limited to only about 2 per cent is indicative of the growing resilience of the agricultural sector as also the efficacy of the new agricultural strategy. Adverse weather conditions had mainly affected the *kharif* output which declined by 3.2 million tonnes to 85.9 million tonnes in 1984-85. The *kharif* crops most affected were coarse grains; their aggregate output during the year is placed at 31.0 million tonnes, as against 34.0 million tonnes harvested last year. Production of rice at 59.5 million tonnes and of pulses at 12.5 million tonnes was also marginally lower. The *rabi* output of 1984-85, on the other hand, at 62.1 million tonnes was a shade lower than in the previous year. The output of wheat, the main *rabi* crop, at 45.0 million tonnes was only fractionally lower than the record harvest of the previous year.

Among commercial crops, both sugarcane and tobacco recorded declines, for the second year in succession. Other major commercial crops recorded higher output in 1984-85; increase in the output of raw cotton by 1.9 million bales to 8.5 million bales was rather spectacular. Output of oilseeds during the year, estimated at 13.0 million tonnes, was marginally higher than in the previous year; at this level, it reached the target set for the year. Output of jute and mesta also increased by 4 per cent to 7.7 million bales.

The sustained increase in production witnessed during the more recent years and the enhancement of procurement prices have resulted in procurement of increasing quantities of foodgrains for public distribution. Rice procured during the 1984-85 marketing year (October-September) totalled 9.8 million tonnes, almost 2 million tonnes more than in the preceding year. Wheat procured during the marketing year 1984-85 (April-March) at 9.3 million tonnes was also one million tonnes more than in the previous year. An overwhelmingly large proportion of the procurement continues to be concentrated in a few States — *viz.*, Punjab, Uttar Pradesh and Haryana in the case of wheat and Punjab, Andhra Pradesh, Uttar Pradesh, Haryana and Tamil Nadu in the case of rice.

Beginning with October 1983, the monthly average off-take from public distribution system has been on the decline, reflecting the easiness in availability and prices in the open market. The decline in the average monthly off-take from 1.35 million tonnes in 1983 to 1.12 million tonnes in 1984 was significant. Larger procurement, accompanied by lower off-take has resulted in increasing the stocks of foodgrains with the public distribution system by nearly 7 million tonnes to a record 29.2 million tonnes in June 1985, comprising 21.0 million tonnes of wheat and 8.0 million tonnes of rice. The sharp increase in stocks has created storage problem besides locking a sizeable amount of bank credit. In the light of this position, export of wheat has now been permitted but it has not made any significant dent on the level of stocks, as our exports are not really competitive.

The rise in industrial production noticed during the second half of 1983-84 was maintained during the first two quarters of 1984-85. The growth in industrial output in each of these two quarters was significantly higher than that attained during the corresponding periods of 1983-84. However, the growth rate decelerated sharply during the third quarter but picked up again during the fourth quarter. For the year 1984-85, as a whole, the growth rate of 6.3 per cent was an improvement over that recorded during the preceding year. Component-wise, electricity was, however, the only sub-sector which showed an impressive improvement, the index of output having gone up by 12.0 per cent in 1984-85 as compared with 7.6 per cent in the preceding year. The overall output of the other two sub-sectors, *viz.* 'mining and quarrying' and 'manufacturing' also grew during the year but at a slower rate, the

deceleration recorded in the former *viz.*, 8.0 per cent as compared with 12.0 per cent during 1983-84, being particularly sharp. The data on use-based classification show that only the 'basic industries', with roughly one-third weight in the general index, recorded a significant increase.

The six infrastructure industries, with a total weight of 23.3 per cent in the general index, recorded an overall increase of nearly 10 per cent, on top of the increase of 7.0 per cent during 1983-84. However, except in the case of electricity, the increases in output were below the targets set for each of these industries. Total electric power generation in 1984-85 at 156.6 billion kwh. recorded a growth rate of 12.0 per cent over that in 1983-84. Higher output of electricity in 1984-85 was due to widespread and adequate monsoon during previous year, satisfactory availability of coal to thermal power stations and steps taken by electricity undertakings to increase capacity utilisation. Production of coal (excluding lignite) reached an all time high of 147.5 million tonnes in 1984-85, recording a growth rate of 6.7 per cent during the year as compared with that of 5.8 per cent in the preceding year. Cement production recorded an increase of 11.5 per cent to 30.17 million tonnes in 1984-85; the increase in 1983-84 was of the order of 16.1 per cent. Production of both crude petroleum and petroleum refinery products increased, though at sharply decelerated rates.

In the monetary sphere, expansion of broad money (M_3) in 1984-85 at 18.2 per cent was somewhat higher than in 1983-84 at 17.9 per cent. The larger expansion was mainly accounted for by the markedly larger expansion of demand deposits at 22.0 per cent as against 12.9 per cent during the previous year. The rates of growth of time deposits at 17.7 per cent and currency with the public at 15.9 per cent were however lower than those in 1983-84 at 19.2 per cent and 17.4 per cent respectively.

The larger monetary expansion is mainly attributable to an accelerated rise in net bank credit to Government at 20.9 per cent in 1984-85 as against 16.6 per cent during 1983-84. The rate of expansion of bank credit to commercial sector during the year at 16.2 per cent was relatively lower as compared with that of the preceding year at 17.3 per cent. While the various measures taken by the Reserve Bank to contain growth of liquidity in the banking system had their impact on the expansion in reserve money, the sharply reduced expansion during the year at 9.2 per cent as compared with 24.7 per cent in 1983-84 was largely due to a decline of 11.3 per cent in bankers' deposits with RBI in contrast with a spurt of 49.4 per cent in the previous year. Currency with the public also recorded a slower expansion of 15.9 per cent than 17.4 per cent in 1983-84.

The price trend as it emerged during the early part of 1984-85 gave some cause for concern. On a point-to-point basis, the rise in wholesale prices upto mid-August was 7.6 per cent, somewhat higher than the rise of 7.2 per cent recorded during the corresponding period of the preceding year. During the subsequent period from mid-August 1984 to end-March 1985, prices ruled generally easy; in fact wholesale prices actually declined by 0.3 per cent as against a rise of 1.6 per cent witnessed during the corresponding period of the preceding year. Over the year, the rise in wholesale prices was 7.4 per cent—a rise perceptibly lower than the rise of 8.9 per cent during 1983-84. Slower increase in the price level was the net result of smaller increase in the prices of the two major groups 'primary articles' and 'manufactured products', partly offset by the rise in the prices of 'fuel, power, light and lubricants'. Among 'primary articles' pulses, fruits and vegetables and fibres recorded smaller increases; oilseeds recorded a decline in contrast to a sharp increase during the

previous year. On the other hand, the index of the major group, 'fuel, power, light and lubricants' was affected by enhanced excise levies on mineral oils. In the case of 'manufactured products', the rate of increase was slower than in the previous year, due mainly to a much smaller increase in the index of gur as compared with the previous year.

Yet another welcome development during the year was the further improvement in India's external payments position. Despite unfavourable trading environment, India was able to increase total export earnings by as much as 20 per cent as against a rise of 8 per cent during the preceding year. The higher export earnings are attributable to higher unit value realisation, reflecting a weakening of the Indian rupee *vis-a-vis* U.S. dollar. Imports also increased but moderately. As a result, there was a sharp decline in the trade deficit. These improvements are reflected in the level of foreign exchange reserves (SDRs, gold and foreign currency assets of RBI) which increased during the year by Rs. 1,201 crores (excluding net borrowings from the IMF of Rs. 70 crores in 1984-85) as against a fall of Rs. 157 crores (excluding net borrowings from the IMF of Rs. 1,347 crores) during the preceding year.

From available indicators, the overall outlook for growth in 1985-86 is encouraging. On the agricultural front, as per the information available for the period 1st June to 30th September 1985, rainfall has been excess/normal in 21 meteorological sub-divisions as against 26 sub-divisions in the corresponding period of 1984-85, accounting for 67.3 per cent and 80.2 per cent respectively, of the total *kharif* foodgrains production. Rainfall has been deficient/scanty in 13 meteorological subdivisions (excluding one for which data are not available) accounting for almost one-third of *kharif* foodgrains production as against 7 subdivisions (excluding two for which data are not available) accounting for about one-sixth of *kharif* foodgrains production during the corresponding period of 1984-85. This, together with floods in parts of U.P. and severe drought in parts of Southern, Western and Central India have affected the current *kharif* prospects. However, sustained rainfall in early October and the reported 10 to 15 per cent increase in fertiliser consumption have revived hopes of better *kharif* harvest. On present indications, output of both paddy and coarse grains may exceed last year's output. Production of pulses is expected to go up by over 10 per cent. Overall,*kharif* harvest may be around 85-87 million tonnes, marginally higher than last year. With good rains recorded in October, the likely increase in fertiliser consumption, increase in irrigation potential created and the intensive drive undertaken to increase area under high yielding varieties, the *rabi* foodgrains output may set a new record; wheat output may touch 48 million tonnes. Overall, though foodgrains output during 1985-86 may not reach the target set, there is a reasonable prospect of reaching a level of around 156 million tonnes.

Prospects of non-foodgrains crops are, however, not too encouraging. While production of jute, mesta and tea may be higher, that of sugarcane may remain at about the same level as last year. Outlook for oilseeds has been adversely affected by drought conditions in major groundnut growing areas.

An assessment of the prospects of industrial production during 1985-86 is somewhat difficult. Overall, industrial production recorded a growth of only 6.0 per cent during the first quarter (April-June) of the year as against 6.8 per cent during the corresponding period of last year. However, available data indicate a slightly better performance of the infrastructure industries during the subsequent period. Thus, despite a decline in hydel generation, total power generation increased significantly during the subsequent three months; coal production, which had recorded sharp decline in April and May 1985 as compared to the corresponding

months of last year, has also recovered. Again, there has been some increase in the production of crude oil; on present indication, production may touch 30 million tonnes during the year. The salutary impact of several measures taken recently by the Government has to be superimposed on these trends. The policy of 'broad banding' of products, introduced in January 1985 for the purpose of licensing in automobile industry and later extended to also cover a few more industries,is expected to result in better capacity utilisation. Similarly, the major changes announced in fiscal and industrial licensing policies and relaxations in rules relating to capital issues are also expected to encourage investment and generally stimulate industrial production. The new import-export policy, valid for three years, with focus on enhanced domestic production, greater import substitution and larger exports and allowing one hundred per cent export-oriented units to sell a part of their production in domestic market are also likely to give a boost to industrial growth. No doubt, there may be a lag between taking these measures and the manifestation of impact of those on industrial production, but on the whole, it seems reasonable to forecast that industrial production may be sustained atleast at the rate witnessed in 1984-85.

Expansion of broad money (M_3) during the first half of the fiscal year 1985-86 (i.e. April-end-September), at Rs. 6,077 crores or 6 per cent has been perceptibly lower compared with that in the corresponding period of 1984-85 at Rs. 6,683 crores or 7.8 per cent. This is reflected in the contraction in currency with the public of Rs. 106 crores in contrast to an expansion Rs. 998 crores witnessed during the same period of the preceding year and a sharper decline in other deposits with RBI. Source-wise, the slower expansion in M_3 is attributable to bank credit to the commercial sector which showed a smaller expansion in both absolute and percentage terms than in the first half of 1984-85 and also to net foreign exchange assets of the banking sector which recorded a sizeable contraction as against a significant increase last year. Net bank credit to the Government sector recorded a lower expansion in percentage terms but a higher expansion in absolute terms. The deceleration in the growth in bank credit to the commercial sector has to be viewed in the context of only a nominal expansion in food credit of Rs. 20 crores in the first half of the current year, in contrast to a sizeable expansion of Rs. 785 crores in the comparable period of the previous year.

With the relatively smaller monetary expansion during the first half of the year and the cautious stance of the credit policy for the busy season announced by the Reserve Bank, it seems possible to restrict the monetary expansion during the year to a level lower than that recorded during the three preceding years.

The impact of this relatively lower expansion in money supply interacting with comfortable supply situation mainly of wage goods is reflected in the price situation. The decelerating trend in inflation rate in evidence during the second half of 1984-85, has continued during the current year so far. No doubt, wholesale prices continued to rise till end-July 1985; but what needs to be stressed is that the rate of increase this year was distinctly lower than during the corresponding period of the previous year. The rise in wholesale prices during the first four months (April-July) of the current year at 5.7 per cent was significantly lower than the increase recorded during the corresponding period of the previous year. The annual rate of inflation as at the end of July. 1985 was also much lower.

Wholesale prices have eased subsequently and the annual rate of inflation as at the end of September fell to 4.6 per cent as against 6.8 per cent a year ago. The rate of rise in prices on a point-to-point basis during the first six months of the current year was also considerably below

that during the corresponding period of last year. The behaviour of retail prices so far during the year has been equally encouraging. It is hazardous to attempt any forecast about the behaviour of prices during the remaining six months of the current financial year. The continuance of the cautious stance of monetary and credit policy for the busy season announced in October 1985 by the Reserve Bank, the anticipated pick up in industrial production and the tax buoyancy in recent months which may assist in containing fiscal deficit—all these factors taken together appear to suggest that the inflation rate during 1985-86 is likely to be much lower than the 7.4 per cent increase recorded last year. There is no room for complacency, however. While the overall price trend is one of moderation, there are pockets of price rise especially in the case of essential commodities—for example—cereals, despite the huge stocks and of sugar, despite imports.

The capital market has been buoyant in more recent years, as reflected in data relating to capital issues and capital raised and the enthusiastic response received by public issues. Fiscal reforms and relaxation of industrial licensing and import policies announced during the current year have provided added support to the market. This trend notwithstanding, there are indications of resource constraints emerging as a factor inhibiting growth in the medium term. This calls for strenuous efforts to improve the saving rate, particularly of the public sector; need to increase the efficiency of the capital stock can also be hardly overemphasised.

Another area which is worrisome is the external sector. Foreign exchange reserves (including gold and SDRs) increased during the first six months of the current year by only Rs. 45 crores in contrast to a rise of Rs. 765 crores during the corresponding period of last year; excluding transactions with the IMF, the increase in reserves during the current year so far amounted to only Rs. 174 crores against a rise of Rs. 614 crores during the corresponding period of last year. The constellation of factors affecting the medium term prospects of the country's external payments situation are far from encouraging: the flow of external assistance, trade environment, debt service obligations and the faster rate of imports growth. Nor are there any possibilities of further raising substantially the domestic crude oil output.

Viewed in this context, export growth assumes critical importance. Provisional data indicate that export earnings during the first four months of the current year were marginally higher over the corresponding period last year; in fact, but for oil, exports would have shown a decline by 0.4 per cent. With import bill up by nearly 30 per cent, trade deficit during the four months was at higher level at Rs. 3,079 crores, a steep increase of 81 per cent over that during the corresponding period of last year. Thus, though exports may pick up during the coming months, the balance of payments would need to be kept under watch during 1985-86.

Overall, the performance of the economy in 1985-86 may turn out to be better than that in 1984-85, given the assumption of industrial growth of around 6.5 per cent for the year as a whole. The three successive years of good growth would then have provided the base on which to build the capability of sustained growth of 5 per cent envisaged in the Seventh Plan and also face the medium-term problems of resource constraint and balance of payments viability.

Chapter II

National Income, Saving and Investment

On the basis of key macro-economic aggregates, the growth in national income at constant prices during 1984-85 is estimated at 3.5 per cent as against 7.6 per cent in 1983-84. The relatively modest gain is mainly attributable to a decline of about 1 per cent in agricultural output eventhough industrial production has increased from 5.5 per cent in 1983-84 to 6.3 per cent in 1984-85. The aggregate saving-income ratio during 1984-85 was marginally lower than in 1983-84. The saving of the household sector showed a small rise whereas the public sector's saving showed a decline. With the decline in net inflow of foreign resources, net investment as per cent of Net National Product (NNP) also showed a decline.

A. Trends in National Income

1. *Estimates for 1983-84*

According to the Quick Estimates of the Central Statistical Organisation (CSO), NNP at factor cost (at 1970-71 prices) increased sharply by 7.6 per cent to Rs. 54,276 crores in 1983-84, as compared with the increase of only 1.6 per cent in 1982-83. In per capita terms, it increased by 5.3 per cent to Rs. 749 in 1983-84, as compared with a decline of 0.6 per cent in 1982-83 (Table II-1).

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

Description	1980-81	1981-82	1982-83	1983-84	1984-85
1	2	3	4	5	6
1. Net National Product (NNP) (Rupees crores)					
At 1970-71 Prices	47,507	49,631	50,437	54,276	56,182
	(7.8)	*(4.5)*	*(1.6)*	*(7.6)*	*(3.5)*
At Current Prices	1,06,175	1,20,806	1,32,470	1,59,598	1,77,711
	(19.4)	*(13.8)*	*(9.7)*	*(20.5)*	*(11.3)*
2. Per Capita Income (Rupees)					
At 1970-71 Prices	700	715	711	749	758
	(5.4)	*(2.1)*	*(−0.6)*	(5.3)	*(1.2)*
At Current Prices	1,564	1,741	1,868	2,201	2,398
	(16.8)	*(11.3)*	(7.3)	(17.8)	(8.9)
3. Net National Product at Current Market Prices (Rupees crores)	1,20,080	1,37,720	1,51,653	1,81,917	2,03,573
	(18.8)	*(14.7)*	(10.1)	(20.0)	(11.9)

Sources and Notes: 1. Estimates up to 1982-83 are provisional estimates by the Central Statistical Organisation (CSO), Government of India and for 1983-84 are Quick Estimates by CSO.
2. Figures for 1984-85 are tentative estimates.
3. Figures in brackets are percentage changes over the previous year.

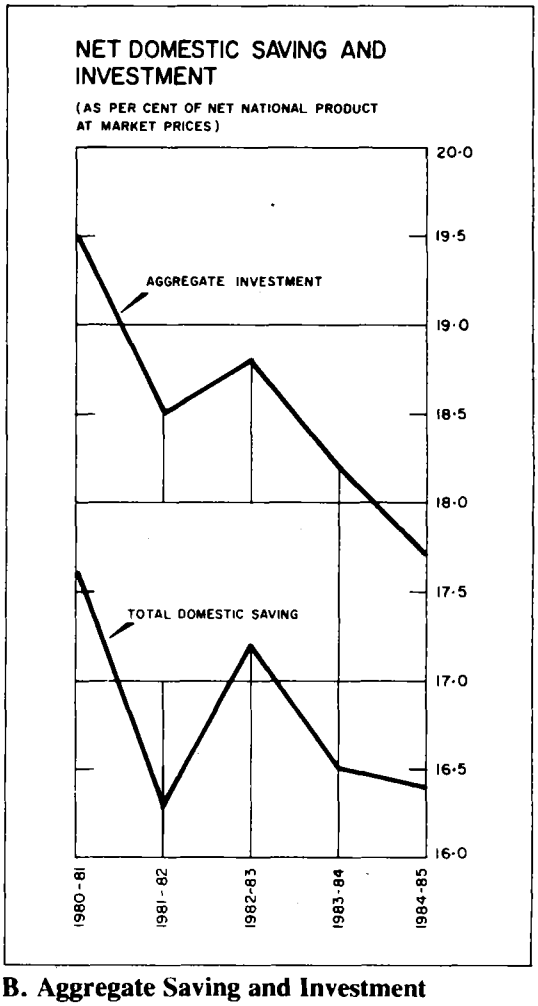
In nominal terms, NNP at factor cost, increased by as much as 20.5 per cent to Rs. 1,59,598 crores in 1983-84, as compared with the increase of only 9.7 per cent in 1982-83. Similarly, per capita income also went up by 17.8 per cent to Rs. 2,201 in 1983-84 as compared with the increase of only 7.3 per cent in 1982-83.

The marked improvement in national income during the year is attributable to impressive performance of the agricultural sector. Income generated in that sector (at 1970-71 prices) increased by 9.2 per cent in contrast to a decline of 2.9 per cent in 1982-83. As a result, the share of 'primary sector' in aggregate Net Domestic Product (NDP), at 1970-71 prices, increased from 40.3 per cent in 1982-83 to 41.0 per cent in 1983-84. Though Net Domestic Product originating in the 'secondary sector' rose by 4.4 per cent on top of a rise of 2.8 per cent in 1982-83, its share in aggregate NDP declined from 21.0 per cent in 1982-83 to 20.4 per cent in 1983-84. Industry-wise, income generated in manufacturing, electricity, gas and water supply and construction registered increases of 5.8 per cent, 7.1 per cent and 1.6 per cent in 1983-84, respectively.

There was also some step-up in income generated in the 'services' sector, which increased by 7.5 per cent in 1983-84 as compared with 6.7 per cent in 1982-83. Income generated in all the three segments of this sector recorded increases during the year; 'transport, communication and trade' recorded an increase of 5.8 per cent, 'finance and real estate' of 5.6 per cent and 'community and personal services' of 10.8 per cent.

2. *Performance during 1984-85*

Official estimates of national income for 1984-85 are not yet available. Industrial production has increased from 5.5 per cent in 1983-84 to 6.3 per cent in 1984-85 but with a decline in agricultural production the growth in real national income during the year has been tentatively estimated at 3.5 per cent. With this the average growth rate during the Sixth Plan period works out to 5.2 per cent, marking the attainment of the targeted growth rate set for the Sixth Five year Plan.**



B. Aggregate Saving and Investment

Provisional estimates indicate marginal declines in rate of aggregate saving and aggregate investment during 1984-85. In nominal terms (at current market prices) the ratio of aggregate net domestic saving to NNP £ declined marginally from 16.5 per cent in 1983-84 to 16.4 per cent in 1984-85 and that of net domestic investment to NNP declined from 18.2 per cent in 1983-84 to 17.7 per cent in 1984-85. The inflow of foreign resources as a proportion of NNP is also estimated to have declined from 1.7 per cent in 1983-84 to 1.3 per cent in 1984-85 (Table II-2).

**The plan target of 5.2 per cent is in terms of Gross Domestic Product (GDP) at factor cost.

£ Here and subsequently unless otherwise indicated, saving and investment rates have been worked out in relation to NNP at current market prices.

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

Description	1982-83	1983-84	1984-85
1	2	3	4
1. Domestic Saving (Net)	**17.2**	**16.5**	**16.4**
2. Net Inflow of Foreign Resources	1.6	**1.7**	1.3
3. Aggregate Investment (Net) (1 + 2)	**18.8**	**18.2**	**17.7**

Note: The estimates presented here may differ from those presented in the Reserve Bank's Annual Report 1984-85 as the same have been revised in the light of fresh data.

C. Trends in Domestic Saving

Provisional estimates indicate that aggregate domestic saving increased by 11.5 per cent in 1984-85 to Rs. 33,429 crores as compared with the increase of 14.8 per cent in 1983-84. This may, in a large measure, be attributable to a sharp deceleration in the growth rate of nominal NNP, from 20.5 per cent in 1983-84 to 11.3 per cent in 1984-85. As a result of these developments, domestic saving in relation to NNP declined from 16.5 per cent in 1983-84 to 16.4 per cent in 1984-85.

Bulk of domestic saving continued to be generated, as in preceding years, by the household sector. In fact, its share in aggregate domestic saving increased from 83 per cent in 1983-84 to 85 per cent in 1984-85. Such increase was, however, at the cost of saving of the public sector whose share in aggregate domestic saving declined from 13 per cent to 11 per cent. There was no change in the share of domestic private corporate sector (Table II-3).

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

(Rupees crores at current prices)

Description	1982-83	1983-84	1984-85
1	2	3	4
1. Public Sector	4929	3900	3643
	(18.9)	(13.0)	(10.9)
Per cent of Net National Product at Market Prices	*3.2*	*2.1*	*1.8*
2. Domestic Private Corporate Sector (including co-operatives)	1187	1245	1347
	(4.5)	(4.2)	(4.0)
Per cent of Net National Product at Market Prices	*0.8*	*0.7*	*0.7*
3. Household Sector	19,996	24,836	28,439
	(76.6)	(82.8)	(85.1)
Per cent of Net National Product at Market Prices	*13.2*	*13.7*	*13.9*
4. Total Net Domestic Saving (1+2+3)	26,112	29,981	33,429
	(100.0)	(100.0)	(100.0)
Per cent of Net National Product at Market Prices	*17.2*	*16.5*	*16.4*

Note: Figures in brackets represent percentages to total.

1. Saving of the Household Sector

The saving of the household sector (household sector comprises individuals and non-government non-corpoate enterprises) is in the form of both financial and physical assets. Total net assets of the household sector increased by about 14 per cent to Rs. 28,439 crores as compared with the increase of 24 per cent in 1983-84. Bulk of the saving continued to be in the form of financial assets. Further, during 1984-85, growth of gross financial assets was much faster (19 per cent) as compared with that of physical assets (3 per cent). As a result, the share of net financial assets in total net assets increased further by 5 points to 58 per cent. The net financial saving of the household sector, *i.e.* net of financial liabilities, increased by 24 per cent to Rs. 16,408 crores in 1984-85 as compared with the increase of 14 per cent in 1983-84. In 1984-85, total net saving of the household sector formed 13.9 per cent of the NNP, only fractionally higher than in 1983-84 (Table II-4).

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

(Rupees crores at current prices)

Description	1982-83	1983-84	1984-85
1	2	3	4
1. Financial Assets (Gross)	14,916	18,429	21,973
Per cent of Net National Product at Market Prices	*(9.8)*	*(10.1)*	*(10.8)*
2. Physical Assets	8398	11620	12,031
Per cent of Net National Product at Market Prices	*(5.6)*	*(6.4)*	*(5.9)*
3. Financial Liabilities	3,318	5,213	5,565
Per cent of Net National Product at Market Prices	*(2.2)*	*(2.8)*	*(2.8)*
4. Total Net Saving (Net of Financial Liabilities) (1+ 2 −3)	19,996	24,836	28,439
Per cent of Net National Product at Market Prices	*(13.2)*	*(13.7)*	*(13.9)*

(a) Financial Assets

The addition to household sector's holdings of financial assets increased by 19 per cent to Rs. 21,973 crores in 1984-85 as compared with the increase of 24 per cent in 1983-84. Gross financial assets as a proportion of nominal NNP increased from 10.1 per cent in 1983-84 to 10.8 per cent in 1984-85. The rise in the financial saving of the household sector was contributed mainly by the increases in deposits, claims on government and investment in units of UTI. Saving in the form of compulsory deposits, however, showed a decline in 1984-85 (Table II-5).

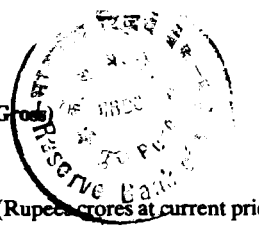


Table II-5: Composition of Financial Saving of Household Sector (Gross)
(Provisional)

(Rupees crores at current prices)

Asset	1982-83	1983-84	1984-85
1	2	3	4
Total Financial Assets	14,916	18,429	21,973
	(100.0)	*(100.0)*	*(100.0)*
Per cent of Net National Product at Market Prices	9.8	10.1	10.8
1. Currency	1,993	2,759	2,862
	(13.4)	*(15.0)*	*(13.0)*
Per cent of Net National Product at Market Prices	1.3	1.5	1.4
2. Deposits	6,634	8,321	9,832
	(44.5)	*(45.2)*	*(44.7)*
Per cent of Net National Product at Market Prices	4.4	4.6	4.8
3. Insurance	1,236	1,326	1,533
	(8.3)	*(7.2)*	*(7.0)*
Per cent of Ner National Product at Market Prices	0.8	0.7	0.7
4. Provident/Pension Funds	2,860	2,895	3,418
	(19.2)	*(15.7)*	*(15.6)*
Per cent of Net National Product at Market Prices	1.9	1.6	1.7
5. Claims on Government	1,260	1,867	2,811
	(8.4)	*(10.1)*	*(12.8)*
Per cent of Net National Product at Market Prices	0.8	1.0	1.4
6. Compulsory Deposits	48	82	63
	(0.3)	*(0.4)*	*(0.3)*
Per cent of Net National Product at Market Prices	—	—	—
7. Investment in Corporate & Co-op. Shares/Debentures & Units of UTI	507	843	1,069
	(3.4)	*(4.6)*	*(4.9)*
Per cent of Net National Product at Market Prices	0.3	0.5	0.5
8. Trade Credit (Net)	380	334	383
	(2.5)	*(1.8)*	*(1.7)*
Per cent of Net National Product at Market Prices	0.3	0.2	0.2
9. Other Assets	—2	2	2
	(—)	(—)	(—)
Per cent of Net National Product at Market Prices	—	—	—

Note: Figures in brackets are percentages to total.

(i) Currency

Though addition to currency holdings of the household sector in 1984-85 was marginally higher than in 1983-84, its share in the total financial assets declined from 15 per cent in 1983-84 to 13 per cent in 1984-85. As proportion of NNP also, it declined marginally from 1.5 per cent in 1983-84 to 1.4 per cent in 1984-85. This is indicative of the households' preference for other types of saving instruments, yields on which had been made more attractive. The boom in stock market also contributed to the reduced preference for holding of currency.

(ii) Deposits

Deposits, accounting for about 45 per cent of total financial assets, continued to be the single most important form of holding financial assets. Total deposits held by the household sector increased by 18 per cent to Rs. 9,832 crores in 1984-85 as compared with the increase of 25 per cent in 1983-84. As proportion of NNP the deposits went up from 4.6 per cent in 1983-84 to 4.8 per cent in 1984-85. A major portion of these deposits was held with commercial banks which increased by 13 per cent to Rs. 7,487 crores in 1984-85. The accretion to deposits held with the co-operative sector was modest, this having increased by 10 per cent to Rs. 971 crores in 1984-85. The deposits held with the non-banking companies, mainly non-financial companies, went up by 63 per cent to Rs. 1,375 crores in 1984-85.

(iii) Insurance and Provident/Pension Funds

Though saving in the form of insurance and provident/pension funds increased by 17 per cent to Rs. 4,951 crores in 1984-85 as compared with the increase of only 3 per cent in 1983-84, their combined share in total financial saving declined from 22.9 per cent to 22.5 per cent.

Accrual to saving in the form of insurance is measured in terms of changes in the Life Funds of the Life Insurance Corporation of India (LIC) and in the accretions to State Insurance and Postal Insurance Funds. The Insurance Fund of the LIC went up by 17 per cent to Rs. 1,369 crores in 1984-85. The saving through Postal Insurance remained constant while accrual to State Insurance Fund increased marginally in 1984-85. Saving through insurance as a proportion of nominal NNP remained constant at 0.7 per cent in 1984-85. Estimates of saving through provident/pension funds increased substantially by 18 per cent to Rs. 3,418 crores in 1984-85 as compared with the increase of 1 per cent in 1983-84. However, their share in gross financial assets declined from 15.7 per cent in 1983-84 to 15.6 per cent in 1984-85. In relation to NNP, these increased from 1.6 per cent in 1983-84 to 1.7 per cent in 1984-85.

(iv) Claims on Government

Household sector's claims on Government-purchases of 'small saving' instruments, investments in various government securities and bonds-increased substantially by 50 per cent to Rs. 2,811 crores in 1984-85 as compared with the increase of 48 per cent in 1983-84; their share in the gross financial saving increased from 10.1 per cent in 1983-84 to 12.8 per cent in 1984-85. As a proportion of nominal NNP also it showed impressive rise from 1.0 per cent in 1983-84 to 1.4 per cent in 1984-85. Almost the entire increase under this head was in the small saving instruments which increased by 47 per cent to Rs. 2,597 crores in 1984-85 Small saving instruments are becoming increasingly more popular because of attractive yield as well as the fiscal incentives offered on investment in them.

(v) Investments in Shares, Bonds and Units

These include household sector's investment in shares and debentures of the corporate sector/co-operative institutions and units of the Unit Trust of India (UTI). Saving through these instruments increased by 27 per cent to Rs. 1,069 crores in 1984-85 as compared with the increase of 66 per cent in 1983-84. Its share in gross financial saving also went up from 4.6 per

cent in 1983-84 to 4.9 per cent in 1984-85. This was largely due to increased investment in units of UTI which went up by 165 per cent to Rs. 491 crores in 1984-85.

(b) Saving in Physical Assets

Household sector's saving in the form of physical assets represents additions to 'construction, machinery and equipment' and 'inventories'. Saving in the form of these assets increased marginally by 3 per cent to Rs. 12,031 crores in 1984-85 as compared with the increase of 38 per cent in 1983-84. As proportion of NNP, these assets declined from 6.4 per cent in 1983-84 to 5.9 per cent in 1984-85 (Table II-4).

(c) Financial Liabilities

Financial liabilities of household sector comprise borrowing from commercial banks and co-operative institutions, Life Insurance Corporation of India (LIC), the term lending institutions and the Central and State Governments and others. The estimated financial liabilities of this sector increased marginally by 7 per cent to Rs. 5,565 crores in 1984-85 as compared with the substantial increase of 57 per cent in 1983-84. Borrowing from commercial banks as usual predominated but its share in total financial liabilities declined from 60.6 per cent in 1983-84 to 56.3 per cent in 1984-85. The share of co-operative institutions was 27.7 per cent and that of financial institutions was 7.7 per cent of total liabilities.

2. Saving of the Public Sector

Saving of the public sector comprising the Central and State Government administration, the departmental and non-departmental undertakings of these Governments, the statutory corporations and the local bodies declined by 7 per cent to Rs. 3,643 crores in 1984-85 as compared with the decline of 21 per cent in 1983-84.

This was due mainly to dissaving of Central Government to the extent of Rs. 1,633 crores in 1984-85. This resulted in reducing the saving of Administrative Departments, including departmental enterprises, from Rs. 2,000 crores in 1983-84 to Rs. 917 crores in 1984-85 (Table II-6). As a result, the public sector's contribution to the total saving pool declined by 2 percentage points to 11 per cent in 1984-85. As a proportion of NNP also, it showed a sharp decline from 2.1 per cent in 1983-84 to 1.8 per cent in 1984-85.

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

(Rs. crores at current prices)

Item	Financial Year		
	1982-83	1983-84	1984-85
1	2	3	4
1. Administrative Departments including departmental enterprises	2,965	2,000	917
2. Non-departmental Financial and Non-financial Undertakings	1,964	1,900	2,726
3. Total (1+2)	4,929	3,900	3,643
Per cent of Net National Product at Market Prices	*(3.2)*	*(2.1)*	*(1.8)*

Other constituents of public sector, such as Non-Departmental Financial and Non-Financial undertakings, including public sector banks, recorded sizeable improvement in saving during the year; their saving increased from Rs. 1,900 crores in 1983-84 to Rs. 2,726 crores in 1984-85.

3. Saving of the Domestic Private Corporate Sector

Net saving of the domestic private corporate sector (including co-operative institutions) increased by 8.2 per cent to Rs. 1,347 crores in 1984-85 as compared with the increase of 4.9 per cent in 1983-84. However, its share in aggregate domestic saving declined marginally from 4.2 per cent to 4.0 per cent, though in relation to nominal NNP it remained constant at 0.7 per cent (Table II-3).

D. Trends in Domestic Investment

Aggregate domestic investment at current prices, measured as the sum of aggregate domestic saving and net inflow of resources from abroad, increased by 9 per cent to Rs. 36,004 crores in 1984-85 as compared with the increase of 15.8 per cent in 1983-84. However in relation to nominal NNP, it declined marginally from 18.2 per cent to 17.7 per cent. The increase in nominal aggregate investment mainly reflected the rise in prices. At constant prices, it declined by 0.5 per cent to Rs. 8,795 crores in 1984-85 as compared with the increase of 5.4 per cent in 1983-84. Consequently its ratio to NNP at 1970-71 market prices declined markedly from 14.6 per cent in 1983-84 to 13.9 per cent in 1984-85 (Table II-7)

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
1982-83	28,530	8,388	56,110	14.9
1983-84	33,039	8,838	60,525	14.6
1984-85	36,004	8,795	63,241	13.9

Adequate sector-wise data are not available to identify the areas where decline in investment occurred during 1984-85. However, on the basis of available indicators, a brief account of the trends in investment activity in the public and private corporate sector is presented below:

(a) Public Sector

Net investment in public sector declined both as a proportion of aggregate net investment and in relation to nominal NNP. The former declined from about 57 per cent in 1982-83 to about 52 per cent in 1983-84 and the latter from 9.1 per cent to 8.8 per cent. Though similar estimates for 1984-85 are not available, trends in certain components of public sector investment may be highlighted. Estimates of Central Government's net direct fixed assets formation (i.e. direct capital outlays on buildings and construction and other fixed assets *minus* expenditure on renewals and replacements) increased in nominal terms by 32.8 per cent in 1984-85 as compared with the increase of 12.4

per cent in 1983-84 (Table II-8), due to a marked increase in the outlay on 'building and other construction' as well as on 'machinery and equipment,' whereas inventory accumulation showed a decline during the year (Table II-9).

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

(Rupees crores)

Description	1982-83+	1983-84+	1984-85*
1	2	3	4
1. Gross Direct Fixed Assets Formation	2,814	3,219	4,036
2. Increase in Inventories	71	137	113
3. Net Direct Fixed Assets Formation (i.e. gross direct fixed capital formation minus expenditure on renewals and replacements)	2,067	2,323	3,086
4. Financial Assistance for capital formation	9,519	11,346	13,723
a) To State, Union Territories	4,931	5,974	7,324
b) Non-Departmental Commercial undertakings	4,074	4,679	5,593
i) Financial Concerns	613	731	698
ii) Others	3,461	3,948	4,895
c) Other parties	514	693	806
5. Gross Capital Formation in Central Government's Non-departmental Industrial and Commercial Undertakings	7,074	6,783	N.A.
	(100.0)	*(100.0)*	
i) Gross Fixed Assets	5,550	5,816	N.A.
	(78.5)	*(85.7)*	
ii) Variation in Inventories	1,524	967	N.A.
	(21.5)	*(14.3)*	

\+ Accounts
* Revised Estimates
Note: Figures in brackets are percentage to item No.5
Sources: i) Economic and Functional Classification of Central Government Budget,1985-86.
ii) Annual Report on the working of Industrial and Commercial Undertakings of the Central Government, 1983-84.

The financial assistance rendered by the Central Government to the rest of the economy through loans, grants and investments in share capital increased by 21 per cent to Rs. 13,723 crores in 1984-85. Assistance provided to State Governments and Union Territories was stepped up by 23 per cent to Rs. 7,324 crores and to non-departmental commercial undertakings by 19 per cent to Rs. 5,593 crores in 1984-85.

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

(Rupees crores)

Description	1982-83 (Accounts)	1983-84 (Accounts)	1984-85 (Revised Estimates)
1	2	3	4
I. Gross Fixed Capital Formation	2,813.8	3,219.1	4,035.6
	(97.6)	*(95.9)*	*(97.3)*
1. Building and other construction	1,682.9	1,942.9	2,364.4
Proportion to 1 above	59.8	60.4	58.6
a) New outlay	1,363.4	1,544.6	1,914.2
b) Renewals and Replacements	319.5	398.3	450.2
2. Machinery and Equipment	1,130.9	1,276.2	1,671.2
Proportion to 1 above	40.2	39.6	41.4
a) New outlay	703.2	778.7	1,171.7
b) Renewals and Replacements	427.7	497.5	499.5
II. Increase in Inventories	70.5	136.6	113.2
	(2.4)	*(4.1)*	*(2.7)*
III. Gross Capital Formation (I+II)	2,884.3	3,355.7	4,148.8
IV. Gross Capital Formation as Proportion of GNP at market prices	1.8	1.7	1.9

Note: Figures in brackets are percentages to gross capital formation.
Source: Economic and Functional Classification of Central Government Budget, 1985-86.

Estimates of investment by the Union Government's non-departmental industrial undertakings declined in nominal terms by 4 per cent to Rs. 6,783 crores in 1983-84. The decline had been accounted for by inventories which declined by 36 per cent to Rs. 967 crores in 1983-84 whereas gross fixed assets had risen by 5 per cent to Rs. 5,816 crores in 1983-84

Similar details in respect of this segment of the public sector are not yet available for the year 1984-85.

(b) Private Corporate Sector

A preliminary account of the sources and uses of funds in respect of the private non-financial corporate sector for 1984-85 shows distinct improvement in regard to both the availability of investible funds and the actual investment as compared with the previous year. Gross capital formation (Gross fixed assets + inventories) in the private corporate sector which had declined by 12 per cent to Rs. 6,886 crores in 1983-84, increased by 15 per cent to Rs. 7,889 crores in 1984-85 (Table II-10).

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

(Rupees crores)

Sources	1982-83	1983-84	1984-85	Uses	1982-83	1983-84	1984-85
1	2	3	4	5	6	7	8
1. Paid-up Capital	989	871	998	1. Gross Fixed Assets	5,016	4,419	5,062
2. Reserves and Surplus	1,308	1,152	1,319	2. Inventories	2,801	2,467	2,827
3. Provisions	2767	2439	2794	3. Loans and Advances and other debtors balances	2,021	1,782	2,040
3.1 Depreciation	2,419	2,132	2,442	4. Investments	177	156	178
3.2 Taxation (Net of advance income tax)	165	146	166	5. Other Assets	64	56	65
3.3 Others	183	161	186	6. Cash and Bank Balances	348	306	351
4. Borrowings	2,792	2,460	2,818				
4.1 Banks	1,499	1,320	1,513				
4.2 Others	1,293	1,140	1,305				
5. Trade dues and other current liabilities	2,565	2,260	2,588				
5.1 Sundry Creditors	1,672	1,472	1,686				
5.2 Others	893	788	902				
6. Miscellaneous non-current liabilities	6	4	6				
Total	**10,427**	**9,186**	**10,523**	**Total**	**10,427**	**9,186**	**10,523**

Source: Company Finance Studies of medium and large public and private Ltd. companies.

Source-wise, the paid-up capital, which had declined by 12 per cent to Rs. 871 crores in 1983-84, increased by 15 per cent to Rs. 998 crores in 1984-85. The reserves and surplus also showed improvement by 14 per cent to Rs. 1,319 crores in 1984-85, indicating relatively higher plough-back of profits. The borrowings from banks as well as other financial institutions also showed increase during the year. On the uses side, about 64 per cent of the increase in gross capital formation in 1984-85 was absorbed by additional build-up of fixed assets. Investments increased by 14 per cent to Rs. 178 crores in 1984-85; loans and advances accounted for about 20 per cent of the total assets.

Chapter III

Agricultural Output

Against the background of a record agricultural production in 1983-84 with both *kharif* and *rabi* foodgrains output touching new peaks of 89.1 million tonnes and 62.4 million tonnes, respectively, the foodgrains production in 1984-85 witnessed a modest decline of 3.5 million tonnes or 2.3 per cent at 148.0 million tonnes. This decline may be attributed to uneven and erratic South-West monsoon in many parts of the country. As compared to the targeted 153.6 million tonnes, foodgrains production in 1984-85, which is the terminal year of the Sixth Five Year Plan, was lower by 5.6 million tonnes or 3.6 percent. As regards commercial crops, while sugarcane registered a decline, crops like cotton, jute and mesta and oilseeds are expected to exceed the levels achieved in the previous year. Although agricultural output during the terminal year of the Sixth Plan has fallen short of the target, the overall performance of agriculture during the Sixth Plan period may be considered satisfactory with foodgrains production recording compound growth rate of 3.0 per cent as against the compound annual growth rate of 3.9 per cent envisaged during the Sixth Five Year Plan on the trend-base production level for 1979-80.

Taking the Sixth Five Year Plan period as a whole, Indian Agriculture has displayed a remarkable resilience despite erratic and uneven rainfall. During this period, agricultural production strategy continued to lay emphasis on acceleration of foodgrains production through expansion in irrigation, increased use of fertilisers and high yielding varieties of seeds, improved agricultural implements and machinery, implementation of dryland farming and desert development programme. A massive programme has been initiated to improve the productivity of small and marginal farmers. The strategy followed so far, is showing good results. However, region-wise and crop-wise imbalances persist, the removal of which calls for a specific strategy. For further increases in overall production, it is crucial that productivity of small holdings has to show greater improvement.

The price support policy of the Commission for Agricultural Costs and Prices (CACP) continued to lay emphasis on stable and positive price policy for agricultural products taking into account various factors such as productivity, cost of cultivation, demand and supply position and the need for providing incentive for higher production.

The trends in agricultural production, procurement, distribution and price policy and other important developments during the year 1984-85 are analysed in detail in the subsequent paragraphs.

PRODUCTION AND DISTRIBUTION

FOODGRAINS

Aggregate foodgrains production during 1984-85 is estimated at 148.0 million tonnes which is 5.6 million tonnes short of the target. It is also 3.5 million tonnes or 2.3 per cent lower than the record production of 151.5 million tonnes achieved in 1983-84. This decline was due to erratic weather conditions and both the *kharif* and *rabi* targets for 1984-85 of 89.8 million tonnes and 63.8 million tonnes, respectively, could not be achieved. As compared with the preceding year, both *kharif* and *rabi* productions registered declines of 3.2 million

Table III-1: Agricultural Production During the Sixth Five Year Plan (Targets and Achievements)

Commodities	Unit	1979-80	1980-81	1981-82	1982-83	1983-84		1984-85		1985-86
		Trend estimates	Achieve-ment	Achieve-ment	Achieve-ment	Target	Achieve-ment	Target	Achieve-ment	Target
1	2	3	4	5	6	7	8	9	10	11
Rice	Million tonnes	51.2	53.6	53.2	47.1	57.0	59.8	61.5	59.5	63.5
Wheat	" "	35.6	36.3	37.5	42.8	41.0	45.1	45.6	45.0	47.9
Coarse grains	" "	29.5	29.1	31.1	27.7	31.0	33.9	33.5	31.0	34.3
Pulses	" "	11.6	10.6	11.5	11.9	13.0	12.7	13.0	12.5	14.3
Total Foodgrains	" "	**127.9**	**129.6**	**133.3**	**129.5**	**142.0**	**151.5**	**153.6**	**148.0**	**160.0**
Sugarcane (in terms of cane)	" "	175.8	154.3	186.4	189.5	180.0 – 185.0	177.0	180.0 – 185.0	175.0	191.0
Cotton*	Million bales of 170 kgs. each	7.3	7.0 (7.8)	7.9 (8.4)	7.5 (8.3)	8.2 – 8.5	6.6 (7.5)	8.5 – 8.8	8.5 (101.5)	8.3 - 8.5
Jute and Mesta	Million bales of 180 kgs. each	7.5	8.2	8.4	7.2	8.4	7.4	8.5	7.7 (7.3)**	8.6
Oilseeds (Aggregate)	Million tonnes	10.2	9.4	12.1	10.0	12.5	12.8	13.0	13.0	13.6
Tea @	Million kgs.	564.0£	569.6	560.0	560.7	670.0	581.5	705.0	645.1	651.0
Coffee $	" "	118.0£	118.6	152.1	130.0	151.2	100.0	159.5	190.0	146.0

Note: Trend estimates are from Sixth Five Year Plan (1980-85).

* Figures in brackets are Cotton Advisory Board's (CAB) estimates.

@ Achievement relates to calendar year while target is for financial year.

$ Figures relate to October-September.

** Jute Commissioner's office estimates. £ Relates to average of 1977-80.

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

tonnes and 0.3 million tonnes or 3.6 per cent and 0.5 per cent, respectively. The decline in *kharif* output was mainly in coarse grains and to some extent in rice and pulses. Wheat production at 45 million tonnes was a shade lower than the previous year's record level of 45.1 million tonnes (Table III—1).

Taking the Sixth Plan period as a whole, it can be seen that foodgrains production has achieved new peaks during the period and exceeded the target once ie., in 1983-84 as could be seen from the table on the right side.

The overall net availability of foodgrains in the calendar year 1984 was substantially higher at 130.5 million tonnes as compared with 114.7 million tonnes in 1983 due to a peak level foodgrains production in 1983-84. Consequently, per capita daily availability of foodgrains increased from 435.4 grammes in 1983 to 483.1 grammes in 1984 or by about 11 per cent (Table III-2).

Targets and Actual Production of Foodgrains

(Million tonnes)

	Rice	Wheat	Coarse grains	Pulses	Total Food-grains
1	2	3	4	5	6
1980-81					
Target	55.0	36.0	30.0	14.0	135.0
Actual	53.6	36.3	29.1	10.6	129.6
1981-82					
Target	58.0	38.0	30.0	12.5	138.5
Actual	53.2	37.5	31.1	11.5	133.3
1982-83					
Target	58.0	39.0	31.0	13.5	141.5
Actual	47.1	42.8	27.7	11.9	129.5
1983-84					
Target	57.0	41.0	31.0	13.0	142.0
Actual	59.8	45.1	33.9	12.7	151.5
1984-85					
Target	61.5	45.6	33.5	13.0	153.6
Anticipated Achievement	59.5	45.0	31.0	12.5	148.0

Table III-2: Availability of foodgrains

(Million tonnes)

Year (January — December)	Gross output	Net output	Net imports	Change in Govt. stocks	Net availability	Per capita net availability per day (in gms.)			Procurement	Public distribution@
						All foodgrains	Cereals	Pulses		
1	2	3	4	5	6	7	8	9	10	11
1980	109.7	96.0	−0.3	−5.8	101.4	410.4	379.5	30.9	11.2	15.0
1981	129.6	113.4	0.6	−0.2	114.3	453.4	416.2	37.2	13.0	13.0
1982	133.3	116.6	1.6	+1.3	116.9	453.7	414.5	39.2	15.4	14.8
1983	129.5	113.3	4.1	+2.8	114.7	435.4	395.9	39.5	15.7	16.2
1984	151.5	132.6	2.4	+4.5	130.5	483.1	442.1	41.0	18.7	13.4
1985	148.0	129.5	..	..	..	..	..	..	20.3*	11.1*

* Upto end-September 1985.

@ Includes quantities released under the FWP/NREP/RLEGP.

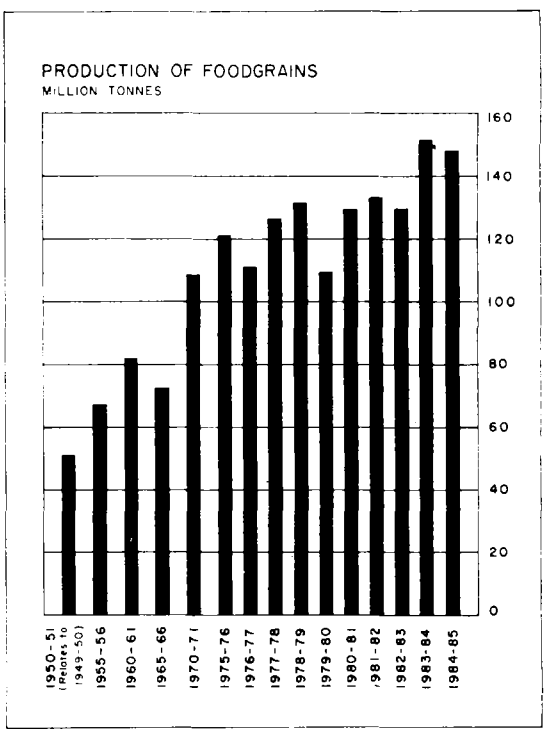
Notes: 1. Output data relate to agricultural year (July-June).

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 1984-85.



The Public Distribution System (PDS), which ensures smooth distribution of essential commodities, particularly foodgrains at reasonable prices to consumers, especially to vulnerable sections of the society, was strengthened and extended under the New 20-Point Programme to increase its coverage in rural/backward areas as also in remote inaccessible areas. Twelve States and one Union Territory have so far set up Civil Supplies Corporations for handling procurement, warehousing and distribution of a number of essential commodities through the Public Distribution System. The number of fair price/ration shops in the country has increased from 2.93 lakhs at end-October 1983 to 3.11 lakhs on October 1, 1984.

In 1984, foodgrains aggregating 13.42 million tonnes were distributed through the

Reserve Bank of India CRDC Pune

Public Distribution System as compared with 16.21 million tonnes — the highest so far — during 1983 (Table III-2). The lower offtake in 1984 may be attributed to record level of foodgrains production and their improved availability in the open market at reasonable prices.

PROCUREMENT AND BUFFER STOCKS

The policy of free movement of levy free rice, wheat and coarse grains on trade account within the country continued during the year. To prevent uneconomical transportation and evasion of levy, however, States were allowed to impose restrictions on the movement of paddy from one State to another. With a view to prevent scarcity situations arising from sudden depletions of stocks in any area, major rice growing States were advised by the Central Government to impose restrictions on movement of paddy to other States. All inter-State movement of rice on behalf of States and their agencies required prior approval of the Central Government.

As regards procurement policy, the Government is committed, as in the past, to purchase at support prices all foodgrains of fair average quality (FAQ) offered by the producers. The Food Corporation of India and the Civil Supplies Department of the State Governments were, therefore, instructed to undertake extensive purchase of paddy and wheat at the support price fixed by the Government. The State Governments were also advised to purchase coarse grains at support prices. A part of the marketed surplus was mopped up by purchase agencies of the Government through levy on rice millers and traders.

Rice procurement during 1984-85 season aggregated 9.80 million tonnes as against 7.83 million tonnes procured in the last season (Table III-3).

Procurement of coarse grains during 1984-85 season totalled 1.88 lakh tonnes as compared with 0.41 lakh tonnes during the 1983-84 season.

In the case of wheat, procurement during the 1984-85 *rabi* marketing season (April-March) aggregated 9.30 million tonnes compared with 8.29 million tonnes in the previous season. Procurement of wheat during the 1985-86 *rabi* marketing season (upto end-September 1985) amounted to 10.34 million tonnes as against 9.28 million tonnes in the corresponding period last season (Table III—5).

The building up and maintenance of buffer stock has been a major plank of the national food policy. This stock helps to ensure stability, both of supplies and prices. It was decided in March 1984 to build up a buffer stock of 10 million tonnes comprising 5 million tonnes each of wheat and rice. This stock excludes the operational stock, which ranges between 6.5 million tonnes on 1st April (lowest operational stock) and 11.4 million tonnes on 1st July (highest operational stock). The details of operational stocks on different dates are shown in the table below:

(Million tonnes)

Date	Buffer stock total	Size of operational stocks			Total stocks
		Wheat	Rice	Total	
April 1	10	2.1	4.4	6.5	16.5
July 1	10	8.4	3.0	11.4	21.4
October 1	10	6.3	1.5	7.8	17.8
January 1	10	4.2	5.9	10.1	20.1

The aggregate foodgrains stocks reached a record high of 29.17 million tonnes at end-June 1985. This comprised 7.96 million tonnes of rice, 21.03 million tonnes of wheat and 0.18 million tonnes of coarse grains. The stock position on the same day a year ago was 22.48 million tonnes, comprising 4.62 million tonnes of rice, 17.81 million tonnes of wheat and 0.05 million tonnes of coarse grains.The stocks at the end of September 1985 amounted to 24.75 million tonnes as compared to 19.74 million tonnes at end-September 1984.

Table III—3: Basic Data Relating to Major Foodgrains

(Million tonnes)

Year	Production			Procurement			Imports			Public Distribution $			Year-end Stocks		
	Rice	Wheat	Coarse-grains	Rice	Wheat	Coarse-grains	Rice	Wheat	Coarse-grains	Rice	Wheat	Coarse-grains	Rice	Wheat	Coarse-grains
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1980-81	53.6	36.3	29.1	5.6	6.6	0.1	..	..	..	6.4	6.4	0.2	6.1	5.1	0.1
1981-82	53.2	37.5	31.1	7.3	7.7	0.2	..	2.2	..	7.5	7.2	0.1	5.3	7.2	0.1
1982-83	47.1	42.8	27.7	7.0	8.3	0.2	..	4.0	..	7.9	8.1	0.2	4.7	10.8	0.1
1983-84	59.8	45.1	33.9	7.8	9.3	—	0.6	2.1	..	6.8	6.5	0.1	7.4	14.9	0.1
1984-85 +	59.5	45.0	31.0	9.8	10.3@	0.2	..	..	..	5.1@	6.0@	—	5.7@	18.9@	0.2@

\+ Provisional

@ Upto end-September 1985.

$ Includes quantities released under the FWP/NREP/RLEGP.

Notes: 1. Production figures relate to agricultural year (July—June).

2. Procurement figures relate to the marketing season April—March for wheat and October-September for rice and coarse grains.

3. Public distribution and year-end stocks relate to calendar year.

Source: Economic Survey, 1984-85, Government of India.

Commodity-wise Review

Rice

Rice production during 1984-85 estimated at 59.5 million tonnes is lower than the previous year's production of 59.8 million tonnes and the target of 61.5 million tonnes. For the year 1985-86, a target of 63.5 million tonnes has been fixed. The increase in rice production has not kept pace with that of wheat. This is due mainly to the slow growth in production in the eastern and southern regions of the country.

Rice procurement during 1984-85 season at 9.80 million tonnes was higher by 1.97 million tonnes or 25.2 per cent than the procurement of 7.83 million tonnes in the previous season.

As regards paddy procurement prices during the 1984-85 *kharif* marketing season, the Government, on the recommendations of the Commission for Agricultural Costs and Prices, enhanced the procurement prices by Rs. 5 per quintal to Rs. 137 for common variety, Rs. 141 for fine variety and Rs. 145 for superfine variety. The prices fixed during the preceding *kharif* season were Rs. 132, Rs. 136 and Rs. 140 per quintal, respectively. The issue prices of rice from the Government stocks, however, were kept unaltered, at Rs. 208, Rs. 220 and Rs. 235 per quintal for common, fine and superfine varieties, respectively (Table III-4).

Rice distributed through PDS (including issues for National Rural Employment Programme and Employment Guarantee Scheme) during the calendar year 1984 amounted to 6.8 million tonnes as compared with 7.9 million tonnes in 1983. During the first nine months of 1985 (i.e., January to September 1985), 5.07 million tonnes were distributed as compared with 5.19 million tonnes during the corresponding period of 1984. The lower offtake during this year so far is due, as stated earlier, to better availability of foodgrains at reasonable prices in the open market.

Export of *Basmati* rice continued to be under Open General Licence (OGL-3). The ban on export of non-*Basmati* rice continued during 1984-85. The Government continued to import rice from abroad mainly with a view to replenishing buffer stocks as a measure of national food security and keeping a check on prices. Imports of rice contracted during 1984 amounted to 3.50 lakh tonnes comprising 1.50 lakh tonnes from Burma and 2 lakh tonnes from Thailand. Actual imports during the year against these contracts amounted to 1.49 lakh tonnes from Burma and 2.16 lakh tonnes from Thailand. Additional 0.85 lakh tonnes were imported from Burma against 1983 contracts. About 1 lakh tonnes were received from Bangladesh towards repayment of rice given as loan under the Indo-Bangladesh Agreement dated May 4, 1979.

The stocks of rice with the Central and State Government agencies at 5.73 million tonnes at end-September 1985 were higher than the stock position a year ago by 2.62 million tonnes.

Wheat

Wheat, the major *rabi* crop, has recorded successive increases during the last few years. Since the commencement of the Sixth Plan, new records have been established in wheat production. Wheat output during 1984-85 estimated at 45.0 million tonnes was a shade lower than the production of 45.1 million tonnes in 1983-84 and the target of 45.6 million tonnes for 1984-85. The production target for 1985-86 is 47.9 million tonnes.

As regards wheat procurement price, the Commission for Agricultural Costs and Prices had recommended a price of Rs.157 per quintal for the fair average quality for 1985-86 *rabi* marketing season. This is Rs.5 higher than the price fixed for the preceding season. This has been accepted by the Government. The Government, however, did not enhance the issue price of wheat during the year. The issue price at Rs.172 per quintal (fixed on April 15, 1983) remained unchanged. The issue price to Roller Flour Mills was, however, reduced from Rs.208 to Rs.172 per quintal with effect from August 10, 1984.

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

(Rupees per quintal)

Commodities	1981-82			1982-83			1983-84			1984-85		
	Minimum Support Price	Procure-ment Price	Issue Price	Minimum Support Price	Procure-ment Price	Issue Price	Minimum Support Price	Procure-ment Price	Issue Price	Minimum Support Price	Procure-ment Price	Issue Price
1	2	3	4	5	6	7	8	9	10	11	12	13
Paddy (Common variety)		115			122			132			137	
Rice—Common		115	175		122	188		132	208		137	..
—Fine		119	187		126	200		136	220		141	..
—Superfine		123	202		130	215		140	235		145	..
Wheat*		142			151			152			157	
—Public Distribution System			160			172			172			..
—Roller Flour Mills			185			208			172			..
Jowar		116			118			124			130	
Bajra		116	117		118	..		124	..		130	..
Maize		116			118			124			130	
Ragi		116			118			124			130	
Barley*	..			122			124			130		
Gram*	..			235			240			..		
Moong*	240			250			275			300		
Urad*	230			245			275			300		
Tur*	215			245			275			300		

* Rabi marketing season (April-March)

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

Wheat procurement at 9.30 million tonnes during 1984-85 *rabi* marketing season was higher by 1.01 million tonnes or 12.2 per cent than 8.29 million tonnes in the last season. Procurement during 1985-86 marketing season so far (i.e., April 1, 1985 to September 27, 1985), aggregated 10.34 million tonnes as compared with 9.28 million tonnes during the corresponding period of the previous rabi season. Procurement was mainly from Punjab, Uttar Pradesh and Haryana (See Table III-5).

During the calendar year 1984, wheat distributed through PDS (including issues under NREP) amounted to 6.47 million tonnes; it was 8.09 million tonnes during 1983. During the first nine months of 1985 (upto end-September 1985), 5.97 million tonnes were distributed as compared with 4.79 million tonnes during the corresponding period last year.

At the end of September 1985, the Central and the State Government agencies had a wheat stock of 18.86 million tonnes, which was 2.26 million tonnes higher than the stock position a year ago.

Wheat export commitments by India to U.S.S.R, Vietnam and some drought affected countries of Africa (including Ethiopia) during the year 1984-1985 aggregated 6.50 lakh tonnes.

Coarse grains

Coarse grains output during 1984-85 estimated at 31.0 million tonnes was lower than the previous year's production of 33.9 million tonnes. It was also lower than the target of 33.5 million tonnes. For 1985-86, the target has been fixed higher at 34.3 million tonnes.

Table III—5: Procurement of Rice and Wheat*

(Thousand tonnes)

States	1980-81		1981-82		1982-83		1983-84		1984-85	
	Rice	Wheat	Rice	Wheat	Rice	Wheat	Rice	Wheat	Rice	Wheat@
1	2	3	4	5	6	7	8	9	10	11
Andhra Pradesh	697	—	1,100	—	1,629	—	1,565	—	1,777	—
Assam	37	—	44	—	23	—	11	—	20	—
Bihar	65	13	49	16	4	21	34	43	30	4
Gujarat	—	—	19	—	6	—	9	4	26	—
Haryana	672	1,121	883	1,262	706	1,399	643	1,773	977	1,960
Jammu & Kashmir	61	20	53	20	36	19	43	7	55	5
Karnataka	77	—	163	—	110	—	145	—	101	—
Kerala	—	—	—	—	—	—	—	—	—	—
Madhya Pradesh	346	167	368	65	182	53	310	90	357	14
Maharashtra	79	—	25	—	—	—	—	—	1	—
Orissa	123	—	130	—	63	—	115	—	104	—
Punjab	2,531	3,768	3,110	4,826	3,252	5,177	3,282	5,010	4,277	6,147
Rajasthan	5	10	35	135	34	178	45	217	46	37
Tamil Nadu	182	—	575	—	427	—	733	—	799	—
Uttar Pradesh	588	1,496	726	1,380	559	1,445	804	2,152	1,111	2,171
West Bengal	143	—	45	—	14	—	80	—	96	2
Others	3	—	9	14	2	—	12	—	19	2
Total	**5,609**	**6,595**	**7,334**	**7,718**	**7,047**	**8,292**	**7,831**	**9,296**	**9,796**	**10,342**

* Marketing season for rice (October-September), for wheat (April-March). However, procurements are indicated against agricultural year.

@ Upto end-September 1985.

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

Procurement of *kharif* coarse grains is the responsibility of State Governments. Offered stock is procured at the support prices. The support/purchase price for 1984-85 season was fixed by the Government at Rs.130 per quintal i.e., Rs.6 more than the previous season's procurement price (Table III-4). Procurement during 1984-85 marketing season was higher at 1.9 lakh tonnes as compared with the very low level of 0.4 lakh tonnes procured during the 1983-84 season. Issue through the PDS during 1984 was 1 lakh tonnes as compared with 2.3 lakh tonnes in 1983. During January-September 1985, 0.3 lakh tonnes were issued through PDS as compared with 0.9 lakh tonnes during the same period of 1984. The stocks with the Central and State Government agencies as at end-September 1985 were higher at 1.63 lakh tonnes as compared with 0.29 lakh tonnes at end-September 1984.

Pulses

Estimated pulses output at 12.5 million tonnes during 1984-85 was lower than the targeted 13.0 million tonnes and was also marginally lower than the previous year's output of 12.7 million tonnes. The target for 1985-86 has been fixed at 14.3 million tonnes.

Pulses production in India has stagnated around 10-12 million tonnes in the last 20 years, the only exception being the year 1975-76 when output reached 13.04 million tonnes. Pulses are grown mainly on rainfed lands and are selected more for their adaptation to moisture stress conditions rather than high yields. Irrigation facilities are available only in about 9 per cent of the area under pulses. Lands under pulses are of poor quality. Generally, marginal lands are used. Absence of high yielding varieties is yet another reason for low productivity of pulses. As regards research work in evolving improved varieties, some progress has been made in respect of pulses like *arhar* (tur), gram and moong.

In recognition of the importance of pulses in foodgrains output, its production has been included as an item in the New 20-Point Programme. The following are some of the special measures taken by the Government for increasing pulses output in the country:

1) Under the Pulses Development Scheme which aims at popularisation of management practices, financial assistance is provided to the farmers for demonstration of improved technology on their fields, purchases of certified/correctly labelled seeds at reasonable price and adoption of plant protection measures. Assistance is also given to the State Governments/Agriculture Universities for the production of breeder and foundation seeds so as to make them available in sufficient quantity for the production of certified seeds.

2) The summer moong production programme (under irrigated conditions) introduced in 1981 was extended during 1984 to bring larger area under summer moong in the States of Uttar Pradesh, Bihar, Haryana, Gujarat, Maharashtra, West Bengal, Tamil Nadu, Andhra Pradesh, Karnataka, Orissa and Assam. During 1983-84, the area and estimated production increased to 15.0 lakh hectares and 7.3 lakh tonnes, respectively, from 11.75 lakh hectares and 5.43 lakh tonnes during 1982-83. For 1984-85, the targets have been fixed at 16.26 lakh hectares and 8.13 lakh tonnes.

3) Under the Minikit Demonstration Programme for pulses, minikits of pulses were distributed free of cost to the farmers with a view to popularising the improved varieties. A target of 5 lakh minikits for 1984-85 has been fixed as against the actual distribution of 4.45 lakh minikits during 1983-84.

Crop Insurance Scheme

A pilot crop insurance scheme was introduced in the country by the General Insurance Corporation (GIC) in collaboration with the State Governments from 1979. By 1983-84, the crop insurance was extended to 1.75 lakh farmers covering an area of 2.14 lakh hectares. With effect from *kharif* 1985, this pilot scheme stands withdrawn as the Union Government has decid-

ed to introduce a country-wide Crop Insurance Scheme commencing from *kharif* 1985 covering rice, wheat, millets, pulses and oilseeds. For details of the scheme see Chapter VII.

Cotton

According to the preliminary estimates by the Ministry of Agriculture, cotton production during 1984-85 would be around 85 lakh bales as against the target of 85-88 lakh bales and production of 65.8 lakh bales in 1983-84. The fall in cotton production in 1983-84 to 65.8 lakh bales from 75.3 lakh bales in 1982-83 was due to untimely rains and infestation of crop by pests in the Northern States.

Cotton production during each year of the Sixth Plan was lower than its respective targeted levels (Based on Ministry of Agriculture's estimates). The Sixth Plan had envisaged the compound annual growth rate of 3.7 per cent for cotton production on the trend-base production level for 1979-80 (73.4 lakh bales). However, the growth rate achieved was 3.0 per cent. The table below shows cotton production during each year of the Sixth Plan.

Cotton Production

(Lakh bales)

Year (September-August)	Ministry of Agriculture		CAB Estimates
	Target	Actual	
1	2	3	4
1980-81	81.0	70.1	78.0
1981-82	84.0	78.8	84.0
1982-83	83.5	75.3	83.0
1983-84	83.5	65.8	75.2
1984-85	85-88	85.0	101.5

The Cotton Advisory Board (CAB) makes its own assessment of supply and demand position of cotton, after taking into account the production and consumption estimates of various organisations viz., Indian Cotton Mills' Federation, The East India Cotton Association and other regional cotton associations, the Cotton Corporation of India, etc. The CAB's estimate of cotton production in 1984-85, was 101.5 lakh bales as against 75.2 lakh bales in 1983-84.

The supply-demand position for the period 1980-81 to 1984-85 is presented in table III-6.

Table III—6: Trends in Availability of Cotton—CAB's estimates

('000 bales of 170 kgs. each)

Year (September-August)	1980-81	1981-82	1982-83	1983-84	1984-85
1	2	3	4	5	6
I. SUPPLY	**10355**	**10085**	**11016**	**10057**	**11850**
1. Opening Stock	2555	1635	2716	2541	1600
2. Production	7800	8400	8300	7516	10150
	(7010)	(7884)	(7534)	(6582)	(8500)
3. Imports	—	50	—	—	100
II. DEMAND	**8720**	**7810**	**8679**	**8828**	**9410**
1. Mill consumption	7678	7035	7500	8006	8650
2. Extra-factory consumption@	345	400	465	465	465
3. Exports	697	375	714	357	295
III. STOCKS AT THE END OF THE SEASON I—II	**1635**	**2275**	**2337**	**1229**	**2440**

@ Inclusive of Ambar Charkha and surgical dressing factories.

Note:— Figures in brackets represent estimates by the Ministry of Agriculture.

In CAB's latest meeting, the opening stock for 1984-85 season (September-August) was placed at 16.00 lakh bales. Adding the season's crop of 101.50 lakh bales and import of 1.00 lakh bales, the aggregate availability for 1984-85 was estimated at about 118.50 lakh bales. On the demand side, mill consumption was placed at 86.50 lakh bales (as compared with 80.06 lakh bales during 1983-84). Extra-factory consumption (inclusive of consumption by waste spinning units) was assumed at 4.65 lakh bales and exports at 2.95 lakh bales. The aggregate demand was thus estimated at 94.10 lakh bales (estimate during last season was 88.28 lakh bales). The closing stock at the end of the current season was estimated at 24.40 lakh bales as compared with 12.29 lakh bales at the end of the preceding season.

Although the overall cotton supply/demand position was satisfactory, there was varietal imbalance in the supply-demand position;the supply of long staple cotton outstripped the demand. The Government,therefore, allocated an export quota of 2.95 lakh bales to CCI and Co-operative Marketing Federations of Maharashtra, Gujarat and Andhra Pradesh. In the case of short and medium staple cotton, for which there was a scarcity, the Government arranged for import of 1 lakh bales to meet the needs of the textile industry.

Production Strategy

To achieve the targeted cotton production in 1984-85, the following strategy was adopted:

(i) raising the per hectare productivity of both irrigated and unirrigated cotton through intensive cultivation measures on district-wise basis;

(ii) stepping-up the area under irrigated cotton by fully exploring the potential under command of new irrigation projects;

(iii) accelerating the spread of high yielding varieties/hybrids to the maximum potential area;

(iv) expansion of area under certified seeds i.e., hybrids and straight varieties;

(v) using newly developed and more effective pesticides like synthetic pyrethroids than other conventional pesticides to control the incidence of major pests particularly Boll-Worms etc.

This strategy which is an integral part of the Centrally Sponsored Intensive Cotton Development Programme (ICDP) is being implemented in all the major cotton growing States. As against the target of 20.20 lakh hectares, the total area covered (including irrigated and non-traditional areas) under ICDP during 1984-85 season was placed at 22.35 lakh hectares (roughly 31 per cent of the total estimated area of 71.63 lakh hectares under cotton in the country). During 1984-85, an area of 15.35 lakh hectares in these States was brought under improved varieties and 18.67 lakh hectares under fertilizers. Aerial spraying of cotton plants was done on 1.28 lakh hectares, although the target was 2.00 lakh hectares. Ground spraying/ dusting covered an area of 0.34 lakh hectares as against the target of 0.60 lakh hectares

Production of high-yielding hybrid cotton seeds was taken up in the States of Madhya Pradesh, Gujarat, Maharashtra, Andhra Pradesh and Karnataka covering, in 1984-85, an area of 507.32 hectares i.e. 18.4 per cent of the targeted area of 2760 hectares. In addition to Centrally Sponsored ICDP, some States implemented their own Cotton Package Programmes/Integrated Cotton Development Schemes.

The Government's cotton price policy for 1984-85 season continued to be guided by the twin objectives of assuring remunerative prices to the farmers and ensuring availability at reasonable prices to the user industries.

For the 1984-85 season, the Government has fixed, as recommended by the Commission for

Agricultural Costs and Prices, the minimum support prices for two basic varieties of cotton viz. F-414/H-777 in the medium staple group and H-4 in the long staple group at Rs. 410 per quintal and Rs. 535 per quintal, respectively. These prices indicate increases of 2.5 per cent and 1.5 per cent, respectively, over 1983-84 prices.

Under the Maharashtra State Cotton Monopoly Scheme, the guaranteed prices for the 1984-85 season were fixed higher by Rs. 8-15 per quintal than 1983-84 prices. The current year's prices range from Rs. 442 to Rs. 592 a quintal for FAQ Grade as against Rs. 429 to Rs. 580 a quintal during 1983-84 season. Under the Scheme, the Maharashtra State Co-operative Cotton Growers' Marketing Federation (MSCCGMF) procured about 16.48 lakh bales of cotton during 1984-85 as compared with 7.60 lakh bales during the last season and 17.14 lakh bales in 1982-83. The purchases in 1983-84 were smaller due to lower production during that season and also due to selling of the crop outside the state by the cultivators.

Commercial purchases by the Cotton Corporation of India (CCI) for meeting the requirements of textile mills under the National Textile Corporation of India, other institutional buyers like the Khadi and Village Industries Commission, State Textile Corporation and mills other than those under public/co-operative sector, continued during the 1984-85 season. Purchases by the CCI were also for meeting the export quota allotted to it by the Government of India. It also undertook price support operations whenever prices of kapas fell below the support price levels. During the 1984-85 cotton season (September-August), CCI's total purchases were placed at 6.7 lakh bales as against 5.2 lakh bales in 1983-84.

Purchases by the CCI and under the Maharashtra State Monopoly Procurement Scheme

(In lakh bales of 170 kgs. each)

	September-August				
Agency	1980-81	1981-82	1982-83	1983-84	1984-85
CCI	11.9	10.4	9.7	5.2	6.7
Maharashtra Monopoly Procurement Scheme	12.6	14.7	17.1	7.6	16.5

Raw Jute & Mesta

Final estimates of raw jute and mesta output for the 1984-85 season (July-June) by the Ministry of Agriculture are not yet available. The crop is tentatively placed at 77.40 lakh bales as compared with 74.15 lakh bales during the previous year and 71.71 lakh bales during 1982-83. However, according to the jute industry, 1984-85 output was around 73.00 lakh bales as against 66.00 lakh bales during 1983-84 and a much lower production of 63.00 lakh bales during 1982-83.

The raw jute and mesta production target for 1984-85 was fixed at 85 lakh bales as compared to 83.5 lakh bales fixed for 1983-84. The efforts to achieve the target consisted of: 1) timely and adequate supply of inputs like certified jute and mesta seeds, fertilisers, pesticides, seed drills etc.,. 2) the demonstration of latest methods of cultivation to motivate growers to increase productivity and to improve fibre quality, 3) offering better grading and marketing facilities, 4) bringing additional area under irrigated jute and introduction of mesta in potential districts, 5) the distribution of minikits to popularise latest varieties of seeds and 6) streamlining technical and extension services. The Centrally Sponsored Scheme on Intensive Jute Development Programme (IJDP) was continued during 1984-85 and the programme was implemented in 30 selected districts/zones spread over eight jute/mesta growing states. Against the targeted area of 6.05 lakh hectares (comprising of 4.75 lakh hectares under jute and 1.30 lakh hectares under mesta), actual area covered under the programme was 5.55 lakh hectares (4.46 lakh hectares under jute and 1.09 lakh hectares under mesta). However, the coverage under different developmental inputs was neither complete in all respects nor uniform in all IJDP districts. During 1984-85, a budget provision of Rs. 93.17 lakhs as central share

was made under the programme. As against this provision, an amount of Rs. 80.07 lakhs has already been released by the Government of India.

As a result of two successive short crops, the industry faced shortages of raw jute resulting in unprecedented spurt in raw jute prices and closure of some mills. In the previous year, there was strike in the industry for 84 days and therefore such an impact was not felt.

The Sixth Five Year Plan had envisaged a compound annual growth rate of 3.8 per cent for jute and mesta production on the trend-base production level for 1979-80 (75.4 lakh bales). The actual growth rate, however, was 0.5 per cent only. Production of raw jute and mesta during each year of the Sixth Plan was lower than the target levels.

As regards supply-demand position, the 1984-85 season commenced with an opening stock of 9.50 lakh bales which was lowest in the last 5 years (The opening stocks for the previous two years viz.1981-82 and 1982-83 were as high as 32.00 and 27.00 lakh bales, respectively). The lower opening stock coupled with not so good production, exerted severe pressure on the market, necessitating the imports of raw jute aggregating 3.00 lakh bales as against only 1.50 lakh bales in the previous year. The total supply during 1984-85 was placed at about 85.50 lakh bales as compared with 77.50 lakh bales during the previous year. On the demand side, consumption of raw jute during 1984-85 season was placed higher at 78.33 lakh bales as against 68.00 lakh bales during the corresponding period last season (the raw jute consumption at village level is placed at about 4 lakh bales—almost the same as during last year). The lower consumption during 1983-84 was due to the 84 days strike in the jute industry. The closing stock at the end of 1984-85 season was expected to be low at around 7.17 or 7.00 lakh bales. (Table III-7).

Table III—7: Raw Jute and Mesta — Balance Sheet

(In lakh bales of 180 kgs. each)

Items	JULY-JUNE					
	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86 (Forecast)
I. Supply						
1) Opening stock	32.00	32.00	27.00	10.00	9.50	7.00
2) Imports	2.00	—	0.42	1.50	3.00	—
3) Crop	82.00	74.00	63.00	66.00	73.00	85.00
	(81.60)	(83.71)	(71.71)	(74.15)	(77.40)	(86.52) (Target)
Total Supply (1+2+3)	**116.00**	**106.00**	**90.42**	**77.50**	**85.50**	**92.00**
II. Demand						
1) Mill Consumption	80.00	73.00	75.50	64.00*	74.33	74-76
2) Exports	—	2.94	—	—	—	—
3) Domestic & Mill Consumption	4.00	3.06	4.73	4.00	4.00	4.00
Total Demand	84.00	79.00	80.23	68.00	78.33	78-80
III. Closing Stock (I—II)	**32.00**	**27.00**	**10.19 or 10.00**	**9.50**	**7.17 or 7.00**	**12-14**

*** Mill Consumption during 1983-84, was lower due to 84 days strike from January 16, to April 8, 1984.**

Note: Figures in brackets represent production data as given by the Ministry of Agriculture.

Source: Jute Commissioner's office

Production of Jute & Mesta

(lakh bales of 180 kgs. each)

Year	Ministry of Agriculture	
	Target	Production
1980-81	83.0	81.6
1981-82	84.0	83.7
1982-83	83.5	71.7
1983-84	83.5	74.2
1984-85	90.8 @	77.4

@ Subsequently revised downward to 85.0 lakh bales.

The impact of the earlier two lean seasons and a none too happy supply position during the current year adversely affected the prices during the year. Apprehending shortage of supply during the later stages of the season, the mills and their agents tried to corner the supplies from the growers at any price. As a result, the prices of fibre spurted higher and reached an all time high of Rs. 1010 per quintal on January 9, 1985, recording an increase of 48.5 per cent over Rs. 680 per quintal — the highest level attained in 1983-84. The comparative difficulty of obtaining adequate imports from Bangla Desh was an added factor. In order to contain the unduly high raw jute prices, the Government imposed a price-ceiling of Rs. 600 a quintal for raw jute (W-5 variety) on June 7, 1985. Further, with a view to curbing the speculative tendencies among the traders due to inadequate supply, the Jute Commissioner issued directives to the mills specifying the maximum level of stocks they could hold from the month of October 1984 to June 1985. Accordingly the jute mills were directed not to keep in their possession raw jute stocks beyond 6 weeks consumption requirements. Subsequently, these requirements were reduced to 5 weeks consumption as on April 30, 1985 and 4 weeks consumption on May 31 and June 30, 1985.

On the recommendation of the Commission for Agricultural Costs and Prices (CACP), the Government enhanced the statutory minimum price of raw jute from Rs. 185 to Rs. 195 per quintal for W-5 variety (Ex-Assam) for the current year. Based on this price, the Jute Commissioner statutorily fixed prices for other grades/varieties in different states under the Jute (Licensing and Control) Order 1961. For the 1985-86 season, the statutory minimum price has been fixed higher at Rs. 215 per quintal for W-5 variety (Ex-Assam). The Government has also asked the JCI to purchase raw jute at prices Rs. 25 per quintal higher than the statutory minimum prices.

During the 1984-85 season, there was no need for any price support operation by the Jute Corporation of India (JCI) as the ruling prices were much higher than the statutory minimum prices. However, in order to meet the requirements of the National Jute Manufactures Corporation (NJMC) mills, the JCI procured about 10.16 lakh bales on commercial basis as against 8.42 lakh bales procured during 1983-84.

Purchases of raw jute by Jute Corporation of India

(In lakh bales)

Year	Total Purchases
1980-81	10.62
1981-82	17.61
1982-83	8.60
1983-84	8.42
1984-85	10.16

The prospects of jute production for the year 1985-86 appear to be bright as the preliminary crop estimates are placed by industry sources at a high level of 85.00 lakh bales. Fresh crop has already started arriving into the market and the price in turn has come down sharply and was quoted at Rs. 425.00 per quintal at end-July 1985 as against Rs. 720.00 per quintal at end-July 1984.

Oilseeds

The all-India final estimate of output for nine major oilseeds* for the year 1984-85 is not yet available. Provisionally, oilseeds output is placed at 13.0 million tonnes which is marginally higher than the production in 1983-84 (12.8 million tonnes). The Sixth Five Year Plan had

* Comprising groundnut (in-shell), rapeseed/mustard, sesamum, safflowerseed, nigerseed, soyabean, sunflowerseed, linseed and castorseed

envisaged a compound annual growth rate of 5.0 per cent for oilseeds on the trend-base production level for 1979-80 (10.2 million tonnes). The target for oilseeds production in 1985-86 is fixed at 136 lakh tonnes.

Oilseeds production has shown a steady increase during the Sixth Plan period and the production targets were achieved during three years of the Plan period viz., 1981-82, 1983-84 and 1984-85 (Table III-8).

Table III-8: Oilseeds Production

(Lakh tonnes)

Year	Target	Actual
1980-81	110.0	93.7
1981-82	112.0	120.8
1982-83	119.0	100.0
1983-84	125.0	128.1
1984-85	130.0	130.0

According to the provisional data during 1984-85, production of groundnut — a major *kharif* crop, is estimated lower at 65.6 lakh tonnes i.e. 9.9 per cent lower than the final output of 72.8 lakh tonnes achieved during 1983-84. Production of rapeseed/mustard, the principal *rabi* oilseeds crop which was 22.1 lakh tonnes in 1982-83 increased to 25.7 lakh tonnes in 1983-84 and is expected to be 31.0 lakh tonnes in 1984-85. Soyabean output during 1984-85 is estimated at 9.3 lakh tonnes as against 5.8 lakh tonnes in 1983-84. Production of safflowerseed is expected to be 5.0 lakh tonnes during 1984-85 as against 4.7 lakh tonnes in 1983-84. Production of sunflowerseed would be about 3.6 lakh tonnes in 1984-85 as against 2.7 lakh tonnes in 1983-84. Table III-9 presents details of oilseeds production in the last three years.

Table III-9: Oilseed-wise output 1982-83 to 1984-85

(In lakh tonnes)

Oilseeds	1982-83 (Revised)	1983-84 (Final)	1984-85 (Provisional)	1985-86 (Target)
Groundnut-in-shell	52.8	72.8	65.6	75.0
Rapeseed/ Mustard	22.1	25.7	31.0	26.2
Sesamum	5.5	6.2	NA	6.3
Safflowerseed	4.0	4.7	5.0	5.2
Nigerseed	1.2	1.7	NA	2.0
Sunflowerseed	2.3	2.7	3.6	3.6
Soyabean	4.9	5.8	9.3	9.0
Linseed	3.8	4.4	NA	4.5
Castorseed	3.4	4.1	NA	4.2
Total	**100.0**	**128.1**	**130.0**	**136.0**

The Government has accorded high priority for increasing oilseeds production under the New 20-Point Programme and concerted efforts are being made to contain edible oil imports to the minimum. To attain these objectives a number of measures have been adopted by the Government through the implementation of Centrally Sponsored Schemes and Special Projects on groundnut, rapeseed/ mustard, soyabean and sunflower. During the first four years of the Sixth Plan, an aggregate amount of Rs. 63 crores was spent on these programmes. A major development during the terminal year of the Sixth Plan (1984-85) was that the Centrally Sponsored Schemes for oilseeds development and special projects for groundnut development in Gujarat and soyabean development in Madhya Pradesh were reoriented and integrated into a compact National Oilseeds Development Project. This new Project consists of (i) special projects on groundnut, rapeseed/mustard, soyabean and sunflowerseed and (ii) Intensive Oilseeds Development Programme for sesamum, nigerseed and sunflowerseed, in addition to groundnut, rapeseed/mustard, soyabean and sunflower in the areas not covered by the Special Projects. The Project aims at the development of oilseeds in 110.50 lakh hectares in more than 210 districts of 17 States. Thus,

the oilseeds development programme has been enlarged and an outlay of Rs 38 crores has been fixed which would be met in full by the Central Government.

Major elements of the strategy adopted to achieve the production target of 130 lakh tonnes fixed for 1984-85 in the National Oilseeds Development Project are:—

i) Implementation of special projects in potential States for important oilseed crops,

ii) Development of non-traditional oilseeds like soyabean and sunflowerseed,

iii) Increase in the area under irrigated crops,

iv) Maximising yield through the use of quality seed, optimum plant population, use of phosphatic fertiliser (in groundnut), plant protection measures, optimum use of soil moisture and adoption of location specific improved package of practices,

v) Free distribution of seed minikits on a large scale, and

vi) Protection against fall in prices through price support operations.

The operation of Special Projects under the main National Oilseeds Development Project was extended during the year to a number of States. The Special Project on groundnut which covered only Gujarat State till 1983-84 was extended to Andhra Pradesh, Tamil Nadu, Orissa and Maharashtra. The main feature of the Project is that it seeks to increase the area under *rabi* summer groundnut in these States. An area of more than 37 lakh hectares is reportedly covered under *kharif* groundnut against the target of 30 lakh hectares.

Similarly, the Special Project on soyabean is extended to cover Rajasthan and Uttar Pradesh in addition to Madhya Pradesh. During 1984-85, the Project covered about 10 lakh hectares as against 8.1 lakh hectares in 1983-84.

Under the Special Project for rapeseed/mustard, implemented in the State of Assam, Gujarat, Haryana, Madhya Pradesh, Rajasthan, Uttar Pradesh and West Bengal, large area was covered which would result in higher level of production. More areas than targeted level of 4.5 lakh hectares under sunflower is likely to be covered in the States of Karnataka, Tamil Nadu and Maharashtra.

The progress of oilseeds development under the other part of the National Oilseeds Development Project viz., Intensive Oilseeds Development Programme has also been satisfactory.

More than 10 lakh seed minikits were distributed under the National Oilseeds Development Project as against 6.25 lakhs distributed last year.

The oilseeds of tree origin being exploited for oil extraction are Mahua, Neem, Kusum, Karanj, Sal, Rubber-seed, Mangokernel, Kokum, Undi, Dhupa, Khakan, Palas, etc. Estimated availability of these oils in 1983-84 was 1.27 lakh tonnes as against 1.18 lakh tonnes in 1982-83.

Various steps have been taken by the Government to encourage production of rice bran oil as a result of which availability of this oil has increased from 21,000 tonnes in 1970-71 to 1,83,000 tonnes in 1983-84. In 1984-85, production is expected to be around 2 lakh tonnes.

Red oil palm plantations are being raised by Oil Palm India Ltd. in Kerala where 3,669 hectares have been planted so far. In Andaman and Nicobar Islands, the project is being implemented by Andaman and Nicobar Islands Forest Plantation Development Corporation and 1,305 hectares have so far been planted.

As stated earlier in the Report, the Central Government has decided to introduce a country-wide crop insurance scheme commencing from *kharif* 1985. Among the crops to be covered, oilseeds are also included.

The National Dairy Development Board

Table III—10 Progress of NDDB's Project

(Upto end-June 1985)

State	No. of oilseed growers' cooperative societies at the village level		No. of villages covered		No. of farmer members		Area of the members (in hectares)		Procurement of oilseeds (in tonnes)	
	1983-84	1984-85	1983-84	1984-85	1983-84	1984-85	1983-84	1984-85	1983-84	1984-85
1. Gujarat	1,039	1,097	1,374	1,623	80,827	1,09,629	2,55,060	3,27,155	70,146	91,730
2. Maharashtra	—	77	—	522	—	16,672	—	27,777	—	1,217
3. Madhya Pradesh	250	481	2,402	4,658	31,511	56,480	88,767	1,62,879	28,618	71,529
4. Andhra Pradesh	72	132	474	586	6,547	17,104	18,561	41,169	4,280	15,992
5. Karnataka	—	33	—	105	—	1,650	—	1,650	—	493
6. Tamil Nadu	152	164	574	619	12,137	13,913	29,426	31,562	2,464	4,194
7. Orissa	54	120	379	883	3,512	10,564	4,287	11,355	—	7,026
Total	**1,567**	**2,104**	**5,203**	**8,996**	**1,34,574**	**2,26,012**	**3,96,101**	**6,03,547**	**1,05508**	**1,92,181**

(NDDB) is currently implementing the project "Restructuring Edible Oil and Oilseed Production and Marketing". The project as approved by the Government of India, is designed to integrate production, procurement, processing and marketing of oilseeds and vegetable oils through a co-operative structure consisting of oilseeds growers' co-operative societies at the village level and the oilseed growers' federation at the State level.

This project which is being implemented in Gujarat, Maharashtra, Madhya Pradesh, Orissa, Andhra Pradesh Karnataka and Tamil Nadu has made considerable overall progress. Its state-wise progress is presented in Table III-10.

The Co-operative League of USA (CLUSA) has committed to supply 1,60,000 tonnes of edible oils to the NDDB over a period of seven years (1978-85). The Co-operative League of USA (CLUSA) has supplied 1,26,665 tonnes of refined soyabean oil and the Co-operative Union of Canada (CUC) has supplied 71,257 tonnes of crude rapeseed oil upto June 30, 1985. From these, 1,14,956 tonnes of refined soyabean oil, 29,488 tonnes of crude rapeseed oil and 10,773 tonnes of refined rapeseed oil were sold upto June 30, 1985 through the co-operatives and the Public Distribution System. Funds generated from sale of oil upto June 30, 1985 were of the order of Rs 146.71 crores. Of this, an amount of Rs 142.86 crores was utilised/released for the co-operative project purposes.

The Karnataka State Co-operative Oilseeds Growers' Federation Limited was formed in October, 1984 as the project implementing agency in the State.

The minimum support prices for oilseeds of fair average quality announced by the Government for 1985-86 and for the earlier years are as shown in Table III-11.

The Forward Markets Commission had since October 13, 1971 suspended trading in non-transferable specific delivery (NTSD) contracts in groundnut and groundnut oil. However, the Government subsequently in December 1983 decided to resume trading in NTSD contracts in groundnut and groundnut oil. Pursuant to this decision the Forward Markets Commission after completing the formalities in respect of framing suitable bye-laws for regulating such trading etc., granted permission to the Bombay Oilseeds and Oils Exchange (BOOE) to conduct trading in NTSD contracts in groundnut oil with effect from October 1, 1984. The BOOE, however, commenced trading in NTSD con-

Table III-11: Support Prices for Oilseeds

(Rs. per quintal)

Oilseeds	1980-81	1981-82	1982-83	1983-84	1984-85
1	2	3	4	5	6
Groundnut (in-shell)	206	270	295	315	340
Soyabean (black)	183	210	220	230	240
Soyabean (yellow)	198	230	245	255	265
Sunflowerseed	183	250	250	275	325
Rapeseed/ mustard	NA	NA	NA	360	385*

* For rapeseed/mustard, the support price relates to the marketing season i.e. 1984-85 crop marketed in 1985-86 and so on.

tracts in groundnut oil with effect from January 2, 1985. The Commission permits trading in NTSD contracts from time to time after reviewing the prevailing conditions in the market.

Government banned futures trading in castorseed as per their notification dated February 5, 1977. This ban was subsequently lifted (Notification dated April 16, 1985) and actual futures trading in castorseed was resumed on May 10, 1985 at Bombay, with the permission of the Forward Markets Commission.

Table III-12 Imports of Edible Oils

Oil year (Nov.-Oct.)	Quantity imported (in lakh tonnes)
1	2
1981-82	9.98
1982-83	11.50
1983-84	16.34
1984-85 (upto June)	8.91

In order to meet the demand-supply gap as well as to keep prices of edible oils under check, the Government has been importing edible oils which are distributed through the Public Distribution System and also supplied to vanaspati manufacturers for use in the manufacture of vanaspati. The Government imported 16.34 lakh tonnes of edible oils during 1983-84 (November-October) as against 11.50 lakh tonnes in the corresponding period of 1982-83. During the year 1984-85, imports till June 1985 aggregated 8.91 lakh tonnes. Table III—12 shows data on imports of edible oils.

In order to check the rising trend in edible oil prices, the Government had allocated substantially higher monthly quota of imported edible oils, both to vanaspati industry and Public Distribution System during the period November 1984 to February 1985. However, from March 1, 1985, allocation to States for Public Distribution System and to vanaspati industry was reduced due to improved availability of indigenous edible oils/oilseeds. During the oil year 1984-85 (upto June 1985), the quantity of imported oils supplied by the Government for both the Public Distribution System and vanaspati industry was at 5.36 lakh tonnes and 5.65 lakh tonnes, respectively, as against 6.03 lakh tonnes and 5.10 lakh tonnes, respectively, during the corresponding period of the previous year. Table III-13 indicates the quantity of imported edible oils supplied to the Public Distribution System and vanaspati industry.

Table III-13 Allocation of Imported Edible Oil to PDS and Vanaspati Industry

(In lakh tonnes)

Item	Oil year (November-October) 1982-83	1983-84	(November-June) 1983-84	1984-85
1	2	3	4	5
Public Distribution System (PDS)	5.38	9.57	6.03	5.36
Vanaspati Industry	6.88	8.67	5.10	5.65

The Government has prohibited the use of groundnut oil and also mustard oil in the manufacture of vanaspati and has made the use of sesamum oil compulsory to the extent of 5 per cent. The Government stipulates from time

to time, the percentage of imported oils to be used for the manufacture of vanaspati. The Government meets 60 per cent of the industry's requirements by selling imported edible oils at a fixed rate of Rs 9,500 per tonne (revised with effect from May 24, 1984) and the remaining quantity at a commercial rate (Rs 13,000 per tonne as revised from May 24, 1984). Since December 1, 1983 till end July 1984, the usage of imported oils was made compulsory to the extent of 85 per cent in the manufacture of vanaspati. However, in the interim period (August-December 1984) this was raised to 95 per cent of the industry's requirements. The Government,however, reduced the allocation of imported oils to the industry from 95 per cent to 85 per cent with effect from January 1985 and in March 1985 reduced the level further to 60 per cent in view of the reasonably steady trend in oil prices, their comfortable availability and also to find a ready market for increased quantity of some indigenous oils. From June 1985, the usage of imported oil was further reduced to 55 per cent.

To curb speculative activities in groundnut oil, the Government amended the Vegetable Oil Product (Standard of Quality) Order 1975 on June 29, 1984. The amended order restricts the vanaspati manufacturers from purchasing, storing and processing of groundnut in the same premises. This Order was further amended on July 6, 1984, prohibiting the vanaspati manufacturers from storing vegetable oils other than those permitted in the manufacture of vegetable oil products.

Sugarcane

The area under sugarcane during 1984-85 season (November-October), according to the all-India second estimate declined further to 29.20 lakh hectares from 31.53 lakh hectares in 1983-84 or by 7.4 per cent. The States which accounted for this decline are Uttar Pradesh (11.6 per cent) and Andhra Pradesh (14.0 per cent). The decline in area was due to unfavourable weather conditions during the sowing period.

Sugarcane production which was 189.5 million tonnes during 1982-83 declined to 177.0 million tonnes in 1983-84 and is estimated to go down further to 175.0 million tonnes or by 1.1 per cent in 1984-85. Sugarcane production target for 1984-85 was maintained at the previous year's level of 180-185 million tonnes.

Productivity (in terms of cane) which was 56.44 tonnes per hectare in 1982-83 declined to 55.90 tonnes per hectare in 1983-84 and is estimated to have improved to 59.93 tonnes per hectare in 1984-85.

The Sixth Plan had envisaged for sugarcane a compound growth rate of 4.1 per cent on the trend-base production level for 1979-80 (175.8 million tonnes). The growth rate achieved, however, was negative at −0.1 per cent, though in between the years, i.e., during 1981-82 and 1982-83, the sugarcane production exceeded the target for the terminal year of the Plan.

Sugarcane Production

Year (November-October)	Target (Million tonnes)	Actual Production (Million tonnes)
1	2	3
1980-81	180.00	154.25
1981-82	180.00	186.36
1982-83	180.00 – 185.00	189.51
1983-84	180.00 – 185.00	177.02@
1984-85	180.00 – 185.00	175.00*

@ Final estimates

* Anticipated achievement.

Source: Ministry of Agriculture, Department of Agriculture & Cooperation, Directorate of Economics & Statistics.

During the year 1984-85, the Government continued its annual action programme for increasing the sugarcane output in all the States with emphasis on (i) soil and seed treatment, (ii) augmentation of irrigation facilities, (iii) distribution of fertilisers and improved seed cane, (iv) adoption of improved cultivation practices, (v) better management of ratoon crop, (vi) adoption of plant protection measures and (vii) training of sugarcane development workers and extension drive.

The Commission for Agricultural Costs and Prices (CACP) had recommended a statutory minimum price of Rs. 16 per quintal for 1984-85 (same as that in the previous season) for sugarcane linked to a basic recovery of sucrose of 8.5 per cent or below, subject to a proportionate premium for every 0.1 per cent increase in the recovery above that level. However, the Central Government fixed the statutory minimum price of sugarcane at Rs. 14 per quintal (as against Rs. 13.50 per quintal in the previous season) linked to a recovery of 8.5 per cent or below with a premium for every 0.1 per cent increase in recovery beyond 8.5 per cent. However, the state-advised prices which the sugar factories in the respective States had to pay were higher than the statutory minimum. Thus, the prices actually paid by factories in 1984-85 were generally in the range of Rs. 21—22 per quintal in the major sugar producing states as against Rs. 20—21 per quintal in 1983—84 and Rs. 13.46—25.00 per quintal in 1982-83.

Tea

Production of tea increased by 63.6 million kgs. or 10.9 per cent to 645.1 million kgs. in 1984 from 581.5 million kgs. in 1983 (Table III-14). The increase in production was shared by both North and South India, which recorded increases of 30.4 and 33.2 million kgs. or 6.5 and 28.8 per cent over the 1983 production of 466.3 and 115.2 million kgs. respectively.

Production of tea during 1985 (upto June 1985) in South India at 72.6 million kgs. was lower by 10.1 million kgs. as compared to 82.7 million kgs. during the corresponding period in the previous year. However, the production in North India during this period at 165.8 million kgs. was higher by 26.7 million kgs. as compared with the output of 139.1 million kgs. during the corresponding period in the previous year.

The all-India Weekly Index Number of Wholesale prices of Tea (base 1970-71 = 100) increased from 458.1 in December 1983 to the peak level of 552.7 in August 1984. The index declined thereafter to 485.2 in December 1984, indicating a net increase of 5.9 per cent during the year.

According to the provisional data, quantity of tea exported from India during the financial year 1984-85 was significantly higher at 217.9 million kgs. or by 7.7 per cent as against 202.3 million kgs. during 1983-84. Exports in terms of value, increased to Rs. 774.5 crores in 1984-85 from Rs. 557.6 crores in 1983-84. The unit value realisation at Rs. 35.55 per kg. during the year (1984-85) too was significantly higher by 29.0 per cent as compared to Rs. 27.56 per kg. realised in the previous year.

The Tea Marketing Control Order issued by the Union Commerce Ministry in mid-April 1984 (effective from July 18, 1984) required all the manufacturers of tea to sell 70 per cent of their output through auctions as against no such stipulation earlier. For the year 1985, the percentage of tea production to be sold through auctions is raised to 75.

To arrest the price rise and ensure adequate availability of tea in the domestic market, the Union Government, on September 3, 1984, pegged the total exports of tea to the targeted level of 215 million kgs. for the calendar year 1984. Moreover, the ban on the exports of CTC tea which was lifted on May 12, 1984, was reimposed on September 3, 1984. However, by end-October 1984, the ceiling was withdrawn to facilitate exports to bilateral trading nations.

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

Year	Oilseeds + +		Tea (Million Kgs.)		Coffee (000 tonnes)			Sugarcane + + (in terms of cane)		Tobacco (Million Kgs.)		
	Production (Million tonnes)	Yield per hectare (Kgs.)	Production +	Exports £	Production $	Exports £	Internal Consumption +	Production (Million tonnes)	Yield per hectare (Kgs.)	Production	Exports £	Internal Consumption
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
1978-79	10.1	570	363.8	177.3	110.5	65.4	46.0	151.7	49114	454	78.1	360.3
1979-80	8.7	516	543.8	208.4	149.8	62.0	49.6	128.8	49354	439	76.3	367.5
1980-81	9.4	532	569.6	231.7	118.6	89.3	47.7	154.2	57836	481	78.5	367.1
1981-82	12.1	634	560.0	224.2	150.1	83.8	50.8	186.4	58358	520	116.9	374.1
1982-83	10.0	563	560.7	194.1	130.0	83.8	54.0	189.5	56441	582	93.9	382.8
1983-84	12.8	685	581.5	202.3	105.0	71.2	53.5	177.0	55904	497	90.0	..
1984-85	13.0	..	645.1	217.9	190.0	67.6	..	175.0*	59932	480@	74.7	..

+ + — Figures relate to November-October.
+ — Figures relate to Calendar year.
£ — Figures relate to Financial year.
@ — Provisional estimate.
* — Anticipated achievement.
$ — Figures relate to October-September.

In November 1984, the Union Government fixed the Minimum Export Price (MEP) for tea at Rs. 35 per kg. for auction sales and Rs. 36 per kg. for direct sales in respect of North Indian tea and Rs. 33 per kg. for auction sales and Rs. 34 per kg. for direct sales in respect of South Indian tea. The minimum export price of tea was reduced, with effect from March 11, 1985 to Rs. 31 per kg. for auction sales for exports and Rs. 31.50 per kg. for direct exports, regardless of its place of origin. In view of the dwindling tea prices in the international market, the minimum export price was reduced further from Rs. 31 to Rs. 26 per kg. at end-April 1985.

The excise rebate on tea going into the manufacture of blended tea as well as on export of blended tea directly from Tea Gardens and on unblended tea exported by Merchant Exporters was withdrawn with effect from February 1, 1985.

The Seventh Five Year Plan envisages an increase in tea production to 760 million kgs. from 645.1 million kgs. in the terminal year of the Sixth Plan. To achieve the target of 651 million kgs. in the year 1985-86, various short-term, medium-term and long-term measures have been envisaged in the Seventh Plan such as adoption of improved cultural practices, better input management, control of pests and diseases, creation of draining and irrigation facilities, rejuvenation, infilling, extension of tea areas of the existing estates, replanting and introduction of tea in non-traditional areas.

Coffee

The revised estimates released by the Coffee Board placed coffee production during the 1984-85 season at 190 thousand tonnes which is significantly higher by 85 thousand tonnes or 81.0 per cent than the preceding year's output The production is also higher than the targeted level by 30 thousand tonnes or 18.8 per cent. Both Arabica and Robusta varieties accounted for the increase in production. Production of Arabica variety increased from 70.7 thousand tonnes in 1983-84 to 80.0 thousand tonnes in 1984-85 and Robusta production from 34.3 thousand tonnes to 110.0 thousand tonnes.

As regards demand for coffee, domestic consumption during the calendar year 1984 was marginally lower at 53.5 thousand tonnes as compared with 54.0 thousand tonnes during 1983. Exports during the financial year 1984-85 were estimated to be lower by 5.1 per cent at around 67.6 thousand tonnes as compared with 71.2 thousand tonnes during 1983-84. Exports in terms of value realised were, however, higher at Rs. 204.97 crores as compared with 175.05 crores in 1983-84. The unit value realisation during the year 1984-85 was higher at Rs. 30.29 per kg. as against 24.59 per kg. during 1983-84.

With the decline in the international prices of coffee, the Government reduced the export duty on coffee from Rs. 640 per quintal (fixed on May 7, 1984) to Rs. 570 per quintal with effect from April 29, 1985 and further down to Rs. 415 per quintal effective from June 10, 1985. This was again reduced to Rs. 300 per quintal with effect from August 2, 1985.

Tobacco

The official estimates of area and production of tobacco for 1984-85 have not yet been released by the Ministry of Agriculture and Rural Development. However, according to provisional Government estimates, these are placed lower at 420 thousand hectares and 480 million kgs., respectively. Final estimates for 1983-84 had placed area at 440.1 thousand hectares and production at 497.1 million kgs., as compared with 502.7 thousand hectares and 581.6 million kgs. respectively in 1982-83, indicating a decline of 12.5 per cent in area and 14.5 per cent in production (Table III-14). The bulk of the decline in production during 1983-84 occurred in Andhra Pradesh, where production declined from 270.2 million kgs. in 1982-83 to 191.9 million kgs. in 1983-84 or by 29.0 per cent. Gujarat and Karnataka also recorded decline in production to some extent. Performance of important tobacco growing States during the last three years till 1983-84 is indicated in Table III-15.

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

Area in 000' hectares.
Production in million kgs.

States	1981-82		1982-83		1983-84	
	Area	Production	Area	Production	Area	Production
1	2	3	4	5	6	7
Andhra Pradesh	183.9	193.4	253.2	270.2	187.1	191.9
Gujarat	113.0	209.5	110.6	197.1	108.3	186.9
Karnataka	50.0	29.0	49.7	38.4	48.0	28.8
Tamil Nadu	14.8	22.9	8.1	9.2	12.4	13.7
Others	82.1	65.3	81.1	66.7	84.3	75 8
All-India	**443.8**	**520.1**	**502.7**	**581.6**	**440.1**	**497.1**

Area and production of Virginia Flue Cured (VFC) tobacco during 1983-84 was also estimated lower at 149.8 thousand hectares and 135.2 million kgs. as compared with 202.6 thousand hectares and 188.7 million kgs. during 1982-83, recording a decline of 26.1 per cent and 28.3 per cent, respectively. Andhra Pradesh accounted for the major portion of the decline.

The decline in area under VFC tobacco in Andhra Pradesh and Karnataka is attributed to restrictive measures adopted by the Tobacco Board. The area under VFC tobacco in Andhra Pradesh is estimated lower at 82.3 thousand hectares during 1984-85 and production is estimated to be around 90 million kgs. as against 133.4 thousand hectares and 124.8 million kgs., respectively, in 1983-84. In Karnataka, 16.8 million kgs. of VFC tobacco was obtained from an area of 18.1 thousand hectares during 1984-85 as against 10.1 million kgs. harvested from an area of 16.0 thousand hectares during 1983-84. The area under bidi tobacco in Karnataka during 1984-85 was about 28.3 thousand hectares. Production of 53 million kgs. of non-VFC tobacco is expected from an area of about 50 thousand hectares in Andhra Pradesh.

In Gujarat, a total area of 116.9 thousand hectares was covered under tobacco during 1984-85, of which 93.7 thousand hectares were under bidi-tobacco. Total production of bidi tobacco in the State is provisionally placed at 162 million kgs. as against 130 million kgs. in 1983-84.

In Tamil Nadu, an area of 9.9 thousand hectares was reportedly planted under chewing tobacco during 1984-85.

Official estimates on exports of tobacco and tobacco products for the years 1982-83, 1983-84 and 1984-85 are not yet available. However, Tobacco Board has estimated exports of tobacco and tobacco products during 1984-85 at 87.7 million kgs. valued at Rs. 176.56 crores as against the estimated exports of 106.9 million kgs. valued at Rs. 204.63 crores during 1983-84. Exports of unmanufactured tobacco during 1984-85 is estimated lower at 74.7 million kgs. valued at Rs. 157.86 crores as against 90.0 million kgs. valued at Rs. 181.05 crores during 1983-84. The decline in quantum of exports of unmanufactured tobacco may be attributed to lower offtake by USSR and U.K., and no imports by China.

Co-operative Societies have not been able to make much headway in tobacco marketing, as many of these societies are either weak or are not undertaking marketing business. To strengthen their financial base, tobacco has been brought under the purview of the National Co-operative Development Corporation Act. Tobacco Co-operative Marketing Societies are now eligible to get financial assistance from National Co-operative Development Corporation (NCDC). This Scheme of NCDC was circulated to State Governments/Co-operative Agencies in July 1983 and some Co-operative societies/agencies have been granted financial assistance by NCDC. The pattern of assistance by NCDC has since been liberalised for co-operatively least developed States. NCDC's assistance to tobacco co-operative societies will broadly be on the same lines as to agricultural marketing/processing societies. The liberalised pattern of financial assistance was circulated on November 12, 1984 to State Governments and Registrars of Co-operatives.

The National Co-operative Tobacco Growers Federation Limited (TOBACOFED) set up in 1983, is reported to have purchased a total quantity of 7.5 million kgs. of bidi and other types of non-Virginia tobacco in 1983-84 from growers in Gujarat, Karnataka and Maharashtra. Out of this, a quantity of 1.8 million kgs. valued at Rs. 77.32 lakhs was reported to have been sold by the Federation. With Tobacco Board's permission, the Federation exported 34,000 kgs. of chewing tobacco to Saudi Arabia on consignment basis.

In Andhra Pradesh, the marketing of VFC tobacco (1984-85) crop commenced in February 1985. The auction system of sale of VFC tobacco was introduced in Andhra Pradesh in 1984-85. Since then, no marketing problem has been reported and the entire production of 90 million kgs. was sold at an average price of Rs. 10.39 per kg. The highest bid of Rs. 19.30 was recorded in Jangareddigudem in West Godavari district. In Karnataka also, the entire production of 16.8 million kgs. of VFC tobacco during 1984-85 was sold at an average auction price of Rs. 13.39 per kg. and the maximum price of Rs. 25.30 per kg. was realised in Hassan district of Karnataka.

The Indian Tobacco Development Council has recommended a production target of 540 million kgs. by 1989-90 inclusive of 197 million kgs. of VFC tobacco and 190 million kgs. of Bidi tobacco, taking into account the requirements for domestic consumption and exports. During the Seventh Five Year Plan, the additional production is envisaged to be achieved mainly through increases in productivity from the existing areas. For the purpose, following Centrally Sponsored Schemes have been proposed.

I) Centrally Sponsored Scheme (CSS) (with 50 per cent assistance from the Government of India):

1) CSS for development of VFC tobacco in new light soil areas,
2) Development of VFC tobacco in existing areas,
3) Development of bidi tobacco,
4) Development of Natu tobacco,
5) Development programme of Burley tobacco in small and marginal farmers' holdings,
6) Development of hookah and chewing tobacco.

II) Central Sector Schemes

1) Survey of exploratory work,
2) Training and publicity and
3) Market intelligence for bidi tobacco.

PRODUCTION STRATEGY AND MEASURES

The agricultural production strategy continued to lay emphasis on acceleration in foodgrains production through expansion in irrigation, increased use of fertilisers and high yielding varieties of seeds, improved agricultural implements and machinery, implementation of dryland farming and desert develop-

Table III-16: Some Key Indicators of Agricultural Inputs.

Item	Unit	1960-61	1970-71	1980-81	1981-82	1982-83	1983-84	1984-85 (Anticipated Achievement)
1	2	3	4	5	6	7	8	9
A Seeds								
i) Production of Breeder Seeds	Thousand Qtls.	—	—	5.27	3.91	17.07	30.00	34.61
ii) Production of Certified Seeds	Lakh Qtls.	—	—	21.86	24.18	36.61	53.83	85.00
iii) Distribution of Quality Seeds	Lakh Qtls.	—	—	25.01	29.81	42.06	57.72	70.44
B Distribution of Seed Minikits	Lakh Number	—	—	1.06	6.12	23.78	54.92	57.54
C Fertiliser Consumption (NPK)								
i) Total	Lakh tonnes	2.92	21.77	55.16	60.64	63.88	77.10	84.00
ii) Per hectare	Kgs.	1.90	13.13	31.83	34.99	36.94	44.55	48.39
D Area under High Yielding Varieties	Million ha.	1.89*	15.38	43.05	46.50	47.68	52.48	56.00

* Relates to 1966-67.

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

ment programmes. A massive programme has been initiated to improve the productivity of small and marginal farmers (Table III-16). The thrust of agricultural strategies and policies centred around 1) measures to step up productivity, 2) providing remunerative prices to producers and 3) generating employment opportunities in the rural areas.

By and large, the strategy followed so far, has shown good results. However, region-wise and crop-wise imbalances persist for which region specific strategy is necessary. Improvement in the productivity of small holdings is crucial for further increase in overall production.

Some of the major production oriented initiatives taken/continued by the Government of India during the year 1984-85 are as follows:—

1. Production campaigns were undertaken during both *kharif* and *rabi* seasons. Detailed crop-specific guidelines were sent to the State Governments for successful implementation of production programmes.

2. National Conference was held for drawing up detailed targets for both *kharif* and *rabi* seasons during May and September 1984, respectively, to tie up the arrangements for supply of inputs etc.

3. Joint Teams were deputed to major States for assisting the farmers in obtaining electricity for the working of tube-wells and pumpsets in the command areas of canals.

4. National Agricultural Inputs Fortnights were organised throughout the country before the start of the cropping seasons to ensure that the key agricultural inputs (technology, seeds, fertilisers, pesticides, irrigation and credit) are made available to the farmers adequately, and at the appropriate time.

5. A special rice production programme was formulated for the eastern States of Assam, Bihar, Orissa, West Bengal, Eastern Uttar Pradesh and Madhya Pradesh to improve productivity in these areas.

6. Thrust was laid on the production of breeder, foundation and certified seeds of oilseeds, pulses and cereal crops, and distribution of high quality seeds through minikits and extension efforts.

7. A centrally sponsored programme launched in all the 5,000 blocks of the country to assist the small and marginal farmers in the development of minor irrigation, land development, plantation of fuel and fruit trees and distribution of minikits was continued during 1984-85.

8. Dryland farming programme implemented in the identified watersheds made further progress during the year under the impact of the New 20-Point Programme. The National Project on Dryland Farming proposed to be undertaken during the Seventh Five Year Plan would give further boost to dryland farming.

9. During the Seventh Five Year Plan also, agriculture would be given the highest priority, on the lines of the preceding Five Year Plans, keeping in view the thrust of the Seventh Five Year Plan on food production, productivity and employment as recommended by the National Development Council.

High-Yielding Varieties Programme

Expansion of area under high-yielding varieties continued to be a major plank of the strategy for increasing foodgrains production during 1984-85. The coverage of area under the High-Yielding Varieties Programme (HYVP) is estimated to have increased to about 56.0 million hectares in 1984-85 from 52.5 million hectares achieved in 1983-84 (Table III-17), thus, achieving the target (56.0 million hectares) fixed for the year. The target for 1985-86 is fixed at 58.8 million hectares, of which the target for paddy is 26.5 million hectares and for wheat 19.5 million hectares. The targets fixed for 1984-85 were 25.0 million hectares for paddy and 19.0 million hectares for wheat.

Table III-17: Crop-wise Coverage of Total Area and Area under High Yielding Varieties.

(Million hectares)

Commodity	1980-81		1981-82		1982-83		1983-84		1984-85		1985-86
	Total cropped area	Area under HYV	Total cropped area	Area under HYV	Total cropped area	Area under HYV	Total cropped area	Area under HYV	Total cropped area	Area under HYV	Target area under HYV
1	2	3	4	5	6	7	8	9	10	11	12
Paddy	40.2	18.2	40.7	19.7	38.3	18.7	41.0	22.2	..	25.0	26.5
Wheat	22.3	16.1	22.1	16.7	23.6	18.1	24.4	18.6	..	19.0	19.5
Jowar	15.8	3.5	16.6	3.9	16.4	4.7	16.3	4.8	..	5.0	5.3
Bajra	11.7	3.6	11.8	4.6	10.9	4.5	11.8	5.1	..	5.0	5.3
Maize	6.0	1.6	5.9	1.6	5.7	1.7	5.9	1.8	..	2.0	2.2
Total	**96.0**	**43.0**	**97.1**	**46.5**	**94.9**	**47.7**	**99.4**	**52.5.**	..	**56.0**	**58.8**

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

The High-Yielding Varieties Programme was supported by central sector schemes, among others, being 'Minikit Distribution Programme'. Distribution of minikits of pulses during 1984-85 was targeted at 5,00,000 against 4,45,497 actually distributed in 1983-84.

Under the Minikit Distribution Programme, 57.54 lakh minikits of cereals, pulses and oilseeds were distributed to the small and marginal farmers during 1984-85 as against 54.92 lakhs distributed in 1983-84 and 23.78 lakhs distributed during 1982-83. The distribution of seed minikits of rice, wheat and millets during 1984-85 was estimated at 22.64 lakhs as against 17.79 lakhs in 1983-84. Each kit contains separately packed seeds, specific rhizobium culture and also the recommended package of practices and other instructions.

Under the Community Nurseries Programme of rice, a target of 23,250 hectares was fixed for 1984-85 as against the achievement of 19,776 hectares during 1983-84.

The central sector scheme of maize demonstration in tribal/backward areas to encourage the adoption of new technology in raising maize crop by the tribals continued during 1984-85 and 1,340 maize demonstrations are estimated to have been organised.

Seeds

During 1984-85, about 70.44 lakh quintals of quality/certified seeds of cereals, pulses, oilseeds, potatoes, etc., are estimated to have been distributed as against 57.72 lakh quintals distributed in 1983-84. Production of certified seeds during 1984-85 is anticipated at 85.00 lakh quintals as against the actual production of 53.83 lakh quintals during 1983-84.

As regards breeder seeds, its production during 1984-85 is estimated to have reached 0.35 lakh quintals from 0.30 lakh quintals in 1983-84.

Production of foundation seeds during 1984-85 is estimated at 4.50 lakh quintals as against only 0.92 lakh quintal in 1979-80. Under the Sixth Plan, an outlay of Rs. 70.76 crores was provided for seed development schemes. Against this, total expenditure would be of the order of Rs. 69 crores during the Plan period.

The Government of India, in consultation with the State Governments, formulated a 10-Point Action Programme for increasing the production of breeder, foundation and certified seeds during 1984-85. The salient features of the Programme, among others, are advance planning, close monitoring of seed production and distribution, setting up of processing plants, strengthening of seed testing laboratories, maintenance of buffer stocks of breeder, foundation and certified seeds, increasing retail points for seeds, and propagation of importance of certified seeds through extension agencies and seed producers.

Export of breeder and foundation seeds, as also of certified seeds of pulses and oilseeds is banned, despite continuous demand for Indian seeds from foreign countries. However, requests for supply of certified seeds of cereals are examined on individual merits, and subject to exigencies of domestic requirements, exports are allowed. During the year 1984-85, 72,394 quintals of wheat seeds and 200 quintals of ragi seeds were exported as against 27,204 quintals (26,604 quintals wheat, 400 quintals potato and 200 quintals bajra) of seeds in 1983-84.

The World Bank aided National Seeds Programme (NSP) is being implemented in two phases in Andhra Pradesh, Bihar, Haryana, Karnataka, Maharashtra, Orissa, Punjab, Rajasthan and Uttar Pradesh. Phase I of the Programme has already ended on 31st December, 1984, involving an expenditure of Rs. 48.13 crores. Under the Programme, 22 seed processing plants were to be set up, out of which 15 have been completed and commissioned and remaining 7 are in an advanced stage of completion. In addition, 11 processing plants for foundation seeds have been set up. It is estimated that seed processing capacity would go up to 49.50 lakh quintals by the end of 1984-85. The NSP

envisaged setting up of seed storage capacity of 4.67 lakh quintals in a chain of 47 transit seed stores. By the end of 1984-85, 36 stores are expected to be completed. Under the Programme the target of reserve stocks of seeds was fixed at 3.30 lakh quintals in 1984-85 against which the stocks expected to be in reserve would be around 3.20 lakh quintals. Earlier, National Seeds Corporation was monitoring the reserve stocks. However, this function is now entrusted to the State Seeds Corporations.

Food and Agriculture Organisation has approved the Technical Co-operation Project for setting up of a computerized seed information centre. The Seeds Act, 1966 envisaged formation of a Central Seed Committee and Central Seed Certification Board. During 1984-85, both these bodies were reconstituted.

During 1984-85, the Central Seed Committee recommended 67 new varieties of various crops for cultivation in different parts of the country.

The National Seeds Corporation is likely to produce 10.45 lakh quintals of certified seeds during 1984-85 as against 5.77 lakh quintals in 1983-84. The distribution of foundation and certified/quality seeds by the Corporation during 1984-85 is placed at 5.67 lakh quintals against 5.00 lakh quintals in 1983-84. The Corporation is helping in the distribution of minikits. It distributed 1,39,670 minikits of seeds during 1984-85 as against 1,30,689 minikits during 1983-84.

Irrigation

For 1984-85, the target of irrigation potential was fixed at 2.40 million hectares comprising 0.85 million hectares of major and medium irrigation and 1.55 million hectares of minor irrigation (Table III-18). These targets are expected to be achieved.

The approved financial outlay for 1984-85 was around Rs. 1,833 crores for major and medium irrigation and Rs. 804 crores for minor irrigation schemes as against Rs. 1,703 crores and Rs. 715 crores, respectively, in 1983-84. The financial outlay on minor irrigation schemes during the Sixth Plan Period is given in Table III-19. The gross potential created since the inception of the First Plan till the end of the Sixth Plan is about 68 million hectares, comprising 31 million hectares of major and medium irrigation and 37 million hectares of minor irrigation.

The Centrally Sponsored Scheme for strengthening the State Ground and Surface Water (Minor Irrigation) Organisations in respect of procurement of equipment for exploration and development is in operation since

Table III-18: Development of Irrigation Potential

(Million hectares)

Items	VI Plan Target	As at the start of VI Plan (1979-80)	Cumulative Achievements					Shortfall in VI Plan	Target 1985-86
			1980-81	1981-82	1982-83	1983-84	1984-85 Anticipated		
1	2	3	4	5	6	7	8	9	10
I. Major & Medium	5.7	26.5	27.3	28.2	29.1	30.0	30.9	1.3	..
II. Minor (a + b)	8.0	30.0	31.4	32.8	34.1	35.6	37.0	1.0	1.4
a) Surface	1.0	8.0	8.2	8.4	8.6	8.8	9.0	—	0.2
b) Ground water	7.0	22.0	23.2	24.4	25.5	26.8	28.0	1.0	1.2
Total (I + II)	**13.7**	**56.5**	**58.7**	**61.0**	**63.2**	**65.6**	**68.0**	**2.2**	..

Source: Department of Irrigation, Ministry of Irrigation and Power, Government of India.

Table III-19: Financial Outlays (Major & Medium and Minor Irrigation) during the Sixth Plan

(Rupees crores)

Item	Appproved VI Plan	1980-81	1981-82	1982-83	1983-84	1984-85 (Approved Outlay)
1	2	3	4	5	6	7
A Major and Medium Irrigation	8391	1211	1357	1510	1703	1833
B Minor Irrigation	3511	598	564	604	715	804
Of which						
i) Government Sector	1811	299	301	328	389	424
ii) Institutional	1700	299	263	276	326	380
Total (A + B)	**11902**	**1809**	**1921**	**2114**	**2418**	**2637**

Source: Department of Irrigation, Ministry of Irrigation and Power, Government of India.

1982-83. Under the scheme, an amount of Rs. 9.94 crores has so far been released to the State Governments, 50 per cent being the share of the Centre upto the end of January 1984. Out of this, Rs. 3.53 crores were released during 1984-85.

Another Centrally Sponsored Scheme for encouraging irrigation through non-conventional methods and alternate sources of energy such as sprinkler and drip system of irrigation, solar pumps and wind mills was introduced in 1982-83. Under this scheme, the rates of subsidy offered to the farmers ranged from 20 per cent to 75 per cent on the basis of 50 per cent matching share from the State Governments with fixed upper limit of subsidy. This scheme is expected to benefit a large number of farmers, particularly in hilly areas and other backward areas of the country, where there is no provision of electricity.

A Centrally Sponsored Scheme for assisting small and marginal farmers for increasing agricultural production, introduced in 1983-84, was in operation during 1984-85. Under the scheme a sum of Rs. 3.5 lakhs per block was earmarked for minor irrigation works. The subsidy for minor irrigation schemes is provided on IRDP pattern which includes construction of dug wells, shallow tubewells, irrigation pumpsets, etc.

Command Area Development Programme

Along with the creation of irrigation potential, the question of effective utilisation of the potential created also received attention. The Centrally Sponsored Command Area Development Programme (CADP), launched at the beginning of the Fifth Five Year Plan with the specific objective of ensuring a faster and better utilisation of irrigation water in selected major and medium irrigation projects in the country, covers at present 102 selected major and medium projects in 17 States and one Union Territory with a total area of about 17 million hectares. The approved outlay for 1984-85 was Rs. 262 crores as against an expenditure of Rs. 209 crores in 1983-84. This worked out to an increase of Rs. 53 crores or 25.4 per cent In 1984-85, an outlay of Rs. 97 crores was provided under the Central Sector for Command Area Development including Rs. 15 crores under the special incentive scheme for field channels, under which the cost of construction on field channels over and above the annual target of the State would be reimbursed fully by the Government of India. The outlay for 1983-84 was Rs. 87 crores including Rs. 15 crores under the incentive scheme (Table III-20). The Sixth Plan target of 4 million hectares for construction of field channels was exceeded by 2 lakh hectares by the end of 1983-84 itself. The target for 1984-85 was 1.37 million hectares which is

Table III-20: Expenditure Incurred under Command Area Development Programme

(Rupees crores)

Sector	1980-81	1981-82	1982-83	1983-84	1984-85 (Anticipated)
1.	2.	3.	4.	5.	6.
Total	107	115	139	209	262
Of which:					
Central Sector	33	36	45	87	97

Source: Department of Irrigation, Ministry of Irrigation and Power, Government of India.

Table III-21: Achievements under Command Area Development Programme

(Lakh hectares)

Items	1980-81	1981-82	1982-83	1983-84	1984-85 Target	Anticipated Achievement
1.	2.	3.	4.	5.	6.	7.
i Construction of field channels	6.6	9.8	11.5	14.0	13.7	13.7
ii Land levelling/shaping	0.9	0.8	0.9	1.0	1.3	..

Source: Department of Irrigation, Ministry of Irrigation and Power, Government of India.

expected to be achieved. Against the target of 1.5 lakh hectares for land shaping in 1983-84, the achievement was 0.97 lakh hectares. For 1984-85, the target was fixed at 1.3 lakh hectares. The achievements in respect of these programmes are given in (Table III-21). As regards *warabandi,* the achievement in 1983-84 was 4 lakh hectares as against a target of 4.5 lakh hectares. The target for 1984-85 was fixed at 6.16 lakh hectares.

Fertilisers and Manures

Fertiliser consumption in 1984-85 is expected to equal the target of 84.0 lakh tonnes as compared to the actual consumption of 77.2 lakh tonnes in 1983-84 (Table III-22). The estimated consumption of fertilisers in *kharif* 1984 was 38.0 lakh tonnes as against 32.2 lakh tonnes in the corresponding period of the previous year.

Production of fertilisers in 1984-85 is estimated higher at about 52 lakh tonnes as compared with 45 lakh tonnes in 1983-84. However, 38.8 per cent of the total demand for fertilisers is expected to be met by imports. The imports of fertilisers is expected to be higher at 32.56 lakh tonnes as compared with 13.55 lakh tonnes during 1983-84. During the period April 1984 to February 1985, about 32.56 lakh tonnes of fertilisers were imported as agaisnt 13.55 lakhs tonnes in 1983-84.

To enable institutional agencies in the States to handle larger quantities of fertilisers, in view of the increased consumption, as also to distribute other inputs like seeds, pesticides, etc. short term credit amounting to Rs 260 crores was made available to the States during 1984-85 (i.e., the same level as last year).

Table III-22: Consumption of Fertilisers

(Lakh tonnes)

Year (April-March)	Nitrogenous (N)	Phosphatic (P_2O_5)	Potassic (K_2O)	Total
1.	2.	3.	4.	5.
1979-80	35.0	11.5	6.1	**52.6**
1980-81	36.8	12.1	6.2	**55.2**
1981-82	40.7	13.2	6.7	**60.6**
1982-83	42.2	14.4	7.3	**63.9**
1983-84	52.2	17.3	7.7	**77.2**
1984-85*	56.6	18.8	8.6	**84.0**

* Target

Source: Economic Survey, Government of India.

With a view to supplying fertilisers to farmers near their fields, sale points are being established in rural areas. The number of sale points was 1.45 lakhs in 1983-84. As large areas in the interior of the country still remain to be covered by this facility, the States have been requested to open additional sale points, especially in the remote dryland areas and the areas covered by new irrigation projects.

In addition to chemical fertilisers, the use of organic fertilisers continued to be encouraged. Production of rural and urban compost during 1984-85 is estimated at about 235 million tonnes and 6.70 million tonnes, respectively, i.e., almost at the same level as in the preceding year.

The Ammonium Sulphate (AS) and Calcium Ammonium Nitrate (CAN) fertilisers have been taken out of the statutory price control and the Retention Price Scheme in June 1980 as it was felt then that these fertilisers, used mainly for cash crops, would sustain higher prices. However, as the prices of AS and CAN started increasing and as the demand for them declined due to higher prices, they were brought under the regulation of price control system with effect from August 21, 1984.

Plant Protection Measures

Plant protection has come to acquire a crucial role in agricultural technology. During the year, increasing emphasis was laid on Integrated Pest Management practices with a view to reducing dependence on chemical pesticides. Surveillance over pest build-up was also given adequate attention. Spraying of chemical pesticides is to be used only as a last resort.

During the *rabi* season of 1983-84 and summer/*kharif* season of 1984-85, pest and disease monitoring was conducted through roving surveys by the 19 Central Surveillance Stations and 13 Central Plant Protection Stations in collaboration with 15 major rice,- oilseeds and pulses growing States. These surveys, which helped in issuing timely forewarnings to the farmers on pest build-up, covered 7 lakh hectares. A significant feature during the year was that there was no serious outbreak of any plant disease or attack by pests or insects. Under the New 20-Point Programme, the field stations of the Directorate of Plant Protection, Quarantine and Storage have adopted 175 villages for transfer of technology. Intensive monitoring of crop-pests and diseases is undertaken and

farmers are advised on the adoption of appropriate pest management measures. During the year, screening of wheat (1,86,220 tonnes), rice (84,120 tonnes), dry/fresh fruits and other plant materials (1,84,530 tonnes) and live plants (34,933) imported from various countries was carried out by 29 Plant Quarantine and Fumigation Stations at all the international airports, sea ports and land frontiers. Under the Centrally Sponsored Scheme for Control and Eradication of Pests and Diseases of Agricultural Importance, including weed control in endemic areas, Central Assistance amounting to about Rs. 476 lakhs was extended to various States/Union Teritories to cover an area of about 20.90 lakh hectares. Following the increase in indigenous production of weedicides, only about 200 tonnes of weedicides were imported in 1984-85 as against about 800 tonnes in 1983-84. Demand for pesticides during 1984-85 has been estimated at 75,000 tonnes.

Agricultural Implements and Machinery

Improved agricultural implements and machinery enable the farmers to derive optimum results out of the application of inputs. A policy of selective mechanisation has been adopted to modernise agricultural operations. From a small beginning in the early sixties, agricultural mechanisation has made rapid strides. In 1984-85, about 80,000 tractors and 3,500 power tillers were expected to be sold as against 74,318 tractors and 2,901 power tillers sold last year. Substantial headway has also been made in respect of other agricultural implements and machinery, like crawler tractor, combines (self propelled and tractor drawn) as also improved animal drawn implements. To ensure desired standard of quality for production of agricultural implements and machinery, the Training and Testing Institutes, one at Budni (Madhya Pradesh) and the other at Hissar (Haryana) have completed testing of 22 machines till now in the current year and before the end of the year, a total of 45 machines are likely to be tested. The entire testing procedures have been revised to reduce the testing time and a new set of guidelines was evolved sometime at the end of 1983-84 and made operative from April 1984. The revised procedure reduced the testing time of tractors from 12-14 months to 8-10 months and that of combined harvestor from 12 months to 7-8 months. These two Institutes alongwith the third one at Anantpur are expected to train about 1,448 persons during 1984-85 as against 1,407 persons during 1983-84. The Agricultural Machinery Review and Release Committee set up in 1983 for identifying, reviewing and releasing agricultural implements designed/developed by research institutes, has considered a number of proposals received from the research institutes and has so far recommended the release of 25 implements during the year. A Plan Scheme is being implemented which has the components of intensive demonstration, custom hiring and subsidy on identified implements and machinery. Under the Scheme, initially 600 blocks have been identified in the dryland farming areas in 9 States where mechanisation had not made much progress. In these blocks, 1,200 Farmers' Agro-Service Centres are being set up.

Agro-Industries Corporations

The State Agro-Industries Corporations were established in 17 States under a Centrally Sponsored Scheme, during the Third and Fourth Five Year Plan period. Another Corporation was set up in the State of Manipur during the year 1981-82. Thus, 18 Corporations have been set up in major States for developing and manufacturing suitable equipments to increase the productivity of agriculture, processing of agricultural produce, setting up of agro-based industries, distribution of agricultural inputs and providing custom hiring services to the farmers. The total turnover of these Corporations during 1983-84 increased to Rs. 415 crores from Rs. 400 crores in 1982-83. Prior to the transfer of the Scheme to the State sector, the Government of India had invested Rs. 31.55 crores in these Corporations. With a view to promoting new projects, the Central Government has decided to revive the system of share capital participation in these Corporations. Many of these Corporations are engaged in the distribution of inputs rather than performing

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the basic function of manufacturing of agricultural implements. This development has been brought to the notice of the State Governments. The Government of Tamil Nadu has set up an Agro-Engineering Service Corporation, the first of its kind, solely for the purpose of manufacturing of agricultural implements. The performance of Gujarat State Agro-Industries Corporation in the field of manufacture of technical grade weedicide Isoproturon has been commendable as they could produce Isoproturon at a considerably low cost.

Agricultural Extension

Agricultural Extension plays a crucial role in improving the skills and attitudes of the farmers in the adoption of improved and modern technology for increasing the agricultural production. In view of the significant role that professional agricultural extension has already played and is expected to play in future in improving the agricultural production, the professional extension system is sought to be strengthened through the National Agricultural Extension Project taken up with the World Bank assistance in September 1984. It has three important components *viz.*, (i) the State sector component covering the States of Orissa, Madhya Pradesh and Rajasthan wherein the on-going extension projects have already been completed and the second phase is proposed to be introduced; (ii) the Central sector component for strengthening the Directorate of Extension, Extension Education Institutes and setting up of a National Institute of Extension; and (iii) the Centrally Sponsored components consisting of special sub-projects to bridge the gap and rectifying weaknesses in the on-going projects. For covering the States of Gujarat, Haryana and Karnataka, where on-going projects are likely to be completed shortly as also for covering the State of Jammu and Kashmir, where the training and visit (T & V) system is to be introduced for the first time, the second phase of the National Agricultural Extension Project is proposed to be taken up shortly. During 1984-85, Directorate of Extension continued to organise training programmes to improve professional competence of the extension functionaries. The Directorate also continued to produce audio-visual aids and information literature. With a view to providing effective media support to various farm development programmes, an action plan for production of 15 instructional films on the various agricultural subjects was taken up during 1984-85 in co-ordination with the Ministry of Information and Broadcasting.

During 1984-85, the Directorate brought out a new quarterly publication entitled "Agricultural Extension News Letter" highlighting achievements made by the States in implementation of reorganised extension system, problems faced in this regard and remedial measures taken.

Soil and Water Conservation Programme

Soil and water conservation is essential to prevent degradation, restore degraded lands and increase productivity of land. Soil and water conservation programmes in operation since the First Five Year Plan, fulfil the national plan objective of greater self-reliance by combining conservation strategy with socio-economic needs. It is anticipated that by the end of 1984-85, an area of 29.38 million hectares would be restored through various soil conservation measures at a cost of about Rs. 1,200 crores. Against the target of 6.5 million hectares for the Sixth Five Year Plan, the achievement during the first four years was 4.6 million hectares at a cost of Rs. 400.20 crores. It is expected that the target of 1.41 million hectares set for 1984-85 would be achieved at an estimated cost of Rs. 134.44 crores.

Under the programme of restoration of fallow lands, an area of 7.49 lakh hectares out of a target of 8.30 lakh hectares was brought under productive land management such as cultivation, afforestation, orchards and grass lands in 1982-83 and 1983-84. For 1984-85, the target for the restoration of fallow land was fixed at 5.5 lakh hectares covering 13 States.

The scheme of soil conservation in the catchments of river valley projects in operation

since the Third Five Year Plan, is being implemented in 710 priority watersheds of 28 catchments spread over 17 States, one Union Territory and the Damodar Valley area. These works are likely to be completed in 178 watersheds by the end of 1984-85. Till 1983-84, an area of 18.37 lakh hectares was treated at a cost of Rs. 160 crores. During 1984-85, an area of 1.00 lakh hectares is expected to be treated at a cost of Rs. 19.90 crores.

The Centrally Sponsored Scheme of Watershed Management in the catchment areas of flood prone rivers of Gangetic Basin was launched during the Sixth Plan with the Plan target of treating 2.42 lakh hectares with an outlay of Rs. 50 crores. Of this, about 1.6 lakh hectares is expected to be treated by the end of 1984-85, involving an expenditure of Rs. 30.13 crores.

The All-India Soil and Land Use Survey Organisation, in collaboration with the Department of Space and UNDP/FAO, has been equipping itself with trained manpower and equipment for adopting different remote sensing technology. During 1984-85, the organisation was expected to conduct priority delineation surveys, covering 50 lakh hectares, detailed soil surveys covering 3.7 lakh hectares and sample soil surveys in 980 blocks.

Control of shifting cultivaton scheme continued to be implemented in the Union Territories of Arunachal Pradesh and Mizoram with 100 per cent Central assistance. This programme aims at settlement of shifting cultivator families on permanent cultivation with one hectare of terraced agricultural land and irrigation facility wherever possible and one hectare of horticultural and plantation crops. The Sixth Five Year Plan had set a target of settling 7 units (700 families), including those partially completed during the previous plan.

Dryland Farming

Dryland farming registered substantial progress during 1984-85. The States/Union Territories identified a total number of 4,335 micro-watersheds for intensive development. In the identified micro-watersheds, an area of 39.96 lakh hectares was taken up for being brought under the dryland farming practices against a target of 36.11 lakh hectares fixed for the year. Besides watersheds, an area of 109 lakh hectares was also brought under various dryland farming practices against a target of 100 lakh hectares. The New 20-Point Programme gives high priority to its development. A number of Central and Centrally Sponsored Schemes/ Programmes have been formulated to boost this Programme.

A Central sector scheme for propagation of water conservation/harvesting technology for dry farming areas, launched in 1983-84, is a comprehensive Watershed Development Scheme. It includes components like land development, water resources development and utilisation, improvement of cropping system, horticulture, agro-forestry, pasture development, etc. A World Bank assisted Pilot Project for Watershed Development in rainfed areas had been initiated in the States of Karnataka, Andhra Pradesh, Maharashtra and Madhya Pradesh at a cost of Rs. 44.23 crores for a period of 7 years. In each of these States, a total area of about 25,000 to 30,000 hectares is expected to be brought under comprehensive Watershed Development through improvement of land and water resources base and by superimposition of improved production system. The Kandi Watershed and Area Development Project has been in operation in Punjab since April 1980 with World Bank assistance. The main object of the Project is to provide ecological stabilisation of degraded foot-hills, development of agricultural land, control of erosion, flood, etc. The total project cost is Rs. 51.05 crores and includes a number of components like forestry, animal husbandry, fisheries, soil conservation, horticulture, irrigation, drainage, etc. The progress of dryland farming is indicated in Table III-23.

During the year, a National Project on Development of Dryland Farming was formulated to develop, through the integrated watersheds development approach, a cluster of watersheds covering about 7,000 hectares in

Table III-23: Progress of Various Aspects of Dryland Farming

Item	Unit	Target for 1984-85	Progress achieved upto December 1984
1	2	3	4
1. Land Development	Hectares	91,530	2,73,710
2. Water harvesting/storage structures	Number	4,609	2,300
3. Area covered with improved seeds	Lakh hectares	2.29	2.63
4. Area covered with chemical fertilisers	Hectares	11,407	19,732
5. Seedlings planted under afforestation	Lakh Nos.	8,000	1,925
6. Area planted under social forestry	Hectares	12,000	41,930
7. Number of persons trained	Number	4,609	6,605

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

each of the 150 selected districts located in areas covering the entire range of different agro-climatic conditions of the country.

Integrated Rural Development Programme

Integrated Rural Development Programme (IRDP), which is a part of the New 20-Point Programme is a major poverty alleviation Programme in the Sixth Plan. Its objective is to provide assistance to the target group viz., scheduled castes, scheduled tribes, agricultural labourers, rural artisans, marginal and small farmers, etc., to enable them to improve their income and eventually cross the poverty line. This is done by providing productive assets to the identified families. With the provision of productive assets, thousands of poor families have become small entrepreneurs. This Programme which initially covered 2,300 development blocks, was subsequently extended to all the 5,011 development blocks. It aims at providing assistance to 15 million families with 3,000 families on an average in each block during the Sixth Plan period. The capital cost of the asset is subsidised to the extent of 25 per cent for small farmers, 33⅓ per cent for marginal farmers, agricultural labourers and rural artisans and 50 per cent for the scheduled tribes. The Sixth Plan allocation for the Programme is Rs. 1,500 crores to be shared equally by the Centre and the States. Besides, credit to the extent of Rs. 3,000 crores is to be mobilised during the period, bringing the total investment under the Programme to about Rs. 4,500 crores. It has been laid down that atleast 30 per cent of the families assisted through this Programme should be drawn from scheduled castes/ scheduled tribes and 30 per cent of the resources in terms of subsidy and loan should also go to them. Under the Programme, atleast one third of the beneficiaries of loans and subsidies should be woman heads of the households. The number of beneficiaries covered during 1983-84 was 36.85 lakhs and the scheduled castes/scheduled tribes families covered constituted 41.71 per cent of the total coverage. The achievements under the IRDP are given in Table III-24.

A new scheme called Development of Women and Children in Rural Areas (DWCRA) launched in September 1982 is being implemented on a pilot basis in 50 selected backward districts in different States as a component of IRDP. The main objective of the scheme is to increase the income of the female members of the families of the target group as also to provide supporting services needed to enable them to take-up income generating activities. The approved Sixth Plan outlay for the scheme is Rs. 15.60 crores to be shared equally by the Central and State Governments. In addition, United Nations International Childrens' Emergency Fund (UNICEF) provides assistance in cash and equipment of $ 9 million.

All the States Governments except Meghalaya have agreed to implement this scheme. These States are taking necessary steps to opera-

Table III-24: Progress of Integrated Rural Development Programme

Item	Unit	1980-81	1981-82	1982-83	1983-84	1984-85 (upto Dec. 84)
1	2	3	4	5	6	7
1. Central allocation	Rs. crores	127.80	153.36	204.48	207.72	207.72
2. Central releases	"	82.58	128.45	176.17	194.23	140.45*
3. Total expenditure including state's share	"	158.64	264.65	359.59	406.09	274.82
4. Term credit disbursed	"	289.05	467.59	713.98	773.51	518.92
5. Number of families assisted	In lakhs	27.27	27.13	34.55	36.85	24.03
6. Number of SC/ST families assisted	"	7.81	10.01	14.06	15.37	10.18
7. Per capita investment	Rupees	1,642.00	2,698.00	3,107.00	3,201.00	

* Upto February 1985

Source: Department of Rural Development, Ministry of Agriculture, Government of India.

tionalise the scheme. The actual implementation of the scheme started in 1983-84.

Drought Prone Areas Programme

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

This Programme covers 511 Blocks in 70 districts of 13 States. This includes 369 Blocks already covered under the Programme. Under the Programme, each Block has been allocated Rs. 15 lakhs per annum. It is shared equally by the Central and the State Governments. The allocation for the entire Programme during the Sixth Five Year Plan (1980-85) is Rs. 350 crores—Rs. 175 crores under the Central Plan and matching amount under the State Plan. During the first four years of the Plan, Central assistance amounting to Rs. 131.46 crores was released to the States and a total expenditure of Rs. 268.68 crores has been incurred. For the year 1984-85, a provision of Rs. 40 crores had been made in the central budget for the Programme. The Department of Rural Development lays down policy guidelines and monitors the implementation of the Programme. Implementation of the Programme is the responsibility of the State Governments.

This Programme, being an experiment in area planning, has aroused wide interest. The World Bank, European Economic Community, as also West Germany have extended some aid to promote this Programme. Several research studies are being sponsored to guide in project formulation, organisational structure and management, monitoring and evaluation of the Programme. The achievements of this Programme are set out in Table III-25.

Desert Development Programme

The Desert Development Programme (DDP) was started in 1977-78 with the objective of controlling desertification and restoration of ecological balance of certain deserts and semi-desert areas and creation of conditions for raising the level of production, income and employment of the people of these areas. The programme covered 17 districts in the hot deserts of Rajasthan, Haryana and Gujarat and 4 districts in cold deserts of Jammu & Kashmir and Himachal Pradesh. During the first four years of the Sixth Plan, an amount of Rs. 31.74 crores was released by Central Government to the States for implementing the Programme.

Table III-25: Achievements of Drought Prone Areas Programme

Item	unit	Achievement		
		1982-83	1983-84@	1984-85@
1.	2.	3.	4.	5.
1) Area treated under soil & moisture conservation	'000 hectares	86.31	54.47	43.78
2) Creation of irrigation potential	,,	73.89	106.85	25.86
3) Forestry & pasture	,,	92.76	76.11	43.51
4) Milk societies established	Number	395	1586	538
5) Sheep societies established	,,	51	32	23
6) Number of beneficiaries (families)	In '000	777.53	440.50	616.17
7) Mandays of employment created	In lakhs	330.69	173.91	276.17

@ Provisional

Source: Department of Rural Development, Ministry of Agriculture, Government of India.

Against this, an expenditure of Rs. 57.38 crores was reported by the States (includes States' share also). For the year 1984-85, a provision of Rs. 10 crores had been made in the Central budget as against Rs. 9 crores for 1983-84. The achievements of the Programme are given in Table III-26.

National Rural Employment Programme

The National Rural Employment Programme (NREP) launched in October 1980, replaced the earlier Food for Work Programme (FWP). This is a major Programme for tackling unemployment and under-employment in the rural areas. It became a regular part of the Sixth Five Year Plan from April 1, 1981. The Programme is centrally sponsored on 50:50 sharing basis between the Central and the State Governments. It envisages generation of additional employment opportunities in the rural areas to the extent of 300-400 million mandays every year, besides creating durable community assets and raising the nutritional standards of the rural poor.

Table III-26: Achievements of Desert Development Programme

Item	Unit	1983-84@	1984-85@
1	2	3	4
1. Afforestation			
(i) Plantation	Hectares	43,122	10,745
(ii) Shelter belt plantation	Kms.	27,180	5,431
(iii) Sand dunes stabilisation	Hectares	10,108	1,978
2. Irrigation potential created	"	6,452	1,428
3. Rural electrification-tube wells/pumps energised	Number	1,274	—
4. Execution of watershed programme	Hectares	3,443	121
5. Animal husbandry			
(i) New veterinary dispensaries/centres opened	Number	124	37
(ii) Wool extension centres	"	20	—
(iii) Milk collection centres	"	546	175
(iv) Number of cross breed lambs born	"	4,033	2,378
6. Employment generated	Lakh mandays	75.97	12.02

@ Provisional

Source: Department of Rural Development, Ministry of Agriculture, Government of India

For the year 1984-85, an outlay of Rs. 230.00 crores was provided for this Programme as Central share and would be matched by an equal amount from the State Governments. Besides, the State Governments have been permitted to utilise the unspent balance of Rs. 143.94 crores carried over from the previous year. The reported utilisation—Rs. 519.14 crores—is higher than the previous year's utilisation of Rs. 392.22 crores. A total quantity of 3.09 lakh tonnes of foodgrains was allocated, of which 3.07 lakh tonnes were released to States/Union Territories. As per the latest reports, 1.70 lakh tonnes of foodgrains were utilised by the States/Union Territories. As against a target of 309.13 million mandays, the reported employment generation is 352.31 million mandays which is higher than the employment generation level of 302.76 million mandays during last year.

A salient feature of this Programme is that 10 per cent of the funds are earmarked for utilisation on works exclusively benefiting the members of scheduled castes/scheduled tribes, such as drinking water wells in SC/ST basties, link roads from scheduled castes/scheduled tribes basties to the nearest main road, construction of houses for Scheduled castes/Scheduled tribes, etc. In the matter of employment generation, the proportion of scheduled castes/ scheduled tribes beneficiaries during 1982-83 and 1983-84 was about 43 per cent and 40 per cent, respectively. This indicates that the Programme caters to the needs of the weaker sections to a greater extent. The progress of this Programme is set out in Table III-27.

Rural Landless Employment Guarantee Programme

Rural Landless Employment Guarantee Programme (RLEGP) was launched in August 1983 to tackle in a more direct and specific manner the problem of unemployment among the landless in different States and Union Territories. The basic objectives of this Programme are: i) improvement and expansion of employment opportunities for rural landless labourers with a view to providing employment for at least one member of every landless labour household upto 100 days in a year and ii) creation of durable assets for strengthening the rural infrastructure which will lead to rapid growth of rural economy. Assistance under this Programme is being provided by the Centre on 100 per cent grant basis. During the year 1984-85, a provision of Rs. 400 crores was

Table III-27: Progress of National Rural Employment Programme

Item	Unit	1982-83	1983-84	1984-85
1	2	3	4	5
1. Foodgrains				
(i) Allocation	Lakh tonnes	3.13	3.22	3.09
(ii) Releases	"	2.47	2.36	3.07
(iii) Utilisation	"	1.72	1.47	1.70
2. Cash				
(i) Allocation by the Centre	Rs. crores	190.00	201.65	230.00
(ii) Allocation by the States	"	188.08	199.54	227.53
(iii) Unutilised balance from previous year	"	142.74	145.38	143.94
(iv) Utilisation	"	394.76	392.22	519.14
3. Employment generated	Million mandays	351.20	302.76	352.31

Source: Department of Rural Development, Ministry of Agriculture, Government of India.

made in the budget and Rs. 399.97 crores have already been released to the States/Union Territories. The reported expenditure is Rs. 373.94 crores. During 1983-84, an expenditure of only Rs. 6.21 crores was incurred against a release of Rs. 100 crores. This is because, although the programme was launched on August 15, 1983, the arrangements for implementation of the Programme took some time. For the year 1984-85, employment generation target was fixed at 300 million mandays, of which 252.98 million mandays have been attained resulting in the realisation of 84.33 per cent of the target fixed. Employment generated under this scheme is in addition to the 300-400 million mandays of work created annually under NREP. The State Governments/Union Territory are responsible for implementing the Programme. They are required to prepare specific projects which would be relevant to the New 20-Point Programme and the Minimum Needs Programme, such as construction of rural link roads, field irrigation channels, land development, reclamation of waste land, social forestry and soil and water conservation. These projects are subject to approval and sanction by a Central Committee. This is also subject to the condition that, wage component in a project should not be less than 50 per cent of the total cost of project. While preparing a shelf of projects, the State Governments/Union Territory should give, to the extent possible, priority to works needed to be taken up in backward areas having a predominant population of unemployed landless labourers, especially, from the scheduled castes and scheduled tribes, and also works in areas which are low wage pockets and works which would benefit women. Upto January 1985, the Central Committee had approved 307 projects at an estimated cost of Rs. 825.48 crores. Available information about implementation of RLEGP is set out in the Table below.

Table III-28: Progress of Rural Landless Employment Guarantee Programme

Item	Unit	1983-84	1984-85
1	2	3	4
1. Foodgrains			
i) Allocation	Lakh tonnes	—	3.22
ii) Releases	"	—	3.20
iii) Utilisation	"	0.01	1.06
2. Cash			
i) Allocation	Rs. Crores	100.00	400.00
ii) Releases	"	100.00	399.97
iii) Utilisation	"	6.21	373.94
3. Employment Generation			
i) Target	Million mandays	60.0	300.00
ii) Achievement	"	5.20	252.98
iii) Realisation	Per cent	8.66	84.33

Source: Department of Rural Development, Ministry of Agriculture, Government of India.

Chapter IV

Industrial Production

Trends in Industrial Production during 1984-85

Overall Trends

Industrial production as measured by the average of monthly general indices of industrial production (Base: 1970 = 100), compiled by the Central Statistical Organisation (CSO) at 194.9 during the financial year 1984-85 (April-March) recorded a higher growth rate of 6.3 per cent compared with the growth achieved during the year 1983-84, viz., 5.5 per cent. The year 1984-85 can be divided into two distinct periods, viz., (a) April to September 1984, when an impressive growth rate of 7.6 per cent was recorded in industrial production as compared with 4.2 per cent during the same period of 1983 and (b) October 1984 to March 1985, when the industrial production sustained a setback registering a growth rate of only 5.0 per cent as against 6.6 per cent during the same period of 1983-84. The industrial growth rate achieved during the year 1984-85 would have been even higher than 6.3 per cent, had the same pick-up in the growth rate of industrial production achieved during the first half been maintained in the second half of the year (Table IV-1). The improvement during the first half of the year was due to (i) better availability of power and agricultural raw materials consequent to good monsoon, (ii) some concessions and relaxations in excise and customs duties and (iii) appropriate monitoring of the supply of critical infrastructural inputs through specially established cells. The severe setback in production during the second half was particularly on account of (i) the unsatisfactory performance of the manufacturing sector due to sluggishness in the infrastructure industries, particularly power and coal, (ii) shortfall in the availability of adequate number of wagons for movement of basic inputs as well as finished goods, (iii) shortage of raw materials, (iv) increasing sickness in the industries and (v) disturbed conditions in some parts of the country. It may be relevant here to highlight that the present index of industrial production (Base: 1970 = 100) compiled by the CSO does not truly reflect the real growth in the industrial sector for reasons already explained in the last year's Report. A reference was made in that Report to the setting up of a Working Group to suggest a new base year with a view to improving the coverage of the index. It has been reported that the work relating to the shifting of the base year to 1980-81 is in progress.

Table IV-1: Trends in Industrial Production—Group-wise (Based on CSO's Index (1970 = 100) of Industrial Production)

Group	Weight	Increase (+) Decrease (−) over the previous year (per cent) April — March		
		1982-83	1983-84(P)	1984-85(P)
1	2	3	4	5
General Index (Crude)	**100.00**	**+ 3.9**	**+ 5.5**	**+ 6.3**
1. Mining and Quarrying	9.69	+ 10.8	+ 12.0	+ 8.0
2. Manufacturing	81.08	+ 2.5	+ 4.5	+ 4.4
3. Electricity	9.23	+ 6.8	+ 7.6	+ 12.0
A. Use-based Classification				
1. Basic Industries	32.28	+ 8.1	+ 7.0	+ 10.1
2. Capital Goods Industries	15.25	− 2.7	+ 10.8	+ 3.8
3. Intermediate Goods Industries	20.95	+ 2.6	+ 6.2	+ 3.7
4. Consumer Goods Industries	31.52	+ 3.7	− 0.2	+ 1.9
(a) Durables	3.41	+ 2.9	+ 2.6	+ 12.8
(b) Non-durables	28.11	+ 3.8	− 0.5	+ 0.3
B. Input-based classification				
1. Agro-based industries	33.68	+ 2.7	+ 1.9	+ 2.0
2. Metal-based Industries	21.93	− 0.1	+ 8.6	+ 4.4
3. Chemical-based Industries	12.86	+ 3.1	+ 5.5	+ 7.8
C. Sectoral Indicators				
1. Transport Equipment and Allied industries	10.74	+ 1.1	+ 12.0	+ 7.3
2 Electricity and Allied Industries	14.53	+ 3.4	+ 6.6	+ 9.4
3. Energy Output @	18.51	+ 10.4	+ 7.4	+ 9.4

P: Provisional.

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

The growth in overall production in 1984-85 was shared by all the three sectors comprising the general index,viz., 'mining and quarrying', 'manufacturing' and 'electricity'. The improvement in 'electricity' sector in particular was quite impressive with a 12.0 per cent increase as compared with a smaller increase of 7.6 per cent in the preceding year. Production in 'mining and quarrying' and 'manufacturing' also increased by 8.0 per cent and 4.4 per cent though not as impressively as last year when increases of 12.0 per cent and 4.5 per cent, respectively, had been recorded. As between the two distinct periods referred to earlier, the growth rate in the three sectors during the second half of the year 1984-85 (Oct.–March) declined substantially to 6.7 per cent, 3.1 per cent and 9.5 per cent from 9.7 per cent, 5.8 per cent and 13.6 per cent, respectively, during the first half.

An analysis of trends in industrial production on a quarterly basis shows that the growth rates in the general index during the first two quarters, viz., April-June and July-September at 6.8 per cent and 8.4 per cent were higher than the increases of 3.6 per cent and 4.9 per cent, respectively, during the corresponding quarters of the previous year. However, during the third and fourth quarters, the growth rate declined to 3.9 per cent and 6.0 per cent from 5.7 per cent and 7.6 per cent, respectively. All the three sectors contributed to the deceleration but the decline in growth was sharper in the 'manufacturing' sector.

Table IV-2: Classification of Industries by their Growth Rates

Range of Growth Rates	In terms of weight in General Index of Industrial Production (Base 1970 = 100) April-March	
	1983-84(P)	1984-85(P)
1	2	3
A. Increase		
1. Moderate: Less than 5%	14.35	20.35
2. Marked: 5% and above	48.85	46.93
of which:		
10% and above	38.79	29.38
3. Total Weight (1 + 2)	63.20	67.28
B. Decline		
1. Moderate: Less than 5%	4.36	13.24
2. Marked: 5% and above	29.81	16.85
of which:		
10% and above	10.87	7.11
3. Total Weight (1 + 2)	34.17	30.09
Total (A + B)	**97.37**	**97.37**

P: Provisional.

Taking the Sixth Plan period as a whole, industrial production increased at an average rate of 5.7 per cent as compared with the targeted 8-9 per cent growth rate. This lower than targeted growth rate could be attributed to a sluggish average growth rate of 4.5 per cent in 'manufacturing' sector which accounts for more than four-fifths of the total weight of the industrial index even though average growth rates in the other two sectors,viz., 'mining and quarrying' and 'electricity' were significant at 10.2 per cent and 8.5 per cent, respectively.

During the year 1984-85, industries accounting for a higher combined weight of 67.28 per cent in the general index of industrial production recorded increases in their output compared with the industries having a combined weight of 63.20 per cent in the previous year. However, industries with a combined weight of only 29.38 per cent recorded growth in output of 10 per cent and above compared with the industries with a higher combined weight of 38.79 per cent in the previous year (Table IV-2). Not only the combined weight of industries recording fall in their output came down from 34.17 per cent to 30.09 per cent during the year 1984-85, but weight of industries recording fall in output of 10 per cent and above also declined considerably from 10.87 per cent in 1983-84 to 7.11 per cent in 1984-85.

The Directorate General of Technical Development (DGTD) compiles and analyses data on production in respect of 132 selected manufacturing industries which together account for a total weight of 39.70 per cent in the general index of industrial production. Out of these 132 industries, targets of production set for the year 1984-85 were available in respect of 74 industries. Among these, while 20 industries accounting for a weight of 6.28 per cent achieved their production target over 100 per cent, 32 industries accounting for a weight of 11.37 per cent attained the target by more than 80 per cent. Attainment was below 80 per cent of the target in the case of 22 industries having a weight of 3.56 per cent.

The composite index of six infrastructure industries,viz., electricity, coal (excluding lignite), petroleum crude, petroleum refinery products, saleable steel and cement which account for a total weight of 23.3 per cent in the general in -

dex, recorded an overall growth of 9.8 per cent during 1984-85 which was higher than the growth in the previous year, viz., 7.1 per cent. Industry-wise, production increased in all the six industries barring petroleum refinery products. Among these six industries, electricity, coal (excluding lignite), petroleum crude and cement recorded higher production throughout the year as compared with that in 1983-84. Marked increases of 12.0 per cent and 9.4 per cent, respectively, were noticed in electricity generated and saleable steel production; during the preceding year, while electricity had shown an increase of 7.6 per cent, saleable steel production had declined by 12.3 per cent. Although power generation had gone up substantially in 1984-85, the gap between requirements and availability was large. As a result, many State Governments had to impose power cuts.

Despite inadequacies, improved power supply was one of the reasons for the improvement in the production of saleable steel, the other reasons being comfortable raw material supply and the abandoning of artificial restraints imposed last year on production with a view to reducing accumulated stocks.

The output of coal (excluding lignite) in 1984-85 improved by 6.7 per cent as compared with 5.8 per cent in 1983-84. The increase in the output of crude petroleum and cement during 1984-85 was 11.4 per cent and 11.5 per cent, respectively, compared with the substantially larger increases of 23.5 per cent and 16.1 per cent achieved in the year 1983-84.

The revenue earning freight carried by the railways, during the year 1984-85, at 235.6 million tonnes recorded an increase of 2.4 per cent as compared with a nominal increase of 0.6 per cent during the year 1983-84. The number of wagons loaded (in terms of four wheelers) also showed an improvement of 2.0 per cent in contrast to a fall of 0.1 per cent in 1983-84. While wagon loading of coal and coke, mineral oils, cement and steel items showed improvement, it declined by 7.1 per cent in the case of pig-iron as against the increase of 9.8 per cent last year.

The Government took a series of measures during 1984-85 to increase industrial production. These measures comprised broadly of (i) streamlining of investment procedures, (ii) removal of constraints on production (iii) enhancement of capacity utilisation and productivity and (iv) accelerating the process of growth. Following are the other measures taken for increasing industrial production:

1) The Government decided to enhance the ceiling limit on investment in plant and machinery from Rs. 20 lakhs to Rs. 35 lakhs in respect of small-scale industries and from Rs. 25 lakhs to Rs. 45 lakhs in the case of ancillaries with a view to promoting higher growth because of the vital importance of this sector in the economy.

2) To stimulate industrial growth, as many as 25 industries were relieved from the cumbersome procedure of obtaining licences.

3) The asset limit for companies coming under the Monopolies and Restrictive Trade Practices (MRTP) Act was last fixed in 1969, at Rs. 20 crores. Taking into account the increase in project costs since 1969, the assets limit (of companies covered under MRTP Act) was enhanced to Rs. 100 crores with effect from May 29, 1985.

4) To achieve expeditious disposal of applications for licences from the MRTP companies, it was decided to consider these applications simultaneously under the Industries (Development and Regulation) Act, 1951 and MRTP Act, 1969. The Department of Company Affairs was brought under the Ministry of Industry for this purpose.

5) Manufacturers of certain items like automobiles, paper and paper boards etc., were permitted to effect changes in the product-mix within the overall ceiling of licensed capacities so as to meet the

market demand, to increase level of production (to achieve economies of scale) and also to improve capacity utilisation.

6) The scheme of re-endorsement of capacity on the basis of the best production was further extended for a year so as to enable the manufacturers to benefit from the increased level of production achieved during 1984-85.

7) It was decided to review production performance of public sector enterprises at every board meeting, emphasising the need for timely execution of projects under implementation so that time and cost overruns could be avoided and more powers delegated to these enterprises to provide adequate freedom to them in decision making. It was also decided to have the evaluation of labour productivity with reference to bench mark in similar industry and assessment of productivity and efficiency of the units at plant and shop levels.

Industry Group-wise Analysis

Table IV-1 presents group-wise trends in industrial production during the last three financial years.

As may be seen from Table IV-1, industrial production recorded a higher growth of 6.3 per cent, compared with 5.5 per cent recorded in the previous year. The use-based classification of industrial production data shows that this increase was shared by all the four groups, viz., basic, capital goods, intermediate goods and consumer goods industries.

Among these four groups, the largest contribution to overall increase in industrial production came from 'basic industries' group. This group contributed to the extent of 69 per cent to the overall increase (49 per cent last year). The 'consumer goods' industries made a positive contribution of 9 per cent as against a negative contribution of 1 per cent in 1983-84. On the other hand, the contribution of 'capital goods industries' declined from 31 per cent to 11 per cent and that of 'intermediate goods industries' from 21 per cent to 11 per cent.

The 'basic industries' group with a weight of 32.28 per cent in the general index registered a higher growth of 10.1 per cent during 1984-85 as compared with 7.0 per cent in the previous year. The industries which contributed to this increase were: saleable steel — integrated plants — (9.4 per cent as against a fall of 12.3 per cent in the year 1983-84), steel ingots — integrated plants — (4.6 per cent as against a decline of 8.1 per cent in 1983-84), copper/brass sheets and circles (5.2 per cent as against a fall of 13.6 per cent in 1983-84). Within this group, output of nitrogenous fertilisers, phosphatic fertilisers, coal, aluminium, aluminium sheets and circles and aluminium extruded products also recorded higher growth rates of 12.2 per cent, 20.5 per cent, 6.7 per cent, 25.7 per cent, 16.1 per cent, and 35.8 per cent, as compared with 2.0 per cent, 7.0 per cent, 5.8 per cent, 5.2 per cent, 12.8 per cent and 4.9 per cent, respectively, in 1983-84. On the other hand, crude petroleum, caustic soda, soda ash, cement and aluminium foils, recorded lower growth rates of 11.4 per cent, 7.1 per cent, 4.0 per cent, 11.5 per cent and 10.8 per cent, as compared with 23.5 per cent, 12.7 per cent, 25.8 per cent, 16.1 per cent and 27.7 per cent, respectively, in the previous year. The industries which recorded fall in production during the period were: calcium carbide (4.8 per cent in 1984-85 as against a sharp increase of 42.8 per cent in 1983-84), zinc (4.5 per cent as against an increase of 16.0 per cent in 1983-84).

The next major group, viz., consumer goods industries (weight 31.52 per cent), accounted for an increase of 1.9 per cent during 1984-85 as against a marginal fall of 0.2 per cent in 1983-84. Under this group, consumer durables (weight 3.41 per cent) recorded an increase of 12.8 per cent compared with 2.6 per cent in 1983-84, while consumer non-durables (weight 28.11 per cent) recorded a rise of 0.3 per cent in contrast to a decline of 0.5 per cent in the previous year.

Among the sub-group of consumer durables, production of hurricane lanterns, clocks and typewriters increased by 4.6 per cent, 32.2 per cent and 9.5 per cent during the year 1984-85 as against the declines of 1.8 per cent, 18.4 per cent and 9.8 per cent, respectively, during last year. Production of sewing machines and electric fans increased by 0.2 per cent and 2.9 per cent, respectively, which was much lower as compared with increases of 12.5 per cent and 13.8 per cent, respectively, during 1983-84. The output of motor-cycles, mopeds/scooterettes and autorickshaws recorded lower growth rates of 13.4 per cent, 22.4 per cent and 13.3 per cent as compared with 18.9 per cent, 44.7 per cent and 20.4 per cent, respectively, during last year. Production of scooters was also higher by 14.9 per cent as compared with 5.9 per cent during 1983-84.

Within the sub-group of consumer non-durables output of paper and paper boards increased by 8.7 per cent as compared with 3.9 per cent during 1983-84 and that of cigarettes rose by 7.5 per cent as against a fall of 13.0 per cent in 1983-84. Output of fluorescent tubes showed a higher rise of 14.8 per cent as compared with 6.0 per cent during last year. The industries which recorded decline in production during the year were: leather cloth (9.2 per cent in 1984-85 as against an increase of 9.1 per cent last year), streptomycin (3.9 per cent as against an increase of 5.5 per cent), matches (5.0 per cent as against a rise of 1.9 per cent), razor blades (2.8 per cent as against a rise of 10.5 per cent), cotton and man-made textiles—mill sector — (1.6 per cent as against a substantial rise of 11.3 per cent) and leather footwear—western — (3.7 per cent as against a rise of 1.3 per cent).

The intermediate goods industries group (weight 20.95 per cent) registered a growth rate of 3.7 per cent as compared with 6.2 per cent in 1983-84. In this group, polyethylene L.D. and dry cells (excluding graphite electrodes and anodes) registered increases of 8.7 per cent and 11.1 per cent during 1984-85, as compared with declines of 7.1 per cent and 7.3 per cent, respectively, during the previous year. Production of paints and varnishes improved substantially by 16.7 per cent, on top of an increase of 5.6 per cent last year. Output of petroleum refinery products increased marginally by 1.1 per cent as compared with 6.1 per cent in the preceding year.

The intermediate goods industries which registered decline in output during the year included: bolts, nuts and rivets (9.0 per cent as against a rise of 65.1 per cent in 1983-84), storage batteries (0.2 per cent as against a rise of 5.8 per cent), viscose tyre cord (26.0 per cent over and above a decline of 3.7 per cent), cycle tyres (4.7 per cent as against a rise of 19.9 per cent) and viscose filament yarn (7.5 per cent as against a rise of 6.3 per cent).

The capital goods industries group (weight 15.25 per cent) recorded an increase of only 3.8 per cent during the year as compared with a substantial increase of 10.8 per cent in 1983-84. The industries in this group which performed well during the year 1984-85 were: cement machinery (an increase of 15.8 per cent in contrast to a fall of 8.8 per cent), machine tools (12.3 per cent as against a fall of 0.1 per cent), wire rods for ACSR (50.4 per cent as against a fall of 14.4 per cent), diesel engines — vehicular — (36.7 per cent as against a decline of 8.9 per cent) and diesel engines — stationary — (9.5 per cent as against a fall of 0.3 per cent). However, the output of paper and pulp machinery, sugar machinery, power driven pumps, electric motors and railway wagons recorded declines of 19.9 per cent, 14.3 per cent, 1.8 per cent, 7.8 per cent and 25.1 per cent during 1984-85 in contrast to rises of 9.9 per cent, 20.0 per cent, 6.7 per cent, 11.2 per cent and 13.1 per cent, respectively, in the previous year.

Commercial vehicles, cars, jeeps and land-rovers, chemical and pharmaceutical machinery and ball and roller bearings recorded increases of 9.5 per cent, 58.5 per cent, 8.6 per cent, 5.1 per cent and 17.4 per cent on top of the increases of 2.8 per cent, 7.3 per cent, 6.4 per cent, 1.8 per cent and 9.7 per cent, respectively, during the year 1983-84.

Industrial Growth during April-June 1985

The slowdown in the rate of growth of industrial production which had set in from the third quarter (October-December) of 1984-85 continued in the first quarter (April-June) of 1985-86. The CSO's average general index of industrial production for this quarter (April-June 1985) at 195.3 showed a lower increase of 6.0 per cent as compared with 6.8 per cent dur ing the corresponding quarter of 1984-85. The deceleration in the growth rate occurred mainly on account of substantial decline in the rate of growth of mining and quarrying and electricity sectors.

Sector-wise, 'manufacturing' sector recorded a higher growth of 6.3 per cent during the quarter as compared with a growth of 4.5 per cent in the same quarter of last year. The rate of growth in respect of 'electricity' and 'mining and quarrying' sectors decelerated from 14.2 per cent each in the April-June quarter of 1984-85 to 7.8 per cent and 1.0 per cent, respectively, during the quarter under review.

The six infrastructure industries (viz., electricity, coal (excluding lignite), petroleum crude, petroleum refinery products, saleable steel and cement) having a weight of 23.3 per cent in the general index of industrial production, together recorded a significant deceleration in growth from 14.7 per cent during the first quarter of 1984-85 to 5.7 per cent in the same period of 1985-86. The overall growth rate was, thus, smaller during the first quarter of 1985-86 due to a fall in the output of coal by 2.7 per cent in contrast to a rise of 14.0 per cent in the corresponding quarter of last year as also due to the deceleration in the growth rate of other infrastructure industries barring petroleum refinery products, the output of which recorded a significant growth of 22.1 per cent compared to a nominal rise of 0.2 per cent during the corresponding period of 1984-85.

In the 'manufacturing' sector, output of some major industries recorded further increase during April-June 1985. The industries which witnessed higher growth rates were: yarn (5.9 per cent during April-June 1985 as compared with 4.9 per cent during April-June 1984), commercial vehicles (20.6 per cent as compared with 9.9 per cent) cars (68.4 per cent as compared with 24.8 per cent), drv cells (16.6 per cent as compared with 1.5 per cent), power transformers (13.3 per cent as compared with 4.0 per cent) and ball and roller bearings (23.0 per cent as compared with 20.5 per cent). Other industries which showed a further improvement in output were: nitrogenous fertilisers (14.7 per cent as compared with 22.6 per cent in April-June 1984), phosphatic fertilisers (10.8 per cent as compared with 39.1 per cent), cigarettes (0.9 per cent as compared with 14.6 per cent), caustic soda (5.0 per cent as compared with 19.0 per cent), machine tools (4.1 per cent as compared with 12.5 per cent), auto tyres (13.0 per cent as compared with 20.4 per cent) and tractors (3.2 per cent as compared with 11.9 per cent). The industries which recorded positive growth rates in this quarter in contrast to a fall in their output during the same quarter last year were: steel castings (6.1 per cent as against a fall of 9.8 per cent), rubber footwear (40.1 per cent as against a decline of 12.1 per cent), streptomycin (0.9 per cent in contrast to a fall of 29.5 per cent) and boilers (29.6 per cent in contrast to a fall of 12.5 per cent).

The increase in production of these industries could be attributed to the better availability of raw materials and infrastructural inputs, liberalisation of industrial policy, various concessions in excise and customs duties announced through the budget for the year 1984-85, pick-up in demand following good performance of agricultural output and streamlining and liberalisation of credit by financial institutions.

On the other hand, in some industries, production during this quarter recorded a decline. While the output of diesel engines, railway wagons and soda ash recorded declines of 6.1 per cent, 64.9 per cent and 3.9 per cent in contrast to the increases of 17.5 per cent, 9.6 per cent and 13.6 per cent, respectively, the output of all cloth (mill-sector), sugar, jute textiles and penicillin recorded further declines of 3.3 per cent, 10.5 per cent, 15.1 per cent and 35.9 per cent over

and above the fall of 3.6 per cent, 62.4 per cent, 11.4 per cent and 8.4 per cent, respectively, during the corresponding quarter of 1984-85.

Capacity Utilisation

Data on capacity utilisation are available in respect of 53 industries. These 53 industries account for a total weight of 42.93 per cent in the general index of industrial production. Data on capacity utilisation of these 53 industries are presented in Table IV-3. As may be seen from this table, while capacity utilisation of 32 industries showed improvement, that of the remaining 21 showed decline.

Basic Industries

The capacity utilisation of many industries in this group increased during 1984-85 as compared with that in 1983-84. These are: cement (from 73.1 per cent in 1983-84 to 74.1 per cent in 1984-85), saleable steel (from 71.6 per cent to 78.3 per cent), ingot steel (from 68.6 per cent to 71.8 per cent), aluminium virgin metal (from 60.7 per cent to 76.4 per cent), copper virgin metal (from 72.7 per cent to 84.8 per cent), caustic soda (from 72.3 per cent to 77.3 per cent), nitrogenous fertilisers—N content —(from 67.9 per cent to 76.2 per cent) and phosphatic fertilisers (P_2O_5) (from 70.4 per cent to 74.4 per cent). In this group, soda ash industry recorded the highest utilisation of capacity at 90.0 per cent during 1984-85 though it was much less than the level attained last year, viz., 102.7 per cent. The industries which utilised capacities at lower level during the year than last year included: steel castings (41.8 per cent during 1984-85 as compared with 48.7 per cent during 1983-84), zinc (59.3 per cent as compared with 64.9 per cent), soda ash (90.0 per cent as compared with 102.7 per cent) and lead (48.0 per cent as compared with 52.0 per cent). The improved capacity utilisation in steel industry during 1984-85 could be attributed to modernisation of plants and increase in demand for output of engineering industry in general and automobile industry in particular. The production could have been still higher but for the basic input constraints, i.e., power and coking coal and to a limited extent rail transport which continued to affect performance this year as well. In the case of cement, despite the power cuts in a number of major cement producing states, the industry could utilise its capacity at a higher level (marginally higher by 1.0 per cent at 74.1) mainly due to better availability of power from captive power units.

Capital Goods Industries

Power transformers, ball and roller bearings, cement machinery, diesel engines (stationary type), agricultural tractors and machine tools industries in this group showed increases in capacity utilisation ratios during 1984-85. All other industries in this group recorded declines in capacity utilisation. Among these were: commercial vehicles (capacity utilisation at 81.3 per cent in 1983-84 declined to 71.1 per cent in 1984-85), railway wagons (60.9 per cent to 47.8 per cent), road rollers (25.3 per cent to 12.8 per cent), electrical motors (76.4 per cent to 66.0 per cent) and sugar machinery (84.0 per cent to 58.1 per cent). In general, the fall in capacity utilisation in these industries during 1984-85 was due to demand constraints. In the case of wagon industry, lower orders by the Railways was the main reason for lower capacity utilisation.

Intermediate Goods Industries

Capacity utilisation in all the industries in this group increased during the year barring tyre manufacturing industry (both automobile and bicycle), storage batteries, dry cells, paints and varnishes and welding electrodes. Capacity utilisation for the second year in succession of nylon filament yarn exceeded cent per cent and reached 116.7 per cent during the year from 104.2 per cent during 1983-84 due mainly to increased demand. Utilisation of capacity of petroleum products improved to 87.5 per cent from 84.4 per cent in 1983-84 due to the establishment of increased refining capacities in refineries. In the case of polyester fibre, newsprint, caprolactum, jute manufactures, etc., also capacity utilisation showed considerable improvement. Substantial improvement in the capacity utilisation from 69.8 per cent in 1983-84 to 87.8

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

Group/Industry	Weight	Accounting Unit	April-March 1982-83 (Monthly Average) Production	Installed Capacity	Ratio (%)	1983-84 (Monthly Average) Production	Installed Capacity	Ratio (%)	1984-85 (Monthly Average) Production	Installed Capacity	Ratio %
1	2	3	4	5	6	7	8	9	10	11	12
I. Basic Industries	**17.40**										
1. Cement	1.17	'000 Tonnes	1943.7	2865.6	67.8	2255.9	3086.8	73.1	2514.5	3393.0	74.1
2. Steel Castings	0.61	-do-	7.3	14.8	49.3	7.5	15.4	48.7	7.1	17.0	41.8
3. Saleable Steel	3.88	-do-	607.8	727.0	83.8	533.1	745.0	71.6	583.1	745.0	78.3
4. Ingot Steel	0.02	-do-	718.7	950.0	75.7	660.7	963.3	68.6	691.3	963.3	71.8
5. Aluminium (Virgin Metal)	0.55	-do-	17.4	30.2	57.7	18.3	30.2	60.7	23.0	30.2	76.4
6. Copper (Virgin Metal)	0.01	-do-	2.4	3.3	72.7	2.4	3.3	72.7	2.8	3.3	84.8
7. Zinc	—	-do-	4.3	7.7	55.8	5.0	7.7	64.9	4.8	8.1	59.3
8. Caustic Soda	0.32	-do-	48.1	67.9	70.8	54.2	75.0	72.3	58.0	75.0	77.3
9. Soda Ash	0.22	-do-	51.7	63.4	81.5	65.1	63.4	102.7	67.6	75.1	90.0
10. Nitrogenous Fertilisers (N Content)	0.87	-do-	285.3	428.7	66.6	291.0	428.3	67.9	326.4	428.3	76.2
11. Phosphatic Fertilisers (P_2O_5)	0.52	-do-	81.7	118.2	69.1	87.4	124.2	70.4	105.3	141.6	74.4
12. Lead	—	-do-	1.2	1.5	80.0	1.3	2.5	52.0	1.2	2.5	48.0
13. Electricity +	9.23	Mill. KWH	10831.9	23819.4	45.5	11658.0	26393.0	44.2	13052.8	29204.6	44.7
II. Capital Goods Industries	**6.74**										
1. Commercial Vehicles (Buses & Trucks)	1.25	'000 Nos.	7.2	8.6	83.7	7.4	9.1	81.3	8.1	11.4	71.1
2. Railway Wagons (in terms of 4 wheelers)	1.13	-do-	1.3	2.2	59.1	1.4	2.3	60.9	1.1	2.3	47.8
3. Road Rollers	0.09	Nos.	77.2	150.0	51.5	37.9	150.0	25.3	36.9	288.3	12.8
4. Agricultural Tractors	0.33	'000 Nos.	5.2	7.5	69.3	6.3	7.5	84.0	7.1	7.6	93.4
5. Power Transformers	1.48	'000 KVA	1550.0	2500.0	62.0	1928.3	2750.0	70.1	2120.8	2883.3	73.6
6. Electrical Motors	0.35	'000 H.P.	400.8	560.0	71.6	445.8	583.3	76.4	411.2	623.1	66.0
7. Machine Tools	0.54	Rs. Crores	22.5	24.2	93.0	22.5	28.0	80.4	25.2	28.0	90.0
8. Sugar Machinery	0.19	-do-	3.5	4.8	72.9	4.2	5.0	84.0	3.6	6.2	58.1
9. Ball and Roller Bearings	0.48	Lakh Nos.	31.0	41.7	74.3	34.0	49.6	68.5	39.9	49.6	80.4
10. Cement Machinery	0.21	Rs. Crores	3.8	5.7	66.7	3.6	6.2	58.1	4.8	6.7	71.6
11. Diesel Engines (Stationary type)	0.69	'000 Nos.	13.0	24.8	52.4	13.0	24.8	52.4	14.2	24.8	57.3

(Contd.)

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

1	2	3	4	5	6	7	8	9	10	11	12
III. Intermediate Goods Industries	**13.85**										
1. Tyres—Automobiles	1.10	'000 Nos.	731.2	953.8	76.7	846.0	958.3	88.3	954.7	1317.3	72.5
2. Tyres—Cycles	0.17	-do-	2275.0	2783.1	81.7	2727.5	2833.3	96.3	2598.3	3408.6	76.2
3. Petroleum Products	1.62	Million Tonnes	2.6	3.2	81.3	2.7	3.2	84.4	2.8	3.2	87.5
4. Viscose Staple Fibre	—	'000 Tonnes	4.1	10.4	39.4	6.8	8.2	82.9	8.4	8.2	102.4
5. Polyester Fibre	0.14	-do-	2.2	2.9	75.9	2.3	3.4	67.6	3.3	3.5	94.3
6. Nylon Filament Yarn	0.44	-do-	2.2	2.4	91.7	2.5	2.4	104.2	2.8	2.4	116.7
7. Storage Batteries	0.23	'000 Nos.	157.7	220.4	71.6	166.8	220.8	75.5	166.4	272.8	61.0
8. Dry Cells (Excluding graphite electrodes and anodes)	0.32	Million Nos.	92.9	125.3	74.1	86.1	125.3	68.7	95.7	180.3	53.1
9. Paints and Varnishes	0.24	Lakh Kgs.	89.9	125.4	71.7	95.0	125.4	75.8	111.0	163.0	68.1
10. Caprolactum	—	'000 tonnes	1.1	1.7	64.7	1.3	1.7	76.5	1.4	1.7	82.4
11. Welding Electrodes	0.62	MRM	56.4	61.4	91.9	57.3	61.8	92.7	57.5	76.0	75.7
12. Cotton Spinning *	6.24	—	—	—	62.2	—	—	68.0	—	—	N.A.
13. Newsprint	0.02	'000 Tonnes	10.1	18.6	54.3	14.7	19.2	76.5	16.4	19.2	85.6
14. Jute Manufactures	2.71	-do-	111.5	127.1	87.7	90.7	129.9	69.8	114.1	129.9	87.8
IV. Consumer Goods Industries	**16.52**										
(a) Durables	1.64										
1. Passenger Cars	0.49	'000 Nos.	3.6	4.4	81.8	3.9	6.1	63.9	6.2	6.6	93.9
2. Electric Fans	0.24	-do-	341.7	396.4	86.2	388.8	376.0	103.4	400.1	376.1	106.4
3. Bicycles	0.37	-do-	398.4	575.0	69.3	491.3	583.3	84.2	491.0	603.2	81.4
4. Typewriters	0.14	-do-	9.8	12.2	80.3	8.8	13.0	67.7	9.6	12.8	75.0
5. Domestic Refrigerators	0.13	-do-	31.7	46.9	67.6	40.3	46.9	85.9	47.7	46.9	101.7
6. Sewing Machines	0.05	-do-	25.8	46.2	55.8	29.0	39.4	73.6	29.1	39.4	73.9
7. Scooters, Motor Cycles and Mopeds	0.22	-do-	52.8	46.6	113.3	64.9	66.7	97.3	76.5	89.5	85.5
(b) Non-durables	14.88										
1. Vanaspati	0.68	'000 Tonnes	73.7	117.9	62.5	74.1	121.7	60.9	77.5	117.9	65.7
2. Synthetic Detergents (Organised Sector)	0.01	-do-	13.4	20.9	64.1	11.9	23.9	49.8	14.0	23.9	58.6
3. Sugar	2.79	Million Tonnes	0.7	0.6	116.7	0.6	0.6	100.0	0.5	0.7	71.4

(Contd.)

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

1	2	3	4	5	6	7	8	9	10	11	12
4. Leather Footwear (Organised Sector)	0.34	Lakh Pairs	10.9	16.7	65.3	11.9	18.6	64.0	11.8	18.6	63.4
5. Rubber Footwear	0.44	-do-	32.0	45.7	70.0	30.7	43.9	69.9	29.8	43.9	67.9
6. Cloth Weaving (Mill sector)*	5.34	—	—	—	54.5	—	—	67.0	—	—	N.A.
7. Paper and Paper Boards (Excluding Newsprint)	2.17	'000 Tonnes	100.4	159.6	62.9	104.3	180.4	57.8	113.4	194.8	58.2
8. Electric Lamps (Incandescent Filament excluding fluorescent)	0.29	Million Nos.	22.6	23.5	96.2	22.9	25.5	89.8	23.1	25.5	90.6
9. Cigarettes	2.21	Bill. pcs.	7.7	8.7	88.5	6.7	8.7	77.0	7.2	10.5	68.6
10. Soap	0.61	'000 Tonnes	28.8	20.7	139.1	30.2	28.0	107.9	31.3	23.1	135.5
Total weight	54.51										

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

+: Installed Capacity per hour is obtained by averaging the capacity at the beginning and at the end of the concerned financial year.

* Capacity Utilisation from Textile Commissioner.

N.A.: Not available.

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

per cent in 1984-85 in jute manufactures was the result of resumption of normal working by jute mills after a prolonged strike lasting for about 3 months during last year. However, in the case of automobile tyre manufactures, cycle tyre manufactures, storage batteries,dry cells, paints and varnishes and welding electrodes, capacity utilisation declined from 88.3 per cent, 96.3 per cent,75.5 per cent,68.7 per cent, 75.8 per cent and 92.7 per cent in 1983-84 to 72.5 per cent, 76.2 per cent, 61.0 per cent, 53.1 per cent, 68.1 per cent and 75.7 per cent, respectively, in 1984-85. The lower capacity utilisation in automobile tyre industry could be attributed to high cost of raw materials and disturbed conditions in some parts of the country which affected demand.

Consumer Goods Industries

Better demand conditions led to increased capacity utilisation of consumer durable goods industries, viz., passenger cars, electric fans, typewriters, domestic refrigerators and sewing machines during 1984-85 as compared with that in the previous year. In the case of passenger car industry, capacity established in the last few years was increasingly utilised. In the case of other industries, better demand conditions led to higher capacity utilisation.

The following industries in this sub-group, viz., bicycles, scooters, motor-cycles and mopeds, however, showed lower capacity utilisation. Under consumer non-durable subgroup, industries such as electric lamps, soaps, vanaspati, synthetic detergents, paper and paper boards (excluding newsprint), etc., recorded increase in capacity utilisation over the preceding year. Capacity utilisation in soap industry exceeded cent per cent for the last two years and reached 135.5 per cent during the year due to increased demand and comfortable availability of the main ingredients. Vanaspati industry also fared better in capacity utilisation due to improved supply of both imported and indigenous oils. Industries in this sub-group to suffer decline in capacity utilisation were: sugar, leather footwear, rubber footwear and cigarettes. In sugar industry, capacity utilisation dropped to 71.4 per cent during the year from cent per cent last year due mainly to a sharp decline in sugarcane crop during the year.

Frequency distribution of the same 53 industries according to their capacity utilisation ratios is presented in Table IV-4. A feature emerging from these data is that the number of industries (about 18) which recorded more than 80 per cent capacity utilisation was more or less the same in 1984-85 as in 1983-84. The number of industries utilising their capacity below 60 per cent registered an increase from 8 in 1983-84 to 11 in 1984-85.

Small-Scale Sector

Estimated total value of production in the small-scale sector in 1984-85 was Rs. 34,065 crores (at 1979-80 prices), showing an increase of 12.0 per cent as compared with 9.8 per cent in 1983-84 (Table IV-5). The target of production fixed for this sector for 1984-85, viz., Rs. 32,873 crores was exceeded. The target in terms of number of persons employed, viz., 89 lakhs persons, was also exceeded.

On the exports front, this sector continued to make a significant contribution. Exports of this sector accounted for 21.9 per cent in the total exports of the country in 1983-84. Export promotion was accorded considerable importance. Efforts were coordinated with various organisations engaged in the promotion of exports. Small Industries Development Organisation geared up its activities in providing techno-managerial assistance and guidance for promoting exports from this sector. It was actively associated with the Advance Import Licensing Committee, Export Inspecttion Council, Inter-Ministerial meetings on 'setting up of 100 per cent export oriented industries' in the Free Trade Zones and joint ventures to be set up in foreign countries.

The self-employment scheme continued during 1984-85. A target of 2.5 lakh ventures was fixed for the year, subject to the condition that at least 50 per cent of them would pertain to in-

dustry route and not more than 30 per cent to small business. Upto July 15, 1985, out of a total of 8.94 lakh applications received by District Industries Centre Task Forces, 3.68 lakh cases were recommended and banks in turn sanctioned loans amounting to Rs. 369.72 crores to 2.26 lakh applicants.

Taking into account the escalation in cost of plant and machinery, the investment limit for small-scale undertakings was enhanced to Rs. 35 lakhs. In the case of ancillary undertakings this limit was raised to Rs. 45 lakhs (vide Notification dated the 18th March, 1985).

The Industries (Development and Regulation) Act, 1951 was amended in March 1984, to include a clause empowering the Government to reserve certain items for production exclusively by the ancillary or small-scale undertakings. At present, 873 items are reserved for the small-scale sector. Changes in nomenclature in respect of 6 items were effected during April-December 1984, which empowered the Government to constitute an Advisory Committee on Reservation for determining the nature or class of articles that may be reserved for production by ancillary or small-scale undertakings. The Department of Industrial Development constituted an Expert Group to review the items already reserved for small-scale sector and suggest items that should continue in the list and to make suitable recommendations to the Advisory Committee on Reservation.

The High Powered Committee set up under the Chairmanship of Professor A.M. Khusro for looking into the wider issues and problems of availability of credit to small-scale and village industries has, reportedly, finalised its recommendations.

Under the General Exemption Scheme relating to 68 specified groups of commodities and Central Excise Tariff, products of the small-scale sector get excise relief. This scheme was made applicable to all manufacturers whose value of clearances of all excisable goods during the preceding financial year did not exceed Rs. 75 lakhs. However, the rate of duty was raised from 10 per cent *ad valorem* to 12 per cent *ad valorem*.

Recognising the role of small-scale sector in providing employment, increasing production and exports, Government ensures that this sector gets scarce raw materials in time. For this, the Government maintains close liaison with the canalising agencies, distributors, Small Industries Corporation, State Directors of Industries and Small Scale Units. Liberalised import policy of 1984-85 covered the small-scale industries also. Procedures for imports were streamlined and points of control were reduced. Import of number of new items (105) of raw materials, components/machinery and equipment was brought under Open General Licence (OGL). The upper limit for import of designs for technology upgradation was enhanced from Rs. 10 lakhs to Rs. 25 lakhs. The limit of value of import of prototypes against automatic licences was similarly enhanced from Rs. 20,000 to Rs. 50,000. The National Small Industries Corporation and the State Small Industries Development Corporations were permitted to import capital goods for stock and sale to small-scale entrepreneurs. The facility to import the entire machinery under OGL alongwith the required raw materials for twelve months, given to non-resident Indians setting up certain categories of electronic industries was continued during 1984-85.

District Industries Centres

The total number of District Industries Centres sanctioned during 1984-85 stood at 397. These centres covered 410 out of the total 415 districts in the country (except the four Metropolitan cities of Bombay, Calcutta, Madras and Delhi which are outside the purview of the DIC Programme).

Under this programme, an estimated 2.58 lakh new units (comprising 2.10 lakh artisan-based units and 0.48 lakh small-scale units) were established during 1984-85 (April-March) as compared to 3.49 lakh new units (2.74 lakh

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

Range of Capacity Utilisation Ratio in 1984-85	Industry	Capacity Utilisation Ratios% April—March			Percentage Variation	
		1984-85(P)	1983-84(P)	1982-83(P)	1984-85 over 1983-84	1983-84 over 1982-83
1	2	3	4	5	6	7
	A. Basic Industries					
Above 80	1. Copper (virgin metal)	84.8	72.7	72.7	+16.6	—
	2. Soda Ash	90.0	102.7	81.5	−12.4	+26.0
Between 70 and 80	3. Cement	74.1	73.1	67.8	+1.4	+7.8
	4. Saleable Steel	78.3	71.6	83.8	+9.4	−14.6
	5. Ingot Steel	71.8	68.6	75.7	+4.6	−9.4
	6. Aluminium (virgin metal)	76.4	60.7	57.7	+25.9	+5.2
	7. Caustic Soda	77.3	72.3	70.8	+6.9	+2.1
	8. Nitrogenous Fertilizers (N content)	76.2	67.9	66.6	+12.2	+2.0
	6. Phosphatic Fertilizers (P_2O_5)	74.4	70.4	69.1	+5.7	+1.9
Below 60	10. Steel Castings	41.8	48.7	49.3	−14.2	−1.2
	11. Zinc	59.3	64.9	55.8	−8.6	+16.3
	12. Lead	48.0	52.0	80.0	−7.7	−35.0
	13. Electricity	44.7	44.2	45.5	+1.1	−2.8
	B. Capital Goods Industries					
Above 80	1. Agricultural Tractors	93.4	84.0	69.3	+11.2	+21.2
	2. Machine Tools	90.0	80.4	93.0	+11.9	−13.5
	3. Ball and Roller Bearings	80.4	68.5	74.3	+17.4	−7.8
Between 70 & 80	4. Commercial Vehicles (Buses & Trucks)	71.1	81.3	83.7	−12.5	−2.9
	5. Power Transformers	73.6	70.1	62.0	+5.0	+13.1
	6. Cement Machinery	71.6	58.1	66.7	+23.2	+12.9
Between 60 & 70	7. Electrical Motors	66.0	76.4	71.6	−13.6	+6.7
Below 60	8. Railway Wagons (In terms of 4 wheelers)	47.8	60.9	59.1	−21.5	+3.0
	9. Road Rollers	12.8	25.3	51.5	−49.4	−50.9
	10. Sugar Machinery	58.1	84.0	72.9	−30.8	+15.2
	11. Diesel Engine (Stationary type)	57.3	52.4	52.4	+9.4	—
	C. Intermediate Goods Industries					
Above 80	1. Petroleum Products	87.5	84.4	81.3	+3.7	+3.8
	2. Viscose Staple Fibre	102.4	82.9	39.4	+23.5	+110.4
	3. Polyester Fibre	94.3	67.6	75.9	+39.5	−10.9
	4. Nylon Filament Yarn	116.7	104.2	91.7	+12.0	+13.6
	5. Caprolactum	82.4	76.5	64.7	+7.7	+18.2
	6. Newsprint	85.6	76.5	54.3	+11.9	+40.9
	7. Jute Manufactures	87.8	69.8	87.7	+25.8	−20.4
Between 70 & 80	8. Tyres-Automobiles	72.5	88.3	76.7	−17.9	+15.1
	9. Tyres — Cycles	76.2	96.3	81.7	−20.9	+17.9
	10. Welding Electrodes	75.7	92.7	91.9	−18.3	+0.9
Between 60 & 70	11. Storage Batteries	61.0	75.5	71.6	−19.2	+5.4
	12. Paints & Varnishes	68.1	75.8	71.7	−10.2	+5.7
Below 60	13. Dry Cells (Excluding graphite electrodes and anodes)	53.1	68.7	74.1	−22.7	−7.3

(Contd.)

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

Ranges of Capacity Utilisation Ratio in 1984-85	Industry	Capacity Utilisation Ratios % April—March			Percentage Variation 1984-85 over 1983-84	Percentage Variation 1983-84 over 1982-83
		1984-85(P)	1983-84(P)	1982-83 (P)		
1	2	3	4	5	6	7
	D. Consumer Goods Industries					
	(a) Durables:					
Above 80	1. Passenger Cars	93.9	63.9	81.8	+46.9	−21.9
	2. Electric Fans	106.4	103.4	86.2	+2.9	+19.9
	3. Bicycles	81.4	84.2	69.3	−3.3	+21.5
	4. Domestic Refrigerators	101.7	85.9	67.6	+18.4	+27.1
	5. Scooters, Motor Cycles and Mopeds	85.5	97.3	113.3	−12.1	−14.1
Between 70 & 80	6. Typewriters	75.0	67.7	80.3	+10.8	−15.7
	7. Sewing Machines	73.9	73.6	55.8	+0.4	+31.9
	(b) Non-durables					
Above 80	1. Electric Lamps (Incandescent Filament)	90.6	89.8	96.2	+0.9	−6.7
	2. Soaps	135.5	107.9	139.1	+25.6	−22.4
Between 70 & 80	3. Sugar	71.4	100.0	116.7	−28.6	−14.3
Between 60 & 70	4. Vanaspati	65.7	60.9	62.5	+7.9	−2.6
	5. Leather Footwear (Organised Sector)	63.4	64.0	65.3	−0.9	−2.0
	6. Rubber Footwear	67.9	69.9	70.0	−2.9	−0.1
	7. Cigarettes	68.6	77.0	88.5	−10.9	−13.0
Below 60	8. Synthetic Detergents (Organised Sector)	58.6	49.8	64.1	+17.7	−22.3
	9. Paper and Paper Boards (excl. Newsprint)	58.2	57.8	62.9	+0.7	−8.1

P: Provisional.

artisan-based units and 0.75 lakh small-scale units) set up during 1983-84 (Table IV-6). These new units were expected to generate employment to 11.39 lakh persons as compared with 11.15 lakh persons during last year. Assistance provided by banks and other financial institutions during 1983-84 had amounted to Rs. 610.39 crores.

Industrial Sickness

Data on industrial sickness are available upto end-June 1984, which indicate that there was a further rise in their numbers as well as in total bank credit outstanding against them. The number of large industrial units availing of bank credit limit of Rs. 1 crore and above and identified as sick by banks increased to 513 as at end-June 1984 from 463 as at end-June 1983 (Table IV-7). The bank credit outstanding against them during this period increased to Rs. 2,112.44 crores from Rs. 1,913.10 crores. Industry-wise, incidence of sickness continued to be high in the case of Textiles followed by Engineering and Electricals. The number of sick units in the textiles industry increased from 119 units to 140 units and the amount of outstanding credit against them rose from Rs. 579.83 crores (30.3 per cent of total outstanding bank credit) as at end-June 1983 to Rs. 697.87 crores (33.0 per cent of total outstanding bank credit) as at end-June 1984. The number of sick units in the 'Engineering and Electricals' industry increased from 101 to 121 and the bank credit outstanding against them rose from Rs. 365.74 crores at end-June 1983 (19.1 per cent of the total outstanding bank credit) to Rs. 437.14 crores (20.7 per cent of the total outstanding bank credit) at end-June 1984. In the case of Iron and Steel, Sugar, Jute and Cement the number of sick units declined marginally. State-

Table IV—5: Small-Scale Sector

Item	April—March			
	1981-82	1982-83	1983-84	1984-85 (Provisional)
1	2	3	4	5
Production (Rupees Crores at 1979-80 Prices)	25,920	27,700	30,415	34,065
Exports (Rupees Crores)	2,071	2,097	2,159	N.A.
Employment (Lakh persons)	75	79	84	90

N.A.: Not available.

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

wise, West Bengal, Maharashtra, Uttar Pradesh, Gujarat, Tamil Nadu and Karnataka together accounted for 396 sick units involving an outstanding bank credit of Rs. 1,747.05 crores (82.7 per cent of total outstanding bank credit) at end-June 1984, as against 363 sick units with an outstanding bank credit of Rs. 1,603.61 crores (83.8 per cent of total outstanding bank credit) at end-June 1983 (Table IV-7A).

The number of identified sick industrial units in the small-scale sector at the end of June 1984 stood at 81,647 as against 64,388 a year ago. Bank credit outstanding against these units rose to Rs. 788.30 crores at end-June 1984 from Rs. 626.52 crores at end-June 1983, of which 5,929 units with outstanding bank credit of Rs. 223.70 crores were considered by banks as potentially viable and 65,768 with outstanding credit of Rs. 485.54 crores as non-viable. The viability of remaining 9,950 units with an outstanding credit of Rs. 79.06 crores is yet to be assessed by banks. Out of 5,929 viable units, 2,167 were under banks' nursing programme.

Taking big and other units together, 83,597 units were sick involving total bank credit outstanding of Rs. 3,273.91 crores as at end-June 1984, which constituted 7.7 per cent of banks' total advances.

Commercial banks were advised in February 1985 to take all precautionary measures to minimise the rising incidence of sickness in their portfolio advances. The banks were required to undertake detailed studies in order to determine the viability of sick units and formulate package programme for rehabilitating potentially viable units without loss of time. Banks were also advised to set up a small Task Force comprising the concerned senior officials to have a critical review of each large sick unit.

Industrial Licensing Policies

During 1984-85 while the Government continued to pursue the licensing policy within the overall frame-work laid down in the Industries (Development and Regulation) Act, 1951, Industrial Policy Resolution of 1956 and the Industrial Policy Statement of 1980, a new emphasis was given to the implementation of a result-oriented rather than procedure-oriented policy. For the effective implementation of this policy and to accelerate the pace of industrial growth, the Government took a number of measures/steps, some of which are listed below:—

1) Instructions were issued to all Administrative Ministries that all matters relating to the creation of capacities, additional licensing to meet casual demand, projections of demand and supply of various articles subject to licensing, etc., should invariably be referred to the Project Approval Board, which is the apex licensing body. Instructions were also issued that reports formulated by the Working Groups/Task Forces and other committees on demand projections for various industries should also be subjected to the approval of the

Table IV—6: Performance of District Industries Centres

Item	Total Achievements (April-March)			Per DIC Achievements (April-March)	
	1982-83	1983-84	1984-85@	1982-83	1983-84
1	2	3	4	5	6
1. No. of DICs reporting	379	396	397	—	—
2. New Registration done (Nos.)	2,69,691	3,00,969	N.A.	712	760
3. New units established					
(i) Artisans	2,91,466	2,74,000	2,10,013	769	692
(ii) SSI	73,777	75,300	48,037	195	190
Total	3,65,243	3,49,300	2,58,050	964	882
4. Sick units assisted (Nos.)	5,594	1,440	N.A.	15	4
5. Credit assistance provided by financial institutions (Rupees in crores)	560.32	610.39	N.A.	1.48	1.54
6. Additional employment generated (No. of persons)	11,82,260	11,15,133	11,38,993	3,119	2,816
7. Units given technical and other assistance (Nos.)	40,468	42,733	N.A.	107	108

@ Expected achievements.
N.A.: Not available.
Sources: Office of the Development Commissioner, Small-Scale Industries, Ministry of Industry.
Annual Report, 1984-85, Department of Industrial Development, Ministry of Industry, Government of India.

Project Approval Board before sanctioning fresh capacities.

2) The Government have constituted a Statutory Advisory Committee, as per the provisions of the Industrial (Development and Regulation) Amendment Act, 1984, to determine the nature or class of articles which may be reserved for production under ancillary or small-scale industry.

3) The Government accorded priority to State Industrial Development Corporations (SIDCs) in the grant of Industrial Licences under the Industries (Development and Regulation) Act, 1951 to enable them to set up projects in joint sector in participation with competent private parties. The guidelines were revised with a view to enabling the SIDCs to associate competent private parties in the implementation of projects in the core and export-oriented sectors and to facilitating the rotation of funds of the SIDCs.

4) Considering the large cost escalation since 1969, the assets limit for the MRTP companies was enhanced from the existing Rs. 20 crores to Rs. 100 crores.

5) As small-scale sector plays a vital role in economic development, the Government enhanced the ceiling limit of investment in plant and machinery in the case of small-scale industries from Rs. 20 lakhs to Rs. 35 lakhs. The limit in the case of ancillaries was also enhanced from Rs. 25 lakhs to Rs. 45 lakhs to broad base them and to promote further growth.

6) With a view to cutting down the procedural delays to a minimum in the creation of additional capacities in areas where they were required, the Government delicensed certain industries. Accordingly, as many as 25 industries most of them belonging to engineering group, would need no licence hereafter under the Industries (Development and Regulation) Act, 1951. However, these industries would be required to register themselves with the concerned technical authority like the Directorate General of Technical Development. This change is expected to stimulate growth and simplify the licensing procedure.

Table IV-7: Sick Industrial Units and Outstanding Bank Credit

(Rupees crores)

Industry	End-June 1982		End-June 1983		End-June 1984	
	No. of Units	Amount of Outstanding Bank Credit	No. of Units	Amount of Outstanding Bank Credit	No. of Units	Amount of Outstanding Bank Credit
1	2	3	4	5	6	7
1. Engineering and Electricals	91	345.23 (20.0)	101	365.74 (19.1)	121	437.14 (20.7)
2. Iron and Steel	39	138.33 (8.0)	38	142.45 (7.5)	35	160.29 (7.6)
3. Textiles	111	515.55 (29.8)	119	579.83 (30.3)	140	697.87 (33.0)
4. Chemicals	25	194.13 (11.2)	27	209.24 (10.9)	29	157.35 (7.5)
5. Sugar	45	149.34 (8.6)	44	180.11 (9.4)	43	164.16 (7.8)
6. Jute	37	111.35 (6.4)	37	120.53 (6.3)	36	120.45 (5.7)
7. Rubber	15	100.41 (5.8)	16	108.33 (5.7)	16	123.16 (5.8)
8. Cement	3	12.08 (0.7)	3	9.23 (0.5)	2	9.08 (0.4)
9. Miscellaneous	69	162.53 (9.4)	78	197.64 (10.3)	91	242.94 (11.5)
Total	**435**	**1,728.95 (100.0)**	**463**	**1,913.10 (100.0)**	**513**	**2,112.44 (100.0)**

Note: Figures in brackets are percentages to total.

7) With a view to optimising capacity utilisation and encouraging larger volume of production so as to secure the benefits of economies of scale, some broad categorisation of certain industries was adopted for the purpose of licensing. This step of 'broad banding' is expected to help in streamlining the licensing procedure and provide flexibility to the manufacturers to adjust the product-mix within the overall licensed capacity to suit the market demand. Accordingly, the following industries were broadly categorised during the year 1984-85 for the purpose of licensing:

i) Motorised two-wheelers
ii) Four-wheelers vehicles
iii) Chemicals, pharmaceuticals, petrochemical and fertilisers machinery industry; and
iv) Paper and pulp industry.

8) To control effectively environmental pollution arising out of industrial projects, it was decided, not only to insist on the installation of suitable pollution control equipments but also to approve the site and location of the projects in respect of 20 identified industries involving high pollution.

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

(Rupees crores)

State/Union Territories	End-June 1982		End-June 1983		End-June 1984	
	No. of Units	Amount of Outstanding Bank Credit	No. of Units	Amount of Outstanding Bank Credit	No. of Units	Amount of Outstanding Bank Credit
1	2	3	4	5	6	7
1. Andhra Pradesh	13	31.64	17	35.25	24	45.26
		(1.8)		(1.8)		(2.1)
2. Assam	2	2.28	2	1.86	3	6.04
		(0.1)		(0.1)		(0.3)
3. Bihar	13	41.16	13	44.27	13	37.88
		(2.4)		(2.3)		(1.8)
4. Delhi	1	7.82	2	5.01	2	3.11
		(0.5)		(0.3)		(0.2)
5. Goa	4	7.32	5	9.92	5	12.65
		(0.4)		(0.5)		(0.6)
6. Gujarat	42	131.73	42	151.95	51	192.81
		(7.6)		(7.9)		(9.1)
7. Haryana	6	12.43	9	22.11	12	29.15
		(0.7)		(1.2)		(1.4)
8. Karnataka	20	140.64	27	173.11	28	196.24
		(8.1)		(9.1)		(9.3)
9. Kerala	17	73.51	16	71.32	16	82.79
		(4.3)		(3.7)		(3.9)
10. Madhya Pradesh	16	35.58	20	54.00	20	57.76
		(2.1)		(2.8)		(2.7)
11. Maharashtra	88	355.22	92	405.48	100	491.34
		(20.6)		(21.2)		(23.3)
12. Orissa	3	18.36	3	18.97	4	24.37
		(1.1)		(1.0)		(1.2)
13. Pondicherry	2	5.78	2	3.28	3	10.08
		(0.3)		(0.2)		(0.5)
14. Punjab	3	4.31	4	6.31	3	5.17
		(0.2)		(0.3)		(0.2)
15. Rajasthan	6	35.07	7	37.19	12	51.13
		(2.0)		(1.9)		(2.4)
16. Tamil Nadu	35	216.33	40	228.24	46	150.88
		(12.5)		(11.9)		(7.1)
17. Uttar Pradesh	53	183.60	54	220.89	57	240.30
		(10.6)		(11.6)		(11.4)
18. West Bengal	111	426.17	108	423.94	114	475.48
		(24.7)		(22.2)		(22.5)
Total	**435**	**1,728.95**	**463**	**1,913.10**	**513**	**2,112.44**
		(100.0)		**(100.0)**		**(100.0)**

Note: Figures in brackets are percentages to total.

9) With a view to ensuring simultaneous consideration of applications for industrial licence and clearance under the MRTP Act, 1969 and the Industries (Development and Regulation) Act, 1951, it was decided that the industrial undertakings should make applications under both these acts. For this purpose, the Department of Company Affairs was directed to work in co-ordination with the Ministry of Industry.

10) The scheme of re-endorsement of capacity on the basis of the highest production during the last five years which was continued during 1983-84, was extended during the year 1984-85 also to allow the benefit of increased production.

11) In order to ensure that the production of tractors and combined harvesters conforms to the requirements of standard quality and that the mushroom units do not enter this field, the Government included these items in Schedule IV of the Exemption Notification dated February 16, 1973 and brought all the units including those in the small-scale sector engaged in the manufacture of these items under the regulatory control of the Industries (Development and Regulation) Act, 1951. Similarly, the Government also included motor cars, buses, trucks, jeeps, vans, scooters, motor-cycles and all other types of automobiles in the same Schedule. This measure was taken with a view to fostering indigenisation of the automobile industry and ensuring better quality production and proper after-sales service.

Annual Plan 1985-86—Outlay for Industry, Minerals and Power

The 1984-85 Annual Plan Outlay for industry, minerals and power in the central sector which had been originally fixed at Rs. 9,670.69 crores was later reduced marginally by 0.2 per cent to Rs. 9,590.87 crores (Table IV-8). The original outlay for industries like petroleum, coal and lignite and fertilisers were pruned down considerably by 17.5 per cent, 18.3 per cent and 10.3 per cent, respectively, because of spill over of some projects to the Seventh Plan. On the other hand, the allocations for certain other industries like iron and steel, non-ferrous metals, petro-chemicals and cement were revised upwards significantly by 23.3 per cent, 47.0 per cent, 34.5 per cent and 24.2 per cent, respectively, with a view to giving priority for the completion of on-going projects and to maintain the tempo of development.

The Annual Plan 1985-86, the first year of the Seventh Five Year Plan, provided an outlay of Rs. 10,154.41 crores for industry, minerals and power. This exceeded the revised outlay for 1984-85 by 5.9 per cent only. The 1984-85 outlay was higher by 25.0 per cent over the 1983-84 outlay. The infrastructure industries, *viz.*, power, coal, iron and steel, petroleum and cement were allocated as usual, a larger outlay of Rs. 7,485.00 crores as compared with Rs. 6,662.13 crores in 1984-85. Their share in the total allocation for 1985-86 increased to 73.7 per cent from 69.5 per cent in 1984-85. Despite this increase, individual outlays for iron and steel, and cement industries were lower by 31.0 per cent and 4.5 per cent, respectively, compared with the outlays in 1984-85. The 1985-86 outlays for other infrastructure industries were, however, higher than the 1984-85 outlays. Among other industries, the 1985-86 outlays in respect of non-ferrous metals, paper and newsprint, textiles, etc., were placed much lower than those in the previous year.

Selected Industries: A Review

The performance of selected industries in the four broad groups, *viz.*, basic goods, capital goods, intermediate goods and consumer goods industries during the year 1984-85 is briefly reviewed below.

A. Basic Industries

(a) Coal

The tempo of increased coal production achieved during the first four years of the Sixth Plan was maintained during the terminal year of the plan, i.e., 1984-85 (April—March) also. During the year, coal output (excluding lignite)

touched an all time high of 147.5 million tonnes as compared with 138.2 million tonnes in 1983-84 (Table IV-9). The growth rate showed modest improvement from 5.8 per cent in 1983-84 to 6.7 per cent in the current year. However, the target of 152.0 million tonnes (revised) of coal production fixed by the Planning Commission for the terminal year of the Sixth Plan fell short by 3.0 per cent or 4.5 million tonnes mainly due to power shortage, rains, floods, absenteeism in mines of Coal India Ltd. (CIL) and frequent strikes by the employees of Singareni Collieries Company Ltd. (SCCL). During the period April-June 1985, coal production was 32.3 million tonnes showing a marginal decline of 2.7 per cent over the production during the corresponding period in 1984.

Table IV—8: Outlays for Selected Industries in the Central Sector under Annual Plan

(Rupees crores)

Industry	April-March			
	1983-84	1984-85		1985-86
	Revised Outlay	Original Outlay	Revised Outlay	Original Outlay
1	2	3	4	5
1. Iron and Steel	1,018.26	1,086.78	1,340.26	925.00
	(+17.0)		(+31.6)	(−31.0)
2. Petroleum	2,427.64	3,126.63	2,578.72	3,085.00
	(+20.0)		(+6.2)	(+19.6)
3. Coal and Lignite	968.60	1,117.00	913.22	997.00
	(+11.1)		(−7.4)	(+9.2)
4. Power	1,186.29	1,764.42	1,743.01	2,395.00
	(+14.5)		(+46.9)	(+37.4)
5. Fertilisers	381.35	573.43	514.51	543.48
	(+16.4)		(+34.9)	(+5.6)
6. Non-ferrous Metals	360.79	528.68	777.32	566.32
	(+22.8)		(+15.4)	(−27.1)
7. Petro-chemicals	124.36	124.61	167.63	176.00
	(+7.6)		(+34.8)	(+5.0)
8. Cement	30.76	70.00	86.92	83.00
	(−3.9)		(+182.6)	(−4.5)
9. Paper and Newsprint	93.52	104.06	116.00	85.85
	(−3.9)		(+24.0)	(−26.0)
10. Drugs and Pharmaceuticals	12.73	15.79	12.16	19.47
	(+3.5)		(−4.5)	(+60.1)
11. Textiles	21.25	28.00	35.00	25.00
	(+22.6)		(+64.7)	(−28.6)
12. Other industries	1,049.67	1,131.29	1,306.12	1,253.29
			(+24.4)	(−4.0)
Total for Industry, Minerals and Power	**7,675.22**	**9,670.69**	**9,590.87**	**10,154.41**
	(+20.2)		**(+25.0)**	**(+5.9)**

Note: Figures in brackets represent percentage variations over the preceding year.
Source: Plan Budget, Government of India.

A Working Group on coal and lignite for the Seventh Five Year Plan (1985-86 to 1989-90) set up by the Planning Commission has projected the production target for coal at 235.6 million tonnes (205.9 million tonnes for CIL, 24.0 million tonnes for SCCL and 5.7 million tonnes for others) as against the estimated demand of 240.0 million tonnes for the terminal year (1989-90) of the Seventh Plan. During 1985-86, a production target of 158.5 million tonnes as against the estimated demand of 163.8 million tonnes has been envisaged. The Working Group has estimated an investment requirement of Rs. 10,670 crores for the coal sector during the Seventh Plan period.

The Government took a number of steps in 1984-85 to improve coal production. These included improved power supply to coal mines through better power generation by the Damodar Valley Corporation (DVC); enlisting support from the Northern Region Electricity Board grid at critical times; installing captive generation units wherever feasible; control over absenteeism by taking action under relevant labour laws; close monitoring of the performance of collieries; improvement in law and order situation in coalfields; opening of new coal mining projects and providing necessary infrastructure facilities for coal mining.

Table IV—9: Performance of Coal Industry

(Million tonnes)

Item	April—March		
	1982-83	1983-84(P)	1984-85(P)
1	2	3	4
1. Production			
(a) Coal (i+ii)	**130.6**	**138.2**	**147.5**
	(+4.6)	**(+5.8)**	**(+6.7)**
(i) Coking Coal	37.0	36.0	36.1
	(+4.2)	(−2.7)	(+0.3)
(ii) Non-coking Coal	93.6	102.2	111.4
	(+4.6)	(+9.2)	(+9.0)
(b) Lignite	6.9	7.3	7.8
	(+9.5)	(+5.8)	(+6.8)
2. Imports (Coking Coal)	**1.3**	**0.5**	**0.7**
3. Despatches (i+ii)	**123.6***	**130.3**	**134.7**
	(+8.8)	**(+5.4)**	**(+3.4)**
(i) Coking Coal	35.8*	34.9	32.5
	(+15.1)	(−2.5)	(−6.9)
(ii) Non-coking Coal	87.8*	95.4	102.2
	(+6.3)	(+8.7)	(+7.1)
4. Exports	**0.2**	**0.1**	**0.1**
5. Year-end Pit-head Stocks (i+ii)	**22.4**	**22.9**	**30.5**
	(+6.2)	**(+2.2)**	**(+33.2)**
(i) Coking Coal	9.2	7.1	9.8
	(+2.2)	(−22.8)	(+38.0)
(ii) Non-coking Coal	13.2	15.8	20.7
	(+9.1)	(+19.7)	(+31.0)

P : Provisional.

* Excluding coal used for Hard Coke, Soft Coke, etc.

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 Steel, Mines and Coal.

The Coal India Limited (CIL), which accounts for about 90 per cent of the country's coal production, produced 130.8 million tonnes in 1984-85 (as against the target of 131.0 million tonnes for the year), which was higher than last year's output by 9.4 million tonnes. Output per manshift (OMS) in case of CIL improved to 0.87 tonnes from 0.81 tonnes in 1983-84 whereas this remained stagnant at 0.70 tonnes in the case of SCCL.

Commensurate with improved production, despatches to major consuming sectors showed a modest rise of 3.4 per cent to 134.7 million tonnes in 1984-85 from 130.3 million tonnes last year. The daily average coal loading from the CIL improved from 9,931 wagons in 1983-84 to 10,103 wagons in 1984-85 recording a rise of 1.7 per cent.

Since the increase in coal despatches (in absolute terms) did not keep pace with the increase in production, there was further accretion to pit-head stocks of coal. Pit-head stocks increased substantially from 22.9 million tonnes at end-March 1984 to 30.5 million tonnes at end-March 1985. The Department of Coal and Ministry of Railways are looking into this problem to identify measures for liberating pit-head stocks consistent with available rail facilities.

An important development in the industry during 1984-85 was the sanction of 12 coal mining projects with a total capacity of 14.8 million tonnes per annum involving capital outlay of Rs. 438.04 crores. As on February 28, 1985, out of the 144 coal mining projects each costing Rs. 5 crores and more, sanctioned since nationalisation of coal mines, 24 projects had been completed and 119 projects were under various stages of implementation. One project could not be taken up due to inadequate geological information. There are at present 20 operating coal washeries in the country (including one non-coking coal washery), with a total raw coal input capacity of 33.4 million tonnes per year. In order to improve the quality of coal, the CIL has at present 50 major and 100 mini coal handling plants which together handle about 56.0 per cent of total coal production. An increased number of coal handling plants are to be set up by 1986-87 when 86.0 per cent of the coal produced will pass through these coal handling plants. This will go up further to 94.0 per cent by the end of 1987-88. The CIL has opened 51 stock yards by the end of January 1985 at different consuming centres in the country in order to improve the availability of coal to consumers.

Table IV-10: Performance of Iron Ore Industry

(Million tonnes)

Item	January — December		
	1982	1983(P)	1984(P)
1	2	3	4
Production	42.8 (+2.9)	38.1 (−11.0)	42.0 (+10.2)
Despatches for Exports @	24.7(P) (−1.2)	21.2 (−14.2)	25.0 (+17.9)
Year-end Stocks	4.3 (−23.2)	4.3 (−)	4.2 (−2.3)

P: Provisional.
@: Including concentrates

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

Sources: Indian Bureau of Mines and Department of Steel, Ministry of Steel, Mines and Coal, Government of India.

(b) Iron Ore

The fall in iron ore output during the year 1983 was reversed in the year 1984 with a substantial increase of 10.2 per cent to 42 million tonnes (Table IV-10). The output of iron ore from captive mines of steel plants constituted 34 per cent of total production during the year 1984 as compared with 38 per cent in 1983. The pit-head stocks of iron ore at the end of 1984 were marginally lower at 4.2 million tonnes as against 4.3 million tonnes at the end of December 1983. In 1984 despatches of iron ore (including concentrates) for internal consumption at 16.5 million tonnes were higher than in 1983 by 0.6 million tonnes.

Despatches for exports increased by 17.9 per cent as against a fall of 14.2 per cent in 1983. However, in absolute terms the increase was from 21.2 million tonnes in 1983 to 25.0 million tonnes in 1984. The National Mineral Development Corporation Limited (NMDC) which produces iron ore for exports only, sold higher quantity of iron ore at 7.64 million tonnes during 1984-85 as against 6.25 million tonnes in 1983-84.

The Kudremukh Iron Ore Company Limited with an annual capacity of 7.5 million tonnes of iron ore concentrates was set up in April 1976 to meet Iran's long term requirements of iron ore concentrates. However, due to inability of Iran to lift the iron ore concentrates as per contract, the project had to find alternative avenues for the export. The Government sanctioned in 1981 the construction of pellets plant of 3.00 MT/year capacity at Mangalore for conversion of iron ore concentrates into pellets which according to a forecast had a better market than iron ore concentrates. The project, the sanctioned capital cost of which is now placed at Rs. 103.56 crores, is expected to be commissioned by June 1985. The company has entered into agreements with Romania, Czechoslovakia and Bahrain for supply of iron ore concentrates.

(c) Cement

Cement production had reached an all time high of 27.1 million tonnes in 1983-84 registering an increase of 16.1 per cent over 1982-83. Continuing this impressive growth, output went up by 11.5 per cent to 30.2 million tonnes in 1984-85, the terminal year of the Sixth Plan (Table IV-11). These increases were attributed mainly to (i) additions to installed capacity; (ii) incentives provided through the scheme of partial de-control introduced in February 1982 by Government; and (iii) installation of captive power plants by cement units. However, production target of 34.5 million tonnes for the terminal year of Sixth Plan (1984-85) could not be achieved due to infrastructural bottlenecks, arising from power cuts in a number of major cement producing States.

At end-June 1985, 19 cement producing units with an installed capacity of 7.7 million tonnes (17.7 per cent of the total installed capacity in the industry) were operating in the public sector. Of the 19 units in the public sector, 9 units with a total annual installed capacity of 2.8 million tonnes were under the control of Cement Corporation of India Ltd, (CCI). Further three cement plants of one million tonnes capacity each at Tandur (Andhra Pradesh), Nayagaon Expansion (Madhya Pradesh) and Yerraguntla Expansion (Andhra Pradesh) under CCI are expected to be commissioned by December 1985, October 1986 and October 1987, respectively. Besides, CCI had also undertaken a joint venture in collaboration with West Bengal Government to establish a unit at Madhukunda (West Bengal) with an annual capacity of 2.7 lakh tonnes.

Cement production by the reporting units in the public sector during 1984-85 at 4.47 million tonnes was marginally higher by 3.2 per cent over that in 1983-84. The share of these units in total domestic production of cement was 14.8 per cent in 1984-85 compared to 16.0 per cent in the preceding year.

In recent years a number of mini-cement

plants had been set up to exploit the smaller reserves of limestone. As at end-June 1985, there were 27 mini-cement plants with a total capacity of 1.3 million tonnes (3.0 per cent of the total capacity in the industry). Their contribution to total cement production, however, was negligible at 0.4 per cent during the first four years of the Sixth Plan. During 1984-85, their production increased to 4.55 lakh tonnes from 2.56 lakh tonnes in 1983-84. The share of mini-cement plants in total cement production improved to 1.5 per cent in 1984-85 from 0.9 per cent in 1983-84. They are expected to play a significant role in augmenting cement production in the country during the Seventh Plan period.

Due to improvement in the availability of cement on account of higher domestic production, imports during 1984-85 showed a significant decline by 84.5 per cent to 0.4 million tonnes in contrast to a rise of 54.5 per cent last year.

Addition to installed capacity of cement industry was impressive during the Sixth Plan. The installed capacity in the industry which was 24.3 million tonnes in the beginning of the plan, increased to a record level of 40.7 million tonnes at end-March 1985. However, it fell short by 5.3 per cent from the targeted capacity of 43.0 million tonnes set for the terminal year of the Sixth Plan due to minor slippages in the completion of certain new projects on account of a variety of constraints. During 1985-86, the first year of the Seventh Plan, installed capacity and production are expected to reach about 45.0 million tonnes and 33.5 million tonnes, respectively. At end-June 1985, installed capacity in the industry reached 43.4 million tonnes. Production during the first quarter of 1985-86 (April-June) at 7.6 million tonnes recorded an increase of 7.0 per cent over the corresponding period last year.

Capacity utilisation in the industry further improved to 74.1 per cent in 1984-85 from 73.1 per cent in 1983-84 and 67.8 per cent in 1982-83 due, mainly, to better availability of power from captive power plants. The industry has, already, set-up a captive generation capacity of about 150 MW and additional capacity to the extent of 220 MW, both diesel and thermal, is in the pipeline.

Cement despatches recorded an increase of

Table IV-11: Performance of Cement Industry

(Million tonnes)

Item	April-March		
	1982-83	1983-84(P)	1984-85(P)
1	2	3	4
Installed Capacity	34.39	37.04	40.72
	(+17.5)	(+7.7)	(+9.9)
Production	23.32	27.07	30.17
	(+11.0)	(+16.1)	(+11.5)
Despatches	23.14	26.66	29.47
Capacity Utilisation Ratio (per cent)	67.8	73.1	74.1
Imports	1.54	2.38	0.37
Year-end Stocks	0.38	0.43	0.55

P: Provisional.

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

Source: Department of Industrial Development, Ministry of Industry and Company Affairs.

10.5 per cent to 29.5 million tonnes in 1984-85 from 26.7 million tonnes last year. The year-end stocks stood at 0.6 million tonnes as compared with 0.4 million tonnes as at end-March 1984.

In order to compensate the cement units for cost escalations due to increase in prices of coal and power, higher wages, etc., the government allowed an increase of Rs. 40 per tonne in retention prices of levy cement with effect from July 18, 1984. Further, effective from the same day, levy quota as proportion of installed capacity was also marginally reduced from 66.6 per cent to 65.0 per cent for existing units and from 50.0 per cent to 45.0 per cent in case of new/designated sick units. Further, with effect from June 4, 1985, the Government reduced the levy quota from 65.0 per cent of installed capacity to 60.0 per cent of actual production in case of old units and from 45.0 per cent of installed capacity to 40.0 per cent of actual production for new and sick units with a view to compensating the industry for further cost escalations.

The scheme of partial de-control, introduced in February 1982, has enabled the cement units to improve their financial strength. As a result, cement units have drawn up comprehensive modernisation/expansion schemes involving a total capital investment of about Rs 2,500 crores. Of this, the industry has already incurred Rs. 575 crores upto September 1984 on modernisation/expansion schemes.

The Working Group on cement industry appointed by the Planning Commission for Seventh Plan has projected a production target of 50.8 million tonnes of cement as against an estimated demand of 49.0 million tonnes for the terminal year of the Seventh Plan (1989-90). The capacity materialisation has been projected at 62.3 million tonnes.

(d) Iron and Steel

The setback suffered by the iron and steel industry during the year 1982-83 and 1983-84 was reversed during 1984-85, when production of steel ingots increased by 4.6 per cent, saleable steel by 9.4 per cent and that of finished steel by 7.1 per cent in contrast to the declines of 8.1 per cent, 12.3 per cent and 10.7 per cent, respectively, in 1983-84 (Table IV-12). Production could have been still higher but for the basic input constraints, i.e., shortage of power and coking coal and to a limited extent, rail transport. Among the integrated steel plants, Rourkela, Durgapur and Bokaro plants were the worst affected due to severe power restrictions imposed by the Orissa State Electricity Board (OSEB) and Damodar Valley Corporation (DVC), particularly in the first quarter of 1984-85.

Production of *saleable steel* in six integrated steel plants at 6,997 thousand tonnes in 1984-85 was higher by 600 thousand tonnes (or 9.4 per cent) over the production of 6,397 thousand tonnes last year. Production, however, fell short by 1.3 per cent from the targeted output of 7,090 thousand tonnes set for 1984-85. While the combined output of five integrated steel plants under the management of Steel Authority of India Ltd. (SAIL) at 5,283 thousand tonnes during 1984-85 was higher by 512 thousand tonnes (or 10.7 per cent) as compared to their production of 4,771 thousand tonnes in 1983-84, the production of Tata Iron and Steel Co. Ltd. (TISCO) rose by 88 thousand tonnes (or 5.4 per cent) to 1,714 thousand tonnes during the year. However, compared to the target of 5,440 thousand tonnes set for the year, the output of public sector steel plants under SAIL was marginally lower by 2.9 per cent while that of TISCO exceeded by 3.9 per cent the targeted output of 1,650 thousand tonnes.

At the total rated capacity of 8,940 thousand tonnes, capacity utilisation of six integrated plants improved to 78.3 per cent in 1984-85 from 71.6 per cent in 1983-84. A higher production target of 7,700 thousand tonnes of saleable steel comprising of 5,960 thousand tonnes for SAIL and 1,740 thousand tonnes for TISCO has been fixed for 1985-86. For the terminal year of the Seventh Five Year Plan (1989-90), 9,690 thousand tonnes of saleable steel output (7,970 thousand tonnes for SAIL and 1,720 thousand tonnes for TISCO) has been pro-

Table IV-12: Production of Steel

(Thousand tonnes)

Year (April-March)	Bhilai	Durgapur	Rourkela	Bokaro	TISCO	IISCO	Total (2to7)	VISL	ASP	Total (9+10)
1	2	3	4	5	6	7	8	9	10	11
Production of Steel Ingot										
1982-83	2,130	952	1,144	1,829	1,946	624	8,625 (+0.3)	94	81	175 (-7.9)
1983-84(P)	1,837	806	1,088	1,681	1,973	543	7,928 (-8.1)	69	67	136 (-22.3)
1984-85(P)	1,998	760	1,119	1,925	2,050	444	8,296 (+4.6)	89	85	174 (+27.9)
Production of Saleable Steel										
1982-83	1,838	812	992	1,529	1,621	500	7,292 (+0.5)	64	47	111 (-14.0)
1983-84(P)	1,575	602	862	1,288	1,626	444	6,397 (-12.3)	59	44	103 (-7.2)
1984-85(P)	1,810	621	1,013	1,459	1,714	380	6,997 (+9.4)	70	59	129 (+25.2)
Production of Finished Steel										
1982-83	1,362	467	956	1,483	871	335	5,474 (+1.6)	64	47	111 (-14.0)
1983-84(P)	1,206	340	823	1,283	882	352	4,886 (-10.7)	59	44	103 (-7.2)
1984-85(P)	1,273	348	962	1,403	960	287	5,233 (+7.1)	70	59	129 (+25.2)

P: Provisional.

VISL: Visvesvaraya Iron and Steel Ltd..

ASP: Alloy Steels Plant.

Note: Figures in brackets represent percentage variations over the preceding year.
Source: Steel Authority of India Ltd.

jected. Production of saleable steel during April-June 1985 at 1,481 thousand tonnes was higher by 6.4 per cent than last year's output of 1,392 thousand tonnes.

Ingot Steel output in the integrated steel plants at 8,296 thousand tonnes in 1984-85 showed an increase of 4.6 per cent in contrast to a decline of 8.1 per cent in 1983-84. As a result, capacity utilisation of the integrated steel plants in respect of ingot steel improved in 1984-85 to 71.8 per cent from 68.6 per cent in 1983-84.

The electric arc furnace units, popularly known as mini-steel plants, alongwith re-rolling mills produce alloy, special steel and stainless steel in addition to mild steel. During 1984-85, there were 176 such mini-steel plants holding licences/letters of intent with a total licensed capacity of 4.78 million tonnes in terms of ingots/billets as compared to 174 mini-steel plants with annual capacity of 4.64 million tonnes in 1983-84. Out of these 176 plants, 150 plants with a capacity of 3.94 million tonnes were in operation. During 1984-85, production of mild steel, medium/high carbon and alloy steel of the units reporting to the Iron and Steel Controller, at 2.33 million tonnes was marginally lower by 3.7 per cent than last year's output of 2.42 million tonnes. However, total output of the rolled products by the reporting

re-rolling units during 1984-85 at 2.14 million tonnes was higher by 15.7 per cent over their output of 1.85 million tonnes last year.

The following measures were taken by the Government to increase the capacity utilisation of mini-steel plants and improve their economic viability:

(i) Electric arc furnace units whose capacity utilisation was 80 per cent or more during any one of the previous two years were to be considered favourably for substantial expansion upto a maximum of 100 per cent of their existing licensed capacity.

(ii) The existing electric arc furnace units were permitted to diversify freely into production of all grades of carbon and alloy steel including stainless steel/heat resisting steel upto their licensed capacity.

(iii) For the existing electric arc furnace units permission was being given to install captive rolling mill with a view to encouraging formation of composite units provided the interests of small-scale units in that region were not affected.

(iv) The electric arc furnace units were allowed to install balancing facilities like continuous casting machine, conditioning facilities, etc.

With these facilities, it is expected that capacity utilisation of mini-steel plants will improve and the production target of 2.6 million tonnes by 1985-86 will be attained.

Domestic despatches of saleable steel from main producers during 1984-85 at 6,719 thousand tonnes recorded a decline of 1.8 per cent from 6,843 thousand tonnes in 1983-84 due to slackness in demand. Though saleable steel output was more than the domestic despatches during 1984-85, stocks of saleable steel with the main producers declined substantially further by 28.0 per cent from 935 thousand tonnes at end-March 1984 to 673 thousand tonnes at end-March 1985, due to substantial rise in exports of saleable steel from 25 thousand tonnes in 1983-84 to 153 thousand tonnes in 1984-85. Imports of steel items during 1984-85 at 609 thousand tonnes (provisional) were marginally higher than that during the last year (595 thousand tonnes).

As a result of de-regulation of the iron and steel prices by the Government in April 1982, prices of pig iron and all categories of steel produced by the integrated steel plants are fixed by the Joint Plant Committee (JPC). During the year 1984-85, JPC revised the prices of pig iron and steel items twice. The first price revision which took into account factors such as increase in cost of raw materials, salaries and wages and average rail freights, etc., came into effect from June 22, 1984. The average revised prices were about 15 per cent higher (across the board) than the earlier prices. Again with effect from February 21, 1985, JPC, after taking into account the present landed cost of imported materials, fair ex-works prices to producers, etc., increased the prices by about 15 per cent (across the board).

The distribution guidelines on iron and steel materials evolved by the JPC in June 1980 continued to be followed by and large during 1984-85 also. However, in order to meet the increased demand of some flat steel products and with a view to rationalising the distribution of others, JPC introduced the following changes in the distribution policy:—

(i) An entitlement formula based on the best off-take in any of the last three years was introduced for distribution of H. Coils/Skelp, CR Coils/Sheets and Billets. For units with no past off-take, the entitlement of the material was to be fixed by the Iron and Steel Controller.

(ii) JPC allocations to priority sectors which were earlier restricted only to a few sections and sizes of plates and structurals, in view of the easy availability of other categories, were restored in respect of all categories of steel commencing from January 1985.

(iii) The system for settlement of complaints from consumers was streamlined to provide for full customer satisfaction.

At present SAIL including IISCO have a network of 44 departmental yards, 11 consignment agents and 58 other conversion/twisting yards throughout the country. TISCO has 12 stock yards and 99 other distribution outlets. SAIL plans to open new stock yards at Dharamnagar in Tripura and a consignment agency yard at Jabalpur besides re-activating yard at Lucknow. IISCO also proposes to open a stock yard at Burnpur (West Bengal) during 1985-86. Distribution of products of the mini-steel plants, re-rollers and secondary producers is handled by the producers themselves.

The Union budget for 1985-86 has provided a sum of Rs. 925 crores for iron and steel sector for the first year of the Seventh Plan against an outlay of Rs. 1,340.26 crores (revised) last year. The share of SAIL (Rs. 653 crores) in the total Central outlay for steel during the year is significantly higher (70.6 per cent) than that in the last year (46.0 per cent). Some of the important schemes under implementation/consideration were: i)expansion of Bhilai and Bokaro steel plants to a capacity of 4.0 million ingot tonnes each; ii) Visakhapatnam steel project of 3.25 million ingot tonnes capacity in two overlapping stages; iii) increase in the capacity of Alloy Steels Plant at Durgapur from 100 thousand tonnes to 160 thousand tonnes of alloy steel ingots and ultimately to 260 thousand tonnes of liquid steel under its expansion/modernisation programme; iv) a project to produce 37,500 tonnes per annum of cold rolled grain oriented electrical steel sheets and 36,000 tonnes per annum of cold rolled non-grain oriented steel sheets at Rourkela Steel Plant; v) pelletisation plant of 3.0 million tonnes/annum at Mangalore, based on iron ore concentrates from Kudremukh iron ore project and vi) a direct reduction pilot plant with a capacity of 10 tonnes per day, using solid reductant, i.e., non-coking coal, as a Research and Development Project to SAIL.

(e) Electricity

Electricity generation during 1984-85 (April-March) at 156.6 billion units (kwh) exceeding the target fixed at 154 billion units (kwh) witnessed a higher growth rate of 12.0 per cent compared with 7.6 per cent recorded in the preceding year (Table IV-13). Source-wise, the growth rate in thermal power generation (accounting for 63.1 per cent of total power output) and hydel power generation (a little over of one-third of total power generation) increased from 8.6 per cent and 3.3 per cent during 1983-84 to 14.1 per cent and 7.9 per cent, respectively. However, growth-rate in nuclear power generation was only 16.7 per cent in 1984-85 compared to 72.6 per cent in 1983-84.

Concerted efforts aimed at improving the performance of 200/210 MW units constituting 41.2 per cent of the country's thermal capacity made the acceleration in generation of thermal power possible. As a result, the Plant Load Factor (PLF) rose to 50.1 per cent in 1984-85 from 47.9 per cent in 1983-84. However, plant availability of units was adversely affected due, mainly, to equipment defects, declining quality of coal, manpower management deficiencies and defective maintenance and operation. Several thermal units in the country required to be revamped as they suffered from obsolescence. With this in view, a centrally sponsored programme was devised for renovation and modernisation covering 36 thermal power stations at an estimated cost of Rs. 500 crores over a period of three years.

Region-wise, the highest growth of 17.6 per cent in thermal generation during 1984-85 was recorded by the Western region followed by Southern and Northern regions with 16.5 per cent and 14.1 per cent, respectively. The highest growth in hydel power generation was recorded by the Southern region (25.5 per cent) whereas Western and Northern regions recorded declines of 9.8 per cent and 4.0 per cent, respectively. Overall growth in electricity generation during the year was the highest in Southern region (23.3 per cent) and lowest in the Northern region (4.6 per cent).

The growth in supply of power at 11.9 per cent during 1984-85 was higher than the growth

in demand (7.0 per cent). This perceptible improvement in power supply position helped to narrow down the gap between demand and supply of power from 10.8 per cent in 1983-84 to 6.7 per cent in 1984-85. During the year 1984-85, the Scheme of Central Assistance for carrying out investigation of sites for hydro-electric projects in hilly and backward areas, introduced way back in 1972-73, was continued with an allocation of Rs.3 crores. Of the two geo-thermal experimental projects, the one at Parbati Valley in Himachal Pradesh was completed with UNDP assistance and the second project at Puga Valley in Jammu and Kashmir is expected to be completed by March 1987. As regards tidal power, exercises for carrying out investigation for feasibility of tidal project in Gulf of Kutch are being undertaken by Central Electricity Authority.

An important development in the field of power generation was the creation of additional generating capacity of the order of 3,756 MW during 1984-85, raising the total installed capacity to 42;440 MW (Table IV-14), of which maximum was allocated to thermal power (3,248 MW) followed by hydel power (508 MW). However, there was no addition to the nuclear capacity of 1,095 MW during the year. Electricity generation during April-June 1985 at 40.2 billion kwh was higher than the electricity generated during the corresponding quarter of 1984 by 7.8 per cent.

During the year, the Rural Electrification Corporation laid greater emphasis on speedier implementation of the rural electrification schemes. The target for electrification of villages and energisation of pumpsets for the year 1984-85 was 23,105 villages and 3.86 lakh pumpsets, respectively, and upto January 31, 1985, 13,231 villages had been electrified and 2.65 lakh pumpsets energised. Cumulatively, 3.61 lakh villages (62.7 per cent of total villages) had been electrified upto January 1985 and about 55.7 lakh pumpsets had been energised. As a specific measure for conserving electricity in the agricultural sector, the Government sponsored a pilot programme to be implemented by Rural Electrification Corporation, for the rectification/improvement of pumpsets in eight States during 1984-85 at a cost of Rs. 3 crores.

(f) Crude Oil and Petroleum Refinery Products

Crude oil output increased by 11.4 per cent to 29.0 million tonnes in the terminal year of the

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

(Million Kilo Watt Hours)

Sources	April-March					
	1982-83		1983-84(P)		1984-85(P)	
	Power Generation	Percentage	Power Generation	Percentage	Power Generation	Percentage
1	2	3	4	5	6	7
1. Thermal	79,686 (+15.3)	61.3	86,535 (+8.6)	61.9	98,770 (+14.1)	63.1
2. Hydel	48,273 (−2.6)	37.1	49,867 (+3.3)	35.6	53,785 (+7.9)	34.3
3. Nuclear	2,024 (−33.0)	1.6	3,494 (+72.6)	2.5	4,078 (+16.7)	2.6
Total	**129,983 (+6.8)**	**100.0**	**139,896 (+7.6)**	**100.0**	**156,633 (+12.0)**	**100.0**

P: Provisional.

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

Table IV-14: Installed Plant Capacity

(Mega Watt)

Year (April-March)	Hydel	Thermal	Nuclear	Total
1	2	3	4	5
1982-83	12,710	21,060	860	34,630
	(+5.0)	(+13.4)	(-)	(+9.8)
1983-84(P)	13,763	23,826	1,095	38,684
	(+8.3)	(+13.1)	(+27.3)	(+11.7)
1984-85(P)	14,271	27,074	1,095	42,440
	(+3.7)	(+13.6)	(-)	(+9.7)

P: Provisional.

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

Sixth Five Year Plan (1984-85) as against 26.0 million tonnes in 1983-84 (Table IV-15). The target for 1984-85 had been set at 29.4 million tonnes. Agency-wise, of the total output during 1984-85, 26.26 million tonnes (90.6 per cent) was accounted for by the Oil and Natural Gas Commission (ONGC), 20.14 million tonnes (69.5 per cent) from off-shore wells and 6.12 million tonnes (21.1 per cent) from on-shore wells. The balance of 2.73 million tonnes (9.4 per cent) was accounted for by the Oil India Ltd. (OIL). Major portion of the increased production of crude oil during the Plan period was the result of accelerated exploration activities undertaken by the ONGC both in the on-shore and off-shore areas.

Total crude oil output is targeted to go up further to 30.1 million tonnes in 1985-86. In the quarter April-June 1985-86, production at 7.2 million tonnes was higher by 0.2 million tonnes (or 2.9 per cent) compared to that in the corresponding quarter last year. The major exploration achievements by the ONGC during the year 1984-85 were discovery of oil at Dahej in Gujarat and Changmaigaon in Assam. Gas was struck at Rokia in Tripura and Kaikalur in Andhra Pradesh. In the off-shore areas, oil was struck in structure B-178 in the West Coast, KD-1 in Kutch off-shore and Kovilkallapal in Cauvery Basin.

Due to the rise in indigenous production, gross imports of crude oil during 1984-85 at 13.6 million tonnes recorded a further decline of 14.6 per cent on top of a decline of 5.8 per cent in 1983-84. As certain types of crude oil produced at Bombay High could not be processed in domestic refineries, their exports had become inevitable. Such exports increased from 5.5 million tonnes last year to 6.5 million tonnes in the current year. Consequently, net imports during the year at 7.2 million tonnes also recorded a significant decline of 3.2 million tonnes (30.8 per cent) over the last year's imports of 10.4 million tonnes.

The output of petroleum refinery products during the Sixth Plan period rose by 39.0 per cent from 24.1 million tonnes at the start of the Plan to 33.5 million tonnes in the terminal year of the Plan. However, the output recorded only a marginal increase of 1.1 per cent in 1984-85 at 33.5 million tonnes over the last year's output of 33.1 million tonnes. The output during the year was short by 1.3 million tonnes from the revised target of 34.8 million tonnes. The demand for petroleum refinery products during 1984-85 was estimated at 38.4 million tonnes. Output of petroleum refinery products during April-June 1985 at 9.3 million tonnes was higher by 1.7 million tonnes than that of corresponding period last year. The steady increase in the output of petroleum refinery products during the Sixth Plan was in the main contributed by expansion in installed capacity of petroleum refinery products alongwith increase in domestic crude oil production.

Table IV-15: Crude Oil and Petroleum Refinery Products

(Thousand tonnes)

Item	April-March 1982-83	1983-84(P)	1984-85(P)
1	2	3	4
A. Crude Oil			
(a) Production (I + II)	**21,063**	**26,020**	**28,994**
	(+30.1)	**(+23.5)**	**(+11.4)**
(i) On-shore	8,186	8,628	8,858
	(−0.4)	(+5.4)	(+2.7)
(ii) Off-shore	12,877	17,392	20,136
	(+61.5)	(+35.1)	(+15.8)
(b) Imports	**16,949**	**15,967**	**13,642**
	(+10.8)	**(−5.8)**	**(−14.6)**
B. Petroleum Refinery Products			
(a) Production	**31,242**	**33,149**	**33,502**
of which:	**(+10.9)**	**(+6.1)**	**(+1.1)**
(i) Naphtha	2,986	3,578	3,471
	(−0.6)	(+19.8)	(−3.0)
(ii) Kerosene	3,393	3,528	3,348
	(+16.7)	(+4.0)	(−5.1)
(iii) High Speed Diesel Oil	9,761	10,862	11,082
	(+1.2)	(+11.3)	(+2.0)
(b) Imports	**5,028**	**4,328**	**6,013**
of which:	**(+2.9)**	**(−13.9)**	**(+38.9)**
(i) Naphtha	101	129	290
	(−11.4)	(+27.7)	(+124.8)
(ii) Kerosene	1,881	2,030	2,585
	(−4.5)	(+7.9)	(+27.3)
(iii) High Speed Diesel Oil	2,582	1,806	2,573
	(+40.5)	(−30.1)	(+42.5)

P : Provisional.

Note : Figures in brackets represent percentage variations over the preceding year.
Source : Ministry of Petroleum.

Another development was the increase in the LPG availability from 6,16,000 tonnes in 1982-83 to 7,50,000 tonnes in 1983-84 recording an increase of 21.8 per cent over the period. During 1984-85, the availability was estimated at 9,62,000 tonnes. Increasing use of LPG in the domestic sector results in the saving of valuable foreign exchange through reduced pressure on kerosene.

The installed refinery capacity in the country at the end of 1982 was 37.8 million tonnes spread over 12 refineries. With the completion of ongoing programme in 4 refineries, total installed capacity of refinery products is expected to increase by 7.8 million tonnes to 45.6 million tonnes by the end of 1985. During the year, Government approved a proposal to set up a new refinery with a capacity of 6 million tonnes at Karnal (Haryana). The proposal to set up a 6 million tonnes capacity refinery at Mangalore (Karnataka) has also been agreed to in principle. It is expected that the entire domestic crude production would be processed indigenously by the end of 1985-86.

Imports of petroleum refinery products which declined by 13.9 per cent from 5.0 million tonnes in 1982-83 to 4.3 million tonnes in 1983-84, increased sharply by 38.9 per cent to

6.0 million tonnes in 1984-85, to fill the gap between demand and availability of important light/middle distillates like Naphtha, High Speed Diesel Oil and Kerosene.

The budget proposals for 1985-86, included increases in the basic ceiling selling prices of petroleum products. With effect from March 17, 1985, prices of all petroleum products were enhanced by 15 per cent, except High Speed Diesel Oil (HSD), in which case increase was 8.0 per cent. These increases had become unavoidable in order to meet the higher expenditure of the oil companies on account of the increase in the auxiliary duty, the levy of import duty on crude oil, the unfavourable rupee-dollar rate and other costs arising out of greater efforts in exploration of crude oil and refining and marketing of petroleum products. Subsequently, with effect from March 26, 1985 the prices of Kerosene oil and HSD were reduced by Rs. 70/KL with a view to providing relief to the vulnerable sections of the society using Kerosene oil and to help the farming community. Further, to encourage exports, a scheme to supply furnace oil at concessional rate to exporting industries, where the cost of furnace oil exceeded 25 per cent of the total cost of production, was introduced in August 1984.

Mention was made in the last year's Report about the appointment by the Government of an Oil Cost Review Committee to review the costs and pricing policies for petroleum products, etc. The Report submitted by the Committee in July 1984 is being examined by the Government.

B. Capital Goods Industries

(a) Engineering Industries

The composite production index of engineering industry having a weight of 31.13 per cent in the general index of industrial production, registered an increase of 5.2 per cent during the year 1984-85 as compared with the increase of 6.0 per cent in the preceding year. The performance of engineering industry during 1984-85 was affected by the disturbances in some parts of the country, go slow agitation resorted to by Bombay port workers in October-November 1984 resulting in delayed arrivals of imports and power famine in certain parts of the country. Progress in exports of engineering industry was adversely affected by slowing down of construction activities in the Middle East, payment problems faced by most of the African countries, Iran-Iraq war and disturbance in Sri Lanka.

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

(i) Heavy Mechanical Engineering Industries

Under this group, output of *automobile industry* rose sharply from 4.6 per cent in 1983-84 to 23.9 per cent during 1984-85 (Table IV-16). This improvement was mainly on account of the substantial growth of 58.5 per cent in the production of *passenger cars* during the year as compared with an increase of only 7.3 per cent last year. Production of *commercial vehicles* also increased by 9.5 per cent compared with 2.8 per cent in 1983-84. During April-June 1985, production of commercial vehicles at 26,900 recorded an increase of 20.6 per cent as compared with an increase of 9.9 per cent during the corresponding period of 1984. This significant improvement was due to the thrust of the Government's policy towards rapid development of the automobile industry with great stress on the production of more fuel-efficient vehicles, pick-up in demand, adoption of new technology by many existing companies and commissioning of certain new units. The Government liberalised the licensing policy which allowed any unit to manufacture any type of vehicles within the overall licensing capacity to meet the market demand. During the quarter April-June 1985, output of passenger cars was higher by 68.4 per cent as compared with the rise of 24.8 per cent in the corresponding quarter of 1984. Technological

Table IV-16: Output of Selected Heavy Mechanical Engineering Industries

Item	Unit	April-March 1982-83	1983-84(P)	1984-1985(P)
1	2	3	4	5
1. Automobiles (i+ii+iii)	'000 Nos.	151.4	158.4	196.2
		(−1.6)	(+4.6)	(+23.9)
(i) Passenger Cars	"	43.6	46.8	74.2
		(+2.6)	(+7.3)	(+58.5)
(ii) Commercial Vehicles (Buses and Trucks)	"	86.0	88.4	96.8
		(−5.6)	(+2.8)	(+9.5)
(iii) Jeeps and Land-rovers	"	21.8	23.2	25.2
		(+7.9)	(+6.4)	(+8.6)
2. Scooters	"	264.9	280.4	322.2
		(+31.7)	(+5.9)	(+14.9)
3. Light, Medium and Heavy Structurals	'000 Tonnes	130.6	126.8	129.9
		(+7.5)	(−2.9)	(+2.4)
4. Steel Castings	"	87.7	88.9	85.4
		(+5.5)	(+1.4)	(−3.9)
5. Diesel Engines (Stationary)	'000 Nos.	156.5	156.1	170.9
		(−10.3)	(−0.3)	(+9.5)
6. Railway Wagons (in terms of 4 wheelers)	"	15.35	17.36	13.00
		(−13.9)	(+13.1)	(−25.1)
7. Road Rollers	Nos.	926	455	443
		(−13.1)	(−50.9)	(−2.6)
8. Machine Tools	Rs. Crores	269.9	269.7	302.8
		(+8.0)	(−0.1)	(+12.3)

P: Provisional.

Note: Figures in brackets represent percentage variations over the preceding year.
Source: Central Statistical Organisation and Directorate General of Technical Development.

upgradation and modernisation carried out by large existing units resulted in higher production. Further, some new units having technical collaboration with Japan, West Germany and France stabilised their production.

Output of *jeeps and land rovers* at 25,200 was higher by 8.6 per cent compared with an increase of 6.4 per cent in 1983-84. During the quarter April-June 1985, production of jeeps and land rovers went up by 18.6 per cent as against a decline of 9.2 per cent in the corresponding quarter of 1984. Production of *scooters* went up by 14.9 per cent compared with an increase of 5.9 per cent in 1983-84. During April-June 1985, production of scooters increased by 33.3 per cent compared with the increase of 21.4 per cent in the same quarter of 1984. Production of *railway wagons,* on the other hand, declined by 25.1 per cent in contrast to an increase of 13.1 per cent in 1983-84 due mainly to reduced demand from railways. Production of railway wagons during April-June 1985 declined further by 64.9 per cent as against an increase of 9.6 per cent in the corresponding quarter of 1984. In the case of *road rollers,* output declined by 2.6 per cent during the year on top of a decline of 50.9 per cent in the previous year. Production of *machine tools* (in terms of value) increased by 12.3 per cent in contrast to a marginal decline of 0.1 per cent in the previous year. During April-June 1985, production of machine tools increased by 4.1 per cent as compared with an increase of 12.5 per cent in the corresponding period of 1984. Output of *diesel engines* (stationary) recorded an increase of 9.5 per cent in 1984-85 in contrast to the decline of 0.3 per cent in 1983-84. During the period April-June 1985, production of diesel engines, however, declined by 6.1 per cent as

against an increase of 17.5 per cent in the corresponding period of last year. The pick-up in the production of diesel engines was the result of an increase in the demand from agriculturists following a good agricultural season. Among other heavy engineering goods, while output of light, medium and heavy structurals showed an increase of 2.4 per cent as against a decline of 2.9 per cent in 1983-84, that of steel castings recorded a decline of 3.9 per cent as against an increase of 1.4 per cent in 1983-84.

(ii) Light Mechanical Engineering Industries

Among the selected light mechanical engineering industries (Table IV-17), production of *typewriters* recorded an increase of 9.5 per cent during 1984-85 in contrast to a decline of 9.8 per cent in 1983-84. During April-June 1985, production of this item recorded a further rise of 19.7 per cent as compared with a marginal rise of 0.5 per cent in the same period of 1984. There are seven units with an annual installed capacity of 156.4 thousand typewriters. Substantial improvement in the production of typewriters can be attributed to the pick-up in demand for electronic typewriters. Production of *hurricane lanterns* registered an increase of 4.6 per cent as against a decline of 1.8 per cent in 1983-84. Production of *razor blades* declined by 2.8 per cent during 1984-85 in contrast to a rise of 10.5 per cent in 1983-84. During April-June 1985, production of this item went up by 8.3 per cent compared to 1.3 per cent in the same period of 1984. The production of *bicycles* during 1984-85 stood at 5,893 thousand units, showing no variation over the year as against a rise of 23.3 per cent in 1983-84. During the quarter April-June 1985, however, bicycle production declined by 9.3 per cent as against a negligible rise in the corresponding quarter of 1984. There are at present 10 units having manufacturing capacity of 71.99 lakh complete bicycles. In addition, a capacity of 75.6 lakh bicycles per annum is expected to be added by nine units. Production of *sewing machines* increased marginally by 0.2 per cent during the year compared to an increase of 12.5 per cent in 1983-84, however, production declined by 8.2 per cent during the quarter April-June 1985 as against an increase of 3.8 per cent in the same quarter of 1984. There are five major units in production with the total installed capacity of 573 thousand units per annum. To encourage small-scale industry, manufacture of sewing machines was reserved for the small-scale sector. Expansion / diversification of the existing units for the manufacture of industrial sewing machines, including those required for leather goods industry and fully automatic zig zag machines, is being encouraged.

(iii) Electrical Engineering Industries

Except *radio receivers* and *storage batteries,* output of all the other light electrical engineering goods recorded increases during 1984-85 (Table IV-18). Output of *domestic refrigerators* increased by 18.4 per cent compared with 26.9 per cent in 1983-84. During April-June quarter of 1985, the rise in production was 11.8 per cent compared to a rise of 21.0 per cent in the same period of 1984. Output of *electric fans* recorded a growth of 2.9 per cent, markedly lower than the rise (13.8 per cent) in 1983-84. During April-June 1985, production moved up further by 5.6 per cent as compared with an increase of 11.5 per cent in the same quarter of 1984. Output of *electric lamps* (GLS and others) increased marginally by 0.5 per cent during 1984-85 compared with a rise of 1.4 per cent last year. Production of *fluorescent lamps* increased by 14.8 per cent as compared with 6.0 per cent in 1983-84. During the quarter April-June 1985, output of electric lamps (GLS and others) declined by 1.5 per cent in contrast to a rise of 8.9 per cent and that of fluorescent lamps rose by 6.3 per cent as compared with a rise of 12.1 per cent during the same quarter of 1984. Output of *storage batteries* recorded a decline of 0.2 per cent in contrast to an increase of 5.8 per cent during 1983-84. During the quarter April-June 1985, output of storage batteries declined by 18.9 per cent in contrast to a rise of 12.6 per cent in the same quarter of 1984. Output of *radio receivers* recorded a decline of 6.7 per cent in 1984-85, on top of a decline of 8.8 per cent in 1983-84. Output of *dry cells* showed an increase of 11.1 per cent in 1984-85 in contrast to a decline of 7.3 per cent in 1983-84. During

Table IV-17: Output of Selected Light Mechanical Engineering Industries

Item	Unit	April-March 1982-83	1983-84(P)	1984-85(P)
1	2	3	4	5
1. Typewriters	'000 Nos.	117.3	105.8	115.8
		(+27.6)	(−9.8)	(+9.5)
2. Bicycles	"	4,781.3	5,895.2	5,892.5
		(−5.3)	(+23.3)	(−)
3. Sewing Machines	"	309.1	347.8	348.6
		(−9.8)	(+12.5)	(+0.2)
4. Hurricane Lanterns	"	1,249	1,227	1,284
		(−3.3)	(−1.8)	(+4.6)
5. Razor Blades	Million Nos.	1,770	1,956	1,901
		(+25.8)	(+10.5)	(−2.8)

P: Provisional.

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

April-June 1985, production of radio receivers decreased by 2.9 per cent compared with a decline of 8.1 per cent in the same period of last year and that of dry cells recorded an increase of 16.6 per cent over and above an increase of 1.5 per cent.

Among selected heavy electrical engineering industries, output of *power transformers* increased by 10.0 per cent and that of *electric motors* declined by 7.8 per cent during the year 1984-85 as compared with an increase of 24.4 per cent in the case of power transformers and a rise of 11.2 per cent in the case of electric motors in 1983-84. During April-June 1985, production of power transformers increased substantially by 13.3 per cent compared with a rise of 4.0 per cent and that of electric motors by 13.6 per cent against a fall of 14.2 per cent during the corresponding quarter of 1984.

(iv) Electronics Industry

During 1984-85, the electronics industry in the country made substantial progress in areas like consumer electronic items, instrumentation, mini-computer/micro-processor-based systems, etc. Production of black and white televisions was a major contributor to the aggregate production of electronic items in the small-scale sector. A number of units came up during the year to manufacture colour televisions. Manufacture of tape recorders, two-in-ones and other consumer electronic items also picked up to a great extent. The growth of mini-computer/micro-processor-based items was the highest in the small-scale sector and was over 100 per cent as compared to that in the previous year. The recent announcement of reduction in the import duties on various inputs required for mini-computer/micro-processor-based items and other electronic items will go a long way in facilitating the growth of this industry.

Keeping in view the need to (i) provide flexibility to manufacturers to adjust their product-mix to suit market demand, and (ii) increase production to suit economies of scale and better capacity utilisation, the Government took a further step towards liberalisation in the engineering industry by regrouping various products into broad categories for the purpose of licensing. In a major move to spur the growth of the electronics industry, the Union Government announced liberalisation of imports and licensing. It provided for import of sophisticated technology, allowing the FERA companies to invest in high technology areas and lifted ban on companies including those with foreign equity of 40 per cent or less from fields so far open to the organised sector only. It also

Table IV-18: Output of Selected Electrical Engineering Industries

Item	Unit	April-March 1982-83	1983-84(P)	1984-85(P)
1	2	3	4	5
A. Light Electrical Engineering				
1. Electrical Lamps				
(i) GLS and Others	Million Nos.	271.4	275.1	276.6
		(+1.9)	(+1.4)	(+0.5)
(ii) Fluorescent	"	33.2	35.2	40.4
		(+4.1)	(+6.0)	(+14.8)
2. Electric Fans	'000 Nos.	4,100	4,666	4,801
		(+7.0)	(+13.8)	(+2.9)
3. Radio Receivers	"	1,409.7	1,286.0	1,199.4
		(−19.0)	(−8.8)	(−6.7)
4. Storage Batteries	"	1,892	2,002	1,997
		(−4.2)	(+5.8)	(−0.2)
5. Dry Cells (Excluding graphite electrodes and anodes)	Million Nos.	1,114.5	1,033.6	1,148.3
		(+0.9)	(−7.3)	(+11.1)
6. Domestic Refrigerators	'000 Nos.	380.9	483.3	572.2
		(+17.5)	(+26.9)	(+18.4)
B. Heavy Electrical Engineering				
1. Power Transformers	'000 KVA	18,600	23,140	25,450
		(−13.5)	(+24.4)	(+10.0)
2. Electric Motors	'000 HP	4,810	5,350	4,934
		(−9.1)	(+11.2)	(−7.8)

P: Provisional.

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

planned to produce Rs. 10,000 crores worth of electronic goods by 1989-90 and reduce their prices to bring them near the international levels.

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

Production of non-ferrous metals showed a mixed trend in 1984-85. Production of *aluminium,* which moved up to 276.5 thousand tonnes in 1984-85 from the previous year's level of 219.9 thousand tonnes, fell short of the target of 285.0 thousand tonnes due mainly to the constraint in the availability of power (Table IV-19). The capacity utilisation of the industry increased to 76.4 per cent from 60.7 per cent in 1983-84.

The domestic demand for aluminium which was about 235.0 thousand tonnes in 1983-84 was likely to be around 310.0 thousand tonnes in 1984-85. Consequently, to meet the domestic demand adequately, the Minerals and Metals Trading Corporation (MMTC) was authorised to import about 55 thousand tonnes of aluminium. With a view to bridging the continuing gap between demand and supply of aluminium, the import of the metal will be essential till 1986-87. An estimated production at 481.0 thousand tonnes by the end of 1988-89 will place the country in surplus in aluminium. Accordingly, at the end of the Seventh Plan (1989-90), on the basis of an estimated production of 499 thousand tonnes as against the demand of 475 thousand tonnes, the surplus in this metal will be around 24 thousand tonnes.

Table IV-19: Production of Non-Ferrous Metals

(Thousand tonnes)

Item	April-March		
	1982-83	1983-84(P)	1984-85(P)
1	2	3	4
Virgin Metals			
1. Aluminium	209.0	219.9	276.5
	(+0.4)	(+5.2)	(+25.7)
2. Copper	28.2	29.2	33.5
	(+14.2)	(+3.5)	(+14.7)
3. Lead	14.8	15.4	14.2
	(+2.1)	(+4.1)	(−7.8)
4. Zinc	52.0	60.3	57.6
	(−9.9)	(+16.0)	(−4.5)
Semi-manufactures			
1. Aluminium			
(a) Sheets and Circles-Rolled products	56.2	63.4	73.6
	(+5.8)	(+12.8)	(+16.1)
(b) Wire Rods for Aluminium Conductor Steel Reinforced (ACSR)	14.6	12.5	18.8
	(−26.6)	(−14.4)	(+50.4)
2. Copper Sheets and Circles-Rolled products	1.3	1.5	1.5
	(+8.3)	(+15.4)	(−)
3. Brass Sheets and Circles-Rolled products	12.6	14.6	14.6
	(+11.5)	(+15.9)	(−)
4. Zinc Sheets and Strips	10.0	9.9@	10.1@
	(+7.5)	(−1.0)	(+2.0)

P. Provisional.
@ Estimated.

Note: Figures in brackets indicate percentage variations over the preceding year.
Sources: Central Statistical Organisation and D.G.T.D..

The production of *copper (virgin)* by the operating units of Hindustan Copper Limited (HCL) increased to 33.5 thousand tonnes in 1984-85 from 29.2 thousand tonnes in 1983-84, registering a rise of 14.7 per cent against a rise of 3.5 per cent in 1983-84. However, production failed to touch the target of 37.8 thousand tonnes fixed for 1984-85 due, mainly, to power shortages and certain technical problems at Khetri Copper Complex (KCC) and Indian Copper Complex (ICC) units. In the other projects, *viz.*, Rakha Copper Project, Dariba Copper Project and Chandmari Copper Project, the production of copper ore in 1984-85 was almost same as targeted earlier.

The Malanjkhand Copper Project (MCP) in Madhya Pradesh is the largest open cast mine in the country with an ultimate production capacity of 2 million tonnes of ore equivalent to about 23 thousand tonnes of copper metal per annum. The final stage of this project is expected to be completed shortly.

Production of *lead* in 1984-85 at 14.2 thousand tonnes registered a decline of 7.8 per cent in contrast to a rise of 4.1 per cent in 1983-84. For the year 1985-86, a production target of 23.2 thousand tonnes of lead has been fixed. After taking into account the past trends in production and demand, the Working Group for Seventh Plan on non-ferrous metals has projected the gap between the smelter production and demand for lead at 41.4 thousand tonnes and 53.0 thousand tonnes during 1985-86 and 1989-90, respectively. This indicates the inescapable dependence on import of the metal during Seventh Plan period.

Table IV-20: Jute Textiles

(Thousand tonnes)

Item	Year (April-March)	Hessian	Sacking	Carpet Backing	Others	Total
1	2	3	4	5	6	7
Production	1982-83	323.4	782.9	56.2	175.3	1,337.8
		(-7.3)	(+8.0)	(-33.2)	(-0.1)	(+0.3)
	1983-84(P)	227.5	658.1	30.4	172.9	1,088.9
		(-29.7)	(-15.9)	(-45.9)	(-1.4)	(-18.6)
	1984-85(P)	325.5	805.6	46.6	192.0	1,369.7
		(+43.1)	(+22.4)	(+53.3)	(+11.0)	(+25.8)
Exports	1982-83	214.1	36.0	51.4	28.0	329.5
		(-10.5)	(-47.1)	(-32.4)	(+29.6)	(-18.6)
	1983-84(P)	157.7	17.3	29.9	28.7	233.6
		(-26.3)	(-51.9)	(-41.8)	(+2.5)	(-29.1)
	1984-85(P)	182.7	24.5	33.6	23.9	264.7
		(+15.9)	(+41.6)	(+12.4)	(-16.7)	(+13.3)
Domestic Consumption + +	1982-83	118.6	731.9	—	151.5	1,002.0
		(-3.5)	(+15.5)		(-3.0)	(+9.8)
	1983-84(P)	106.7	683.4	—	157.1	947.2
		(-10.0)	(-6.6)		(+3.7)	(-5.5)
	1984-85(P)	1,245	739.0	—	171.1	1,034.6
		(+16.7)	(+8.1)		(+8.9)	(+9.2)
Year-end Stocks	1982-83	33.4	62.6	10.0	16.2	122.2
		(-10.0)	(+14.4)	(-19.4)	(+5.2)	(+2.2)
	1983-84(P)	12.1	14.5	4.0	7.1	37.7
		(-63.8)	(-76.8)	(-60.0)	(-56.2)	(-69.2)
	1984-85(P)	19.0	37.2	6.7	10.8	73.7
		(+57.0)	(+156.6)	(+67.5)	(+52.1)	(+95.5)

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

Production of *zinc* during 1984-85 from two units, viz., Hindustan Zinc Limited (HZL) and Cominco Binani Zinc Limited (CBZ) declined by 4.5 per cent to 57.6 thousand tonnes as against an increase of 16.0 per cent in the preceding year. The shortfall in the production of zinc metal during 1984-85 was due, mainly, to strained industrial relations at Vizag and inadequate power supply at the Debari Zinc Smelter. The production target for 1985-86 has been fixed higher at 74.0 thousand tonnes.

C. Intermediate Goods Industries

(a) Jute Textiles

The production of jute textiles during the year 1984-85 at 13.70 lakh tonnes recorded a growth of 25.8 per cent in contrast to a decline of 18.6 per cent during the year 1983-84 when the production was 10.89 lakh tonnes (Table IV-20). Production during the first quarter of the year 1985-86 (April-June) at 182.0 thousand tonnes recorded a fall of 15.1 per cent over and above the decline of 11.4 per cent during the corresponding period last year

Significant improvement in the production of jute goods during the year may be ascribed to the normal working of the jute mills. Production of jute goods during last year was affected severely by the closure of all jute mills following a long-drawn strike by workers. It would, therefore, be inappropriate to compare the production and other data in respect of jute goods for 1984-85 with those of last year. Production this year would have shown still better results but for the acute shortage of raw jute and its rising prices, forcing many small mills to close down. Nineteen such mills were reported to have been closed down in West Bengal during the year.

Construction-wise, the output of carpet backing and hessian at 46.6 thousand tonnes and 325.5 thousand tonnes during the year showed substantial increases of 53.3 per cent and 43.1 per cent in contrast to declines of 45.9 per cent and 29.7 per cent, respectively, during last year. Production of sacking also recorded an increase of 22.4 per cent as against a fall of 15.9 per cent in the previous year. Output of other goods too recorded a rise of 11.0 per cent as against a fall of 1.4 per cent last year.

Domestic consumption of jute goods during 1984-85 at 10.35 lakh tonnes showed an increase of 9.2 per cent in contrast to a decline of 5.5 per cent in the preceding year. The increase in domestic demand for jute goods was due to increased production of foodgrains and other packageable products, continuation of the Government's policy in respect of compulsory use of gunny bags for packing of cement and increased orders from D.G.S. & D for packing fertilisers, sugar, etc.

With the sharp increase in output of jute goods and comparatively a much lower rise in domestic consumption, the stocks of jute goods with mills increased substantially to 73.7 thousand tonnes at end-March 1985 from 37.7 thousand tonnes at end-March 1984 or by 95.5 per cent. Stocks of all the three main constructions of jute goods recorded an uptrend, the largest being that of sacking (by 156.6 per cent), followed by carpet backing (by 67.5 per cent). Stocks of hessian and other jute goods also increased by 57.0 per cent and 52.1 per cent, respectively.

Exports of jute goods during 1984-85 at 264.7 thousand tonnes showed a significant growth of 13.3 per cent as against a sharp fall of 29.1 per cent during 1983-84. Construction-wise, exports of the three main varieties, viz., hessian, sacking and carpet backing, registered perceptible increases of 15.9 per cent, 41.6 per cent and 12.4 per cent, during the year in contrast to the declines of 26.3 per cent, 51.9 per cent and 41.8 per cent, respectively, during the previous year. Exports of other jute goods, on the other hand, declined significantly by 16.7 per cent in contrast to a marginal rise of 2.5 per cent during the previous year.

With a view to promoting jute goods exports, the Government took some short-term measures such as continuation of Cash Compensatory Support (CCS) Scheme, permission to the Jute Corporation of India (JCI) to import five lakh bales of raw jute from Bangladesh to tide over the scarcity, formation of a consortium between the State Trading Corporation (STC) and the exporting mills for export of carpet backing, cloth, etc. The Government also reconstituted the Jute Manufacturers' Development Council (JMDC) under the new Act of Parliament with a provision for cess on jute manufactures at enhanced rates so as to utilise the cess proceeds for R and D and market promotion in a more vigorous and effective manner. Prospects of jute goods exports brightened following the dual strategy adopted by the Government viz., intensive export promotion measures and stimulation of efforts to find new markets. The Soviet Union made a bulk purchase of about 50,000 tonnes of jute goods during 1984-85. Further, Japan agreed to import a sufficiently large quantity free of duty from April 1, 1985. The business delegation from the U.S.A. reportedly evinced keen interest in imports of unconventional jute goods from India.

The Indian jute industry has plans to modernise with the Soviet assistance. The industry would import, over the next two years, Soviet looms upto a total cost of Rs. 1.5 billion to help in raising productivity and cut the cost of jute goods for exports. In return for the looms, the Soviet Union would import jute goods of the equivalent value.

The Standing Committee constituted by the Reserve Bank on Co-ordination of Institutional Finance for Jute Industry decided to increase the credit limits prescribed for jute mills to meet their working capital requirements on the basis of prices of raw jute, which had almost doubled since the last limit was fixed. The Committee

also decided to form a financial package for reconstruction of weak jute mills. The Government also set up a permanent steering committee on raw jute and jute industry for evolving inter-departmental co-ordination on jute matters and tackling other maladies affecting the industry.

An expert group set up by the Government to study the problems of the jute industry has made certain recommendations. Some of the major recommendations are: (a) increased procurement operations by the Jute Corporation of India, (b) creation of a buffer stock of raw jute, (c) use of man-made fibres for blending jute goods to reduce costs, (d) development of lighter varieties of jute goods including decoratives and (e) special thrust on exports. On modernisation, the group has expressed the view that machines not produced in the country should be allowed to be imported on a concessional customs duty basis. The Bureau of Industrial Costs and Prices (BICP) has also submitted recently its report to the Government on a techno-economic survey of the jute industry with special reference to the pricing formula to be adopted by jute manufacturers.

(b) Rubber and Rubber Manufactures

During the financial year 1984-85 production of *natural rubber* increased to 186.4 thousand tonnes from 175.3 thousand tonnes in 1983-84, registering a growth rate of 6.3 per cent compared with 5.7 per cent in 1983-84. The increase in production was the result of an increase in area under rubber plantation and improvement in yield per acreage. The average yield per hectare increased to 890 kgs. from 860 kgs. in 1983-84. Production of natural rubber during the first quarter (April-June) of the year 1985-86 at 39.7 thousand tonnes recorded a fall of 0.3 per cent compared to an increase of 9.4 per cent last year.

Consumption of natural rubber stood at 217.5 thousand tonnes during 1984-85. At this level, it showed a marginal growth rate of only 3.8 per cent compared with 7.2 per cent in 1983-84 when the consumption was 209.5 thousand tonnes. The main reason for low growth rate in consumption in 1984-85 was the demand recession which the automobile industry faced. The consumption of natural rubber far exceeded the production and, therefore, the Government allowed import of 40.2 thousand tonnes of rubber during the year 1984-85, out of which, 35.2 thousand tonnes was imported through State Trading Corporation (STC) and the balance by the manufacturers themselves under an export incentive scheme. The year-end stock of natural rubber at 54.2 thousand tonnes was higher by 9.0 thousand tonnes (or by 19.9 per cent) compared with the stock of 45.2 thousand tonnes at the end of 1983-84. The gap between supply and demand for natural rubber is likely to continue in the coming years due to ever increasing demand from consumer industries.

For increasing the production of natural rubber, the Rubber Board continued the 'Rubber Plantation Development Scheme' launched in 1980-81 to accelerate new plantation and replantation of rubber. The Board continued to distribute high yielding planting materials to growers as well as financial and technical assistance to co-operatives of small holders for improving the processing and marketing of rubber.

Production of synthetic rubber at 37.6 thousand tonnes during 1984-85 recorded a much higher growth of 16.4 per cent compared with 6.6 per cent in 1983-84 when the production was 32.3 thousand tonnes. During April-June 1985, the output of synthetic rubber was markedly lower by 19.0 per cent over the production during the same quarter of 1984 when it had recorded an abnormal increase of 107.9 per cent.

Consumption of synthetic rubber at 58.3 thousand tonnes, on the other hand, recorded a lower growth of 6.0 per cent during the year compared with an increase of 10.9 per cent in the previous year. Imports of synthetic rubber at 23.4 thousand tonnes were also significantly

Table IV-21: Rubber

(Thousand tonnes)

Item	April-March		
	1982-83	1983-84(P)	1984-85(P)
1	2	3	4
Production			
Natural	165.8	175.3	186.4
	(+8.4)	(+5.7)	(+6.3)
Synthetic	30.3	32.3	37.6
	(+6.3)	(+6.6)	(+16.4)
Reclaimed	28.8	30.7	34.2
	(–)	(+6.6)	(+11.4)
Imports			
Natural	33.4	35.9	40.2
	(–19.1)	(+7.5)	(+12.0)
Synthetic	18.8	16.0	23.4
	(–19.7)	(–14.9)	(+46.2)
Consumption			
Natural	195.5	209.5	217.5
	(+3.8)	(+7.2)	(+3.8)
Synthetic	49.6	55.0	58.3
	(+6.9)	(+10.9)	(+6.0)
Reclaimed	29.2	30.7	34.6
	(+3.5)	(+5.1)	(+12.7)
Year-end stocks			
Natural	43.4	45.2	54.2
	(+9.3)	(+4.1)	(+19.9)
Synthetic	15.7	9.0	11.6
	(–3.1)	(–42.7)	(+28.9)
Reclaimed	2.0	2.6	2.1
	(–16.7)	(+30.0)	(–19.2)

P: Provisional.

Note: Figures in brackets represent percentage variations over the preceding year.
Source: Rubber Board, Government of India.

higher by 46.2 per cent during the year in contrast to a fall of 14.9 per cent during the year 1983-84. As a result of higher production and imports but comparatively lower consumption, the stocks of synthetic rubber were also higher at the end of 1984-85 at 11.6 thousand tonnes compared with 9.0 thousand tonnes a year ago.

Production trends in selected rubber goods industries during 1984-85 are presented in Table IV-22. The number of units in the organised sector engaged in the production of rubber goods increased from 116 in 1983-84 to 119 in 1984-85. Production of automobile tyres at 114.6 lakh numbers in 1984-85 registered an increase of 12.9 per cent on top of an increase of 15.6 per cent in 1983-84, due mainly to the continued increase in the production of automobiles of all varieties. Production of cycle-tyres, on the other hand, suffered a setback of 4.7 per cent to 311.8 lakh numbers in contrast to a substantial increase of 19.9 per cent during the previous year. Production of rubber footwear continued to decline for the second year in succession recording a fall of 2.8 per cent in 1984-85 over and above a fall of 4.0 per cent

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

(Lakh numbers)

Year (April-March)	Automobile Tyres		Automobile Tubes	Cycle Tyres	Cycle Tubes	Rubber Footwear (pairs)
	Total	*of which* Giant Tyres				
1	2	3	4	5	6	7
1982-83	87.8	42.9	73.8	273.0	125.4	383.5
	(+0.8)	(+6.2)	(+22.4)	(+2.6)	(+2.7)	(+6.8)
1983-84(P)	101.5	45.6	79.9	327.3	172.7	368.0
	(+15.6)	(+6.3)	(+8.2)	(+19.9)	(+37.7)	(−4.0)
1984-85(P)	114.6	46.1	87.0[E]	311.8	156.0[E]	357.6
	(+12.9)	(+1.1)	(+8.9)	(−4.7)	(−9.7)	(−2.8)

P: Provisional.
E: Estimated.

Note: Figures in brackets represent percentage variations over the preceding year.
Sources: Directorate General of Technical Development and Central Statistical Organisation.

during 1983-84. During the year, a Development Council for auto tyres and tubes and a Development Panel for other goods were set up.

(c) Chemicals and Chemical Products

Production of chemicals and chemical products, which have a weight of 10.90 per cent in the general index of industrial production showed a further rise of 7.3 per cent during 1984-85 compared with 6.1 per cent recorded in the preceding year.

Among selected items in this group, production of *fertilisers (nitrogenous and phosphatic)* showed a steep rise of 14.1 per cent during 1984-85 as compared with 3.1 per cent in 1983-84. Quite significantly, the current year's production exceeded the target of 37.5 lakh tonnes of nitrogenous and 11.25 lakh tonnes of phosphatic fertilisers for the first time. Production of *nitrogenous fertilisers (in terms of nutrients)* rose by 12.2 per cent touching a new high of 3,917 thousand tonnes in 1984-85, compared to 2.0 per cent in the preceding year. Production of *phosphatic fertilisers* increased to 1,264 thousand tonnes, registering a big rise of 20.5 per cent during 1984-85, compared with 7.0 per cent in 1983-84 (Table IV-23).

Capacity utilisation in respect of nitrogenous and phosphatic fertilisers increased to 76.2 per cent and 74.4 per cent in 1984-85 from 67.9 per cent and 70.4 per cent, respectively, in the preceding year.

During 1984-85, there were 38 fertiliser units (including Thal I Project which commenced production in the first quarter of 1985-86) manufacturing a wide range of nitrogenous and complex/phosphatic fertilisers, 40 small units manufacturing single super phosphate and six units producing ammonium sulphate as by-product from steel plants. The installed capacity at the end of 1984-85 was 5.14 million tonnes of nitrogenous (excluding Thal I project) and 1.70 million tonnes of phosphatic fertilisers.

In order to cope up with the increased demand for fertilisers, work relating to the installation of additional capacity is in progress. The work on two large sized gas-based nitrogenous fertiliser plants at Bijayapur (Madhya Pradesh) and Aonla (Uttar Pradesh) has commenced while the installation work on Sawai Madhopur plant in Rajasthan and three more plants in Uttar Pradesh which will contribute an additional capacity of over 20 lakh tonnes of nitrogenous fertilisers is expected to be taken up soon

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

(Thousand tonnes)

Item	April-March 1982-83	1983-84(P)	1984-85(P)
1	2	3	4
1. Nitrogeneous Fertilisers (N Content)	3,424	3,491	3,917
	(+8.9)	(+2.0)	(+12.2)
2. Phosphatic Fertilisers (P_2O_5)	980	1,049	1,264
	(+3.3)	(+7.0)	(+20.5)
3. Sulphuric Acid@	2,778	2,241	2,726
	(+23.7)	(−19.3)	(+21.6)
4. Caustic Soda	577	650	696
	(−6.0)	(+12.7)	(+7.1)
5. Soda Ash	621	781	812
	(−1.7)	(+25.8)	(+4.0)
6. Paints and Varnishes (Organised Sector)	108	114	133
	(+12.5)	(+5.6)	(+16.7)
7. Soaps (Organised Sector)	346	362	376
	(+5.2)	(+4.6)	(+3.9)
8. Synthetic Detergents (Organised Sector)	161	143	168
	(−0.6)	(−11.2)	(+17.5)
9. Drugs and Pharmaceuticals (Rs. Crores)			
(i) Bulk Drugs	325	355	377*
	(+12.5)	(+9.2)	(+6.2)
(ii) Formulations	1,600	1,760	1,827*
	(+11.9)	(+10.0)	(+3.8)
10. Alcohol (Million litres)+	536	574	NA
	(+4.1)	(+7.1)	

@ Data relate to calendar year.
+ Data relate to alcohol year, i.e., December-November.
* Anticipated/Estimated.
P: Provisional.
NA: Not available.
Note: Figures in brackets represent percentage variations over the preceding year.
Sources: D.G.T.D. and Ministry of Chemicals and Fertilisers, Government of India.

Production of *alcohol (industrial)* during the alcohol year 1983-84 (December-November) at peak level of 574 million litres was higher by 7.1 per cent than in the previous year but marginally fell short of the increased demand. The production of molasses, however, declined to 30.67 lakh tonnes from 33.75 lakh tonnes recorded in 1982-83.

Production of *sulphuric acid* one of the main raw materials used in the production of single super phosphate and phosphoric-acid, which recorded a decline of 19.3 per cent to 2.2 million tonnes in 1983 from 2.8 million tonnes in 1982, registered a rise of 21.6 per cent to 2.7 million tonnes in 1984. At present, 95 sulphuric acid units using sulphur/pyrite metallurgical gases as raw material, are in operation with a total of 4.6 million tonnes of installed capacity per annum. An additional capacity of about 1.02 million tonnes was approved during the year.

The production of *caustic soda* at 696 thou - sand tonnes during 1984-85 was higher by 7.1 per cent, than the previous year's production of 650 thousand tonnes. There are at present 38 companies with an installed capacity of nearly

one million tonnes per annum. In order to meet the future demand, approvals have been granted for installing new capacity of 538 thousand tonnes.

The production of *soda-ash* at 812 thousand tonnes in 1984-85 showed an increase of 4.0 per cent over the last year's production at 781 thousand tonnes. In order to augment production to meet the increasing demand, an additional capacity to the extent of 546 thousand tonnes has been sanctioned.

Production of *soaps* in the organised sector increased to 376 thousand tonnes during 1984-85 from 362 thousand tonnes in the previous year. In the organised sector there were 19 units and 42 units manufacturing toilet soap and laundry soap, respectively. In the small-scale sector, there were about 5,000 units manufacturing washing/laundry soap. After assessing the requirements of fatty acids for use in soap industry, imports of 12,900 tonnes of both PFAD/SPSFA were authorised to meet the immediate requirements of the industry until March 1984. A further import of 100.0 thousand tonnes of PFAD/SPSFA was authorised including 20.0 thousand tonnes of palm stearine for the period up to March 1985.

Production of *synthetic detergents* in the organised sector improved to 168.0 thousand tonnes in 1984-85 from a level of 143.0 thousand tonnes last year. To meet possible increase in demand for detergents as a result of increase in soap prices, the State Trading Corporation was authorised to import 52,000 tonnes of Linear Alkyl Benzene (LAB).

Production of *paints and varnishes* in the organised sector rose significantly by 16.7 per cent to 133.0 thousand tonnes in 1984-85 compared with a 5.6 per cent rise in the preceding year. The industry is now in a position to meet the requirements of surface coating of a broad spectrum of Industries, such as transport, chemical industries, light engineering industries, electrical industries, structural industries, etc.

Estimated production of *drugs and pharmaceuticals* showed a further rise in 1984-85. Total value of production amounted to Rs. 377 crores for bulk drugs and Rs. 1,827 crores for formulations compared to Rs. 355 crores and Rs. 1,760 crores, respectively, in the preceding year.

At present about 225 bulk drugs are being produced in the country, covering the entire gamut of Therapuetic group. It is significant to note that technologies for production of drugs like Theophylline, Cis-platin, Sod. Valoproate, Damazol, Vinalestin, etc., have been developed in the country.

In line with its general policy of liberalisation of industrial licensing, the Government delicensed 12 bulk drugs on March 16, 1985. To give a further boost to the production of drugs and reduce their imports, 82 more bulk drugs were delicensed on June 5, 1985. This is expected to result in a perceptible improvement in the availability of the entire range of essential drugs in the country.

D. Consumer Goods Industries

(a) Sugar

The 1984-85 sugar season (October-September) opened with a much lower level of carry forward stock of 23.74 lakh tonnes as compared with 45.87 lakh tonnes in the previous year i.e. less by 22.13 lakh tonnes or 48.2 per cent. During the season production amounted to 61.43 lakh tonnes representing a marginal rise of 2.26 lakh tonnes or 3.8 per cent over the previous season's production of 59.17 lakh tonnes. To augment the supplies, Government imported 11.87 lakh tonnes of sugar in 1984-85 as against imports of 0.94 lakh tonnes in 1983-84. Together with imports total availability of sugar during 1984-85 at 97.04 lakh tonnes was lower than 105.98 lakh tonnes in 1983-84. Total offtake during 1984-85 was 80.96 lakh tonnes, comprising of 80.64 lakh tonnes for internal consumption and 0.32 lakh tonnes for exports as against 82.24 lakh tonnes, consisting of 75.65 lakh tonnes for international con-

Table IV-24: Availability and Consumption of Sugar

(In lakh tonnes)

Items	October-September			
	1981-82	1982-83	1983-84	1984-85(P)
1	2	3	4	5
1. Opening Stock	7.77	32.63	45.87	23.74 (0.94)
2. Production	84.32	82.30	59.17	61.43
3. Imports	—	—	0.94	11.87
4. **Total Supply** (1+2+3)	92.09	114.93	105.98	97.04
5. Internal consumption	55.31	64.81	75.65	80.64 (10.97)
6. Exports	4.15	4.25	6.59	0.32
7. **Total offtake** (5+6)	59.46	69.06	82.24	80.96
8. Closing Stock (4−7)	32.63	45.87	23.74 (0.94)	16.08 (1.84)

P: Provisional.
Note: Imported sugar indicated in brackets is included in the item.
Source: Indian Sugar Mills' Association.

sumption and 6.59 lakh tonnes for exports. Stocks of sugar at the end of 1984-85 season declined from 23.74 lakh tonnes at the end of 1983-84 to 16.08 lakh tonnes at the close of 1984-85. Of the imports of 11.87 lakh tonnes, about 10.97 lakh tonnes have been released for internal consumption during the season. Data on sugar production, consumption, etc., for 1984-85 season are given in Table IV-24.

India is an exporting member of the International Sugar Agreement-1977, which came into force from January 1, 1978. The Agreement expired on December 31, 1984. Deliberations for a new International Sugar Agreement (ISA) failed at the U.N. Sugar Conference but a New Agreement viz., International Sugar Agreement, 1984 without economic clauses has come into force from January 1, 1985, which India has acceded to.

The sugar policy viz., partial control and dual pricing continued unchanged during the season. The ratio of levy and free sale sugar was retained at 65:35. The Government decided to sell a part of imported sugar through Public Distribution System (PDS) — at a fixed price of Rs. 6.00 per kg. (which was reduced to Rs. 5.80 per kg. from August 3, 1985). The Government also decided to supply a part of imported sugar to traders through the Food Corporation of India by inviting tenders.

The quantum of monthly release of levy sugar was maintained at 3.13 lakh tonnes during the entire season except in August and September when additional 50,000 tonnes of levy sugar was released. On the other hand, the monthly releases of free sale sugar were maintained at much higher levels as compared with those during the corresponding months of the previous season (Table-IV-25).

The ex-factory price for levy sugar (all-India average), which is worked out on the basis of statutory minimum price of sugarcane announced for the season and on the conversion cost schedules recommended in the Report of the Bureau of Costs and Prices (1984), was fixed by the Government at Rs. 311.07 per quintal for 1983-84 season. For 1984-85 season, average price of levy sugar was fixed at Rs. 351.21 per quintal. With this increase in the all-

Table IV-25: Sugar Releases during 1983-84 and 1984-85 Seasons

(In lakh tonnes)

Month	1983-84			1984-85		
	Levy	Free sale	Total	Levy	Free sale	Total
October	3.63@	3.30	6.93	3.13	3.85	6.98
November	3.13	3.30	6.43	3.13	3.85	6.98
December	3.13	3.00	6.13	3.13	4.35@	7.48
January	3.13	3.25	6.38	3.13	3.90	7.03
February	3.13	3.25	6.38	3.13	3.80	6.93
March	3.13	3.55	6.68	3.13	3.80	6.93
April	3.13	3.35	6.48	3.13	3.70	6.83
May	3.13	3.10	6.23	3.13	3.60	6.73
June	3.13	3.40	6.53	3.13	4.25@	7.38
July	3.13	3.40	6.53	3.13	3.75	6.88
August	3.13	3.40	6.53	3.63@	4.00@	7.63
September	3.63@	3.70	7.33	3.63@	4.00	7.63

@ Includes additional quota of 50,000 tonnes.

India average ex-factory price of levy sugar for 1984-85, the uniform retail price of levy sugar was also raised from Rs. 4.00 to Rs. 4.40 per kg. with effect from April 1, 1985.

On the recommendation of the Development Council for Sugar Industry, the Union Government decided to reduce the number of sugar grades in respect of grain sizes from the existing 5 grades i.e. A,B,C,D & E to 3 grades viz., Large (L), Medium (M) and Small (S), from October 1, 1984 — the beginning of the 1984-85 sugar season.

To maintain adequate availability of sugar, the Government used the buffer stock of sugar which was of the order of 10 lakh tonnes in October 1983. Releases were made out of the buffer stock from June 1984 and the entire 10 lakh tonnes of the buffer stock was exhausted by November 1984.

With a view to maintaining easy availability of sugar and khandsari as also to maintain their prices at a reasonable level, some directives were issued by the Union Government to the Sugar Directorate, the State Governments and khandsari producers. The Sugar Directorate was directed to tighten up the monitoring of mill despatches and also to take stern action against defaulting mills for not despatching the weekly quotas. State Governments were advised to ban the sale of free sale sugar by one wholesaler to another wholesaler where transanctions did not lead to a physical delivery of stocks. Following the Union Government's advice on January 11, 1985 to the State Governments to curb speculative activities, the Bombay Sugar Merchants' Association took the initiative to voluntarily restrict inter-trade transactions in sugar in Maharashtra to the minimum. Thus, sugar purchased from any part of the country by a wholesaler in Maharashtra would be eligible for sale by him only once to any other wholesaler in any part of the State after taking actual physical delivery from the manufacturer. This voluntary restriction was valid for six months, beginning from January 20, 1985. Khandsari producers were directed to declare their stocks as on Friday, 25th January 1985 or before Monday, 28th January 1985 to the specified authority, under the Sugar (Control) Order, 1966. The stocks thus declared as well as those to be produced thereafter upto the end of September were to be disposed off latest by the end of October 1985. The khandsari producers were also directed to ensure that the quantities sold and despatched during each month from February to September 1985 were not less than 20 per cent of the

opening stock for the respective month. State Governments were advised to enforce this order effectively and also monitor information relating to production and disposal of khandsari stocks by producers.

As on February 28, 1985 the licensed capacity of the sugar industry was 87.90 lakh tonnes spread over 398 sugar factories. The installed annual sugar production capacity during 1983-84 was 69.06 lakh tonnes representing 339 sugar factories. During 1984-85 crushing season, the installed annual sugar production capacity was expected to go up by 5.09 lakh tonnes through establishment of 20 new sugar factories and by way of 18 expansion projects. Thus, the number of sugar factories installed was expected to increase from 339 to 359 by the end of 1984-85 season. For balanced regional development and for giving fair deal to backward areas, the Ministry of Industry issued guidelines which laid down that subject to economic feasibility, licensing of new sugar factories may be confined to districts where sufficient cane was grown but where no sugar factories existed or had been licensed.

During 1984-85 (upto June 3, 1985) a sum of Rs. 144 crores was credited into the Sugar Development Fund, taking the total amount credited to Rs. 260 crores, of which, an amount of about Rs. 50 crores was paid towards the buffer stock subsidy. The Levy Sugar Price Equalisation Fund was created in 1976 for securing recovery of the excess realisation made by sugar mills under interim orders of Courts, over and above the prices fixed under the Essential Commodities Act, and re-funding the same to rightful claimants. During 1984-85 (upto February 28, 1985) a sum of Rs. 1.32 crores had been recovered from the sugar mills and credited to the fund, bringing the total amount thus credited since the establishment of the fund to Rs. 8.13 crores. In addition, the Food Corporation of India (FCI) under orders of the Courts collected by way of such recovery a sum of Rs. 11.82 crores. During 1984-85, payment of Rs. 2.24 crores had been sanctioned from the Fund to the FCI which was to be utilised for maintaining the uniform retail price of levy sugar.

(b) Textiles—Cotton and Synthetic

The textile industry's production continued to show improvement for the second year in succession after severe set back during 1981-82 and 1982-83 following the prolonged labour strike in the textile mills in Bombay. The output of the mill sector as well as of the decentralised sector together increased during 1984-85 by 2.1 per cent on top of an increase of 10.3 per cent during 1983-84. The number of closed mills increased from 48 units as on December 31, 1984 to 70 units at the end of March 1985. This resulted in a loss of production of yarn and cloth which increased from 8.25 million kgs. and 32.10 million metres during the month of April 1984 to 10.92 million kgs. and 36.56 million metres, respectively, during the month of March 1985. The number of workers rendered unemployed due to closure of these mills increased from 82,818 as on March 31, 1984 to 1,07,284 as at the end of March 1985. The sickness affecting the textile industry arose mainly from insufficient ploughing back of profits and re-investment for modernisation and renovation. This led to obsolescence and application of low level technology creating a vicious circle of low productivity, high cost of production and low profitability. Inspite of the facilities of "soft loan", existence of a well developed indigenous textile machinery industry and liberal import policy in respect of selected items of textile machinery, the pace of modernisation was very slow.

Other problems encountered by the textile industry were, a rise in the cost of raw materials such as cotton, man-made fibres, etc., financial stringency, rise in the cost of other inputs and wages without corresponding increase in the prices of cloth, sluggish demand, accumulation of stocks of cloth, labour unrest and power cuts. In the new textile policy announced on June 6, 1985, a number of measures for revival of sick units have been spelt out. These include creation of a modernisation fund, change in

management of mills which have become sick due to mismanagement and a rehabilitation package in case of potentially viable units.

Total production of *yarn* (cotton blended/mixed and 100 per cent man-made fibre spun yarn) registered an increase of 4.7 per cent to 1,382 million kgs. during 1984-85 which was lower than the increase noticed in 1983-84 *viz.*, 8.4 per cent (Table IV-26). The lower increase in the production of yarn in 1984-85 was the result of a further decline in the production of blended/mixed and 100 per cent man-made fibre yarn which was due mainly to the high prices of viscose staple fibre—a main input for these yarns. Consequently, mills found it uneconomical to produce such yarn. Indigenous output of cotton yarn rose from 1,113 million kgs. in 1983-84 to 1,183 million kgs. in 1984-85, showing a rise of 6.3 per cent which was smaller as compared with the rise during 1983-84, *viz.*, 11.4 per cent. During 1984-85, production of blended/mixed yarn stood at 129 million kgs. as compared with 134 million kgs. in 1983-84 showing a decline of 3.7 per cent over and above the decline of 2.2 per cent in 1983-84. Output of 100 per cent man-made fibre spun yarn also continued to show a downtrend. It fell from 82 million kgs. in 1982-83 to 73 million kgs. in 1983-84 and further to 70 million kgs. in 1984-85. The Sixth Plan target of yarn production was scaled down from 1,425 million kgs. to 1,375 million kgs. in the Mid-term Appraisal of the Plan.

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

(Million Kgs.)

Item	April-March		
	1982-83	1983-84(P)	1984-85(P)
1	2	3	4
A. Production (i + ii + iii)	**1,218**	**1,320**	**1,382**
	(−2.5)	**(+8.4)**	**(+4.7)**
(i) Cotton Yarn	999	1,113	1,183
	(+1.0)	(+11.4)	(+6.3)
(ii) Blended/Mixed Yarn	137	134	129
	(−18.0)	(−2.2)	(−3.7)
(iii) 100 per cent Man-made Fibre Spun Yarn	82	73	70
	(−11.8)	(−11.0)	(−4.2)
B. Exports*			
Value (Rs. crores)	18.32	21.65	36.42
Quantity	6	7	9
C. Domestic Consumption (all yarn) (i + ii)	**1,060@**	**1,161**	**1,215**
(i) Mill Sector +	359@	437	457
(ii) Decentralised Sector + +	701@	724	758
D. Year-end Stocks (Unsold)* (all yarn)	**17.9@**	**19.5**	**23.6**

P : Provisional.
*** : Relates to cotton yarn only.**
+ : Relates to consumption for weaving cloth only.
@ : Excluding Bombay city.
+ + : Excluding deliveries of yarn to hosiery and other purposes.

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.

The domestic consumption of *all yarn* taken together showed an increase during 1984-85 to 1,215 million kgs. from 1,161 million kgs. in 1983-84 or by 4.7 per cent. As demand did not increase in proportion to rise in production, unsold stocks of all yarn with mills by end-March 1985, rose to 23.6 million kgs. from 19.5 million kgs. a year ago. During April-June 1985-86, output of all yarn recorded a further rise of 5.9 per cent compared to 4.9 per cent in the corresponding period of the previous year. By the end of June 1985, unsold stocks of all yarn increased further to 24.3 million kgs.

The total output of *cloth* (cotton, blended/mixed and 100 per cent man-made fibre fabrics) in mill and decentralised sectors went up marginally by 2.1 per cent to 11,956 million metres in 1984-85 from 11,709 million metres in 1983-84 when it had increased by 10.3 per cent over 1982-83. The marginal improvement in the output of cloth was due to the decline in the output of mill sector particularly cotton fabrics following shortage of cotton (especially short and medium-staple), high cost of production, power shortage and increased sickness in the industry (Table IV-27).

The mill sector's cloth output recorded a decline of 1.6 per cent to 3,432 million metres in 1984-85 from 3,487 million metres in 1983-84 and that of decentralised sector's increased by 3.7 per cent to 8,524 million metres from 8,222 million metres. During 1984-85, production of cotton fabrics (which forms a major part of output of both the sectors) went down by 3.1 per cent to 2,620 million metres in the case of mill sector but increased by 6.7 per cent to 6,400 million metres in the case of decentralised sector. Cloth production of the mill sector during the first quarter of 1985-86 (April-June) recorded a further decline of 3.3 per cent over and above a fall of 3.6 per cent during the same period last year.

Domestic consumption of cloth also recorded a marginal increase of 2.3 per cent to 11,007 million metres during 1984-85 compared with an increase of 10.1 per cent during the previous year. The unsold stocks at 175 million meters at end-March 1985 came down sharply by about 19.0 per cent as compared with 216 million metres a year ago due mainly to increased exports.

Total value of exports of all textiles, including cotton textiles, handloom textiles, readymade garments, knitwear, etc., increased to Rs. 1,549.3 crores during 1984-85 from Rs. 1,163.2 crores in 1983-84 or by 33.2 per cent compared with the rise of 10.3 per cent during the previous year. The substantial rise in exports of textiles during the year was the result of higher production as well as policy measures adopted by the Government from time to time and promotional activities undertaken by export promotion councils. The Government has been providing assistance to the industry by way of Cash Compensatory Support (CCS), against its exports. As a result of these measures, our exports of cotton fabrics to the countries like U.S.A., U.S.S.R., E.E.C., etc., increased substantially during the year as compared to 1983-84. Exports of cotton fabrics during 1984-85 at Rs. 342.1 crores were higher by 52.8 per cent than in 1983-84, whereas exports of readymade garments including hosiery/knitwear of all varieties at Rs. 945.8 crores recorded an increase of 27.7 per cent. Exports of readymade garments are only 2 per cent of the total world exports. This is attributed to the limited range of exports confined mainly to "fashion" or "casual wear garments". Concerted efforts are needed to tap the potential markets for standard garments and children's wear made out of man-made fibres. The Reserve Bank has taken a decision to exempt cloth, cotton, cotton yarn, man-made fibres and yarn and cloth made out of man-made fibres from the purview of selective credit controls with a view to enabling the banks to give additional credit facilities to cloth merchants. As a result of this development, the liquidity of the textile mills is expected to improve to a considerable extent.

During 1984-85, the total number of mills under the control of the National Textile Cor-

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

(Million metres)

Item	April-March		
	1982-83	1983-84(P)	1984-85(P)
1	2	3	4
A. Production (i + ii)	**10,614**	**11,709**	**11,956**
	(-3.3)	(+10.3)	(+2.1)
(i) Mill Sector (a+b+c))	3,132	3,487	3,432
	(-17.8)	(+11.3)	(-1.6)
(a) Cotton Fabrics	2,393	2,703	2,620
	(-18.1)	(+13.0)	(-3.1)
(b) Blended/Mixed Fabrics	733	779	807
	(-16.4)	(+6.3)	(+3.6)
(c) 100 per cent Man-made Fibre Fabrics	6	5	5
	(-25.0)	(-16.7)	(-)
(ii) Decentralised Sector (a + b + c)	7,482	8,222	8,524
	(+4.3)	(+9.9)	(+3.7)
(a) Cotton Fabrics	5,560	5,998	6,400
	(+9.9)	(+7.9)	(+6.7)
(b) Blended/Mixed Fabrics	560	487	432
	(-14.9)	(-13.0)	(-11.3)
(c) 100 per cent Man-made Fibre Fabrics	1,362	1,737	1,692
	(-6.4)	(+27.5)	(-2.6)
B. Exports @ (Rs. Crores)	**1,054.8**	**1,163.2**	**1,549.3**
	(-23.5)	**(+10.3)**	**(+33.2)**
C. Domestic Consumption (all cloth)*	**9,770**	**10,760**	**11,007**
	(-3.7)	**(+10.1)**	**(+2.3)**
D. Year-end Stocks (unsold) (all cloth) +	**134**	**216**	**175**
	(-16.2)	**(+61.2)**	**(-19.0)**

P : Provisional.
@ : Includes Cotton Textiles, Handloom Textiles, Ready-made Garments, Man-made Textiles, etc.
* : 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.

poration (NTC) was 125, same as last year. NTC mills (excluding 13 mills taken over in Bombay in October 1983) produced 74.0 million kgs. of market yarn and 920 million metres of cloth in 1984-85 compared with 70.0 million kgs. of market yarn and 902.0 million metres of cloth during 1983-84. Though the spinning and weaving capacity utilisation for nationalised mills increased to 70 per cent and 73 per cent by the end of 1984-85 from 68 per cent and 65 per cent, respectively, during the year 1975-76, the spindle and loom utilisation were adversely affected during the year due to constraints of power and heavy shortages of cotton. During the first quarter (April-June) of 1985-86, these mills produced an estimated market yarn of 20.0 million kgs. and 240 million metres of cloth.

Exports by NTC amounted to Rs. 39.6 crores during 1984-85 compared with Rs. 13.6 crores in 1983-84 and Rs. 3.6 crores in 1981-82. NTC has set up an Export Division in Bombay with a view to rendering assistance to the Subsidiary Corporations to export their products.

The installed capacity of NTC in respect of spindles increased to 41.3 lakh spindles at end-March 1985 from 40.9 lakh spindles at end-March 1984. Under the textile policy, 650 million sq. metres per annum of controlled cloth, catering to the needs of weaker sections of the society are to be produced by NTC mills and the handloom sector. Recently, NTC has also started producing polyester-blended shirting as part of the controlled cloth scheme. Pricing of such shirting has been fixed at Rs. 10.50 per metre and its distribution will be done through Fair Price Shops.

The production of controlled (janata) cloth in the handloom sector during 1984-85 is expected to be of the order of 360 million sq. metres as compared with 348 million sq. metres in 1983-84. During 1984-85, production of controlled cloth by NTC mills was estimated lower at 280 million sq. metres as compared with 295 million sq. metres during 1983-84. The scheme envisages gradual rise in the share of the handloom sector in production of controlled cloth with a proportionate reduction in the share of NTC every year and by the end of the Seventh Plan (i.e., 1989-90), the entire controlled cloth is planned to be produced in handloom sector.

NTC (including all subsidiaries) suffered a loss of Rs. 99.35 crores during the year 1983-84 as against the net loss of Rs. 76.21 crores for the previous year mainly on account of increase in cotton prices, wages and salaries, adverse trading conditions, obsolete machinery, etc. The total accumulated losses of NTC (including subsidiaries) upto 1983-84 amounted to Rs. 393 crores. According to NTC, only 22 out of 125 mills show heavy losses contributing to nearly 60 per cent of the total losses of NTC. However, since 1984-85, the losses of NTC mills showed gradual decline .

The major problems faced by NTC related to obsolete machinery and surplus labour. In order to update the technology in NTC mills and make them viable, the total amount sanctioned to NTC mills at end-March 1985 was Rs. 378 crores, out of which, nearly Rs. 301 crores had been invested. With a view to reducing the surplus labour force, a 'Labour Rationalisation Scheme' was introduced in NTC mills. The scheme was purely voluntary in nature and was implemented with the consent of the trade unions.

The year 1984-85 was observed as the "Year of Handlooms" Several programmes and schemes were undertaken for development of this sector. The National Handloom Development Corporation took steps for opening yarn depots in various parts of the country with a view to augmenting the yarn availability for achieving higher production targets of the handloom sector. In order to safeguard handloom sector from competition from mill and powerloom sector, a separate legislation reserving certain items for exclusive production by the handloom sector had been introduced.

With a view to facilitating modernisation in the textile industry, licensing policy was liberalised to allow import of sophisticated textile machinery and critical components. The Government announced a reduction in customs duty on the import of certain specified items of textile machinery subject to an export obligation to the extent of 75 per cent of the production from the imported machinery over a period of 5 years. The Government also reduced the import duty on garment machinery to strengthen the base for export efforts. Under the soft loan scheme, facilities for modernisation of the textile industry, apart from a concessional rate of interest, there are other attractive features such as exemption from convertibility stipulation, relaxation in norms for debt-equity ratio, reduced promoter's contribution, etc.

The Government took several fiscal measures also for the benefit of the textile industry. Excise duty on cotton yarn and cellulosic spun yarn of higher counts was rationalised. Excise

duty relief was also provided on certain varieties of yarn used by the handloom sector. Excise duties on certain popular varieties of polyester blended yarn and fabrics, certain varieties of cotton fabrics of assessable value not exceeding Rs. 5 per sq. metre were also reduced. In the budget for 1985-86, it is proposed to shift the duty on cotton fabrics to the yarn, unprocessed cotton fabrics are being fully exempted and duty burden on cotton yarn is being increased by about 25 per cent.

(C) Paper, Paper Boards and Newsprint

(i) Paper and Paper Products

Production of paper and paper boards recorded a growth of 8.7 per cent to 13.61 lakh tonnes in 1984-85 (April-March) which was higher as compared with the increase of 3.9 per cent during the year 1983-84, when the production was 12.52 lakh tonnes (Table IV-28). Production during the first quarter of the year 1985-86 (April-June) at 356.92 thousand tonnes, however, recorded a much lower growth of 7.9 per cent as compared with 18.2 per cent in the same period of 1984-85.

The main reasons for the substantial improvement in output of paper and paper boards during the year were: adequate supply of power to mills, installation of captive power plants by large paper units, increased availability of raw materials like wood chips and pulp due to liberalised imports and various Government measures including improved credit availability.

Table IV-28: Paper, Paper Boards and Newsprint

(Thousand tonnes)

Year (April-March)	No. of Units	Installed Capacity	Production	Capacity Utilisation Ratio (per cent)
1	2	3	4	5
A. Paper and Paper Boards				
1982-83	177	1,915	1,205 (−3.1)	62.9
1983-84(P)	220	2,165	1,252 (+3.9)	57.8
1984-85(P)	252	2,337	1,361 (+8.7)	58.2
B. Newsprint				
1982-83	3	223	121 (+98.4)	54.3
1983-84(P)	3	230	176 (+45.5)	76.5
1984-85(P)	3	230	197 (+11.9)	85.6

P : Provisional.

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

Sources: Indian Paper Mills' Association, Report of the Department of Industrial Development and Central Statistical Organisation.

The number of units and installed capacity in the paper and paper boards industry increased from 220 units and 21.65 lakh tonnes as at the end of 1983 to 252 units and 23.37 lakh tonnes, respectively, as at the end of 1984. However, capacity utilisation in the industry declined from 62.9 per cent in 1982-83 to 57.8 per cent in 1983-84, but improved marginally to 58.2 per cent in 1984-85. The utilisation of capacity of the industry was adversely affected on account of the closure of some of the large paper mills following industrial disputes, financial problems, being faced by many paper mills and existence of a large number of small paper units which generally operate at lower capacity.

In order to increase the production of paper and capacity utilisation in the paper industry, the Government took various steps which include:excise rebate to small paper units for the use of unconventional raw materials, utilisation of bagasse as raw material for writing and printing paper manufactured by new units and providing infrastructural support by way of increased allocation of coal and wagons. While the import of pulp was liberalised and the customs duties waived, the Government also waived import duty on pulp and wastepaper used for paper making. Import of wood chips for the manufacture of paper was exempted from customs duty.

In addition, the Government has also liberalised the licensing policy by extending the concept of 'broad-banding' to paper and pulp products whereby the concerns which had licence to manufacture a particular variety of paper could take up the manufacture of any variety of paper within the overall ceiling of the licensed capacity to suit market demand and improve production as well as capacity utilisation. Further, the units manufacturing paper and pulp (writing, printing and wrapping paper) from agricultural residues, waste and bagasse and cotton linter pulp were exempted from licensing. However, they were expected to register themselves with the concerned technical authority like, Directorate General of Technical Development. Steps were also initiated to prepare schemes for the revival of the old paper mills with a view to improving their performance both in physical and financial terms.

(ii) Newsprint

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

Production of newsprint during 1984-85 was 197 thousand tonnes as compared with 176 thousand tonnes in 1983-84. This substantial increase of 11.9 per cent in output was the result of attaining the rated production of new units as also high capacity utilisation ratios during 1984-85. Comfortable supply of power, establishment of captive power plants by the units, improvement in the labour situation and various measures taken by the Government facilitated the increase in output. Capacity utilisation ratio of newsprint industry rose significantly from 54.3 per cent in 1982-83 to 76.5 per cent in 1983-84 and further to 85.6 per cent in 1984-85. Further, an additional capacity of 5.85 lakh tonnes was approved by the Government by way of industrial licences and letters of intent. Production of newsprint at 48.95 thousand tonnes during April-June 1985 recorded a growth of 6.3 per cent compared with 15.5 per cent during April-June 1984.

Demand for newsprint during 1984-85 was placed around 4.1 lakh tonnes. To meet the shortfall in indigenous production, imports of about 2.12 lakh tonnes were arranged.

Chapter V

Price Trends and Price Policy

Price Trends: *The Main Features*

During the financial year 1984-85, the Wholesale Price Index (WPI) for 'All Commodities' (1970-71=100), went up on a point-to-point basis by 7.4 per cent, from 321.7 at end-March 1984 to 345.4 at end-March 1985. The rise recorded during 1983-84 was 8.9 per cent. On an average basis also the rise in the WPI during 1984-85 at 7.1 per cent was lower than the increase recorded in 1983-84, *viz.* 9.5 per cent

The normal pattern of price movements *viz.* an uptrend until mid-August followed by a decline till end–December and a rise thereafter was noticed in 1984-85 too. However, the rise in the WPI for 'all commodities' until mid-August at 7.6 per cent, on a point-to-point basis, was slightly higher than that of 7.2 per cent in the previous year. Among 'food articles', a wider range of items such as pulses, 'fruits and vegetables', 'milk and milk products', 'eggs, fish and meat', 'condiments and spices' and coffee, induced the price rise; among 'non-food articles', raw jute was the main item contributing to the increase. The rise in price during this period was aided also by manufactured items such as 'sugar, khandsari and gur', 'edible oils' and 'jute, hemp and mesta textiles'. During the second phase, i.e. from mid-August to end-December 1984, the WPI declined by 2.3 per cent in contrast to a rise of 1.1 per cent noticed during the corresponding period of the preceding year. The fall in the indices of cereals, 'fruits and vegetables', fibres, oilseeds, 'sugar, khandsari and gur' and edible oils contributed to the decline. In the final phase i.e. end-December 1984 to end-March 1985, the general index rose by 2.1 per cent as compared with a rise of 0.5 per cent during the same period of the previous year. The larger increase in the first quarter of 1985 was due mainly to the sharp increases in the indices of 'fruits and vegetables', 'mineral oils' and 'iron, steel and ferro alloys'. The impact of the cumulative increases in the prices of these items on the overall price rise was moderated to a certain extent by the downtrend in the indices of pulses, oilseeds and jute textiles. The rise in the index of 'primary articles' by 0.4 per cent as against the decline of 1.1 per cent during the corresponding period of the previous year also contributed to the rise. The other major groups 'fuel, power, light and lubricants' and 'manufactured products', however, registered larger increases of 6.5 per cent and 2.4 per cent, respectively, during the period (end-December 1984 to end-March 1985) compared to that of 3.3 per cent and 1.1 per cent, respectively, during the corresponding period of the previous year.

For the financial year as a whole, the deceleration in price was brought about mainly by the distinctly slower rise in prices of primary articles than in the previous year. While both food and non-food articles witnessed smaller increases in price than in the previous year, the latter showed markedly smaller increase. The improved availability of several commodities and judicious releases through public distribution system helped the deceleration in price rise during 1984-85.

Commodity/Group-wise Trends

The increase in the WPI during the year under review was brought about by the rise in the indices of all the 3 major groups, *viz.*, 'primary articles', 'fuel, power, light and lubricants' and 'manufactured products' which rose by 4.5 per cent, 9.0 per cent and 9.3 per cent, respectively. In 1983-84 the increases were 9.4 per cent, 5.1 per cent and 9.7 per cent, respectively (Table V-1). The increase in the price indices of 'primary articles' and 'manufactured products' was lower during the year than in the previous year. The rise in 'fuel, power, light and lubricants' was sharper than in the previous year mainly due to the upward revision in the prices of petroleum products effected by the Government in June 1984 and again in March 1985.

Table V–1 : Extent of Price Rise Based on Wholesale Price Index (1970-71=100)
(Major group–wise)

Items	Weight	Percentage variations		Weighted contribution	
		1983-84	1984-85	1983-84	1984-85
1	2	3	4	5	6
ALL COMMODITIES	1000.00	+8.9	+ 7.4	+100.0	+100.0
Primary Articles	416.67	+9.4	+ 4.5	+ 41.8	+24.4
Fuel, Power, Light and Lubricants	84.59	+5.1	+9.0	+ 7.9	+16.4
Manufactured Products	498.74	+9.7	+9.3	+ 50.3	+59.2

As in 1983-84, the weighted contribution to the general price rise in 1984-85 was the highest in the case of 'manufactured products' followed by 'primary articles' and 'fuel, power, light and lubricants'. A notable feature was that the weighted contribution of 'primary articles' to the price increase was appreciably lower at 24.4 per cent than that of 41.8 per cent in the previous year. The weighted contributions of both 'manufactured products' and 'fuel, power, light and lubricants' at 59.2 per cent and 16.4 per cent respectively, were on the other hand, larger than those of 50.3 per cent and 7.9 per cent, in the previous year. Some of the sub-groups/ commodities which contributed substantially to the rise in 1984-85 were pulses (5.1 per cent), fruits and vegetables (7.9 per cent), eggs, fish and meat (5.2 per cent), fibres (5.1 per cent), mineral oils (12.6 per cent), sugar, khandsari and gur (12.2 per cent), textiles (10.2 per cent), jute, hemp and mesta textiles (3.5 per cent), iron, steel and ferro alloys (14.4 per cent) and machinery and transport equipments (6.5 per cent).

Primary Articles

During 1984-85, price indices of the groups 'food articles' and 'non-food articles', registered increases of 5.8 per cent and 3.1 per cent, respectively, while the group 'minerals' declined by 0.5 per cent (Table V-2(a)). In the preceding year, all the three groups had recorded increases of 6.8 per cent, 20.6 per cent and 2.1 per cent, respectively. Among 'food articles', price index of foodgrains rose sharply by 3.6 per cent as compared with a smaller rise of 1.0 per cent recorded in the preceding year. While the index of cereals rose by 0.2 per cent in contrast to a decline of 5.3 per cent last year, pulses increased by 14.9 per cent as compared with a much larger rise of 28.0 per cent in the preceding year. Under cereals, the price indices of wheat and bajra rose by 1.6 per cent and 2.2 per cent, respectively, in contrast to declines of 12.5 per cent and 7.7 per cent, in the previous year. As in last year, the decline in the index of rice was marginal at 0.8 per cent. Index of jowar, however.

declined by 0.4 per cent as against an increase of 2.0 per cent in the preceding year. Index of the sub-group 'fruits and vegetables' recorded a much larger increase of 11.1 per cent as compared with a rise of 2.5 per cent a year ago mainly due to a sharp rise in the price index of fruits which went up sharply by 30.3 per cent during the year as compared with a nominal increase of 0.3 per cent in 1983-84. However, a sharp decline of 25.0 per cent was noticed in the index of vegetables. During 1983-84, the index of vegetables showed an increase of 6.8 per cent.

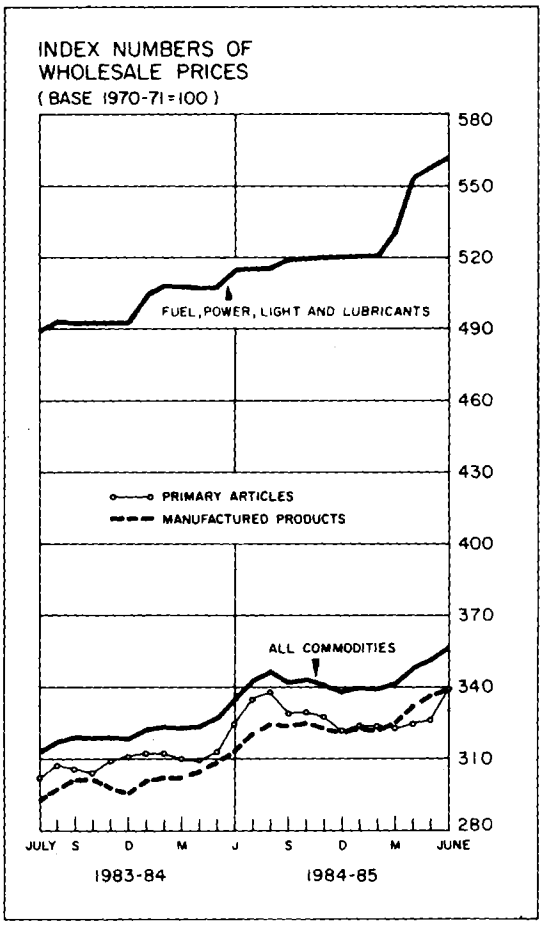


Table V–2(a) : Index Numbers of Wholesale Prices : Primary Articles

(Base: 1970-71=100)

Major Groups, Groups, Sub-groups and Commodities	Weight	End-March 1983	End-March 1984	End-March 1985	Percentage Variations		Weighted Contribution (Approximate)	
					End-March 1984 over End-March 1983	End-March 1985 over End-March 1984	1983-84	1984-85
1	2	3	4	5	6	7	8	9
ALL COMMODITIES	1000.00	295.3	321.7	345.4	+ 8.9	+ 7.4	+100.0	+100.0
PRIMARY ARTICLES	416.67	281.6	308.1	322.0	+ 9.4	+ 4.5	+ 41.8	+24.4
A. FOOD ARTICLES	297.99	263.2	281.1	297.4	+ 6.8	+ 5.8	+ 20.1	+20.5
(i) Food grains	129.22	263.9	266.5	276.2	+ 1.0	+ 3.6	+ 1.3	+5.3
a) CEREALS	107.43	258.2	244.6	245.0	– 5.3	+ 0.2	– 5.5	+0.2
Rice	51.31	274.3	272.5	270.2	– 0.7	–0.8	– 0.3	–0.5
Wheat	34.17	239.8	209.9	213.3	– 12.5	+ 1.6	– 3.9	+0.5
Jowar	8.39	230.5	235.0	234.0	+ 2.0	– 0.4	+ 0.1	–
Bajra	6.64	237.9	219.6	224.5	– 7.7	+ 2.2	– 0.5	+0.1
b) PULSES	21.79	292.4	374.4	430.1	+28.0	+14.9	+ 6.8	+5.1
Gram	5.24	272.9	390.1	502.1	+42.9	+28.7	+ 2.3	+2.5
(ii) FRUITS & VEGETABLES	61.32	269.1	275.8	306.5	+ 2.5	+11.1	+ 1.6	+7.9
Vegetables	24.86	220.0	235.0	176.2	+ 6.8	–25.0	+ 1.4	–6.2
Fruits	36.46	302.5	303.5	395.4	+ 0.3	+30.3	+ 0.1	+14.1
(iii) MILK & MILK PRODUCTS	61.50	228.8	266.6	270.4	+16.5	+ 1.4	+ 8.8	+1.0
(iv) EGGS, FISH & MEAT	18.97	361.7	345.3	409.9	– 4.5	+18.7	– 1.2	+5.2
Fish	6.31	475.9	395.6	485.4	–16.9	+22.7	– 1.9	+2.4
Meat	8.46	375.6	399.4	469.5	+ 6.3	+17.6	+ 0.8	+2.5
(v) CONDIMENTS & SPICES	10.94	166.4	233.6	262.8	+40.4	+12.5	+ 2.8	+1.3
(vi) OTHER FOOD ARTICLES	16.04	315.9	431.1	427.2	+36.5	– 1.0	+ 7.0	–0.3
Tea	11.49	370.1	503.7	468.3	+36.1	– 7.0	+ 5.8	–1.7
Coffee	1.61	152.6	203.8	224.6	+33.6	+10.2	+ 0.3	+0.1

(Contd.)

Table V–2(a) : Index Numbers of Wholesale Prices : Primary Articles *(Concld.)*

(Base: 1970-71=100)

Major Groups, Groups, Sub-groups and Commodities	Weight	End-March 1983	End-March 1984	End-March 1985	Percentage Variations		Weighted Contribution (Approximate)	
					End-March 1984 over End-March 1983	End-March 1985 over End-March 1984	1983-84	1984-85
1	2	3	4	5	6	7	8	9
B. NON-FOOD ARTICLES	**106.21**	**249.9**	**301.4**	**310.7**	**+20.6**	**+ 3.1**	**+20.7**	**+4.2**
(i) **FIBRES**	31.73	207.6	259.9	297.8	+25.2	+14.6	+ 6.3	+5.1
Raw Cotton	22.46	199.5	251.6	240.1	+26.1	– 4.6	+ 4.4	–1.1
Raw Jute	4.29	208.6	295.6	573.3	+41.7	+93.9	+ 1.4	+5.0
(ii) **OIL SEEDS**	42.01	245.3	308.1	290.5	+25.6	– 5.7	+10.0	–3.1
Groundnuts	18.21	262.1	308.0	294.6	+17.5	– 4.4	+ 3.2	–1.0
Rape & Mustard seed	8.22	241.6	254.9	247.5	+ 5.5	– 2.9	+ 0.4	–0.3
Copra	4.49	219.6	454.2	320.2	+106.8	–29.5	+ 4.0	–2.5
(iii) **OTHER NON-FOOD ARTICLES**	32.47	297.4	333.3	349.5	+12.1	+ 4.9	+ 4.4	+2.2
Sugarcane	16.42	194.0	205.9	210.3	+ 6.1	+ 2.1	+ 0.7	+0.3
Rubber	1.28	297.4	349.9	319.4	+17.7	– 8.7	+ 0.3	–0.2
Logs, Timber & Bamboo	3.34	780.2	971.7	1018.2	+24.5	+ 4.8	+ 2.4	+0.7
Raw tobacco	8.07	238.9	233.7	198.7	– 2.2	–15.0	– 0.2	–1.2
C. MINERALS	12.47	989.4	1010.5	1005.2	+ 2.1	– 0.5	+ 1.0	–0.3
(i) **METALLIC MINERALS**	2.29	285.4	290.0	299.2	+ 1.6	+ 3.2	–	+0.1
Iron Ore	1.56	271.3	271.3	284.9	–	+ 5.0	–	+0.1
(ii) **OTHER MINERALS**	4.16	293.5	354.2	373.1	+20.7	+ 5.3	+ 1.0	+0.3
Lime stone	2.30	300.0	394.8	394.8	+31.6	–	+ 0.8	–
(iii) **PETROLEUM CRUDE AND NATURAL GAS**	6.02	1739.5	1739.5	1712.0	–	– 1.6	–	–0.7

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

(Base: 1970-71=100)

Major Groups, Groups, Sub-Groups and Commodities	Weight	End-March 1983	End-March 1984	End-March 1985	Percentage variations		Weighted Contribution (Approximate)	
					End-March 1984 over End-March 1983	End-March 1985 over End-March 1984	1983-84	1984-85
1	2	3	4	5	6	7	8	9
FUEL, POWER, LIGHT AND LUBRICANTS	**84.59**	**484.0**	**508.6**	**554.6**	**+ 5.1**	**+ 9.0**	**+7.9**	**+16.4**
A. COAL MINING	**11.47**	**504.7**	**631.9**	**633.7**	**+25.2**	**+ 0.3**	**+ 5.5**	**+0.1**
Coal	10.39	512.7	641.9	641.9	+25.2	–	+ 5.1	–
Coke	0.75	463.5	575.2	575.2	+24.1	–	+ 0.3	–
B. MINERAL OILS	**49.12**	**534.7**	**537.5**	**598.2**	**+ 0.5**	**+11.3**	**+0.5**	**+12.6**
Kerosene	8.35	341.1	343.2	382.7	+ 0.6	+11.5	+0.1	+1.4
Petrol	8.56	516.4	526.6	607.1	+ 2.0	+15.3	+0.3	+2.9
Aviation Spirit	4.55	593.4	593.4	599.7	–	+ 1.1	–	+0.1
Light Diesel Oil	3.44	800.1	800.1	929.3	–	+16.1	–	+1.9
High Speed Diesel Oil	13.74	414.9	414.9	437.9	–	+ 5.5	–	+1.3
Lubricating Oil	6.48	453.4	457.7	525.8	+ 0.9	+14.9	+0.1	+1.9
Furnace Oil	4.00	1228.1	1228.1	1412.5	–	+15.0	–	+3.1
C. ELECTRICITY	**24.00**	**370.2**	**390.8**	**427.6**	**+ 5.6**	**+ 9.4**	**+1.9**	**+3.7**

Table V-2(c) : Index Numbers of Wholesale Prices : Manufactured Products

(Base : 1970-71=100)

Major Groups, Groups, Sub-Groups and Commodities	Weight	End-March 1983	End-March 1984	End-March 1985	Percentage Variations		Weighted Contribution (Approximate)	
					End-March 1984 over End-March 1983	End-March 1985 over End-March 1984	1983-84	1984-85
1	2	3	4	5	6	7	8	9
MANUFACTURED PRODUCTS	**498.74**	**274.8**	**301.4**	**329.5**	**+ 9.7**	**+ 9.3**	**+50.3**	**+59.2**
A. FOOD PRODUCTS	**133.22**	**247.4**	**298.1**	**321.7**	**+20.5**	**+ 7.9**	**+25.6**	**+13.3**
***a)* SUGAR, KHANDSARI & GUR**	**72.41**	**233.9**	**300.5**	**340.5**	**+28.5**	**+13.3**	**+18.3**	**+12.2**
Sugar	21.91	222.5	233.1	249.5	+ 4.8	+ 7.0	+ 0.9	+1.5
Khandsari	4.92	230.2	249.6	303.0	+ 8.4	+21.4	+ 0.4	+1.1
Gur	45.58	239.8	338.4	388.3	+41.1	+14.7	+17.0	+9.6
***b)* MISCELLANEOUS FOOD PRODUCTS**	**49.16**	**262.8**	**299.3**	**301.7**	**+13.9**	**+ 0.8**	**+ 6.8**	**+0.5**
i) EDIBLE OILS	**37.16**	**265.7**	**304.2**	**298.1**	**+14.5**	**– 2.0**	**+ 5.4**	**–1.0**
Vanaspati	7.52	254.8	253.0	287.7	– 0.7	+13.7	– 0.1	+1.1
Groundnut oil	14.15	282.7	314.5	309.7	+11.2	– 1.5	+ 1.7	–0.3
Mustard Oil	6.68	242.6	251.4	238.7	+ 3.6	– 5.1	+ 0.2	–0.4
B. BEVERAGES, TOBACCO AND TOBACCO PRODUCTS	**27.08**	**239.3**	**250.1**	**264.1**	**+ 4.5**	**+ 5.6**	**+ 1.1**	**+1.6**
C. TEXTILES	**110.26**	**240.6**	**263.6**	**285.5**	**+ 9.6**	**+ 8.3**	**+ 9.6**	**+10.2**
***i)* COTTON TEXTILES**	**81.02**	**242.4**	**250.8**	**262.1**	**+ 3.5**	**+ 4.5**	**+ 2.6**	**+3.9**
Cotton Yarn	13.82	259.0	274.8	303.8	+ 6.1	+10.6	+ 0.8	+1.7
Cotton Cloth (Mills)	38.04	248.1	252.8	260.9	+ 1.9	+ 3.2	+ 0.7	+1.3
***ii)* JUTE, HEMP & MESTA TEXTILES**	**12.14**	**208.4**	**330.8**	**399.3**	**+58.7**	**+20.7**	**+ 5.6**	**+3.5**
D. PAPER & PAPER PRODUCTS	**8.51**	**302.0**	**339.7**	**368.2**	**+12.5**	**+ 8.4**	**+ 1.2**	**+1.0**
E. LEATHER & LEATHER PRODUCTS	**3.85**	**373.6**	**408.8**	**427.0**	**+ 9.4**	**+ 4.5**	**+ 0.5**	**+0.3**
F. RUBBER & RUBBER PRODUCTS	**12.07**	**306.9**	**326.4**	**350.8**	**+ 6.4**	**+ 7.5**	**+ 0.9**	**+1.2**
G. CHEMICAL AND CHEMICAL PRODUCTS	**55.48**	**273.4**	**284.7**	**303.9**	**+ 4.1**	**+ 6.7**	**+ 2.4**	**+4.5**

(Contd.)

Table V-2(c) : Index Numbers of Wholesale Prices : Manufactured Products (Concld.)

(Base : 1970-71=100)

Major Groups, Groups, Sub-Groups and Commodities	Weight	End-March 1983	End-March 1984	End-March 1985	Percentage Variations		Weighted Contribution (Approximate)	
					End-March 1984 over End-March 1983	End-March 1985 over End-March 1984	1983-84	1984-85
1	2	3	4	5	6	7	8	9
FERTILISERS	12.52	277.7	262.5	262.5	– 5.5	–	– 0.7	–
H. NON-METALLIC MINERAL PRODUCTS	14.15	389.7	413.5	453.8	+ 6.1	+ 9.7	+ 1.3	+2.4
CEMENT, LIME AND PLASTER	7.07	399.7	432.3	500.4	+ 8.2	+15.8	+ 0.9	+2.0
Cement	7.03	400.4	433.1	501.3	+ 8.2	+15.7	+ 0.9	+2.0
I. BASIC METALS, ALLOYS AND METAL PRODUCTS	59.74	366.9	389.4	459.1	+ 6.1	+17.9	+ 5.1	+17.6
a) IRON, STEEL AND FERRO ALLOYS	34.73	398.6	419.1	517.3	+ 5.1	+23.4	+ 2.7	+14.4
Pig Iron	1.67	388.2	451.6	594.0	+16.3	+31.5	+ 0.4	+1.8
Structurals	4.72	367.2	381.1	544.2	+ 3.8	+42.8	+ 0.2	+3.2
Steel Plates and Sheets	5.97	333.8	351.5	507.2	+ 5.3	+44.3	+ 0.4	+3.9
Bars and Rods	7.31	475.3	495.3	581.0	+ 4.2	+17.3	+ 0.6	+2.6
b) NON-FERROUS METALS AND THEIR ALLOYS	11.78	327.5	367.6	393.3	+12.2	+ 7.0	+ 1.8	+1.3
Aluminium	4.29	362.8	381.2	413.2	+ 5.1	+ 8.4	+ 0.3	+0.6
c) METAL PRODUCTS	13.23	318.9	330.9	364.8	+ 3.8	+10.2	+ 0.6	+1.9
J. MACHINERY AND TRANSPORT EQUIPMENTS	67.18	282.2	291.1	313.9	+ 3.2	+ 7.8	+ 2.3	+6.5
a) NON-ELECTRICAL MACHINERY	30.91	297.3	314.4	335.5	+ 5.8	+ 6.7	+ 2.0	+2.8
b) ELECTRICAL MACHINERY	19.54	233.4	241.2	264.0	+ 3.3	+ 9.5	+ 0.6	+1.9
c) TRANSPORT EQUIPMENT	16.73	311.6	306.5	332.1	– 1.6	+ 8.4	– 0.3	+1.8
K. MISCELLANEOUS PRODUCTS	7.20	252.1	262.4	281.7	+ 4.1	+ 7.4	+ 0.3	+0.6

Price index of the sub-group 'eggs, fish and meat' went up substantially by 18.7 per cent in contrast to the fall of 4.5 per cent in the preceding year. The index of 'condiments and spices', rose by 12.5 per cent as compared with the much larger rise of 40.4 per cent in the preceding year. In respect of 'other food articles' the index showed a decline of 1.0 per cent during the year in contrast to a steep rise of 36.5 per cent in the preceding year. This was mainly on account of the steep decline of 7.0 per cent in the price index of tea as against a sharp rise of 36.1 per cent recorded in 1983-84 and also due to smaller increase of 10.2 per cent in the index of coffee as compared to 33.6 per cent recorded in 1983-84. The decline in the index of tea was due to various regulatory measures taken by the Government, chief among them being the banning of export of CTC tea so that the domestic availability could be augmented. It was also ensured that larger quantity of tea produced in the country was ear-marked for domestic consumption.

'Non-food articles' registered a rise of 3.1 per cent as compared with the sharp rise of 20.6 per cent recorded in the previous year. The smaller increase during 1984-85 was due mainly to the decline of 5.7 per cent in the indices of 'oilseeds' and lower rates of increases in the case of fibre (14.6 per cent) and 'other non-food articles' (4.9 per cent). Under 'fibres', raw jute recorded a spectacular rise of 93.9 per cent as a result of the successively poor production during the last 3 years. Raw cotton, however, registered a sharp decline of 4.6 per cent in contrast to a rise of 26.1 per cent in the previous year due to the comfortable domestic supply position brought about by the ban on the export of cotton in early January 1984 as also better crop prospects during 1984-85 season. Index of oilseeds registered a decline of 5.7 per cent this year (as against a sharp rise of 25.6 per cent in the previous year) due to higher production of oilseeds.

The index of the group 'minerals' declined by 0.5 per cent as against a rise of 2.1 per cent in the preceding year. Under this group, while sub-group 'metallic minerals' and 'other minerals' registered increases of 3.2 per cent and 5.3 per cent, respectively, compared with 1.6 per cent and 20.7 per cent,in the previous year, 'petroleum crude and natural gas' registered a decline of 1.6 per cent during the year.

Fuel, Power, Light and Lubricants

Prices of commodities under this major group are administered by the Government. As mentioned earlier, the price index of this major group registered a rise of 9.0 per cent during the year which was larger than the rise of (5.1 per cent) in the previous year (Table V-2(b)), mainly due to larger increases of 11.3 per cent and 9.4 per cent in the indices of 'mineral oils' and electricity , as against 0.5 per cent and 5.6 per cent, respectively, during last year. The rise in the price index of 'mineral oils' was entirely due to the upward revision in the prices of petroleum products effected by the Government in June 1984 and again in March 1985. While in June 1984 marginal adjustments only were made through the levy of surcharges at varying rates in the States of Punjab, Haryana, Karnataka, Union Territory of Delhi and Greater Bombay, in March 1985, prices were enhanced by an average of 15 per cent (except in the case of high speed diesel oil, where the rise was limited to 8 per cent).

Manufactured Products

The index of 'manufactured products' registered an increase of 9.3 per cent which was marginally lower than the 9.7 per cent increase recorded in the previous year (Table V-2(c)). All the major commodities covered under this group with the exception of 'edible oils' contributed to the general rise in the index. The group 'food products' recorded a rise of 7.9 per cent as compared with a sharp rise of 20.5 per cent in the preceding year. The smaller increase in 1984-85 may be attributed to the sub-groups, 'sugar, khandsari and gur, and 'miscellaneous food products' the indices of which increased only by 13.3 per cent and 0.8 per cent, respectively, as against 28.5 per cent and 13.9 per cent during 1983-84. Slower pace of increase in the index of 'sugar, khandsari and gur' in turn was due to the lower rate of increase of 14.7 per cent in the case of gur—a commodity having the highest weight in this sub-group—as

compared with much steeper increase of 41.1 per cent in the preceding year. The diversion of sugarcane from mills to khandsari and gur units might have contributed to the fall in the price index of gur. The indices of sugar and khandsari, however, registered increases of 7.0 per cent and 21.4 per cent, respectively, as compared with increases of 4.8 per cent and 8.4 per cent, in the preceding year. The larger increase during 1984-85 is due mainly to a cut back in the release of free sale sugar in the last quarter of the year. Edible oil price index declined by 2.0 per cent in contrast to a steep rise of 14.5 per cent in the previous year due to augmentation of the supply position through larger imports.

The group 'beverages, tobacco and tobacco products' rose by 5.6 per cent as compared with 4.5 per cent in the last year.

The price index of the group 'textiles' moved up by 8.3 per cent as compared with the rise of 9.6 per cent in the previous year mainly on account of the slower pace of increase in the price index of 'jute, hemp and mesta textiles' which rose by 20.7 per cent as against a much larger rise of 58.7 per cent in the preceding year. Price index of the sub-group 'cotton textiles' went up by 4.5 per cent as against a smaller rise of 3.5 per cent in the preceding year. The index of 'paper and paper products' recorded a rise of 8.4 per cent as compared with the increase of 12.5 per cent in the preceding year. The rise in the index of 'leather and leather products' was lower at 4.5 per cent as compared with 9.4 per cent in 1983-84. The group 'rubber and rubber products', however, recorded a larger rise of 7.5 per cent as against 6.4 per cent in the preceding year. The index of group 'chemicals and chemical products' rose by 6.7 per cent as compared with the rise of 4.1 per cent in 1983-84. The group 'non-metallic mineral products' rose by 9.7 per cent as compared with a rise of 6.1 per cent in 1983-84. The large increase in 1984-85, was due mainly to 'cement, lime and plaster' the index of which increased by 15.8 per cent as compared with 8.2 per cent last year. The sharper increase in the index of cement during the year is attributed to an increase of Rs. 40 per tonne in the cement retention price allowed by the Government for compensating the cement manufacturers for cost escalations due to rise in the prices of inputs such as coal, power as also higher wages. The index of the group 'basic metals, alloys and metal products' went up sharply by 17.9 per cent as compared with the much smaller rise of 6.1 per cent in 1983-84. This was mainly due to the rise of 23.4 per cent in the index of sub-group 'iron, steel and ferro alloys' on account of upward revision of administered prices by the Government in June 1984 and February 1985 by an average of 15 per cent on each occasion. While the sub-group 'non–ferrous metals and their alloys' registered a smaller increase of 7.0 per cent than that of 12.2 per cent in the preceding year, the sub-group 'metal products' rose sharply by 10.2 per cent as compared with the increase of 3.8 per cent in the previous year. The group 'machinery and transport equipments' also rose sharply by 7.8 per cent as compared with 3.2 per cent in 1983-84 mainly because of the increase in the indices of non-electrical and electrical machinery by 6.7 per cent and 9.5 per cent, respectively, as compared with 5.8 per cent and 3.3 per cent in the previous year. The index of transport equipment recorded a sharper rise of 8.4 per cent in contrast to a decline of 1.6 per cent recorded in the preceding year.

Consumer Price Indices

The All-India Consumer Price Index (CPI) for Industrial Workers (1960=100) increased from 558 in March 1984 to 586 in March 1985 or by 5.0 per cent. The increase during the preceding year was much higher at 11.2 per cent. On an average basis, the increase during the year 1984-85 at 6.4 per cent was around half the rise of 12.6 per cent recorded in the preceding year (Table V–3). The CPI registered a continuous uptrend upto November 1984 rising from 558 in March 1984 to 595 in November 1984. After remaining stagnant at the level of 588 in December 1984 and January 1985, it declined to 585 in February 1985, but edged up to 586 in March 1985. A centre-wise analysis indicates that during the year the rate of increase in CPI was highest in Jalpaiguri (10.9 per cent) followed by Calcutta (9.2 per cent), Barbil (8.9 per cent), Asansol (8.3 per cent).

Table V–3 : Consumer Price Indices

(April-March Average)

	1982-83	1983-84	1984-85
1	2	3	4
1. Consumer Price Index for Industrial Workers (1960=100)	486	547	582
2. Per cent variation in (1)	(+7.8)	(+12.6)	(+6.4)
3. Consumer Price Index for Urban Non-Manual Employees (1960=100)	446	492	532
4. Per cent variation in (3)	(+8.0)	(+10.3)	(+8.1)

The centres which recorded declines were Chickmagalur (0.7 per cent), Jharia (0.4 per cent) and Madurai (0.3 per cent).

The Consumer Price Index for Urban Non-manual Employees (1960=100) went up from 505 in March 1984 to 540 in March 1985 or by 6.9 per cent. During 1983-84, the increase was 9.3 per cent. On an average basis, the index recorded a rise of 8.1 per cent during 1984-85 as compared with a larger rise of 10.3 per cent in the preceding year. A centre-wise analysis shows that during the year under review the rate of increase in the index was the highest in Shillong (11.0 per cent) followed by Agra (9.9 per cent), Pune (9.5 per cent) and Kharagpur (9.3 per cent). The lowest increase was registered at Mangalore and Tiruchirapalli (3.5 per cent).

Price Trends During First Quarter of 1985-86

During the first quarter of the financial year 1985-86 the WPI for 'all commodities' showed a smaller increase of 3.4 per cent compared with 5.1 per cent during the same period of 1984-85. Price indices of all the three major components namely 'primary articles', 'fuel, power, light and lubricants' and 'manufactured products' increased by 4.3 per cent, 1.4 per cent and 3.2 per cent, respectively, compared with 6.3 per cent, 1.4 per cent and 5.1 per cent, in the corresponding period of the preceding year (Table V–4). Under 'primary articles', the index of 'food articles' registered a rise of 7.6 per cent as compared with

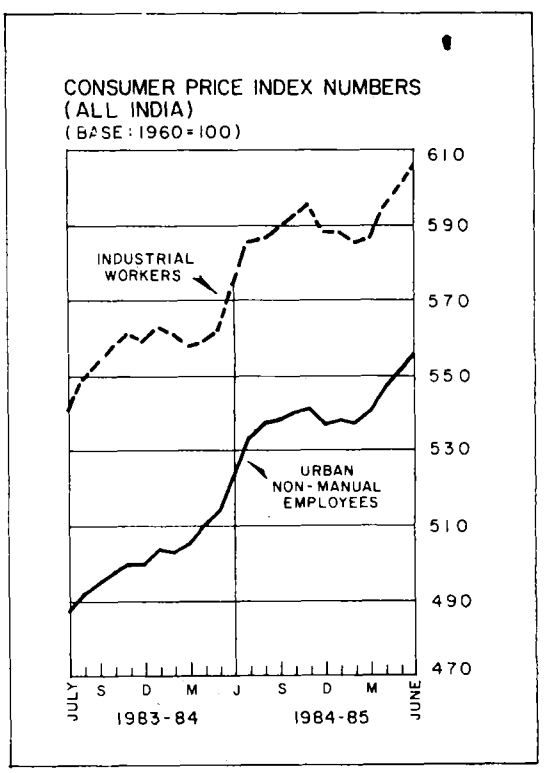


Table V–4 : Variations in Index Numbers of Wholesale Prices (1970-71=100)

Items	Weight	Percentage variations (Point-to-Point)	
		1984-85 End-June over End-March	1985-86 * End-June over End-March
1	2	3	4
ALL COMMODITIES	1000.00	+ 5.1	+3.4
I Primary Articles	416.67	+ 6.3	+4.3
Food Articles	297.99	+ 7.0	+7.6
a) Cereals	107.43	+ 0.9	+3.9
i) Rice	51.31	+ 3.3	+6.1
ii) Wheat	34.17	– 2.1	–0.9
b) Pulses	21.79	+ 8.8	+0.6
c) Fruits & Vegetables	61.32	+16.7	+21.2
d) Milk & Milk Products	61.50	+ 2.5	+4.1
e) Other food articles	16.04	+14.2	+1.8
Tea	11.49	+ 4.1	+1.0
Fibres	31.73	+15.4	–11.3
Raw Cotton	22.46	+ 7.6	–5.2
Oil seeds	42.01	+ 9.7	–3.3
Minerals	12.47	+ 0.3	–
Petroleum crude and natural gas	6.02	–	–
II. Fuel, Power, Light and Lubricants	84.59	+ 1.4	+1.4
Coal	10.39	–	–
Mineral oils	49.12	+ 3.4	+ 1.4
III. Manufactured Products	498.74	+ 5.1	+3.2
Sugar, Khandsari and Gur	72.41	+14.2	+17.5
i) Sugar	21.91	+ 4.9	+14.3
ii) Khandsari	4.92	+17.3	+21.6
iii) Gur	45.58	+17.0	+18.1
Edible Oils	37.16	+10.6	–6.8
Textiles	110.26	+ 0.9	–1.2
Paper & Paper Products	8.51	+ 4.8	+3.3
Cement	7.03	+ 0.7	+3.1
Chemicals and Chemical products	55.48	+ 1.3	+1.0
Iron, Steel and Ferro Alloys	34.73	+11.5	+0.4

* Provisional

the rise of 7.0 per cent in the corresponding period of 1984-85. Cereals showed a rise of 3.9 per cent as compared with that of 0.9 per cent in the corresponding period of the previous year. Pulses registered a much lower rise of 0.6 per cent as compared with the larger increase of 8.8 per cent in the corresponding period of the preceding year. Under cereals, while the index of rice increased sharply by 6.1 per cent, that of wheat declined by 0.9 per cent. The indices of 'fruits and vegetables' and 'milk and milk products' recorded larger increases of 21.2 per cent and 4.1 per cent, respectively. Tea price registered a smaller increase of 1.0 per cent as compared with the rise of 4.1 per cent, in the corresponding period last year. Price indices of fibre and oilseeds declined by 11.3 per cent and 3.3 per cent, respectively, in contrast to sharp increases of 15.4 per cent and 9.7 per cent, in the corresponding quarter of the preceding year.

Under the group 'fuel, power, light and lubricants', the index of mineral oils rose by 1.4 per cent as compared with 0.4 per cent in the corresponding period last year.

Under 'manufactured products', the index of 'sugar, khandsari and gur' increased by 17.5 per cent as compared with 14.2 per cent due mainly to the sharp increase in the index of sugar by 14.3 per cent as against 4.9 per cent during the corresponding period of the previous year. During the period under review, the index of edible oils declined by 6.8 per cent in contrast to an increase of 10.6 per cent during the corresponding period last year. The index of cement moved up by 3.1 per cent as compared with 0.7 per cent in the corresponding period last year. The index of 'iron, steel and ferro alloys', however, recorded a much smaller rise of 0.4 per cent as compared with an increase of 11.5 per cent in the corresponding period of the previous year.

The Consumer Price Index (CPI) for industrial workers rose from 586 in March 1985 to 606 in June 1985 or by 3.4 per cent. During the corresponding period of 1984-85, CPI had registered a smaller increase of 2.9 per cent. The Consumer Price Index for Urban Non-manual Employees also rose from 540 in March to 556 in June 1985 or by 3.0 per cent. During the corresponding period last year it had moved up by 3.6 per cent.

Price Policies

During the period April 1984–June 1985, the Union Government announced certain measures in respect of a number of commodities which had a bearing on the prices. Steps were also taken to streamline the public distribution system and to modify import/export policies in respect of certain commodities taking into account the developments in the domestic and international markets. These are listed below :

During 1984-85, the Joint Plant Committee (JPC) enhanced the prices of certain categories of iron and steel twice; once on June 22, 1984 and for the second time on February 21, 1985. On each of the occasions, the prices were enhanced, on an average, by 15 per cent for all despatches and deliveries effected by the Integrated Steel Plants and their stockyards. The enhancement of June 22, 1984 was necessitated by the increase in the cost of production, re-introduction of Engineering Goods Export Assistance Fund, increase in JPC cess for steel and adjustment of equalised railway freight element in steel prices. Subsequent enhancement of February 21, 1985 was mainly to compensate the producers for the increase in the cost of production.

In May 1984, the Government directed the State Trading Corporation (STC) to arrange for the import of 30,000 tonnes of natural rubber to meet the requirements of the rubber based industry. Actual imports of rubber during 1984-85 by the STC stood at 32,408 tonnes. This included spill over of shipments from 1983-84. Imports during 1984-85 were subjected to customs duty. The rates varied from 25 per cent to 87 per cent *ad valorem*, depending on the period during which such imports were effected.

Commencing from May 10, 1984, the RSS–III variety of imported natural rubber was released to industry at Rs. 17,040 per tonne and SMR–20 variety at Rs. 16,123 per tonne. With effect from August 6, 1984 the prices of these two varieties

were enhanced to Rs. 17,200 per tonne and Rs. 17,250 per tonne, respectively. However, these were revised downwards to Rs. 16,080 per tonne and Rs. 16,500 per tonne, respectively on February 26, 1985.

Keeping in view the sharp increase in the prices of imported edible oils and inputs such as coal, the manufacturers of vanaspati were permitted in May 1984 to enhance the price of vanaspati by Rs. 1.40 per kg. from June 1, 1984. The new price, made applicable uniformly throughout the country, was to remain operative till end January 1986. In July 1984, some steps were taken by the Government to ensure adequate stock of vanaspati and comfortable availability at reasonable price, particularly during the festival season. Accordingly, it was decided to allocate two weeks' reserve stock of imported edible oils to all vanaspati units in order to enable them to overcome contingencies arising from non-availability of imported oil. In August 1984, it was decided to enhance the allocation of imported oil at commercial rate from 20 per cent to 35 per cent of the requirements of the vanaspati industry. It was also made obligatory for each unit to lift the allocations. For a more effective utilisation of edible oil quota by the States, the edible oil allotment policy was modified in January 1985. In terms of the modified policy, monthly quota was to be utilised within 30 days after the end of the month failing which the unutilised quantity would lapse instead of being allowed to be added to the next months quota as in the past. It was also decided to reduce the allocation of imported edible oil to vanaspati industry at commercial rate from 35 per cent to 25 per cent in view of the stability in the prices and comfortable supply position of indigenous oils. Further, in February 1985, the lifting of the 15 per cent of this allocation was made obligatory and the lifting of the remaining 10 per cent optional. Finally, from March 1985, the policy of allocation of imported oil at commercial rate was withdrawn. With the levy of an additional excise duty of 5 per cent on vanaspati in the Union Budget for 1985-86, an increase in the price of vanaspati was permitted. The revised prices of tins of 15 kgs, 1 kg. (pouch) and ½ kg. (pouch) were fixed at Rs. 244.50, Rs. 16.70 and Rs. 8.60 as compared with Rs. 234, Rs. 16 and Rs. 8.25, respectively previously. As the domestic availability of edible oil had improved, the basic quota of imported edible oil to vanaspati industry was reduced from 60 per cent to 55 per cent of their requirements in June 1985. It was also expected that this step would ensure remunerative prices to the oilseed growers and encourage them to increase production of oilseeds. The allocation of imported oil was, however, increased again from 55 per cent to 60 per cent in July 1985.

The retention price of levy cement was enhanced by the Government by Rs. 40 a tonne, with effect from July 18, 1984 to compensate the industry for the rise in the prices of inputs such as coal, freight, the power tariff and wages. As a result, the retention price of ordinary portland cement/portland slag cement was fixed at Rs. 375 per tonne and that of portland pozzolana cement Rs. 360 per tonne. The F.O.R. price of ordinary portland/portland slag cement was fixed at Rs.532 per tonne and that of portland pozzolana cement at Rs. 517 per tonne. These prices excluded packing charges and excise duty. Simultaneously, the levy cement quota of old and new cement units was reduced. For old cement units which commenced commercial production on January 1, 1982, levy quota was reduced from 66.6 per cent to 65 per cent. For units which commenced commercial production after January 1, 1982, and units designated as 'sick', the quota was reduced from 50 per cent to 45 percent. It was expected that this step would release an additional 1.4 million tonnes from levy obligations for open market sales and thereby help soften open market prices. Under the Union Budget for 1985-86, the basic excise duty on cement was enhanced by Rs. 20 per tonne to Rs. 225 per tonne. To bridge the gap between demand and supply, the Government decided in April 1985 to import 5 lakh tonnes of ordinary grey portland cement. In June 1985, the levy quota was lowered further from 65 per cent of the installed capacity to 60 per cent of the actual production in the case of old cement units and from 45 per cent of the installed capacity to 40 per cent of the actual production in the case of new and sick units to compensate the cement industry adequately

for the increase in the cost of production. This decision, it was expected, would enable the industry to set aside large share of production for sale in the open market at the prevailing prices. The allocation for levy cement to be sold at controlled prices would be linked with actual production and not with installed capacity as in the past with a view to simplifying the procedures.

The Government enhanced the prices of some of the petroleum products, including petrol, diesel oil and cooking gas at varying rates from June 1, 1984 for compensating the oil companies for the losses arising from under-recoveries on the levy of sales tax/local taxes in inter-company stock transfer of petroleum products in the states of Haryana, Punjab, Karnataka, the Union Territory of Delhi and Greater Bombay. Again,the basic prices of all the petroleum products were enhanced by 15 per cent with effect from March 17, 1985 due mainly to the appreciation in the value of dollar and increase in the costs of refining crude and marketing of products. In the case of high speed diesel, however, the increase was 8 per cent only. The Union Budget for 1985-86 imposed a basic customs duty of 10 per cent *ad valorem* on imported crude petroleum. The auxiliary duty on it was enhanced from Rs. 100 to Rs.300 per tonne. In respect of kerosene and high speed diesel, the prices were, however, reduced by 7 paise each per litre with effect from March 26, 1985.

In May 1984, as a sequel to the increase in the price of newsprint effected by foreign suppliers and also in view of the appreciation of the dollar, the Newsprint Price Fixation Advisory Committee enhanced the selling prices of imported standard newsprint by Rs. 400 per tonne to Rs. 5,750 for the quarter April-June 1984. The selling price of newsprint from the buffer stock maintained by the STC was also enhanced to Rs. 5,800 per tonne. With a view to keeping a buffer stock of 30,000 tonnes of imported newsprint it was decided to import newsprint. In July 1984, price of glazed newsprint for the July-September quarter was enhanced by Rs. 200 per tonne to Rs. 6,380 for buffer stock (excluding customs duty). Subsequently, in November 1984, while the price of standard newsprint for October-December quarter was enhanced marginally by Rs. 10 per tonne to Rs.5,760 for high sea sales and to Rs.5,810 per tonne for buffer stock, that of glazed newsprint was enhanced substantially by Rs. 210 per tonne to Rs. 6,540 for high sea sales and to Rs. 6,590 for buffer stock. In February 1985, the adverse fluctuations in the rupee–dollar exchange rate coupled with the increased freight rates for imported newsprint necessitated another upward revision in the prices for the January–March 1985 quarter.While the price of standard newsprint was enhanced by Rs. 180 per tonne to Rs. 5,940 for high sea sales and to Rs. 5,990 for buffer stocks, that of glazed newsprint was hiked by Rs. 210 per tonne to Rs.6,750 for high sea sale and to Rs.6,800 for the buffer stock. In May 1985 the prices of imported standard newsprint and glazed newsprint were raised further by Rs.390 and Rs.435 per tonne, respectively, for April-June 1985 quarter, keeping in view the higher import costs. Thus, the revised price of standard newsprint for high sea sales stood at Rs.6,330 per tonne and that of buffer stock at Rs. 6,380 per tonne. For glazed newsprint the price was fixed at Rs. 7,185 per tonne for high sea sales and at Rs. 7,235 per tonne for buffer stock.

The ban which Government imposed on the exports of CTC tea on December 26, 1983 was lifted on May 12, 1984. In August 1984, the tea industry decided in consultation with Tea Board, to offer more tea for auctions than the stipulated 70 per cent of the production, excluding exports. It was also decided to withdraw the ceilings on offerings of certain varieties of tea at Siliguri and Gauhati auction centres. With a view to bringing down the soaring domestic prices to a reasonable level while at the same time allowing the industry to fulfil its export commitments during the calendar year 1984, the Union Government decided in September 1984 to restrict the aggregate tea exports during the year 1984 to 215 million kgs. Since 145 million kgs. had already been exported till August 1984, the balance was to be staggered during the remaining four months. To contain the rising prices the Tea Board banned private sale of 'out

lots' from auctions in November 1984. The Government also decided to grant assistance to exporters by way of sharing the warehousing costs of packaged tea in importing countries as storage at such warehouses would ensure easy availability of different varieties of tea at convenient points of entry in the importing countries, and to prevent de-stocking which was adversely affecting export earnings. Besides, the Government approved a proposal for setting up a revolving fund called the 'Brand Promotion Fund' with an initial amount of Rs. 5 crores with a view to enabling the exporters to compete in the international market for value added tea which accounts for about 10 per cent of the total exports of tea. In January 1985 the Government allowed an ad-hoc export of 21 million kgs. of orthodox tea for January and February 1985 subject to minimum stipulation. In March 1985, the Government announced the tea marketing policy for 1985 which aimed at maximising export earnings while at the same time ensuring availability in the domestic market at reasonable prices. The 1985 export target for tea, including value added varieties was fixed at 220 million kgs. which left 435 million kgs. to take care of the domestic demand projected at 415 million kgs. Further, tea producers were directed to sell 75 per cent of their output in the current season through auctions instead of 70 per cent earlier. As a sequel to the decline in tea prices in the international markets, Government reduced the minimum export price (MEP) of tea to Rs. 31 per kg. effective March 11, 1985 and further to Rs. 26 per kg. from April 29, 1985. From July 29, 1985 the MEP was reduced to Rs. 22 per kg. for North Indian tea and to Rs. 18 per kg. for South Indian tea. The MEP on tea export has since been abolished from August 12, 1985.

To mop up a part of the gains accruing to the exporters of coffee due to the rising coffee price in overseas markets, the Government enhanced the export duty on coffee from Rs. 530 per quintal to Rs. 640 from May 7, 1984 and further to Rs. 720 from October 9, 1984. The export duty on coffee was slashed from Rs. 720 per quintal to Rs. 570 on April 29, 1985 and further to Rs. 415 effective June 10, 1985, keeping in view the declining trend in coffee prices in international markets and also taking into account rebates offered on exports to non-quota countries. Once again, with effect from August 2, 1985 the export duty on coffee was reduced to Rs. 300 per quintal.

With a view to making imports of soda ash relatively cheaper, the Government reduced the customs duty on this item from 70 per cent to 15 per cent *ad valorem* for the dense variety and to 35 per cent *ad valorem* for the light variety with effect from February 28, 1985.

The Government reduced the basic customs duty on some varieties of viscose staple fibre from 40 per cent *ad valorem* to 25 per cent *ad valorem* with effect from July 2, 1984. But the auxiliary duty at the rate of 5 per cent *ad valorem* and countervailing duty at the rate of Rs. 5 per kg. were continued. It was expected that the reduction in customs duty would benefit particularly the decentralised handloom sector which utilises about 90 per cent of the viscose staple fibre spun yarn. Further, it was expected that the cut would ensure adequate availability of raw material to the textile industry at reasonable prices. In order to prevent dumping of viscose staple fibre in the Indian markets by the Japanese manufacturers by taking advantage of the low rate of duty, the import duty on it was enhanced from 30 per cent to 40 per cent with effect from January 12, 1985. In October 1984, the Government fixed the price of imported viscose fibre meant for distribution to textile mills at a level equal to the average price of cotton ruling in March 1984. Further, the STC contracted to import 10,000 tonnes of viscose fibre by way of relief operation to help mills tide over the cotton shortage. These imports were expected to be completed by January 1985.

The Government raised the basic excise duty on Nylon filament yarn between 250 and 750 deniers from Rs. 6.50 a kg. to Rs. 41.00 a kg. with effect from August 31, 1984. Commencing from February 16, 1985, the basic excise duty structure was revised to remove some distortions in the duty structure mainly as an anti-avoidance measure. While the basic excise duty on nylon filament

yarn upto 750 deniers was fixed at Rs. 56 per kg. that on the polyester filament yarn was fixed at Rs. 67 per kg., irrespective of its denierage. The countervailing duty on imported polyester filament yarn above 750 deniers was, however, kept at the same level of Rs. 18.75 per kg.

The Union Budget for 1985-86 proposed the shifting of the excise duty on cotton fabrics partly to the yarn stage. While the unproccessed cotton fabrics were fully exempted, the duty burden on cotton yarn was increased generally by about 25 per cent. In January 1985, the ban on the export of cotton yarn was lifted for the year 1985. However, an export ceiling of 6 million kgs. was fixed for yarn counts between 41s and 60s, for yarn counts above 61s no such ceiling was specified. In February 1985, the Government decided to permit export of 1 lakh bales of long staple cotton mainly for liquidating the accumulated stocks. Effective June 27, 1985 the Government decided to allow export of cotton yarn below 40 counts within a ceiling of 6 million kgs. fixed already for 1985.

In December 1984, the Minerals and Metals Trading Corporation Ltd. (MMTC) decided to import 5,000 tonnes of copper for meeting the sudden shortage experienced in the country.

With a view to arresting the rising trend in prices of sugar and khandsari and also to curb speculative hoarding, the Government re-imposed in May 1984 certain restrictions on the trade in respect of stock limits and disposal of sugar and khandsari. The maximum quantity of sugar that could be held at a time by a recognised dealer in cities and towns with a population of 1 lakh or more, was fixed at 250 quintals and the limit in cities and towns with a population of less than 1 lakh, was fixed at 100 quintals. The limit on the stock holding of khandsari was reduced from 1,000 quintals to 250 qunitals. In July 1984, the Government finalised contracts for the import of 4.96 lakh tonnes of sugar with a view to augmenting supplies during the early part of the 1984-85 sugar season. The price of ex-factory levy sugar was enhanced on an average by Rs. 40 a quintal to Rs. 354 effective April 1, 1985. Consequently the issue price was enhanced to Rs. 4.40 per kg. During the year 1985-86 (upto end-July 1985) STC contracted import of 9.29 lakh tonnes of sugar of which 2.12 lakh tonnes was received by end-June 1985 and the balance of 7.17 lakh tonnes was expected to be received by September 1985. The average price at which contracts were signed was $ 160 per tonne or Rs. 2,000 per tonne and the total cost of 9.29 lakh tonnes was expected to be about Rs. 188 crores (c.i.f.).

Taking into account the increase in the cost of power and other inputs since the last price revision effected on December 3, 1981 the Union Government enhanced the statutory price of aluminium by over 16 per cent with effect from May 9, 1984. Aluminium was given full exemption from import duty. The auxiliary duty on it was reduced to 10 per cent along with full countervailing duty of 18.7 per cent in the c.i.f. cost in respect of 50,000 tonnes of aluminium which the MMTC was asked to import during 1984-85. The Government announced full excise duty exemption with effect from August 1, 1984 for aluminium sheet of the thickness of 0.56mm and above but not above 2 mm. which are used to manufacture utensils. In May 1985, the Government fixed basic customs duty on aluminium at 10 per cent and auxiliary duty at 15 per cent, in addition to the countervailing duty of 18.7 per cent. Further, following the steep increases in the power tariff effected by various State Electricity Boards and increase in the cost of other input materials, the question of further revision in the basic aluminium prices was referred by the Government to the Bureau of Industrial Costs and Prices in May 1985.

In July 1984, the Government decided to import 6.5 million tonnes of fertilisers for the year 1984-85 with a view to bridging the gap between production and estimated level of consumption.

With effect from July 19, 1984 patent or proprietary formulation based on 7 bulk drugs was exempted from central excise duty resulting in price benefit to the consumers to the extent of 13 per cent. In December 1984, the import duty on gama picoline used for the manufacture of an anti-T.B. drug was reduced from 110 per cent to 45 per cent *ad valorem*. Countervailing

duty on 8 drug intermediates was also withdrawn on March 7, 1985. Customs duty on 3 intermediates used for the manufacture of another anti-T.B. and anti-Leprotic drug was abolished on March 17, 1985. The Government decided on June 6, 1985 to de-license 82 essential and mass consumption bulk drugs and their formulations subject to certain stipulations in addition to the 12 bulk drugs and drug intermediates de-licensed on March 16, 1985.

The Government amended the Paper (Control) Order, 1979 and raised the price of white printing paper from Rs. 5,400 to Rs. 6,400 per tonne with effect from May 11, 1984.

The official pricing committee on non-ferrous metals revised the prices of some of the non-ferrous metals periodically taking into account *inter-alia* trends in international markets.

Chapter VI

Monetary Developments

Overall Trends

During the fiscal year 1984-85, monetary expansion expressed in terms of all the four measures *viz.*, M_1, M_2, M_3 and M_4 was higher than in the preceding year. However, the pace of growth of M_1 and M_2 was somewhat faster than that of M_3 and M_4. Money supply with the public *i.e.*, M_1 (comprising currency with the public, demand deposits with commercial and co-operative banks and 'other' deposits with the Reserve Bank) increased by Rs. 6,314 crores or 19.1 per cent as compared with the rise of Rs. 4,531 crores or 15.9 per cent in the preceding year. The growth in M_2 (M_1 + post office savings bank deposits) during 1984-85 at Rs. 6,426 crores or 18.0 per cent was higher than that in 1983-84 *viz.*, Rs.4,683 crores or 15.1 per cent. Aggregate monetary resources or M_3 (comprising currency with the public, aggregate deposits with commercial and co-operative banks and 'other' deposits with the Reserve Bank) registered an expansion of Rs. 15,658 crores as compared with Rs. 13,031 crores in the preceding year. The growth rate in M_3 was marginally higher at 18.2 per cent than that of 17.9 per cent last year. M_4 (M_3 + total post office deposits) also showed a larger increase at Rs. 16,755 crores as compared with Rs. 13,847 crores last year; the growth rate was marginally higher at 17.6 per cent as compared with 17.1 per cent in 1983-84 (Table VI-1). The increase in reserve money during 1984-85 at Rs. 2,661 crores (9.2 per cent) was less than half the increase of Rs. 5,713 crores (24.7 per cent) during the preceding year.

Money Supply – Components

The components which showed large increases only in absolute terms but declines in terms of percentage growth were time deposits with banks

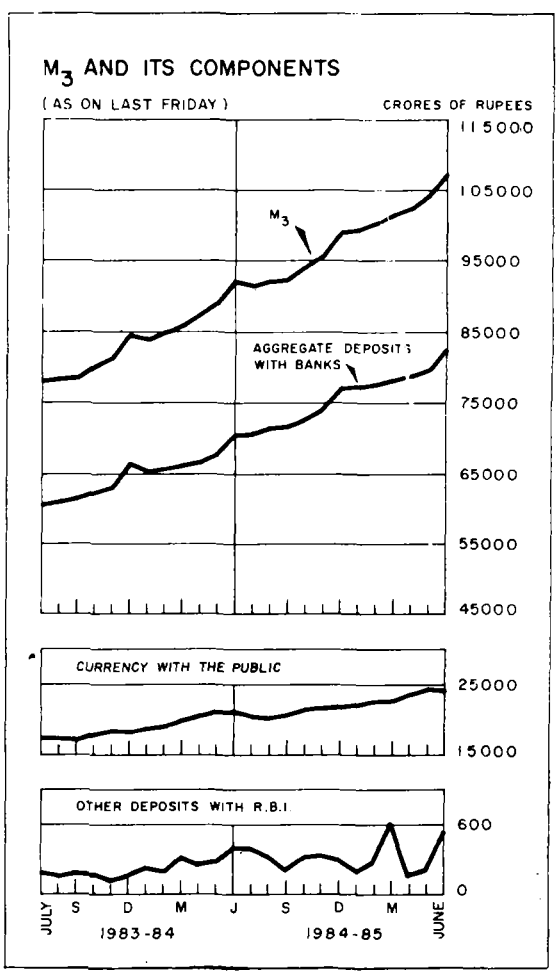


Table VI–1: Money Supply and its Components

(Rupees crores)

Items	Variations during financial year						Outstanding as on last Friday of March 1985 @	Variations during the quarter			
	1982-83		1983-84		1984-85@			April–June 1984		April–June 1985@	
	Absolute	Percentage	Absolute	Percentage	Absolute	Percentage		Absolute	Percentage	Absolute	Percentage
1	2	3	4	5	6	7	8	9	10	11	12
M_1 (a + b + c)	**+ 3,806**	**+15.4**	**+ 4,531**	**+15.9**	**+ 6,314**	**+19.1**	**39,380**	**+2,785**	**+ 8.4**	**+1,813**	**+ 4.6**
a) Currency with the public	+ 2,167	+15.0	+ 2,894	+17.4	+ 3,116	+15.9	22,669	+1,460	+ 7.5	+1,430	+ 6.3
b) Demand deposits with banks	+ 1,603	+15.9	+ 1,505	+12.9	+ 2,903	+22.0	16,098	+1,237	+ 9.4	+ 466	+ 2.9
(c) Other deposits with RBI	+ 36	+24.0	+ 132	+71.0	+ 295	+92.8	613	+ 88	+27.7	– 83	–13.5
Post Office Savings Bank Deposits	+ 145	+ 6.2	+ 152	+ 6.1	+ 112	+ 4.2	2,760	– 92	– 3.5	–	–
M_2(M_1 + Post Office Savings Bank Deposits)	**+ 3,951**	**+14.6**	**+ 4,683**	**+15.1**	**+ 6,426**	**+18.0**	**42,140**	**+2,693**	**+ 7.5**	**+1,813**	**+ 4.3**
Time deposits with banks	+ 6,636	+17.6	+ 8,500	+19.2	+ 9,344	+17.7	62,177	+3,377	+ 6.4	+ 3,792	+ 6.1
M_3(M_1 + Time deposits with banks)	**+ 10,442**	**+16.7**	**+13,031**	**+17.9**	**+15,658**	**+18.2**	**1,01,557**	**+6,162**	**+ 7.2**	**+ 5,605**	**+ 5.5**
Total Post Office Deposits	+ 826	+11.1	+ 816	+ 9.8	+ 1,097	+12.0	10,209	– 14	– 0.2	–	–
M_4(M_3 + Total Post Office Deposits)	**+ 11,268**	**+16.1**	**+13,847**	**+17.1**	**+16,755**	**+17.6**	**1,11,766**	**+6,148**	**+ 6.5**	+ 5,605	+ 5.0

@ Data are provisional.

and currency with the public. The expansion in both demand deposits with banks and other deposits with RBI was higher both in absolute and percentage terms. While absolute increases in time deposits with banks and currency with the public were larger at Rs. 9,344 crores and Rs. 3,116 crores in 1984-85 as compared with Rs. 8,500 crores and Rs. 2,894 crores last year, the growth rates were lower at 17.7 per cent and 15.9 per cent as compared with 19.2 per cent and 17.4 per cent, respectively, last year. The growth in demand deposits with banks at Rs. 2,903 crores (22.0 per cent) was substantially larger than that of Rs. 1,505 crores (12.9 per cent) in the preceding year. Other deposits with RBI moved up by Rs. 295 crores as compared with Rs. 132 crores last year. The share of both time deposits and currency with the public in expansion of M_3 decreased from 65.2 per cent and 22.2 per cent in 1983-84 to 59.7 per cent and 19.9 per cent, respectively, in 1984-85 whereas that of demand deposits increased from 11.5 per cent to 18.5 per cent.

Sources of change in money supply

A substantial increase in net bank credit to Government combined with the rise in bank credit to commercial sector, which was also larger, contributed to the higher expansion of Rs. 15,658 crores in M_3 in 1984-85 as compared with Rs. 13,031 crores during the previous year (Table VI-2). The increase in net foreign exchange assets, as against a decline last year, further added to the expansion in M_3 . However, the larger increase in net non-monetary liabilities of the banking sector exerted a contractionary impact.

Net bank credit to Government recorded a larger increase of Rs. 8,474 crores or 20.9 per cent during 1984-85 as compared with Rs. 5,757 crores or 16.6 per cent in the preceding year. This was mainly on account of a sharp rise of Rs. 5,325 crores in commercial and co-operative banks' credit to Government as compared with Rs. 1,446 crores last year. RBI's net credit to Government registered an increase of Rs. 3,149 crores which was lower than that of Rs. 4,311 crores in 1983-84.

The expansion in bank credit to the commercial sector of Rs. 9,694 crores (16.2 per cent) as compared with Rs. 8,830 crores (17.3 per cent) last year was also due mainly to a higher rise of Rs. 9,305 crores in other banks' credit to that sector as compared with Rs. 8,379 crores in 1983-84. RBI's credit to the commercial sector showed an increase of Rs. 389 crores which was lower than that of Rs. 451 crores in the previous year. Of the increase of Rs. 7,145 crores of scheduled commercial banks' credit in 1984-85, the share of food procurement advances was Rs. 1,805 crores as against Rs. 1,057 crores and that of non-food credit Rs. 5,340 crores as compared with Rs.4,744 crores last year.

The net foreign exchange assets of the banking sector showed a substantial improvement of Rs. 1,419 crores as against the decline of Rs. 104 crores in the previous year. Net non-monetary liabilities of the banking sector recorded a sharp rise of Rs. 3,985 crores (23.6 per cent) as compared with a smaller increase of Rs. 1,489 crores (9.7 per cent) in 1983-84. RBI's net non-monetary liabilities increased by Rs. 2,571 crores in contrast to a decline of Rs. 460 crores last year.

Seasonal Trends

Seasonal variations in M_3 as also in its sources of changes during the last two busy and slack seasons are presented in Table VI-3. The slack season of 1984 (end-April to end-October) witnessed a higher order of monetary expansion than that witnessed by the slack season of 1983. M_3 expanded by Rs. 6,936 crores as compared with Rs. 5,886 crores during the previous slack season. The rate of growth, however, remained the same at 7.9 per cent. The major components which contributed to the higher expansion were aggregate deposits with banks which rose by Rs. 6,016 crores as compared with Rs. 5,437 crores in the previous slack season and currency with the public which expanded by Rs.858 crores as compared with Rs. 382 crores. Source-wise, net bank credit to Government increased sharply by Rs.3,755 crores (8.8 per cent) as compared with the rise of Rs.1,861 crores (5.0 per cent) during the 1983 slack season. The

Table VI–2 : Sources of Money Stock (M_3)

(Rupees crores)

Items	Variations during financial year						Out-standing as on last Friday of March 1985@	Variations during the Quarter			
	1982-83 £		1983-84		1984-85 @			April to June 1984		April to June 1985@	
	Absolute	Percentage	Absolute	Percentage	Absolute	Percentage		Absolute	Percentage	Absolute	Percent-age
1	2	3	4	5	6	7	8	9	10	11	12
Sources of Money Stock (M_3) (1+2+3+4–5)	+10,442	+ 16.7	+13,031	+ 17.9	+15,658	+ 18.2	101,557	+6162	+ 7.2	+5605	+5.5
1. Net Bank Credit to Government (A+B)	+ 4734	+ 15.7	+ 5757	+ 16.6	+ 8474	+ 20.9	48,979	+4427	+ 10.9	+5452	+11.1
(A)RBI's net credit to Government (i - ii)	+ 2772	+ 14.1	+ 4311	+ 19.3	+ 3149	+ 11.8	29,774	+2624	+ 9.9	+6693	+22.5
(i) Claims on Government (a+b)	+ 6354	+ 31.9	+ 706	+ 2.7	+ 8321	+ 31.0	35,199	+5303	+ 19.7	+1343	+3.8
(a) Central Government	+ 7869	+ 43.6	– 273	– 1.1	+ 7808	+ 30.5	33,441	+6088	+ 23.8	+2785	+8.3
(b) State Governments	– 1515	– 79.5	+ 979	+368.0	+ 513	+ 41.2	1,758	– 785	– 63.1	–1442	–82.0
(ii) Government deposits with RBI (a+b)	+ 3582	+1297.8	– 3605	– 93.4	+ 5172	+2044.3	5,425	+2679	+1058.9	–5350	–98.6
(a) Central Government	+ 3571	+1308.1	– 3596	– 93.5	+ 5173	+2085.9	5,421	+2671	+1077.0	–5361	–98.9
(b) State Governments	+ 11	+ 366.7	– 9	– 64.3	– 1	– 20.0	4	+ 8	+ 160.0	+ 11	+275.0
(B) Other banks' credit to Government	+ 1962	+ 18.7	+ 1446	+ 11.6	+ 5325	+ 38.4	19,205	+1803	+ 13.0	– 1241	–6.5
2. Bank Credit to Commercial Sector (A+B)	+ 8796	+ 20.5	+ 8830	+ 17.3	+ 9694	+ 16.2	69,686	+2600	+ 4.3	+ 2480	+3.6
(A) RBI's credit to commercial sector *	+ 564	+ 29.5	+ 451	+ 23.4	+ 389	+ 16.4	2,765	+ 15	+ 0.6	– 32	–1.2
(B) Other banks' credit to commercial sector (i+ii+iii)	+ 8232	+ 20.1	+ 8379	+ 17.0	+ 9305	+ 16.2	66,921	+2585	+ 4.5	+2512	+ 3.8
(i) Bank credit by commercial banks	+ 5812	+ 19.6	+ 5803	+ 16.3	+ 7147	+ 17.3	48,451	+2319	+ 5.6	+2169	+ 4.5
(ii) Bank credit by co-operative banks	+ 1111	+ 18.7	+ 943	+ 13.4	+ 491	+ 6.1	8,484	– 12	– 0.2	–	–
(iii) Investments by commercial and co-operative banks in other securities	+ 1309	+ 24.3	+ 1633	+ 24.4	+ 1667	+ 20.0	9,986	+ 278	+ 3.3	+ 343	+ 3.4

(Contd)

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

(Rupees crores)

Items	Variations during financial year						Outstanding as on last Friday of March 1985 @	Variations during the quarter			
	1982-83 £		1983-84		1984-85 @			April to June 1984		April to June 1985 @	
	Absolute	Percentage	Absolute	Percentage	Absolute	Percentage		Absolute	Percentage	Absolute	Percentage
1	2	3	4	5	6	7	8	9	10	11	12
3. Net Foreign Exchange Assets of the Banking Sector (A+B)	– 895	– 34.7	– 104	– 6.2	+ 1419	+ 89.8	2999	+ 87	+ 5.5	– 389	–13.0
(A) RBI's net foreign exchange assets (i-ii)	– 894	– 34.1	– 105	– 6.1	+ 1420	+ 87.4	3044	+ 88	+ 5.4	– 389	–12.8
(i) Gross foreign assets	+ 993	+ 28.4	+ 1232	+ 27.4	+ 1484	+ 25.9	7207	+ 266	+ 4.6	– 453	–6.3
(ii) Foreign liabilities	+ 1888	+ 216.0	+ 1337	+ 48.4	+ 64	+ 1.6	4163	+ 178	+ 4.3	– 64	–1.5
(B) Other banks' net foreign exchange assets	–	–	–	–	–	–	–45	–	–	–	–
4. Government's Currency Liabilities to the Public	+ 25	+ 3.8	+ 37	+ 5.4	+ 56	+ 7.8	775	+ 16	+ 2.2	–	–
5. Banking Sector's Net Non-monetary Liabilities other than Time Deposits (A+B)	+ 2218	+ 16.0	+ 1489	+ 9.7	+ 3985	+ 23.6	20882	+ 968	+ 5.7	+ 1938	+ 9.3
(A) Net non-monetary liabilities of RBI	+ 239	+ 3.9	– 460	– 8.3	+ 2571	+ 50.4	7676	+ 691	+ 13.5	+ 462	+ 6.0
(B) Net non-monetary liabilities of other banks (derived)	+ 1979	+ 25.5	+ 1949	+ 19.8	+ 1414	+ 12.0	13206	+ 277	+ 2.3	+ 1476	+ 11.2

@ Data are provisional.

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

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

Table VI–3 : Seasonal Variations in M_3 and its Sources of Change

(Rupees crores)

Items	Variations during							
	Slack Season				Busy Season			
	1983		1984@		1983-84		1984-85@	
	Absolute	Percentage	Absolute	Percentage	Absolute	Percentage	Absolute	Percentage
1	2	3	4	5	6	7	8	9
I. M_1(a+b(i)+c)	+1070	+3.7	+1864	+5.5	+3787	+12.6	+3979	+11.1
II. M_3 (a+b+c)	+5886	+7.9	+6936	+7.9	+7212	+ 9.0	+8275	+8.8
(a) Currency with the public	+ 382	+2.2	+ 858	+4.2	+2743	+15.4	+2248	+10.5
(b) Aggregate deposits with banks (i+ii)	+5437	+9.6	+6016	+9.0	+4388	+ 7.1	+6195	+8.5
(i) Demand deposits	+ 621	+5.4	+ 944	+7.2	+ 963	+ 8.0	+1899	+13.6
(ii) Time deposits	+4816	+ 10.6	+5072	+9.5	+3425	+ 6.8	+4296	+7.3
(c) Other deposits with RBI	+ 67	+ 60.4	+ 62	+ 23.9	+ 81	+45.5	– 168	–52.3
III Sources of Change in M_3 (1+2+3+4–5)								
1. Net Bank Credit to Government (A+B)	+1861	+ 5.0	+3755	+ 8.8	+3750	+ 9.7	+4891	+10.6
(A) RBI's net credit to Government (i–ii)	+1022	+ 4.5	+2105	+ 7.9	+3009	+12.7	+1092	+3.8
(i) Claims on Government (a+b)	+ 424	+ 1.8	+3043	+ 11.3	+2620	+10.1	+2261	+7.5
(a) Central Government	+ 884	+ 3.9	+3304	+ 12.9	+2061	+ 8.7	+1418	+4.9
(b) State Governments	– 460	– 36.4	– 261	– 19.2	+ 559	+69.6	+ 843	+76.6
(ii) Government deposits with RBI (a+b)	– 598	– 47.7	+ 938	+352.6	– 389	–59.4	+1169	+97.1
(a) Central Government	– 603	– 48.3	+ 933	+354.8	– 383	–59.3	+1173	+98.1
(b) State Governments	+ 5	+125.6	+ 5	+166.7	– 6	–66.7	– 4	–50.0
(B) Other banks' credit to Government	+ 839	+ 5.9	+1650	+ 10.5	+ 741	+ 4.0	+3799	+21.8
2. Bank Credit to Commercial Sector (A+B)	+3645	+ 7.1	+4604	+ 7.6	+5590	+10.2	+4803	+7.4
(A) RBI's credit to commercial sector *	+ 323	+16.8	+ 382	+16.1	+ 128	+ 5.7	– 10	–0.4
(B) Other banks' credit to commercial sector (i+ii+iii)	+3322	+ 6.8	+4222	+ 7.3	+5462	+10.4	+4813	+7.7
(i) Bank credit by commercial banks	+2220	+ 6.3	+3084	+ 7.4	+4125	+11.0	+4018	+9.0
(ii) Bank credit by co-operative banks	+ 218	+ 3.0	+ 185	+ 2.3	+ 607	+ 8.2	+ 281	+3.4
(iii) Investments by commercial & co-op.banks in other securities	+ 884	+ 13.1	+ 953	+ 11.4	+ 730	+ 9.6	+ 514	+5.5
3. Net Foreign Exchange Assets of the Banking Sector (A+B)	– 64	– 3.9	+ 628	+ 40.4	– 33	– 2.1	+ 941	+43.1
(A) RBI's net foreign exchange assets (i–ii)	– 64	– 3.8	+ 628	+ 39.3	– 33	– 2.0	+ 941	+42.3
(i) Gross foreign assets	+ 695	+ 15.6	+ 768	+ 13.5	+ 545	+10.6	+ 865	+13.4
(ii) Foreign liabilities	+ 759	+ 27.5	+ 140	+ 3.4	+ 578	+16.4	– 76	–1.8
(B) Other banks' net foreign exchange assets	–	–	–	–	–	–	–	–
4. Government's Currency Liabilities to the Public	+15	+ 2.2	+24	+ 3.3	+24	+ 3.4	+ 26	+3.5
5. Banking Sector's Net Non-monetary Liabilities other than Time Deposits (A+B)	– 430	– 2.7	+2075	+ 11.7	+2119	+13.6	+2387	+12.1
(A) Net non-monetary liabilities of RBI	– 1019	– 18.5	+1564	+ 30.1	+ 704	+15.6	+1004	+15.7
(B) Net non-monetary liabilities of other banks (derived)	+ 589	+ 5.6	+ 511	+ 4.1	+1415	+12.8	+1323	+10.2

@ Provisional.

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

increase in bank credit to commercial sector amounted to Rs. 4,604 crores (7.6 per cent) as compared with Rs. 3,645 crores (7.1 per cent). Both RBI credit and commercial and co-operative banks' credit contributed to the higher expansion. Food credit increased by Rs. 921 crores as compared with Rs. 506 crores during the 1983 slack season. Non-food credit of scheduled commercial banks expanded by Rs. 2,163 crores as compared with Rs. 1,714 crores during the preceding slack season. Net foreign exchange assets of the banking sector improved by Rs. 628 crores in contrast to a decline of Rs. 64 crores in the previous slack season.

During the busy season 1984-85, the expansion in M_3 in absolute terms was Rs. 8,275 crores as compared with Rs. 7,212 crores during the busy season of the preceding year. However, expressed in percentage terms the expansion in the busy season 1984-85 was lower at 8.8 per cent as compared with 9.0 per cent in the 1983-84 busy season. The major component which contributed to expansion in M_3 was aggregate deposits with banks which rose by Rs. 6,195 crores (8.5 per cent) as compared with Rs. 4,388 crores (7.1 per cent) in the 1983-84 busy season. The expansion of currency with the public was lower at Rs. 2,248 crores than that of Rs.2,743 crores in the 1983-84 busy season.

A larger increase in net bank credit to Government and also a rise in net foreign exchange assets of the banking sector, in contrast to a fall witnessed earlier, were the main sources of expansion in M_3 ; the rise in bank credit to commercial sector was lower. Net bank credit to Government increased by Rs. 4,891 crores (10.6 per cent) as compared with Rs. 3,750 crores (9.7 per cent) in the 1983-84 busy season. Bank credit to commercial sector registered a lower rise of Rs. 4,803 crores (7.4 per cent) than that of Rs. 5,590 crores (10.2 per cent) in the busy season last year. While food credit showed smaller increase of Rs. 619 crores in the 1984-85 busy season than that of Rs. 773 crores in 1983-84, non-food credit of scheduled commercial banks registered an increase of Rs. 3,399 crores which was slightly larger than that of Rs. 3,350 crores in the preceding busy season. Net foreign exchange assets of the banking sector improved substantially by Rs. 941 crores as against a decline of Rs 33 crores in the last busy season.

Reserve Money

The growth in reserve money was subdued during the financial year 1984-85. At Rs. 2,661 crores or 9.2 per cent, its increase was less than half of the increase of Rs. 5,713 crores (24.7 per cent) in 1983-84. As may be seen from Table VI—4,currency with the public continued to dominate reserve money growth; other deposits with RBI and cash on hand with banks also moved up. There was,however,a decline in bankers' deposits with RBI of Rs. 890 crores as against a sharp rise of Rs. 2,613 crores recorded in the previous year.

The slower expansion in reserve money was due to relatively lower increases recorded in net RBI credit to Government as also to banks and financial institutions. Net RBI credit to Government showed a lower rise of Rs. 3,149 crores (11.8 per cent) as compared with Rs. 4,311 crores (19.3 per cent) last year. Likewise, the increase in RBI's credit to scheduled commercial and state co-operative banks was lower at Rs. 195 crores than that of Rs. 516 crores in the previous year. The increase in RBI's credit to financial institutions (inclusive of NABARD) amounted to Rs. 412 crores as compared with Rs. 495 crores last year. The rise in net foreign exchange assets of RBI, on the other hand, was substantially larger at Rs. 1,420 crores in contrast to a decline of Rs. 105 crores last year. The increase in net non-monetary liabilities of RBI amounted to Rs. 2,571 crores as against a decline of Rs. 460 crores in 1983-84.

Some Monetary Relationships

On a point-to-point basis, the ratio of currency to aggregate deposits declined marginally by 0.6 percentage point to 29.0 per cent during 1984-85. The ratio of currency to M_3 also declined by 0.5 percentage point to 22.3 per cent. Between 1980-81 and 1984-85 the absolute ratios of currency

Table VI–4 : Reserve Money : Components and Sources of Change

(Rupees crores)

Items	Variations during financial year				Outstanding as on last Friday of March 1985*	Variations during the quarter			
	1983-84		1984-85 *			April-June 1984		April-June 1985*	
	Absolute	Percentage	Absolute	Percentage		Absolute	Percentage	Absolute	Percentage
1	2	3	4	5	6	7	8	9	10
Reserve Money (1+2+3+4)	+5713	+ 24.7	+2661	+ 9.2	31484	+2319	+ 8.0	+5655	+18.0
1. Currency with the public	+2894	+ 17.4	+3116	+15.9	22669	+1460	+ 7.5	+1430	+ 6.3
2. Other deposits with RBI	+ 132	+ 71.0	+ 295	+92.8	613	+ 88	+27.7	– 83	– 13.5
3. Cash on hand with banks	+ 74	+ 7.6	+ 140	+13.3	1194	+ 402	+38.1	+ 257	+21.5
4. Bankers' deposits with RBI	+2613	+ 49.4	– 890	–11.3	7008	+ 369	+ 4.7	+4051	+57.8
Sources of change in Reserve Money *(1+2+3–4)*									
1. Reserve Bank's claims on (a+b+c+d+e)	+5322	+ 20.3	+3756	+11.9	35342	+2906	+ 9.2	+6505	+18.4
a) Government (net)	+4311	+ 19.3	+3149	+11.8	29774	+2624	+ 9.9	+6693	+ 22.5
b) Scheduled commercial banks	+ 521	+ 63.9	+ 222	+16.6	1558	+ 432	+32.3	+ 305	+19.6
c) State co-operative banks	– 5	– 8.6	– 27	–50.9	26	– 8	–15.1	– 4	–15.4
d) Financial institutions (i+ii+iii)	+ 495	+ 16.1	+ 412	+11.5	3984	– 142	– 4.0	– 489	–12.3
i) NABARD	+ 44	+ 3.8	+ 23	+ 1.9	1219	– 157	–13.1	– 457	–37.5
ii) IDBI	+ 257	+ 14.1	+ 256	+ 12.3	2341	–	–	– 20	–0.9
iii) Others	+ 194	+200.0	+ 133	+45.7	424	+ 15	+ 5.2	– 12	–2.8
e) Internal bills purchased and discounted	–	–	–	–	–	–	–	–	–
2. Net Foreign Exchange Assets of RBI	– 105	– 6.1	+1420	+87.4	3044	+ 88	+ 5.4	– 389	–12.8
3. Government's Currency Liabilities to the Public	+ 37	+ 5.4	+ 56	+ 7.8	775	+ 16	+ 2.2	–	–
4. Net Non-monetary Liabilities of RBI	– 460	– 8.3	+2571	+50.4	7676	+ 691	+13.5	+ 462	+6.0

* Provisional

to aggregate deposits showed a persistent decline from 32.4 per cent to 29.0 per cent while that of currency to M_3 moved down from 24.3 per cent to 22.3 per cent during the same period (Table VI—5A). The incremental ratio of currency to aggregate deposits as also currency to M_3 which had been steadily increasing since 1981-82 from 16.6 per cent and 14.5 per cent to 28.9 per cent and 22.2 per cent, respectively, in 1983-84, declined to 25.4 per cent and 19.9 per cent in 1984-85.

The data on the basis of averages of months given in Table VI—5B show that, both in absolute and incremental terms, the ratio of currency to aggregate deposits and currency to M_3 followed the respective patterns of the ratios on point-to-point basis from 1980-81 to 1983-84. During 1984-85, however, as against the secular decline in the ratios on a point-to-point basis, the average and marginal ratios on the basis of averages of months showed increases over the previous year.

The money multiplier i.e., ratio of M_3 to reserve money calculated on a point-to-point basis, after declining from 3.2 in 1982-83 to 3.0 in 1983-84 moved up again to 3.2 during the year. The incremental money multiplier which had moved up from 3.7 in 1980-81 to 4.2 in 1981-82 declined over the next two years to 2.3 in 1983-84; the ratio rose sharply to 5.9 in 1984-85 primarily because of a major fluctuation in banks' reserves during the last week of fiscal 1984 and 1985. Considered on an average basis, the ratio of M_3 to reserve money showed a marginal decline from 3.2 in 1983-84 to 3.1 in 1984-85 and the incremental money multiplier declined from 3.5to2.9 over the year (Tables VI—5A and VI—5C).

It would perhaps be more appropriate to look at the money multiplier ratios with reference to adjusted reserve money@. The movements in adjusted money multiplier on a point-to-point basis are indicated below in the table.

The adjusted money multiplier, thus obtained moved up from 3.5 in 1980-81 to 4.2 in 1984-85. The incremental money multiplier based on adjusted reserve money which had increased to 5.9 in 1981-82 from 4.9 in 1980-81 declined in the next two years to 3.5 in 1983-84 but jumped up to 10.9 during 1984-85 due to severe fluctuations in banks' deposits with RBI in the last week of March in both 1984 and 1985.

Income Velocity of Money

The income velocity of M_1 *i.e.*, the ratio of net national income at factor cost (at current prices) to average M_1 declined to 4.9 during the fiscal year 1984-85, from 5.2 in 1983-84. The income velocity of aggregate monetary resources *i.e.*, ratio of net national income to average M_3 also declined but marginally to 1.9 from 2.0 in 1983-84. The smaller rise in the growth of net national income than in monetary resources as compared to that of 1983-84 was mainly responsible for the decline.

	As on last Friday of				
	1980-81	1981-82	1982-83	1983-84	1984-85*
Money Multiplier M_3 /RM (adjusted)	3.5	3.7	3.8	3.8	4.2
Incremental Money Multiplier ΔM_3 /ΔRM (adjusted)	4.9	5.9	4.7	3.5	10.9

* Provisional

@ The adjusted reserve money is derived by adjusting for policy changes such as those relating to cash reserve ratio and incremental reserve requirements and also net defaults of commercial banks with respect to the average and incremental reserve requirements. For details of concept and methodology of working out the adjusted reserve money series, reference may be made to "Reserve Money—Concepts and Policy Implications for India", published in RBI Occasional Papers Vol.5, No. 1, June 1984.

Table VI–5A : Monetary Ratios
(Point to Point basis as on last Friday of March)

	1980-81	1981-82	1982-83	1983-84	1984-85@
Monetary ratios					
(a) Currency/Aggregate deposits (Per cent)	32.4	30.3	29.7	29.6	29.0
(b) Currency/M_3 (Per cent)	24.3	23.2	22.9	22.8	22.3
Incremental Ratios					
(a) Currency/Aggregate deposits (Per cent)	25.9	16.6	26.3	28.9	25.4
(b) Currency/M_3 (Per cent)	20.8	14.5	20.8	22.2	19.9
Money Multiplier					
M_3 /RM*	2.9	3.1	3.2	3.0	3.2
Incremental Money Multiplier					
M_3 /RM*	3.7	4.2	3.9	2.3	5.9

* Not adjusted for changes in reserve requirements
@ Provisional.

Monetary Trends during April-June 1985

The expansion in M_3 during the first quarter (April-June) of the current financial year (1985-86), was lower at Rs. 5,605 crores (5.5 per cent) as compared with Rs. 6,162 crores (7.2 per cent) during the corresponding quarter of last year. M_1 also showed a lower rise of Rs. 1,813 crores (4.6 per cent) as compared with Rs. 2,785 crores (8.4 per cent) during the same period of the previous year. Component-wise, while the rise in time deposits with banks was higher at Rs. 3,792 crores as compared with Rs. 3,377 crores, the increases in currency with the public and demand deposits with banks at Rs. 1,430 crores and Rs. 466 crores were lower than those of Rs. 1,460 crores and Rs. 1,237 crores, respectively, in the same period last year.

Source-wise, net bank credit to Government increased by Rs. 5,452 crores (11.1 per cent) which was higher than the increase during the corresponding period of 1984-85 *viz.*, Rs. 4,427 crores (10.9 per cent). This was on account of a substantial increase in Reserve Bank's net credit to Government by Rs. 6,693 crores as compared with that of Rs. 2,624 crores last year. Other banks' credit to Government declined by Rs. 1,241 crores in contrast to an increase of Rs. 1,803 crores in the preceding year. Bank credit to commercial sector recorded an increase of Rs. 2,480 crores which was lower as compared with the increase of Rs. 2,600 crores during April-June 1984. Net foreign exchange assets of the banking sector recorded a decline of Rs. 389 crores as against a rise of Rs. 87 crores last year. Net non-monetary liabilities of the banking sector rose substantially by Rs. 1,938 crores as compared with Rs. 968 crores during the same period last year.

The growth in reserve money during the first quarter of 1985-86 was substantially higher at Rs. 5,655 crores (18.0 per cent) than that of Rs. 2,319 crores (8.0 per cent) during the corresponding quarter of 1984-85. The increase was mainly on account of banks' deposits with RBI which rose substantially by Rs. 4,051 crores as compared with a much smaller rise of Rs. 369 crores during April-June 1984. Of the sources of reserve money, Reserve Bank's claims on Government was significantly larger at Rs. 6,693 crores as compared with Rs. 2,624 crores during the corresponding quarter of 1984-85.

Table VI–5B : Average and Incremental Ratios Relating to Components of M and M_3

(Rupees crores)

	Financial Years									
	1980-81		1981-82		1982-83		1983-84		1984-85@	
	Outstanding*	Variations	Outstanding*	Variations	Outstanding*	Variations	Outstanding*	Variations	Outstanding	Variations
1. Currency with the public	12,367	+1371	13,879	+1512	15,531	+1652	18,003	+2472	21,342	+3339
2. Demand deposits with banks	8,269	+1056	9,872	+1603	10,886	+1014	12,271	+1385	14,358	+2087
3. M_1	20,865	+2390	23,919	+3054	26,563	+2644	30,449	+3886	36,031	+5582
4. Time deposits with banks	30,066	+4785	35,848	+5782	41,763	+5915	49,737	+7974	58,567	+8830
5. M_3	50,931	+7175	59,766	+8835	68,326	+8560	80,186	+11,860	94,598	+14,412

Ratios

	1980-81		1981-82		1982-83		1983-84		1984-85 @	
	Average	Marginal	Average	Marginal	Average	Marginal	Average	Marginal	Average	Marginal
1. Currency/M_1	59.3	57.4	58.0	49.5	58.5	62.5	59.1	63.6	59.2	59.8
2. Currency/Demand deposits	149.6	129.8	140.6	94.3	142.7	162.9	146.7	178.5	148.6	160.0
3. Currency/Time deposits	41.1	28.7	38.7	26.2	37.2	27.9	36.2	31.0	36.4	37.8
4. Currency/Aggregate deposits	32.3	23.5	30.4	20.5	29.5	23.8	29.0	26.4	29.3	30.6
5. Currency/ M_3	24.3	19.1	23.2	17.1	22.7	19.3	22.5	20.8	22.6	23.2
6. DD/M_1	39.6	44.2	41.3	52.5	41.0	38.4	40.3	35.6	39.8	37.4
7. DD/TD	27.5	22.1	27.5	27.7	26.1	17.1	24.7	17.4	24.5	23.6
8. DD/M_3	16.2	14.7	16.5	18.1	15.9	11.8	15.3	11.7	15.2	14.5
9. TD/M_3	59.0	66.7	60.0	65.4	61.1	69.1	62.0	67.2	61.9	61.3

@ Provisional

DD= Demand Deposits

TD= Time Deposits

* Relate to average of outstandings as on last Friday of months.

Table VI–4C : Trends in Money Multipliers in India (Average of last Friday of months)

(Amount in rupees crores)

Year (April–March)	Reserve Money	Money Supply	Aggregate Monetary Resources	Money Multiplier		Increases in			Incremental Money Multiplier	
				Money Supply	Aggregate Monetary Resources	Reserve Money	Money Supply	Aggregate Monetary Resources	Money Supply	Aggregate Monetary Resources
	1	2	3	4	5	6	7	8	9	10
1980-81	17198	20865	50931	1.2	3.0	+2005	+2390	+7175	1.2	3.6
1981-82	19547	23919	59766	1.2	3.1	+2349	+3054	+8835	1.3	3.8
1982-83	21706	26563	68326	1.2	3.1	+2159	+2644	+8560	1.2	4.0
1983-84	25115	30449	80186	1.2	3.2	+3409	+3886	+11,860	1.1	3.5
1984-85@	30041	36031	94598	1.2	3.1	+4926	+5582	+14,412	1.1	2.9

Notes : 1) Reserve money comprises currency with the public, bank reserves i.e. cash with banks, banks' balances with RBI and other deposits with RBI.
2) Money multiplier refers to ratio of money supply or aggregate monetary resources to reserve money.
@ Provisional.

Currency and Coinage

During the fiscal year 1984-85, currency in circulation expanded by Rs. 3,256 crores to Rs. 23,863 crores as compared with the expansion of Rs. 2,967 crores during 1983-84; the rate of growth at 15.8 per cent was, however, lower by one percentage point.

Notes in circulation, the major constituent of currency, increased by Rs. 3,200 crores in 1984-85 which was higher than that of Rs. 2,931 crores in 1983-84. The growth rate at 16.1 per cent was lower than that of 17.3 per cent registered in the previous year. The expansions in circulation of rupee coins and small coins were also larger than those in 1983-84 as may be seen from Table VI–7. The proportion of notes in total currency in circulation moved up from 96.5 per cent at the end of March 1984 to 96.7 per cent by end-March 1985.

During the first quarter of fiscal 1985-86, i.e., upto the end-June 1985, the expansion in currency in circulation at Rs. 1,687 crores was lower than that of Rs. 1,861 crores in the corresponding quarter of 1983-84. The share of notes in circulation in total currency moved up further to 97.0 per cent by the end of June 1985.

During the year, the issue of notes of all denominations, with the exception of Rs. 20 and Rs. 50 increased as compared with the last year. However, as a proportion of total currency issued, only notes in the denomination of Rs. 2, Rs. 5 and Rs. 10 recorded increases. Notes in the denomination of Rs. 100 increased to a small extent by Rs. 625 crores over the year as compared with an increase of Rs. 1,913 crores recorded during 1983-84. The percentage share of Rs. 100 notes in the total remained constant at the previous year's level of 56.5 per cent (Table VI–8).

Notes in the denomination of Rs. 50 declined marginally by Rs. 21 crores during 1984-85 in contrast to a substantial increase of Rs. 610 crores during 1983-84. Its share in the total also declined from 17.5 per cent at the end of March 1984 to 16.6 per cent by the end of March 1985.

Table VI–6 : Income Velocity of Money Supply and Aggregate Monetary Resources

(Rupees crores)

Financial Year	National Income at Factor Cost (at Current Prices)		Currency with the Public*		Money Supply with the Public*		Aggregate Monetary Resources *		Average Income Velocity of		
									Currency	Money Supply	Aggregate Monetary Resources
	Amount	Annual Percentage Increase	Amount	Annual Percentage Increase	Amount	Annual Percentage Increase	Amount	Annual Percentage Increase			
1	2	3	4	5	6	7	8	9	10	11	12
1980-81	106175	19.4	12,367	12.5	20865	12.9	50931	16.4	8.6	5.1	2.1
1981-82	1,20,806	13.8	13,879	12.2	23919	14.6	59766	17.3	8.7	5.1	2.0
1982-83	132470	9.7	15,531	11.9	26563	11.1	68326	14.3	8.5	5.0	1.9
1983-84	159598	20.5	18,003	15.9	30449	14.6	80186	17.4	8.9	5.2	2.0
1984-85 @	177711	11.3	21, 342	18.5	36031	18.3	94598	18.0	8.3	4.9	1.9

* Average of outstandings as on last Friday of months.

@ Provisional.

Table VI–7 : Details of Currency in Circulation

(Rupees crores)

Financial Year	Notes in Circulation		Circulation of Rupee Coins		Circulation of Small Coins		Currency in Circulation		Of which with banks	
	Outstanding	Variations over the previous year	Outstanding	Variations over the previous year	Outstanding	Variations over the previous year	Outstanding	Variations over the previous year	Outstanding	Variations over the previous year
1	2	3	4	5	6	7	8	9	10	11
1982-83	16,957 (96.1)	+2,248	362 (2.1)	+11	321 (1.8)	+15	17,640 (100.0)	+2,274	980	+106
1983-84	19,888 (96.5)	+2,931	386 (1.9)	+24	333 (1.6)	+12	20,607 (100.0)	+2,967	1,054	+74
1984-85 @	23,088 (96.7)	+3,200	426 (1.8)	+40	349 (1.5)	+16	23,863 (100.0)	+3,256	1,194	+140
1984-85 (upto June 1984)	21,733 (96.7)	+1,845	398 (1.8)	+12	337 (1.5)	+4	22,468 (100.0)	+1,861	1,456	+402
1985-86@ (upto June 1985)	24,775 (97.0)	+1,687	426 (1.7)	–	349 (1.3)	–	25,550 (100.0)	+1,687	1,451	+257

@ Provisional

Notes : 1. Figures in brackets are proportions to total currency.
2. Data relate to last Friday.

The issue of notes in the denomination of Rs. 20 also declined by Rs. 44 crores at the end of March 1985 in contrast to an increase of Rs. 30 crores at the end of March 1984, its share in the total which had declined from 8.0 per cent in March 1983 to 7.1 per cent in March 1984 declined further to 6.5 per cent in March 1985.

Notes in the denomination of Rs. 10 which had declined by Rs. 28 crores during 1983-84 registered an increase of Rs. 260 crores during 1984-85 and its share in the total increased from 8.6 per cent in March 1984 to 9.3 per cent in March 1985.

Notes in the denomination of Rs. 5 increased both in absolute amount and as a proportion of total currency issued. The increase was of the order of Rs. 149 crores in 1984-85 as against a larger rise of Rs. 188 crores in 1983-84; its share in the total moved up from 4.8 per cent in March 1984 to 5.2 per cent in March 1985.

The issue of notes in the denomination of Rs.2 increased by Rs. 71 crores in the year 1984-85 as compared with a smaller increase of Rs. 19 crores in 1983-84. Its share in the total moved up from 2.2 per cent in March 1984 to 2.4 per cent in March 1985.

Demonetisation of Notes and Coins

Of the Rs. 145.23 crores (Revised) of high denomination notes in circulation as on January 16, 1978 when these were demonetised, notes worth Rs 125.11 crores including those declared by banks and Government treasuries were tendered for exchange to the Reserve Bank. Of these, the value of notes passed by the Bank for exchange into lower denomination notes upto the end of June 1984 was of the order of Rs 119.02 crores.

Table VI–8 : Percentage Share of Rs. 2/–, Rs. 5/–, Rs. 10/–, Rs. 20/-, Rs.50/- and Rs. 100/– Notes in Total Currency in Circulation *

End of March	Percentage Share						Total (1 to 6)
	Rs. 2/–	Rs. 5/–	Rs. 10/–	Rs. 20/–	Rs. 50/–	Rs. 100/–	
	1	2	3	4	5	6	7
1983	2.4	4.5	10.0	8.0	16.8	54.6	96.3
1984	2.2	4.8	8.6	7.1	17.5	56.5	96.7
1985	2.4	5.2	9.3	6.5	16.6	56.5	96.5

* Inclusive of circulation of small coins.

All pure nickel rupee, half rupee and quarter rupee coins with the effigy of King George VI ceased to be legal tender from December 31, 1984. They continued to be legal tender at the offices of Reserve Bank, all public sector banks and Government treasuries upto June 30, 1985 and thereafter only at specified Issue Department Offices of Reserve Bank.

Issue of Notes and Coins

Decimal coins of various denominations valued at Rs. 19.54 crores were minted during the financial year 1984-85. Coins with new design in the denomination of 50 paise without security edge and 5 paise in reduced weight were issued by the Bank for general circulation.

Commemorative coins with the inscription "Reserve Bank of India–Golden Jubilee–1935-85" in the denominations of Rs. 100/-, Rs. 10/–, Rs. 2/– and 50 paise were issued by the Government of India during the year. While the coin in the denomination of 50 paise was issued for regular circulation through the Bank's offices and agencies, the coins in the denomination of Rs. 100/–, Rs 10/–, Rs. 2/– are proof/uncirculated sets sold by the India Government Mint, Bombay.

Lost, Destroyed and Mutilated Notes

During 1984-85, 2.4 lakh claims were received in respect of lost, destroyed and mutilated notes involving 205.04 lakh pieces as compared with 2.5 lakh claims for 162.08 lakh pieces in 1983-84. The total amount involved in these claims at Rs. 18.11 crores during the year was also higher by Rs. 4.84 crores over the previous year. Claims approved for payment during the year amounted to Rs. 17.53 crores and payment against approved claims (including those admitted during the previous year) Rs. 16.84 crores (Statement 124 of Vol.II).

Note Forgeries

The total number of forged notes, including one rupee notes detected at the issue office of the Reserve Bank, branches of other banks and seized by the police throughout the country which had increased from 19,742 pieces in 1982 to 1,12,947 in 1983 dropped substantially to 31,435 pieces in 1984. The value of the forged notes came to Rs. 0.28 crore in 1984 as compared to Rs. 1.08 crores in 1983 (Statement 125 of Vol.II).

Trends in Bullion Prices

Gold

During the financial year 1984-85, bullion prices displayed marked firmness in the domestic

market which was in contrast to a pronounced weakness noticed in international markets. The monthly average price of the yellow metal which was 43.9 per cent higher in Bombay than in London in March 1984, widened further to 67.0 per cent in March 1985. The gap however, came down to 62.3 per cent in June 1985. In the case of silver, the monthly average price which was only 6 per cent higher in Bombay than in London in March 1984, was 37.1 per cent higher in March 1985, though the gap narrowed to 35.4 per cent in June 1985.

Domestic Market

During the financial year 1984-85, a more or less continuous increase was noticed in the price of gold in Bombay. The price of standard gold moved up sharply from Rs. 1,975 per 10 grammes at the close of March 1984 to a peak of Rs. 2,035 per 10 grammes on April 18, 1984, due to poor arrivals of smuggled gold, coupled with good seasonal demand and paucity of local supplies. However, there was a set-back due to fresh offerings at higher levels as a result of which the market closed lower at Rs. 2,010 per 10 grammes on April 30. Prices receded to Rs. 1,935 per 10 grammes on May 31 and further down to Rs. 1,875 per 10 grammes on June 13 – the lowest during the year in the wake of reduced seasonal demand on the one hand and improved supply position both from official and unofficial sources on the other. The demand for gold against exports of jewellery was reported to have dropped considerably. Prices moved up thereafter to Rs. 1,965 per 10 grammes on July 21 on reports of seizures of the yellow metal. In August, the prices fluctuated within a narrow range. This was followed by a marked uptrend to Rs. 1,990 per 10 grammes on September 17, helped by higher advices from the southern centres following enquiries from jewellery exporters. Since then prices increased steadily to Rs. 2,000 per 10 grammes on October 20 and further to Rs. 2,005 per 10 grammes on November 21, following festival demand accompanied by limited offerings. Thereafter, a declining trend was noticed on account of increased supply, limited demand and weak overseas advices which took the price to Rs. 1,955 on December 19, and further to Rs. 1,945 per 10 grammes on January 7, 1985. Prices however, staged a rally to Rs. 1,990 per 10 grammes on January 22 on increased demand at lower rates. A new peak of Rs. 2,100 per 10 grammes was reached on February 22, as an immediate reaction to the massive income-tax raids conducted in the major cities to weed out black money. Prices firmed up further to Rs. 2,140 on March 27, on reported seizures of smuggled gold as well as stoppage of gold consignments by mint authorities and encouraging overseas advices. At this level, prices showed an increase of Rs.155 or 7.9 per cent over the level of end-March 1984. During the corresponding period of the previous year the increase was Rs. 175 or 9.7 per cent. The highest price on record for the financial year 1984-85 was Rs. 2,140 per 10 grammes reached on March 27, 1985; the lowest price recorded was Rs. 1,875 per 10 grammes on June 13, 1984. The corresponding figures during the preceding year were Rs. 1,985 and Rs. 1,755, respectively reached on March 16, 1984 and June 30, 1983.

International Markets

In the international gold markets, prices ruled firm during the first quarter due to weakness of dollar, reports of likely lowering of U.S. interest rates and fears of escalation of the Gulf War. Prices came down marginally from $ 388.50 per fine ounce on March 30, 1984 to $ 387.25 on April 2, 1984, and remained more or less steady till the month-end before drifting downwards in the month of May. However the season's highest of $ 394.50 per fine ounce was reached on June 4, following the weakness of the dollar. Thereafter, as dollar started gaining strength, gold prices began to fall steadily to $ 369.90 on June 26 and to $ 332.50 on July 9. Gold prices moved within the range of $ 343.00 and $ 353.90 per fine ounce throughout the month of August. The bearish trend continued in the subsequent months with price slipping to $ 296.75 on January 7, 1985 and further to $ 285.00 on February 26, 1985. In general, the easy trend in the market noticed during the major part of the year was due mainly to the

growing strength of the US dollar and the rise in interest rates coupled with the general recessionary trends and reduced demand for the yellow metal from the oil producing Gulf countries in the wake of a sharp decline in crude prices. At $ 329.80 per fine ounce on March 29, 1985 gold prices in London recorded a fall of $ 58.7 per fine ounce or 15.1 per cent over the previous year as compared with a fall of $ 25.75 or 6.2 per cent in 1983-84.

Spread in Domestic and International Prices

The monthly average prices of gold in Bombay (based on closing quotation) and in London (based on morning fixing and converted into rupees) for the year 1984-85 are given in Table VI-9. As may be noticed from the Table, the premium commanded by gold prices in the Bombay market over that in London widened from 50.1 per cent in April 1984 to 67.0 per cent in March 1985 though it had initially declined to 42.1 per cent in June 1984 as the London prices edged up and the price in Bombay eased somewhat. The divergence in price widened steadily thereafter reaching the highest level of 67.0 per cent in March 1985. At this point, the premium was higher by 23.1 percentage points over that in March 1984.

April-June 1985 Position

The uptrend in gold prices in Bombay continued in April 1985, reaching an all-time high of Rs. 2,235 on April 24, 1985 due mainly to acute paucity of supplies following the largest seizure of gold in Bombay and an unprecedented rise in the seasonal demand. The trend was reversed in May and June 1985. In London market, there was decline from $ 329.80 per fine ounce at the end of March 1985 to $ 316.50 by June 28, or a fall of 4.0 per cent over the quarter.

Table VI—9 : Gold Prices in London and Bombay during 1984-85

(Monthly Averages)*

(Rupees per 10 grammes)

Month		London	Bombay	Spread between Bombay and London Prices	
				Absolute	Percentage
1		2.	3.	4.	5.
March	1984	1364.19	1963.07	+598.88	+43.9
1984-85					
April	1984	1329.42	1995.90	+666.48	+50.1
May	1984	1335.83	1973.05	+637.22	+47.7
June	1984	1350.22	1918.08	+567.86	+42.1
July	1984	1270.18	1948.80	+678.62	+53.4
August	1984	1292.88	1952.14	+659.26	+51.0
September	1984	1301.04	1973.96	+672.92	+51.7
October	1984	1318.36	1985.00	+666.64	+50.6
November	1984	1326.29	1995.45	+669.16	+50.5
December	1984	1264.82	1976.88	+712.06	+56.3
January	1985	1230.11	1968.13	+738.02	+60.0
February	1985	1250.18	2022.33	+772.15	+61.8
March	1985	1256.06	2097.27	+841.21	+67.0
1985-86					
April	1985	1305.10	2172.73	+867.63	+66.5
May	1985	1272.39	2169.80	+897.41	+70.5
June	1985	1266.88	2055.65	+788.77	+62.3

* Based on morning fixing in London and closing quotations in Bombay.

In Bombay, the firm trend noticed in gold price towards the close of financial year 1984-85 continued till about May 18, 1985. The prices eased gradually thereafter reaching the lowest level of the quarter at Rs. 2,025 per 10 grammes on June 5, before closing at Rs. 2,085 per 10 grammes on June 28. At this level, there was a fall of Rs. 45 per 10 grammes (2.2 per cent) over the March-end level. Higher supplies as against poor seasonal demand caused the downward trend in the market. In the corresponding quarter of 1984, gold prices had declined by Rs.35 per 10 grammes or 1.8 per cent.

Silver

During the financial year 1984-85, whereas the price of silver moved up steadily in the Bombay market after an initial setback, an almost steady downtrend was witnessed in the international markets.

Domestic Market

Silver price in the domestic market showed a consistent uptrend during the year 1984-85 barring a decline noticed in the first quarter. The price of silver in Bombay came down from Rs. 3,570 per kg. at the end of March 1984 to Rs. 3,485 by May 4 and further to Rs. 3,295 —lowest for the year— by July 6. The easy trend was attributed to lack of seasonal demand and discouraging overseas advices coupled with good arrivals. Prices tended to move up from second week of July 1984 reaching Rs. 3,440 per kg. on July 31. After hovering around that level during August, it reached Rs. 3,545 per kg. by September 29 and soared to Rs. 3,690 on November 30 backed by good festival demand. In December and in the first half of January prices ruled steady. The rising tendency became more pronounced in the period mid-January to end-March 1985 following tax raids which gave a fresh boost to the demand for gold and silver. As a result, silver touched Rs. 3,995 per kg.—the highest for the period— on March 25, 1985. The market, however, closed for the year slightly lower at Rs. 3,955 per kg. registering a net increase of Rs. 385 per kg. or 10.8 per cent over the year. This came on top of an increase of Rs. 465 or 15.0 per cent in the preceding year (See Table VI-10 A).

International Markets

Silver prices in international markets eased during major part of the year 1984-85 barring the firmness witnessed during October-November 1984. In the New York market, silver prices eased from 973 cents per ounce at the end of March 1984 to 890 cents by April-end and further to 705 cents by July-end. This adverse trend was ascribed to higher federal funds rate and a strong dollar as also general recessionary trends in the U.S. Following a temporary set-back of the dollar, silver prices firmed up in August. After moving in a narrow range in September, prices moved up in October and November. Thereafter, the price of the white metal declined steadily, the sentiment being influenced by expectations of higher growth rate in the U.S. economy. Silver prices in New York dived to a low of 557 cents per ounce on March 12—the lowest for the year— before rallying to close higher at 667 cents per ounce. At this level, silver had registered a substantial decline of 306 cents per ounce or 31.4 per cent over the year which was more than thrice the decline of 90 cents or 8.5 per cent in 1983-84.

The decline in the London market in 1984-85 at 133.0 pence per ounce or 19.9 per cent was also more pronounced than the fall of 37.8 pence per ounce or 5.3 per cent in 1983-84.

The New York and London, prices of silver were quoted at a discount over Bombay price throughout the year 1984-85.

The discount based on monthly average prices in New York/London which was 9.3 per cent and 9.0 per cent, respectively, in April, widened to 20.6 per cent and 20.2 per cent, in July reaching the highest for the period at 36.7 per cent and 37.1 per cent, respectively, in March 1985.

Table VI-10 A : Price of silver in Bombay, London & New York Markets

As at the end of	Bombay		London		New York	
	Price in Rs. per kg	Percentage variation	Price in pence per ounce	Percentage variation	Price in cents per ounce	Percentage variation
March 1983	3105		708.00		1063.00	
March 1984	3570	+ 15.0	670.15	−5.3	973.00	−8.5
March 1985	3955	+ 10.8	537.10	−19.9	667.00	−31.4

Table VI--10 : Silver Prices (Spot) in London, New York and Bombay
(Monthly Averages)

(Rupees per kg.)

Month		Bombay	London	New York	Price difference between London and Bombay (3 - 2)		Price difference between New York and Bombay (4 - 2)	
					Absolute	Percentage	Absolute	Percentage
	1.	2.	3.	4.	5.	6.	7.	8.
March	1981	2666.68	3247.17	3259.76	+580.49	+21.8	+593.08	+22.2
March	1982	2683.61	2163.98	2158.84	−519.63	−19.4	−524.77	−19.6
March	1983	3033.80	3424.31	3416.07	+390.51	+12.9	+382.27	+12.6
March	1984	3547.88	3333.78	3335.30	−214.10	−6.0	−212.58	−6.0
1984-85								
April	1984	3541.29	3221.19	3210.23	−320.10	−9.0	−331.06	−9.3
May	1984	3492.83	3175.05	3182.63	−317.78	−9.1	−310.20	−8.9
June	1984	3415.19	3127.69	3123.21	−287.50	−8.4	−291.98	−8.5
July	1984	3414.60	2723.40	2710.70	−691.20	−20.2	−703.90	−20.6
August	1984	3432.71	2827.32	2831.65	−605.39	−17.6	−601.06	−17.5
September	1984	3508.63	2764.51	2774.20	−744.12	−21.2	−734.43	−20.9
October	1984	3560.71	2825.98	2836.25	−734.73	−20.6	−724.46	−20.3
November	1984	3644.05	2910.97	2909.02	−733.08	−20.1	−735.03	−20.2
December	1984	3670.21	2633.72	2647.22	−1036.49	−28.2	−1022.99	−27.9
January	1985	3681.88	2467.07	2476.99	−1214.81	−33.0	−1204.89	−32.7
February	1985	3823.96	2527.96	2529.74	−1296.00	−33.9	−1294.22	−33.8
March	1985	3937.05	2475.54	2490.48	−1461.51	−37.1	−1446.57	−36.7
1985-86								
April	1985	4005.09	2587.68	2592.23	−1417.41	−35.4	−1412.86	−35.3
May	1985	3986.60	2519.34	2526.59	−1467.26	−36.8	−1460.01	−36.6
June	1985	3825.22	2469.29	2472.09	−1355.93	−35.4	−1353.13	−35.4

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

April-June 1985 position

During the first quarter of 1985-86 both the domestic and international markets displayed mixed trends. Silver prices in Bombay after firming up in April declined in the subsequent two months of the quarter under review to record a net loss of Rs. 105 per kg. or 2.6 per cent as compared with a fall of Rs. 210 per kg. or 5.9 per cent in the corresponding quarter of 1984-85. In New York, the net decline was 53 cents per ounce or 8.0 per cent as compared to a fall of 135 cents per ounce or 13.9 per cent in the same period of last year while in London, the net decline was 165 pence per ounce or 12 per cent as compared to a fall of 50 pence per ounce or 9 per cent in the same period last year.

The gap between the domestic and international prices narrowed during the quarter. The 'discount' of New York over Bombay price (based on monthly average) which was 36.7 per cent in March 1985 narrowed to 35.4 per cent in June 1985.

Notes :

1. During the fiscal year 1984-85 domestic production of gold at 2,034 kgs. recorded a fall of 1.4 per cent over the production of 2,062 kgs. in 1983-84. This was on top of a decline of 8.0 per cent in the previous year. The output of silver at 23,275 kgs. during 1984-85 was higher by 18.6 per cent than that of 19,629 kgs. in 1983-84 and an increase of 28.1 per cent recorded in the preceding year.
2. The Reserve Bank of India has extended w.e.f. April 12, 1985 the period of validity of its Order dated October 14, 1980 regarding the Scheme of export of gold jewellery by Handicrafts and Handlooms Export Corporation of India Ltd. against gold supplied by foreign buyers upto March 31, 1988.

Chapter VII

Banking Developments

OVERALL REVIEW

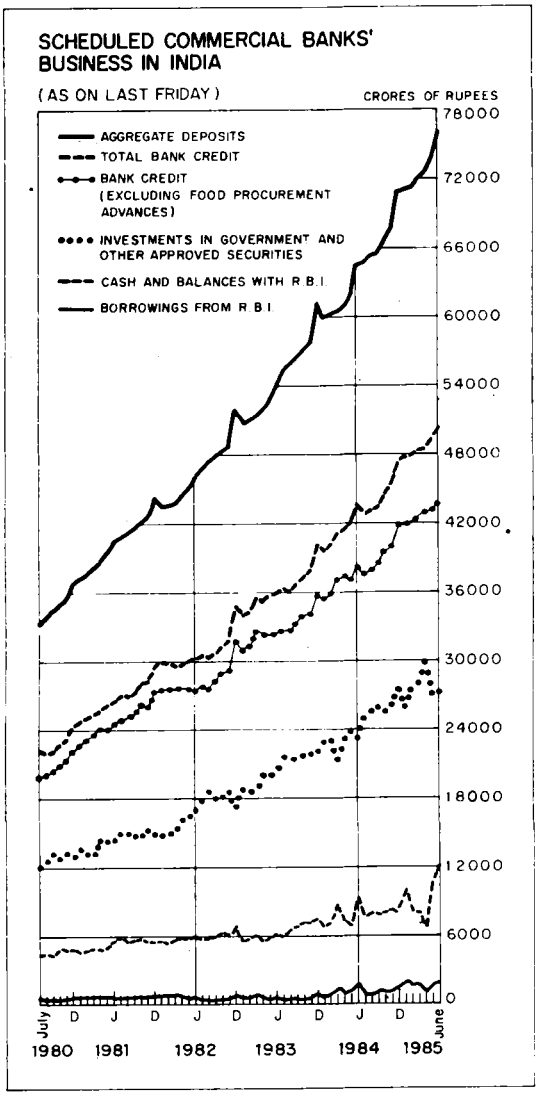
There was an all round increase in scheduled commercial banks' operations during 1984-85 (April-March) as reflected in the sizeable growth in deposits, credit and investments. There was a dramatic rise in investments which was facilitated partly by the large deposit accretion and partly by the successive hikes in statutory liquidity ratio. The excess liquidity in the banking system consequent on the larger accrual of deposits and the relatively subdued expansion in bank credit had to be siphoned off to keep the inflationary potential under control. The enhancement of the statutory liquidity ratio as one of the credit policy measures was thus intended not only to minimise the expansionary impact of fiscal operations on the growth of reserve money but was also designed to divert funds to public investment so as to achieve the national goal of development.

Aggregate deposits registered a record rise of Rs.11,519 crores during 1984-85 as compared with that of Rs.9,238 crores in 1983-84. The expansion in bank credit was also larger at Rs.7,145 crores than that of Rs.5,801 crores in the previous year. Banks' investments swelled by Rs.6,903 crores which was more than twice the increase of Rs.2,912 crores recorded in 1983-84.

In view of the large overhang of liquidity in the economy, the basic stance of credit policy during 1984-85 was one of keeping inflationary expectations in check by bringing about a deceleration in the growth of reserve money and regulating excess liquidity in the system, while at the same time ensuring that the needs of public sector investments and demands for genuine productive requirements were fully met. The main instrument of credit policy used towards this end during the year was the statutory liquidity ratio of banks unlike in 1983-84 when the main emphasis was on changes in cash reserve ratio (CRR). The instrument of refinance was also actively used through changes in the threshold for food refinance. Further, the food and stand-by refinance ratios were jacked up, but a modest reduction was made in certain categories of lending rates with the twin objectives of reducing the cost to borrowers and checking inflationary pressures. The selective credit controls were streamlined, thereby minimising multiplicity of margins.

Banks made considerable headway in achieving the twin objectives of improving banking facilities in the rural and semi-urban areas and of reducing inter-regional disparities. Of the total number of 12,366 branches opened during the period April 1982-March 1985, covered by the three year branch licensing policy, rural and semi-urban offices together claimed a share of 88.0 per cent. Another heartening development was the significant

progress achieved towards reaching the targets laid down for priority sector advances. As against the overall target of 40 per cent of net bank credit which the banks were expected to reach by March 1985, 50 major scheduled commercial banks had almost attained the target by accounting for 39.9 per cent. Their advances to



agriculture formed 16.6 per cent of net bank credit. Assistance of public sector banks to beneficiaries under the New 20-Point Programme upto end-December 1984 amounted to Rs.5,163 crores covering more than 111 lakh borrowal accounts.

CREDIT POLICY

The thrust of credit policy during the fiscal year 1984-85 and in the early months of 1985-86 was on ensuring that the already high liquidity in the system did not adversely affect the price situation. The underlying objective of credit policy, therefore, continued to be one of slowing down the growth of reserve money. Within the broad framework of this objective, the credit policy also had to be geared to meet the needs of vital public sector investments and the large increase in credit requirements consequent on a swelling of foodgrains stocks with the public distribution system on account of successively high procurement during *rabi* 1984 and *kharif* 1984-85. Also, in the context of the revival in certain select sectors of industry and the determined thrust to attain priority sector targets/sub-targets, the banking system had to make special efforts to ensure that genuine productive requirements were fully met.

During the period under review, the main instruments of credit policy used were reserve ratios, refinance facilities, interest rates and selective credit controls. Whereas in 1983-84, the main emphasis was on the use of the cash reserve ratio as an instrument for controlling the growth of reserve money, in 1984-85 reliance was placed on the statutory liquidity ratio which was raised in a phased manner from 35 per cent to 36 per cent by September 1, 1984 and again in a phased manner to 37 per cent by July 6, 1985. While the SLR is traditionally considered as an instrument of reallocation of credit as between public and private sectors, in a situation where the central bank's credit to Government is large, it can minimise the expansionary impact of fiscal operations and the growth of reserve money. The policy of containing the growth of reserve money which was a feature of the 1983-84 measures, was therefore, pursued vigorously in 1984-85. The instrument of refinance was once again used actively, particularly through changes in the threshold for food refinance.

Lending rates had been high for a number of years and with the twin objectives of reducing

the cost, especially to borrowers who had been subject to high rates, and of softening inflationary pressures, a modest decrease in lending rates was effected on April 1, 1985. While profitability of the banking system has been coming under increasing strain in recent years, it was deemed appropriate in November 1984 to increase the interest rate on food credit, thereby reducing the element of concessionality. Also, with a view to improving bank profitability, the interest rate on cash balances held with the Reserve Bank was raised. With the continued emphasis on reserve money control it was deemed necessary, in the context of the increase in the interest rate on food credit as well as in the coupon rates on Government securities, to raise the rates on food refinance and stand-by facilities.

It was felt that banks should be given some freedom in determining the maturity structure of their term liabilities and accordingly in an experimental move an element of discretion was given to banks in April 1985 to fix short-term deposit rates for maturities under one year. Since banks experienced difficulties in responding to the freedom bestowed on them to determine their short-term deposit rates, the Reserve Bank once again intervened in May 1985 to fix specific rates for all term maturities. The various measures taken by the Bank from time to time during the year are set out below.

April 1984

After a review of monetary and credit developments, changes in the credit policy for the first half of 1984-85 were announced at the end of April 1984. The growth in overall liquidity (M_3) in 1983-84 at over 17 per cent was uncomfortably high and there was also a very large increase in reserve money. With a view to regulating liquidity in the first half of the financial year as well as to provide resources for public sector investment without generating reserve money, the statutory liquidity ratio was raised from 35 per cent to 36 per cent in two phases by one-half of one percentage point each from July 28 and September 1, 1984. It was felt that banks might face some resource constraint as the year progressed and to help them plan their resource allocation before the onset of the busy season, it was decided to release, in two instalments, one-fifth of the additional cash balances maintained under the 10 per cent incremental cash reserve ratio as at the end of October 1980. The amount thus released worked out to Rs.372 crores. The dates for release which had been originally fixed as September 29 and October 27, 1984, were later changed to October 27 and December 1, 1984, respectively, in view of the comfortable liquidity obtaining at the end of August 1984. In order to provide greater discretion to banks for granting term loans to private sector borrowers not covered by the credit authorisation scheme (CAS), the cut-off point for term loans of over three years which required Reserve Bank's prior authorisation was raised from Rs.50 lakhs to Rs.1 crore — the same as for public sector borrowers.

It was also impressed upon the banks that they should pay adequate attention to customer service and quality of their assets, particularly their loan portfolio and the desirability of establishing an effective system of supervision and control over operations of their foreign branches.

September 1984

Even after providing for the one percentage point increase in the statutory liquidity ratio mentioned above, the excess liquidity of the banking system continued to be large, making it necessary to keep a strict watch on the price situation, despite the encouraging *kharif* prospects. In this context, and having regard to the buoyant deposit growth till the middle of August 1984, certain changes in credit policy measures were announced in September 1984. The threshold at which 100 per cent food credit refinance would be available to banks was raised from the outstanding level of Rs.3,300

crores to Rs.4,000 crores with effect from September 28, 1984. It was also decided, as mentioned earlier, to postpone the release of scheduled commercial banks' cash balances under the 10 per cent incremental CRR. Accordingly, the release in two equal instalments was effected on October 27 and December 1, 1984.

October-November 1984

It was recognised that with the onset of the busy season, there would be an increase in demand for both food and non-food credit. Some changes were made in the base for calculating refinance facilities from the Reserve Bank effective from November 30, 1984. The threshold for food credit refinance was raised further from Rs.4,000 crores to Rs.4,300 crores and banks were provided export refinance to the extent of 100 per cent of the increase in export credit over the monthly average level for 1983 as against 125 per cent of the increase in export credit over the monthly average level for 1982; the reduction in the export refinance ratio was by way of restoration to a more normal situation as the earlier enhancement of the refinance ratio to 125 per cent was a transitory measure to avoid a precipitous fall in refinance limits when the two-tier refinance formula was substituted by a single-tier formula in November 1983.

With increasing concern regarding the narrow profit margins of the banking system, certain measures were announced to bolster banks' profitability:

(i) The rate of interest payable on cash balances maintained by banks, excluding the statutory minimum balance of 3 per cent of their net demand and time liabilities, but including all cash balances maintained under the incremental CRR was raised from 9 per cent to 10 per cent per annum, effective November 16, 1984.

(ii) The rate of interest charged on advances by scheduled commercial banks for foodgrains procurement at support prices fixed by the Government of India, where the sales are at fixed prices through Government approved outlets was raised from 12.5 per cent to 14.0 per cent per annum with effect from October 1, 1984.

Banks were advised that as the Banking Laws (Amendment) Act, 1983, had been passed, the amendments relating to the SLR were to be put into force soon and that they should prepare themselves for the effective maintenance of SLR on a *daily* basis to avoid penalties. They were also urged to eschew window-dressing of their liquidity position.

March 1985

On March 8, 1985 it was announced that the threshold for 100 per cent food credit refinance would be raised from Rs. 4,300 crores to Rs. 4,600 crores effective April 5, 1985. Further, two significant measures were announced by the Reserve Bank on March 16, 1985 to synchronise with the presentation of the Union Budget.

Increase in the Statutory Liquidity Ratio: Recognising the need to provide adequate resources for vital public sector investments in the Seventh Plan, it was decided to inform banks well in advance that enhanced provisions for such investments would need to be made in the first half of 1985-86. It was announced that the SLR would be raised from 36 per cent to 37 per cent in two stages — 36.5 per cent with effect from June 8, 1985, and 37 per cent with effect from July 6, 1985.

Lending Rates: The maximum lending rate of scheduled commercial banks had been raised in stages from 15 per cent to 19.5 per cent between September 1979 and March 1981 in the context of the then prevalent high inflation rate. With the slowing down of the inflation rate in the beginning of 1983, it was felt that the above rates of interest were relatively high. Taking this into account and also the 1983-84 budget proposal to halve the tax on interest income of banks, the maximum lending rate had been reduced in April 1983 to 18 per cent. Following the abolition of the tax on interest income of banks in the Union Budget for 1985-86, it was considered appropriate to reduce the maximum lending rate further. Adjustments were also made in interest rates on pre-shipment credit for some specified categories. Thus effective April 1,1985, the maximum lending rate was lowered from 18 per cent to 17.5 per cent. This downward adjustment was intended to provide relief to a wide spectrum of borrowers including medium and large industry borrowers, small scale industry borrowers above Rs.25 lakhs, public sector agencies entrusted with purchase and sale of commodities on commercial basis and retail trade borrowers above Rs.25,000. The rate of interest chargeable by banks on pre-shipment credit and credit for certain specified exports was also lowered from 14.5 per cent to 14.0 per cent. A chart on the revised lending rates structure along with the rates prevailing prior to the revision is given in Annexure I to this Chapter.

April 1985

The credit policy was reviewed in early April 1985 and in the light of monetary and credit developments and expectations of developments in the first half of 1985-86, certain measures were formulated. Even though the overall growth rate for the economy in 1985-86 could not be predicted at that time, it was assumed, on the basis of available indicators that the growth in real national income in 1985-86 would at best be of the same order as in 1984-85. Against the backdrop of a large overhang of reserve money and the high rate of growth of overall liquidity (M_3) in the past three years, it was considered imperative to avoid a resurgence of inflation and hence desirable to contain the overall growth in liquidity to a rate lower than that for 1984-85. As compared with the increase in deposits of Rs.10,590 crores in 1984-85, (based on provisional data– revised data subsequently available give a figure of Rs.11,519 crores) and consistent with the objective of a slower growth of overall liquidity, a working estimate of deposit growth of Rs.11,500 crores was considered reasonable for 1985-86. This worked out to a growth rate of 16.2 per cent as compared with 17.5 per cent in the previous year. Banks were advised to plan their operations on the basis that the growth of deposits in the first half of 1985-86 would be around Rs.5,750 crores *i.e.* approximately one-half of the year's increase.

During April-September 1985, scheduled commercial banks were expected to be able to provide for about Rs.2,000 crores of bank credit (Rs.400 crores for food credit and Rs.1,600 crores for non-food credit) out of their own resources and to some extent build back their liquidity and/or reduce their borrowings from the Reserve Bank. Except for very temporary mismatches, banks were expected to have adequate resources to meet the credit requirements in the first half of the year out of their own resources. Banks were asked to make provision for an increase of about Rs.1,000 crores in food credit in the quarter ending June 1985 and for a decrease of about Rs.600 crores in the quarter ending September 1985.

Thus for the banking system, the first half of 1985-86 was to be a period to conserve its resources and to rectify any shortfalls in the maintenance of reserve requirements and to ensure an effective and smooth transition to the maintenance of the SLR on a daily basis. The following changes were made in the policy measures.

Food Credit Refinance

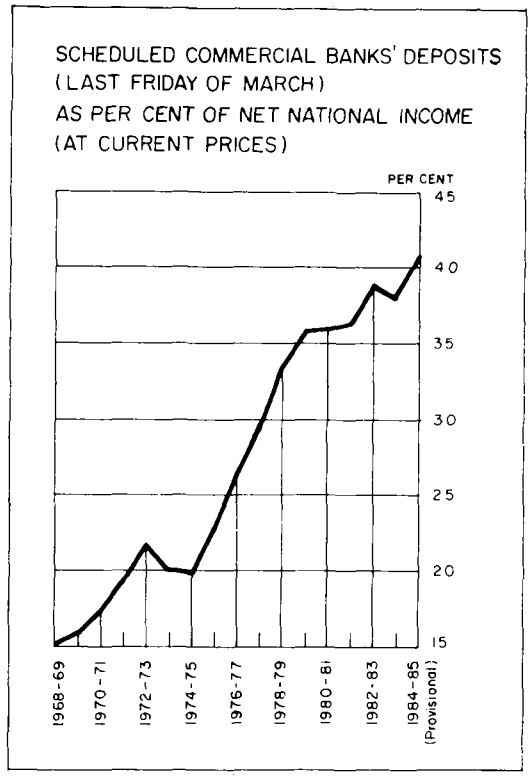
A phased increase was announced in the threshold for 100 per cent food credit refinance from Rs.4,600 crores to Rs.5,000 crores from August 2, 1985, Rs.5,400 crores from August 30 and Rs.5,800 crores from September 27, 1985.

Refinance Rates

The interest rates on refinance had remained unchanged for a number of years while other parameters had undergone significant changes. It was decided to raise, effective October 1, 1985, the rate for food credit refinance from 10 per cent to 11.5 per cent per annum, consequent on the increase in the interest rate on food credit from 12.5 per cent to 14.0 per cent. The interest rate on stand-by refinance against the collateral of Government and trustee securities was raised from 11 per cent to 12.5 per cent effective April 8, 1985, consequent to the increases over the years in the interest rates on Government securities.

Deposit Rates

With effect from April 8, 1985, the number of prescribed maturity periods for fixing interest rates on fixed deposits were reduced from nine to five. Within the prescribed rate of not exceeding 8 per cent for maturities of less than one year, individual banks were free to fix the rates for the various maturities from 15 days and above provided that uniform rates were adopted by all branches of each bank and for all customers. The deposit rate for one year and over but less than two years was raised from 8.0 per cent to 8.5 per cent. The deposit rates for other maturities remained unchanged. The additional interest of 2 percentage points on non-resident term deposits of one year and over was also kept unchanged. It was expected that this would enable banks to mobilise hitherto untapped sources and thereby widen their deposit base. A suitable increase in the interest rates for shorter maturities was also expected to achieve a better distribution of



term deposits instead of the prevailing highly skewed distribution with concentration around the longer maturities at relatively higher costs. In the exercise of the discretion given to them, it was also hoped that individual banks would fix the rates in such a manner as to safeguard their current and savings accounts and at the same time bring about better portfolio management. Eventually, however, all banks, led by a few, were found to set a single rate of 8 per cent for maturities of 15 days and above but below one year without regard to profitability. Some banks were managing their 15-day deposits almost like current accounts. In consequence, there was a shift of deposits from current accounts and to a lesser extent from savings accounts to 15-day deposits. In view of these developments, the rates for maturities upto 90 days were restored with effect from May 27, 1985, to the levels prevailing prior to April 8, 1985; the rate for maturities of 91 days to less than 6 months was fixed at 6.5 per cent and the rate for 6 months to less than one year at 8 per cent. The revised deposit rates structure is given in Table VII-1.

Table VII-1: Interest Rates on Deposits

(per cent per annum)

Term Deposits	Rates prior to April 8, 1985	Rates effective April 8, 1985	Rates effective May 27, 1985
a) 15 days to 45 days	3.0	Not exceeding 8.0	3.0
b) 46 days to 90 days	4.0		4.0
c) 91 days and above but less than 6 months	5.0		6.5
d) 6 months and above but less than 9 months	6.0		8.0
e) 9 months and above but less than 1 year	7.0		
f) 1 year and above but less than 2 years	8.0	8.5	8.5
g) 2 years and above but less than 3 years	9.0	9.0	9.0
h) 3 years and above but less than 5 years	10.0	10.0	10.0
i) 5 years and above	11.0	11.0	11.0

Other Policy Measures

Certain other policy guidelines/instructions were also issued to banks during the year. The more important among them are indicated below:

Deposits

Authorised dealers which accept deposits pursuant to the foreign currency (non-resident) accounts scheme were directed in July 1984 not to accept such deposits or renew them for a period exceeding five years.

Banks were advised in December 1984 not to entertain requests from parties for placement of deposits free of interest or for payment of compensation in lieu of interest (where interest payment is forbidden on religious grounds). Acceptance of such deposits, unless they are current accounts, would be in violation of RBI directives regarding payment of interest on deposits. However, banks were instructed not to accept refund of interest already paid on such accounts.

Banks were advised in January 1985 that they may purchase at par any negotiable instrument up to the face value of Rs.2,500 and afford immediate credit to the holder of the instrument in accordance with the normal banking practice. In case instruments of the face value exceeding Rs.2,500 were received and the proceeds thereof credited to the party's account in advance of the date of actual realisation of the amount, interest at stipulated rate (in addition to the usual service charges) should be charged for the period to which outlay of funds relates.

Housing Finance

During the calendar year 1984 the overall quantum of Rs.150 crores earmarked for housing finance to be provided by the banking system for various categories of borrowers remained unchanged. An amount of Rs.8.62 crores was allowed to a consortium of 12 banks for assistance to the flood victims of Andhra Pradesh. It was decided that banks may provide Housing Development Finance Corporation an additional amount of Rs.20 crores by way of indirect finance during 1985 on the existing terms and conditions over and above Rs. 10 crores allotted out of Rs. 150 crores.

Crop Insurance Scheme

The Reserve Bank has drawn the attention of commercial banks to the comprehensive scheme of crop insurance introduced by the Government commencing from the 1985 *kharif* season covering major crops *viz.*, rice, wheat, millets, oilseeds and pulses. All farmers availing of crop loans from co-operative credit institutions, commercial banks and RRBs for raising these crops would be covered under the scheme and the insurance cover would be built in as part of the crop loan. The scheme would operate in defined areas for each crop. The sum insured would be 150 per cent of the amount of crop loan disbursed. The insurance

premium would be 2 per cent of the sum insured for rice, wheat and millet crops and 1 per cent for oilseeds and pulses. The insurance premium would be included in the scale of finance for the crop.

Financial assistance to persons affected by natural calamities

In August 1984, RBI issued revised guidelines to banks for providing relief and rehabilitation assistance to the people affected by natural calamities such as floods, droughts, and cyclones, which included measures such as conversion of crop loans into term loans, rephasement of repayment schedule of term loan instalments, grant of fresh/supplementary loans etc. These guidelines would also be applicable in cases of victims of riots/disturbances.

As the disturbances which took place in October/November 1984 in Delhi and other parts of the country were of exceptional character and magnitude, special instructions were issued to banks in November 1984. In addition to other concessions, these guidelines provided for reduction in rate of interest, relaxation in margin and security requirements.

BANKING TRENDS

Commercial banking in the country made further impressive strides during the fiscal year 1984-85 judged by the trends in deposit mobilisation, credit deployment and investment. The increase in investments was particularly sharp. Banks' cash in hand and their balances with the Reserve Bank declined during the year as compared with the substantial increase in the previous year.

Deposit Growth

Aggregate deposits of scheduled commercial banks registered a substantial growth during 1984-85 (April-March). Accretion to deposits over the year in absolute terms, recorded an all time high of Rs.11,519 crores as compared with the increases of Rs.9,238 crores and Rs.7,625 crores in 1983-84 and 1982-83, respectively. The growth rate worked out to 19.0 per cent in 1984-85 as compared with 18.0 per cent and 17.4 per cent in the previous two years. Deposit growth of Rs. 4,024 crores in the first quarter of 1984-85 (April-June) was very sharp accounting for almost 35 per cent of the total deposit accretion of the year. The July-September quarter, on the other hand, witnessed the lowest growth, in fact less than half the increase in the corresponding quarter of 1983-84. In the last quarter of the accounting year of banks (October-December), accretion to deposits was almost half of the annual accretion. The increase in the last quarter of the financial year i.e. January-March 1985 though modest, was in sharp contrast to the deceleration in the corresponding quarter of 1983-84 and indicates that the Reserve Bank's advice to banks to avoid window dressing at the time of account closing and rectifying the same in the subsequent weeks, was heeded. Comparative data for the two years 1983-84 and 1984-85 on quarterly growth in demand and time deposits as also in aggregate deposits are given in Table VII-2.

Time deposits continued to predominate in total deposit growth, increasing by as much as Rs.8,871 crores as compared with Rs.7,910 crores in 1983-84. Demand deposits also recorded an impressive growth of Rs.2,648 crores which was almost twice the increase of Rs.1,328 crores in the previous year. The seasonal variations in deposit growth and in other banking indicators are given in Table VII-3.

The improvement in deposit growth in 1984-85 is all the more noteworthy coming as it did during a year when there was a lower increase in the growth of national income and a deceleration in price rise. This growth has been achieved despite competition from other savings instruments such as National Savings Certificates, National Deposit Scheme and special schemes of the Unit Trust of India. It is equally noteworthy that the incremental ratio of currency to aggregate deposits and currency to M_3 which had been increasing for the last two years declined during 1984-85.

Table VII-2: Quarterly Variation in Deposits

(Rs. crores)

Quarter	Demand Deposits		Time Deposits		Total Deposits	
	1983-84	1984-85	1983-84	1984-85	1983-84	1984-85
April - June	217	883	2,464	3,141	2,681 (+5.2)	4,024 (+6.6)
July - September	−32	-504	2,215	1,459	2,183 (+4.0)	955 (+1.5)
October - December	1,756	1,796	3,248	3,579	5,004 (+8.9)	5,375 (+8.2)
January - March	−613	473	−17	+692	−630 (−1.0)	1,165 (+1.6)
Total	**1,328**	**2,648**	**7,910**	**8,871**	**9,238 (+18.0)**	**11,519 (+19.0)**
	1984-85	1985-86	1984-85	1985-86	1984-85	1985-86
April - June	883	466	3,141	3,792	4,024 (+6.6)	4,258 (+5.9)

Note: 1) Figures in brackets indicate percentage growth rates.
2) Data from September 1984 onwards are partially revised.

Expansion in Bank Credit

The expansion in bank credit at Rs.7,145 crores or 17.3 per cent during the year was comparatively larger than that of Rs.5,801 crores or 16.3 per cent in 1983-84. The higher level of food procurement operations following two good years of foodgrains production in succession in 1983-84 and 1984-85 led to an expansion in food credit by Rs.1,805 crores as compared with the rise of Rs.1,057 crores in 1983-84. Though the expansion in non-food credit in 1984-85 at Rs.5,340 crores was larger in absolute terms than that of Rs.4,744 crores in the previous year, in percentage terms, the growth was marginally lower. The expansion in the slack season of 1984 amounted to Rs.2,162 crores as against Rs.1,714 crores in the 1983 slack season. The busy season of 1984-85 witnessed an expansion in non-food credit of Rs.3,399 crores, which was slightly larger than that of Rs.3,350 crores in the corresponding period of 1983-84. The subdued demand for credit has to be seen in the context of a slower growth of GNP in 1984-85 and the buoyancy in the capital market which has enabled the corporate sector to tap resources from non-bank sources. The credit-deposit ratio at 67.2 per cent at the end of March 1985 was lower by 0.9 percentage point as compared with that a year ago. The incremental non-food credit-deposit ratio for 1984-85 at 46.4 per cent was perceptibly lower than that of 51.4 per cent for the previous year.

Variations in Other Assets and Liabilities

Over the year 1984-85, scheduled commercial banks substantially augmented their investments portfolio. The rise in investments in Government and other approved securities at Rs.6,903 crores or 32.5 per cent was more than double the increase of Rs.2,912 crores or 15.9 per cent in the previous year. The investment-

Table VII-3: Variations in Scheduled Commercial Banks' Data
(Seasonal and Annual)

(Rs. crores)

Items	Seasonal Variations				Annual Variations (April-March)		Quarterly Variations	
	Slack season 1983	Busy season 1983-84	Slack season 1984	Busy season 1984-85@	1983-84	1984-85 @	April-June 1984	April-June 1985@
	1	2	3	4	5	6	7	8
1. Aggregate Deposits	+5,146	+3,916	+5,583	+6,001	+9,238 (+18.0)	+11,519 (+19.0)	+4,024 (+6.6)	+4,258 (+5.9)
a) Demand Deposits	+585	+800	+832	+1,804	+1,328 (+13.3)	+2,648 (+23.4)	+883 (+7.8)	+466 (+3.3)
b) Time Deposits	+4,561	+3,116	+4,751	+4,197	+7,910 (+19.1)	+8,871 (+18.0)	+3,141 (+6.4)	+3,792 (+6.5)
2. Borrowings from the Reserve Bank	−71	+464	+208	−331	+521	+222	+433	+305
3. Cash in hand and balances with the Reserve Bank	+1,733	+150	+763	−1,370	+2,625	−771	+643	+4,259
4. Money at call and short notice	+10	+195	−13	−69	+65	−54	−478	+503
5. Investments in Government and other approved securities	+1,638	+1,405	+2,504	+4,334	+2,912 (+15.9)	+6,903 (+32.5)	+2,014 (+9.5)	−898 (−3.2)
a) Government securities	+809	+723	+1,583	+3,785	+1,396 (+11.6)	+5,240 (+38.9)	+1,774 (+13.2)	−1,241 (−6.6)
b) Other approved securities	+829	+682	+921	+549	+1,516 (+24.2)	+1,663 (+21.4)	+240 (+3.1)	+343 (+3.6)
6. Bank Credit	+2,220	+4,123	+3,083	+4,018	+5,801 (+16.3)	+7,145 (+17.3)	+2,319 (+5.6)	+2,169 (+4.5)
a) Food procurement advances	+506	+773	+921	+619	+1,057	+1,805	+1,216	+927
b) Other advances	+1,714	+3,350	+2,162	+3,399	+4,744 (+14.6)	+5,340 (+14.3)	+1,103 (+3.0)	+1,242 (+2.9)

@ Partially revised.

Notes: 1. Bank credit figures are inclusive of credit extended through issue of participation certificates.

2. **The seasonal variations are based on outstandings on the last Friday of April and October and annual variations on the last Friday of March.1983 data are as on March 31.**

3. Figures in brackets indicate percentage changes over the previous corresponding period.

Source: Returns submitted by banks under Section 42(2) of the RBI Act, 1934.

deposit ratio increased from 35.1 per cent at the end of March 1984 to 39.0 per cent by end-March 1985. Apart from substantial increase in their deposits, the sharp increase in banks' investment portfolio can be attributed to the increase in SLR from 35 per cent to 36 per cent in two stages in July and September 1984.

Scheduled commercial banks' cash in hand and their balances with the Reserve Bank declined by Rs.771 crores in contrast to a perceptible increase of Rs.2,625 crores in 1983-84. As against the successive increases in CRR effected in 1983-84 no changes were made in 1984-85. On the contrary, a part of the impounded cash balances as at the end of October 1980 under the incremental CRR was released to banks during October and December 1984. The cash-deposit ratio at the end of March 1985 worked out lower at 11.0 per cent as compared with 14.4 per cent a year ago. Outstanding borrowings of scheduled commercial banks from Reserve Bank recorded an increase of Rs.222 crores as compared with a larger increase of Rs.521 crores a year ago.

Trends during the quarter April-June 1985

Deposit growth during the first quarter of 1985-86 in absolute terms was higher at Rs.4,258 crores than Rs.4,024 crores in the corresponding quarter of the previous year; the growth rate however, was lower by 0.7 percentage point. A deceleration in growth was noticed in demand deposits which was sizeable — an increase of Rs.466 crores as against Rs.883 crores in April-June 1984. The growth in time deposits amounted to Rs.3,792 crores as compared with Rs.3,141 crores last year.

The expansion in bank credit during the first quarter of 1985-86 at Rs.2,169 crores or 4.5 per cent was lower than that of Rs.2,319 crores or 5.6 per cent in 1984-85. The lower growth was confined to food credit, non-food credit having recorded a slightly higher growth of Rs.1,242 crores as compared with Rs.1,103 crores. Banks' investments in Government and other approved securities registered a decline of Rs.898 crores in contrast to an increase of Rs.2,014 crores in the previous year.

Call Money Market

The call money markets in Bombay and Calcutta displayed a distinctly firm trend practically throughout the year under review except for short spells of easiness witnessed in the first few months of the year. This was in sharp contrast to the trend noticed in 1983-84 when easy conditions prevailed in both the markets during the major part of the year.

In the Bombay money market, barring a brief spell of easy tendency between May and September 1984, stringent conditions prevailed throughout the year with the call money rate ruling at the ceiling level of 10 per cent. A similar trend was noticed in the Calcutta market also, where the inter-bank call money rate ruled at or near ceiling level almost throughout the year.

Successive increases in the threshold for food refinance, enhancement in SLR requirement and fears of stricter penalty imposition against CRR and SLR defaults seem to have compelled banks to have recourse to a greater extent on money markets. Thus, even during the slack season, the demand for funds was not matched by available supplies thereby leading to overall firmness in the markets.

SELECTIVE CREDIT CONTROL

With a view to streamlining the system of selective credit controls, certain changes were introduced in the existing control measures. These changes were, however, effected without deviating from the central objective of preventing bank credit from being utilised for speculative hoarding of essential commodities. The system has been simplified to the extent possible by reducing the multiplicity of prescriptions and abolishing such controls, which are no longer necessary. Although the rationalisation of controls has been effected, the basic

framework of prescribed minimum rate of interest, stipulations on levels of credit, minimum margins, prohibition on grant of credit against book debts and clean credits have been maintained. Major changes introduced under selective credit controls during the year 1984-85 are described below.

Interest rates on advances against paddy/ rice to rice shelling units/mills

The Reserve Bank clarified to all scheduled commercial banks on July 4, 1984 that the essential criteria for determining the appropriate rate of interest in the case of advances to millers/rice shellers against levy stocks would depend on the prices at which the stocks are purchased by them and in turn procured from them by the State Governments and whether the stocks are meant for distribution under the public distribution system. If such stocks are purchased by millers, and in turn, by the State Governments at support prices fixed by the Government of India,and these are meant for the public distribution system, the rate of interest applicable on such advances to the millers was 12.5 per cent (this was subsequently raised to 14.0 per cent with effect from October 1, 1984) and these advances would be exempt from the selective credit control stipulations of minimum margin, level of credit and rate of interest. If, however, the purchases of such stocks are made by the millers at prices higher than the support prices fixed by the Government of India, an interest rate of 18 per cent, (since lowered to 17.5 per cent with effect from April 1, 1985) should be made applicable; advances against such stocks would, however, be exempted from the stipulations of the minimum margin and level of credit. The interest rates referred to above, would be applicable to all units, irrespective of the fact whether the unit is SSI or not.

Clean Credit Facilities

To facilitate the movements of goods and to avoid hardships to borrowers genuinely in need of clean credit facilities the scheduled commercial banks were advised on July 17, 1984 that they may sanction clean credit facilities by way of i) purchase of bank drafts; ii) purchase of third party cheques; iii) advances against supply bills arising out of sale of goods to Govrnment bodies; iv) purchase of clean demand bills arising out of movements of goods, and v) purchase of clean demand bills covering local sale of goods, where the bills are not drawn on parties connected with the borrower or his selling agents. The maximum clean credit limit that may be allowed in the case of purchase of third party cheques, clean demand bills arising out of movements of goods and clean demand bills covering local sale of goods should not exceed Rs. 5,000 for each of these categories. The banks were advised to ensure that the clean demand bills should have arisen out of actual movement of goods and for this purpose, they should verify the relative invoices and the receipts issued by transport operators.

Advances to Sugar Industry for 1984-85 crushing season

Scheduled commercial banks were advised on September 25, 1984 that subject to the estimates of sugar production of individual sugar mills, the banks could sanction for the 1984-85 season (October to September) need based credit limits upto 80 per cent of the maximum amount availed during the previous (1983-84) season (excluding temporary excess drawings) without obtaining the Reserve Bank's prior authorisation. The actual drawing in the borrowal acounts would be regulated on the basis of the deficit found in the monthly cash budgets of mills. While suitable sub-limits could be fixed within the overall drawing limit and allowed as cash credit against stocks of sugar pledged/hypothecated, stocks of stores and consumable spares, bills purchased and discounted, etc., the banks were advised not to allow any other credit facilities outside the overall limit whether on clean basis or secured by assets such as spares, other raw material, plant and machinery, etc. The sanction of additional credit limits, beyond those indicated above, to individual sugar mills covered by the Credit Authorisation Scheme would require the prior authorisation of the Reserve Bank.

Advances against Cotton Textiles including cotton yarn, man-made fibres and yarn and fabrics

made out of man-made fibres (including stocks in process).

The Reserve Bank advised all scheduled commercial banks that the advances against cotton textiles including cotton yarn, man-made fibres and yarn and fabrics made out of man-made fibres (including stocks in process) have been excluded from the purview of all the stipulations of selective credit control with effect from January 8, 1985. Thus, the regulations pertaining to margin requirements advances against book debts to a borrower dealing only in the aforesaid commodities, purchase or discounting of bills in respect of cotton textiles including cotton yarn, man-made fibres and yarn and fabrics made out of man-made fibres (including stocks in process) are not applicable to these commodities. The banks are, however, advised to ensure that normal prudent banking norms are observed so that bank credit is utilised only for the purpose for which it is sanctioned and that credit is not used for speculative build up of inventories.

Minimum Rate of Interest

Following the reduction in the maximum lending rate of scheduled commercial banks, the minimum lending rate on advances against commodities covered under the Selective Credit Control was lowered from 18 per cent to 17.5 per cent with effect from April 1, 1985.

Rationalisation of Selective Credit Controls

The selective credit controls had, over the years, become complex and the need was felt for their rationalisation, without departing from the central objective of preventing bank credit from being utilised for speculative hoarding of essential commodities. The basic framework of prescribed minimum rates of interest, stipulations on levels of credit, minimum margins, prohibition of grant of credit against book debts, discounting of usance bills and extension of clean credit facilities was maintained. What was sought to be achieved by the rationalisation was that the system should be easily understood and, to the extent possible, multiplicity of prescriptions avoided and where the controls were no longer necessary, these were abolished. The measures effective from April 8, 1985 were as follows:

i) **Levels of Credit:** For commodities where there is a stipulation on the level of credit based on certain base years, the new base period has been uniformly altered to the three year period 1980-81, 1981-82 and 1982-83 (November-October). The bringing forward of the base would greatly reduce the burden on banks of monitoring credit utilisation with reference to dates which have ceased to be relevant.

ii) **Minimum Margins:** The multiplicity of minimum margins prescribed for each broad commodity group based on levels of stocks and geographical areas has, to the extent possible, been reduced in the case of foodgrains, pulses, vegetable oils and vanaspati, cotton and kapas and sugar, gur and khandsari; there are, however, a number of specific exemptions from minimum margin stipulations and all these exemptions would be continued. In the case of oilseeds, however, the existing structure of minimum margins has not been altered. The new structure of minimum margins reduces complex and multiple prescriptions and is expected to facilitate the efficacious operations of the controls. Banks have been asked to ensure that inventory norms, which are separately prescribed are strictly observed. The revised minimum margins provide some relief to certain sectors which have been subject to very high minimum margin requirements for a number of years. The new structure of minimum margins for commodities (other than for oilseeds which remains unaltered) is set out below:

New Minimum Margins on Bank Advances for Certain Commodities covered by the Selective Credit Controls

(Percentage)

Commodity	Against Stocks		Against Warehouse Receipts
	Processing unit/Mills	Others	
1. Foodgrains (paddy, rice and other foodgrains including wheat)	45	60	45
2. Pulses	45	60	45
3. Vegetable oils (groundnut, rapseed/ mustard, cottonseed, linseed, castor and vanaspati)	60*	75	60
4. Cotton and Kapas	25	60	45
5. Sugar			
a) Buffer stocks	0		
b) Unreleased stocks	17.5	75	60
c) Released stocks	75		
6. Gur and Khandsari	45	75	60

* Applicable to registered oil mills and vanaspati manufacturers.

iii) **Exemption for Roller Flour Mills:** Taking into account the regulated operations of this industry and the comfortable position of public sector stocks of wheat and the fact that the industry already enjoys a concessional minimum margin of only 25 per cent and there is no ceiling on the level of credit, it was decided to totally exempt advances to roller flour mills against wheat from all the provisions of Selective Credit Controls.

iv) **Increase in Overall Exemption Limit for Advances:** Advances upto an aggregate limit of Rs. 5,000 per borrower against the stocks of commodities covered by selective credit controls had been granted complete exemption from the controls; it was decided to raise this limit to Rs. 25,000 per borrower in respect of all commodities from all the provisions of selective credit controls; this exemption is subject to the condition that a borrower must deal with only one bank.

While the rationalisation is expected to be beneficial to both the banks and their constituents, the banks have been asked to ensure that normal prudent norms and discipline are observed and bank credit is utilised only for the purpose for which it is sanctioned and that bank credit is not allowed to be utilised for speculative build-up of inventories.

The provisions of the directives on Selective Credit Control in force as on April 8, 1985 are given in Annexure II

Advances against sensitive commodities

Scheduled commercial banks' outstanding advances against selected sensitive commodities amounted to Rs. 1,209 crores at the end of March 1985 showing a decline of Rs. 36 crores during 1984-85 as compared with that of Rs. 81 crores in 1983-84 (Table VII–4). Advances against these commodities (excluding raw jute) which are covered under the purview of selective credit control amounted to Rs. 1,061 crores at the end of March 1985 which were lower by Rs. 106 crores than a year ago. The decline was accounted for by sugar (including *Khandsari)* (Rs. 145 crores), paddy and rice (Rs. 9 crores) and groundnut (Rs. 3 crores). A part of the decline was offset by increases in advances against wheat (Rs. 3 crores), cotton and kapas (Rs. 28 crores), vanaspati (Rs. 13 crores), rapeseed/mustard (Rs. 3 crores) and vegetable oils (Rs. 2 crores). The adances against raw jute which is outside the purview of the Control has risen to Rs. 148 crores from Rs. 78 crores as at the end of March 1984 mainly due to the increased availment of credit by Jute Corporation of India. Of the total outstanding amount of Rs. 1,061 crores, advances against cotton & *kapas,* sugar (including khandsari) and all foodgrains accounted for Rs 390 crores (36.8 per cent) Rs. 368 crores

Table VII-4 : Scheduled Commercial Banks' Outstanding Advances against Selected Commodities

(Rs. crores)

Commodities	AS ON THE LAST FRIDAY OF								
	March 1983			March 1984			March 1985 *		
	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
1. Foodgrains (Excluding food procurement advances)	**193.0**	**15.5**	**0.5**	**216.6**	**18.6**	**0.5**	**212.8**	**20.0**	**0.4**
a) Paddy and Rice	129.3	10.4	0.3	136.6	11.7	0.3	127.5	12.0	0.3
b) Wheat	22.3	1.8	0.1	25.7	2.2	0.1	29.2	2.7	–
c) Other Foodgrains	41.4	3.3	0.1	54.3	4.7	0.1	56.1	5.3	0.1
2. Sugar (including Khandsari)	**535.6**	**43.0**	**1.5**	**513.1**	**44.0**	**1.2**	**368.1**	**34.7**	**0.8**
3. Oilseeds	**9.6**	**0.8**	**—**	**17.3**	**1.5**	**—**	**17.1**	**1.6**	**–**
a) Groundnut	3.5	0.3	—	10.8	0.9	—	7.8	0.7	–
b) Rapeseed/Mustard	4.9	0.4	—	5.3	0.5	—	8.2	0.8	–
c) Linseed	0.4	—	—	0.4	—	—	0.4	–	–
d) Castorseed	0.8	0.1	—	0.8	0.1	—	0.7	0.1	–
4. Vegetable Oils	**24.9**	**2.0**	**0.1**	**34.4**	**2.9**	**0.1**	**36.7**	**3.5**	**0.1**
a) Groundnut Oil	6.0	0.5	—	8.1	0.7	—	11.4	1.1	–
b) Rapeseed/Mustard oil	9.2	0.7	0.1	12.7	1.1	0.1	12.1	1.1	0.1
c) Linseed Oil	1.5	0.1	—	1.0	0.1	—	1.9	0.2	–
d) Castor Oil	8.2	0.7	—	12.6	1.0	—	11.3	1.1	–
5. Vanaspati	**25.4**	**2.0**	**0.1**	**23.7**	**2.0**	**0.1**	**36.5**	**3.4**	**0.1**
6. Cotton and Kapas @	**458.1**	**36.8**	**1.3**	**361.8**	**31.0**	**0.9**	**390.0**	**36.8**	**0.8**
a) Indigenous	431.4	34.6	1.2	354.9	30.4	0.9	382.8	36.1	0.8
b) Imported	26.7	2.2	0.1	6.9	0.6	—	7.2	0.7	–
7. Total 1 to 6	**1,246.6**	**100.0**	**3.5**	**166.9**	**100.0**	**2.8**	**1,061.2**	**100.0**	**2.2**
8. Raw Jute +	**78.9**		**0.2**	**78.3**		**0.2**	**148.1**		**0.3**
9. Total of 7 and 8	**1,325.5**		**3.7**	**1,245.2**		**3.0**	**1,209.3**		**2.5**
10. Total Bank credit ++	**35,493.0**		**100.0**	**41,294.0**		**100.0**	**48,439.0**		**100.0**

* Data are provisional

@ Inclusive of advances to Cotton Corporation of India.

\+ Inclusive of Advances to Jute Corporation of India.

++ Accoridng to returns from Scheduled Commercial banks received under Section 42 (2) of the RBI Act, 1934.

Source : Data are estimates based on Basic Statistical Return-3 received from Head Offices of Banks.

(34.7 per cent) and Rs. 213 crores (20.0 per cent), respectively; vegetable oils, vanaspati and oilseeds accounted for the balance of Rs. 91 crores (8.5 per cent). The proportion of scheduled commercial banks' advances against sensitive commodities in total bank credit declined from 2.8 per cent at end-March 1984 to 2.1 per cent at the end of March 1985.

The major borrowers against the security of selected commodities were mills/factories and industrial users; these two categories accounted for 86.8 per cent of total advances (including raw jute) at the end of March 1985 compared with 86.4 per cent as at the end of March 1984 (Table VII–5) Commodity-wise these two categories of borrowers accounted for 98.2 per cent of advances against sugar (including khandsari), 97 per cent against vanaspati, 95.6 per cent against castor oil, 90.7 per cent against paddy and rice and 88.7 per cent against raw jute

TABLE VII-5 : **Security-wise advances to mills/factories and industrial users**
(As percentage to total credit against respective commodities)

Sr. No.	Commodities	LAST FRIDAY OF	
		March 1985*	March 1984
1.	Sugar (including Khandsari)	98.2	98.3
2.	Vanaspati	97.0	94.1
3.	Castor Oil	95.6	88.1
4.	Paddy and Rice	90.7	85.7
5.	Raw Jute	88.7	84.1
6.	Castorseed	85.7	75.0
7.	Wheat	81.8	80.2
8.	Rapeseed/Mustard Oil	81.0	81.1
9.	Cotton and Kapas	76.5	74.7
10.	Groundnut Oil	71.1	65.4
11.	Rapeseed/Mustard	65.9	66.0
12.	Groundnut	64.1	30.6
13.	Other foodgrains	62.0	61.1
14.	Linseed Oil	42.1	100.0
15.	Linseed	25.0	25.0
	All Selected Commodities	86.8	86.4

* Provisional.
Source : Basic Statistical Return-3.

WORKING OF DIFFERENT SCHEMES

A brief review of the working during the year of various schemes on which banks have been directed to pay special attention is given in this section.

(a) Credit Authorisation Scheme

The Credit Authorisation Scheme has, since its inception in 1965, served as an effective instrument for regulating credit to the large borrowers, both in the private and public sectors. It has to a great extent strengthened the credit control and allocative measures and has also helped in improving the appraisal techniques of banks.

Changes in CAS — 'Fast Track' arrangements:
As per the recommendations of the Committee which reviewed the operational aspects of the working of the CAS (referred to in the last year's Report), further guidelines regarding the procedure to be followed with regard to 'fast track' arrangements were issued to banks in January 1985. Despite obvious advantages to both borrowers and banks, the 'fast track' arrangements had not made much progress. With a view to ensuring that delays in credit disbursement for productive purposes were minimised without diluting the prescribed norms and financial discipline, the banks were urged to adopt a vigorous marketing approach for selling the 'fast track' concept to their clients, particularly to those who were already under the second method of lending.

Assessment of working capital requirements:
Banks were advised that while assessing the permissible bank finance under CAS they should classify the provision made for excise duty as 'current liability'. They should follow the procedure of netting out provision for taxation and advance payment of taxes for determining current liabilities and current assets uniformly for all years, including the current year.

Ad hoc limits for payment of bonus: In September 1984, banks were reminded that, as outflows in the form of bonus or other statutory liabilities were normal items of expenditure for a manufacturing concern and as such were to be taken into consideration while fixing the working capital limits, the borrowing concerns were expected to meet such liabilities out of their own resources or within the permitted working capital limits. However, in respect of CAS parties, temporary additional accommodation for the payment of bonus could be made if a unit had liquidity problem.

Sanction of Term Loans: In March 1985, banks were advised that the cut-off point of Rs.1 crore for obtaining Reserve Bank's prior authorisation for granting term loans should relate to total term loans from the banking system to a borrowing entity and not to each individual term loan, in respect of both CAS and non-CAS borrowers. For computation of this cut-off point, banks were required to take into account balances outstanding in the existing term loans from the banking system as a whole as also the balances outstanding under the existing deferred payment guarantees (DPGs) and acceptance limits on deferred terms. Prior authorisation would also be required for short-term loans above the cut-off point, granted for acquiring capital assets but repayable within a period of three years.

Working of CAS

There was further progress in the coverage of CAS during the year as is evident from the number of parties covered which increased from 751 at the end of March 1984 to 803 as at the end of March 1985. Out of these 803 parties, 188 were public sector undertakings. Total limits in force (including term finance and sale of machinery on deferred payment basis) increased from Rs.17,251 crores in March 1984 to Rs.19,844 crores by the end of March 1985 (Table VII-6). The share of public sector undertakings in the total limits was 63.3 per cent. While working capital (including packing credit and bills) continued to claim a predominant share (93.2 per cent) of total limits in force, term finance and sale of machinery on deferred payment basis constituted 5.5 per cent and 1.3 per cent, respectively.

Fifteen more parties came under CAS coverage during the quarter April-June 1985, raising the number of parties covered to 818 including 191 public sector undertakings. Total limits in force amounted to Rs. 21,689 crores at the end of June 1985.

Occupation-wise distribution of total limits in force as on March 31, 1985, shows that the share of industry was the largest at 54.2 per cent. About one-half of it was accounted for by engineering, chemicals and chemical products and cotton textiles followed by trade at 43.5 per cent (Table VII-7). The share of industry in total working capital limits of public sector units was only 34.3 per cent while that of trade was predominant at 63.7 per cent, accounted for mostly by public sector food procurement (47.2 per cent).

Applications received for the Reserve Bank's authorisation declined from 872 in 1983-84 (April-March) to 653 in 1984-85; this included 130 applications from public sector units as against 192 applications last year. Applications approved numbered 391 during 1984-85 including 94 from public sector units. The amount for which authorisations were granted aggregated Rs. 3,977 crores including Rs.3,486 crores for public sector units (Table VII-8).

Chore Committee recommendations: The quarterly Information System recommended by the Chore Committee, is an integral part of the lending discipline and is applicable to all borrowers enjoying aggregate working capital limits of Rs. 50 lakhs and above. A sample study of CAS borrowers carried out revealed that the degree of compliance with the system

Table VII-6: Distribution of Credit Limits by Type of Credit

(Rupees crores)

Type of Credit	As on March 31					
	1983		1984		1985	
	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*	14,376	8,665	15,887	10,040	18,502	12,079
	(92.5)	(95.3)	(92.1)	(94.6)	(93.2)	(96.2)
of which						
(a) Bills purchased and discounted	1,101	267	1,017	273	1,049	289
	(7.1)	(2.9)	(5.9)	(2.6)	(5.3)	(2.3)
(b) Export Finance	836	126	768	133	763	125
	(5.4)	(1.4)	(4.5)	(1.3)	(3.8)	(1.0)
Sales of machinery on deferred payment basis	226	55	245	56	251	57
	(1.5)	(0.6)	(1.4)	(0.5)	(1.3)	(0.5)
Term finance	939	370	1,119	524	1,091	422
	(6.0)	(4.1)	(6.5)	(4.9)	(5.5)	(3.4)
Total limits in force	**15,541**	**9,091**	**17,251**	**10,620**	**19,844**	**12,558**
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
Number of parties	881	186	751	179	803	188

* Includes cash credits and overdrafts, bills purchased and discounted and export finance.

Note: Figures in brackets indicate percentages to total limits in force.

Source: Industrial and Export Credit Department, RBI.

was quite discouraging. Banks were advised in May 1985, to take necessary measures to enforce the discipline of quarterly information system among all borrowers to whom it was applicable and levy penal interest in case of defaults. They were also advised to undertake a half-yearly review of the progress made in the implementation of the system and other prescribed norms at the Board level.

(b) Differential Rate of Interest Scheme

The progress made by banks in lending under the Differential Rate of Interest (DRI) Scheme was satisfactory. The data relating to the year ended December 1983 show that the number of loan accounts of public sector banks increased by 4.02 lakhs to 37.46 lakhs and the amount of loans outstanding by Rs. 57.89 crores to Rs.369.39 crores. The average amount of loan under the scheme also increased from Rs.932 to Rs.986. Provisional data available for 1984, show that the amount of loans outstanding increased by Rs.74.47 crores to Rs.443.86 crores. The number of accounts rose by 5.52 lakhs to 42.98 lakhs and the average amount of loan to Rs. 1,032. During the calendar year 1983, the coverage of scheduled castes/ tribes under the DRI scheme also improved significantly as is evident from the increase in the number of borrowal accounts from 16.4 lakhs

Table VII-7: Occupation-wise Distribution of Total Working Capital[@] limits in force
(As on March 31, 1985)

(Rupees crores)

Industry	Total limits in force		Of which public sector	
	Amount	Percentage to total	Amount	Percentage to total
I. AGRICULTURE & ALLIED ACTIVITIES	**143.42**	**0.8**	**21.77**	**0.2**
1. Agriculture	**22.65**	**0.1**	**15.45**	**0.1**
i) Direct finance	6.50	0.04	6.50	0.1
ii) Indirect finance	16.15	0.1	8.95	0.1
a) Distribution of Fertilisers	16.15	0.1	8.95	0.1
b) Others	—	—	—	—
2. Plantations	**120.77**	**0.7**	**6.32**	**0.1**
a) Tea	120.77	0.7	6.32	0.1
b) Others	—	—	—	—
II. INDUSTRY	**10,022.26**	**54.2**	**4,142.92**	**34.3**
A. Mining and Quarrying	**253.36**	**1.4**	**216.14**	**1.8**
a) Coal Mining	172.89	0.9	164.89	1.4
b) Iron Ore	40.99	0.2	12.75	0.1
c) Others	39.48	0.2	38.50	0.3
B. Manufacturing	**9,420.08**	**50.9**	**3,643.22**	**30.2**
1. Sugar	723.56	3.9	138.16	1.1
2. Edible oils and vanaspati	102.69	0.6	27.98	0.2
3. Food manufacturing & processing	16.05	0.1	—	—
4. Tobacco processing & tobacco product manufacturing	105.38	0.6	4.50	0.03
5. Cotton textiles	1,155.36	6.3	223.61	1.9
6. Jute textiles	149.61	0.8	9.50	0.1
7. Silk & synthetic fibres	354.58	1.9	12.25	0.1
8. Wool and woollen textiles	115.19	0.6	59.98	0.5
9. Other textiles	11.01	0.1	—	—
10. Paper & Paper Products	147.78	0.8	31.42	0.3
11. Leather & Leather products	42.28	0.2	—	—
12. Rubber & Rubber products	183.42	1.0	—	—
13. Manufacture of Chemicals & Chemical Products	1,432.73	7.7	653.17	5.4
a) Heavy industrial chemicals	210.03	1.1	64.00	0.5
b) Fertilizer (production)	723.25	3.9	543.39	4.5
c) Drugs & Pharmaceuticals	192.78	1.0	28.60	0.2
d) Plastics & Plastic products	26.85	0.1	—	—
e) Others	279.82	1.5	17.18	0.1
14. Petroleum	692.35	3.7	692.35	5.7
15. Cement	146.98	0.8	9.00	0.1
16. Basic Metals & metal products	835.06	4.5	541.82	4.5
a) Iron & Steel	717.66	3.9	520.82	4.3
b) Others	117.40	0.6	21.00	0.2
17. Engineering (except transport equipment)	2,420.28	13.1	1,045.44	8.7
a) Heavy Engineering	1,599.86	8.6	964.91	8.0
i) Machinery except electrical machinery	843.99	4.6	378.07	3.2
ii) Electrical machinery	755.87	4.1	586.84	4.9
b) Light Engineering (including light metal products)	820.42	4.4	80.53	0.7
18. Manufacture of transport equipment	567.47	3.1	157.89	1.3
i) Railway equipment industry	58.59	0.3	49.83	0.4
ii) Others	508.88	2.7	108.06	0.9
19. Manufacturing — others	218.30	1.2	36.15	0.3

(Contd.)

Table VII-7 : Occupation-wise Distribution of Total Working Capital@ limits in force–*(Concld.)*

(As on March 31, 1985)

(Rupees crores)

Industry	Total limits in force		Of which public sector	
	Amount	Percentage to total	Amount	Percentage to total
C. Electricity generation & distribution	**318.61**	**1.7**	**268.56**	**2.2**
D. Construction companies	**30.21**	**0.2**	**15.00**	**0.1**
III. TRADE	**8,038.51**	**43.5**	**7,696.07**	**63.7**
a) Foodgrains	5,699.40	30.8	5,699.40	47.2
b) Fertilizers	656.84	3.6	656.84	5.4
c) Mineral oils	—	—	—	—
d) Raw cotton	539.58	2.9	531.17	4.4
e) Raw jute	85.20	0.5	81.00	0.7
f) Others	1057.49	5.7	727.66	6.0
IV. TRANSPORT/PUBLIC UTILITIES AND FINANCE	**133.83**	**0.7**	**96.01**	**0.8**
1. Transport and Communications	76.77	0.4	59.06	0.5
2. Financial and development institutions	49.08	0.3	28.97	0.2
3. Hotels, Restaurants and Tourism	—	—	—	—
4. Municipalities and Administrative bodies	7.98	0.04	7.98	0.1
V. ALL OTHERS	**164.17**	**0.9**	**121.66**	**1.0**
TOTAL	**18,502.19**	**100.0**	**12,078.43**	**100.0**

@ Working capital includes cash credit/overdrafts, bills purchased and discounted and export finance.

Source — Industrial and Export Credit Department, RBI.

Table VII-8: Particulars of applications received, approved, rejected and authorisations granted etc. under Credit Authorisation Scheme. (April-March)

Particulars	1982-83		1983-84		1984-85	
	Total	Of which public sector	Total	Of which public sector	Total	Of which public sector
	1	2	3	4	5	6
Applications received@	993	224	872	192	653	130
Applications approved	595	126	391	101	391	94
Applications rejected	35	4	33	4	20	4
Reporting cases	438	88	363	92	337	74
Authorisation granted by RBI (Rs. crores)	3,452	2,764	3,845	3,228	3,977	3,486
Amount involved in applications rejected (Rs. crores)	133	59	93	34	92	39
Limits reported by banks (Rs. crores)*	−1,023	−1,001	−1,569	−1,623	−1,362	−1,449

@ Excluding applications received for extension of period, authorisations for letters of credit or deferred payment guarantees, restorations, conversion of limits, etc.

* Represent changes in limits made by banks

Note: Figures in respect of applications received exclude applications received in Industrial Rehabilitation Division.

Source: Industrial and Export Credit Department, RBI.

to 18.8 lakhs and loans outstanding from Rs. 154 crores to Rs.182 crores. The share of advances to SC/ST borrowers at 49.2 per cent of the total DRI advances far exceeded the target of 40 per cent.The credit disbursement of public sector banks upto the end of 1983 under the DRI scheme formed 1.18 per cent of their total advances as at the end of December 1982 as against the target of one per cent as may be seen from the Table VII-9 below.

Table VII-9: Progress of lending under the DRI scheme
(Public sector banks)

As at the end of December	No. of borrowal accounts (000s)	Amount outstanding (Rs. crores)	Percentage of DRI advances to total advances at the end of the previous year.
1972	26	0.87	0.02
1975	465	20.99	0.31
1978	1620	90.00	0.74
1981	2925	257.50	1.17
1982	3344	311.50	1.17
1983	3746	369.39	1.18

Source: Rural Planning and Credit Department, RBI.

At the end of December 1983, outstanding DRI advances of private sector banks aggregated Rs.4.54 crores spread over 39,000 borrowal accounts. Of this, an amount of Rs.1.41 crores covering 13,000 borrowal accounts was outstanding against SC/ST borrowers and constituted 31.0 per cent of the total DRI advances of these banks.

The task force constituted in April 1983 to go into the various provisions of the DRI scheme and suggest modifications if any, considered necessary as also measures to improve recycling of funds has submitted its Report which is under consideration of the Government.

(c) Self-employment Scheme for Educated Unemployed Youth

The self-employment scheme for educated unemployed youth which was introduced in September 1983 with the main objective of encouraging educated unemployed youth to undertake self-employment ventures in industry, services and business, underwent some modifications during 1984-85. The target of the number of beneficiaries to be assisted under the scheme during the year was fixed at 2.50 lakhs, which was the same as for 1983-84. Within this overall target, the Government of India fixed the State-wise targets. Of the total targets set for each State/district industrial centre, the proportion of industrial ventures and business ventures to be sanctioned during the year were fixed at 50 per cent and 30 per cent, respectively. Subsequently, in view of the non-availability of infrastructure facilities, the Government made some relaxations whereby certain State Governments were permitted to deviate from the said proportions at the district level as long as they were adhered to for the State as a whole. As per the provisional data, during the financial year 1984-85, 2.06 lakh applications amounting to Rs.390.1 crores were sanctioned under the scheme as against 2.42 lakh applications covered during the previous year involving an amount of Rs.401.5 crores. Public sector banks accounted for more than 95 per cent of the total amount sanctioned during 1984-85.

(d) Lead Bank Scheme — Annual Action Plans, 1985

The third round of District Credit Plans (DCPs) ended in March 1985. The finalisation of the contents and coverage of the fourth round of DCPs which would be based on the approach to the Seventh Five Year Plan was kept in abeyance. However, based on the guidelines issued by the Reserve Bank in August 1984, the Annual Action Plan (AAP) 1985 was finalised and launched in all the lead

districts, except a few in the north-eastern region. Specific guidelines were issued to the banks in September 1984 to ensure integration of performance budgets of banks' branches with AAP share allocations.

Working Group to Review the Working of the Lead Bank Scheme

In March 1985, the Government of India set up a working group to review some aspects of the Lead Bank Scheme and to suggest measures to make the scheme more effective and result-oriented. The terms of reference included, *inter-alia*, study of the role of various forums at the block/district/state level and suggestion of a more rationalised framework for such three tier committees.

Lead Banks for Newly Constituted Districts: During the year, two new districts in Tamil Nadu and one each in Assam and Arunachal Pradesh were carved out from some of the existing districts. The lead responsibilities for the newly formed districts were entrusted to banks as shown below:

State	Name of the old district from which new district was formed	Name of the new district	Lead bank for the new district
Tamil Nadu	Ramanathapuram	Ramanathapuram Pasumpon Muthuramalingam Kamarajar	Indian Overseas Bank
Assam	Kamrup	Pragjyotishpur	United Commercial Bank
Arunachal Pradesh	West Kamang	Tawang	State Bank of India

Besides, the lead responsibility in Sikkim which was so far vested in the State Bank of Sikkim, has been transferred to the State Bank of India.

(e) Integrated Rural Development Programme

During the year, banks continued their efforts to increase the flow of assistance under the Integrated Rural Development Programme (IRDP), which was launched in 1978-79 in order to lift the identified target groups above the poverty line and create additional employment opportunities in the rural areas. The progress made by banks in providing credit support under the scheme is indicated in Table VII-10.

During 1984-85, 38.40 lakh beneficiaries under the programme were assisted and term credit of Rs.836.3 crores was extended by banks (including RRBs and co-operatives) as against 36.9 lakh beneficiaries assisted and term credit of Rs.773.5 crores provided a year ago.

Table VII-10 Progress in Assistance Provided by Banks under IRDP

	April-March		
	1982-83	1983-84	1984-85*
Subsidy allocated (Rs. crores)	400.88	407.36	407.36
Subsidy utilised (Rs. crores)	359.59	406.09	461.30
Term Credit disbursed (Rs. crores)	713.98	773.51	836.28
Number of SC/ST families assisted	14,05,660	14,67,014	16,83,463
Total number of families assisted	34,55,447	36,85,334	38,40,320

*Provisional.

Source: Ministry of Rural Development, Government of India.

The Government of India had decided in December 1983 to organise workshops/seminars for training the personnel of banks, co-operatives as well as Government officials at the district level in the techniques of preparation, appraisal and implementation of IRDP schemes. Suitable training materials for these seminars/workshops were prepared by NABARD. All lead banks were advised by RBI in July 1984 to ensure that they actively associate in organising the workshops in their lead districts. Scheduled commercial banks were also advised by RBI in September 1984 to set up IRDP cells in their controlling offices with a view to ensuring closer monitoring of the programme. The cells were expected to review periodically the flow of credit to the IRDP beneficiaries, ensure implementation of the guidelines issued by RBI and Government of India, collect data from the branches and make available the consolidated data to the head office of the bank. In view of the fact that assistance under IRDP is aimed at helping the beneficiary to augment his income with the help of the assets acquired, banks were advised that considering the nature of the loan and economic status of the beneficiaries, the period of repayment of loans should not be less than 3 years.

(f) Export Credit

During 1984-85 (April-March) outstanding export credit of 50 scheduled commercial banks (which account for 95 per cent of gross bank credit) rose by Rs.301 crores to Rs.2,342 crores. The increase during the previous year was somewhat larger at Rs.315 crores. Export credit formed 5.6 per cent of non-food gross bank credit as at the end of March 1985, the same as that a year ago.

Export Credit (Interest Subsidy) Scheme, 1968:

During 1984-85, out of the Marketing Development Assistance of the Government of India, Ministry of Commerce, the Reserve Bank disbursed interest subsidy to the tune of Rs.20 crores to commercial banks and eligible co-operative banks at 1.5 per cent per annum on the export credit extended by them to exporters. On behalf of the Ministry of External Affairs, the Reserve Bank also disbursed at different rates special subsidy amounting to Rs.70 lakhs in respect of certain special lines of credit extended to Bangladesh for its imports from India.

Duty Drawback Credit Scheme, 1976:

This scheme has been formulated to benefit exporters who can avail of interest-free advances from banks upto 90 days against provisional entitlement orders issued by the Customs Authorities for refund of import and excise duties. The financing banks, in turn, are eligible to obtain interest-free refinance from Reserve Bank pending final settlement of duty drawback claims of the exporters. During the financial year 1984-85, 23 banks were sanctioned limits aggregating Rs.15.6 crores. As on March 31, 1985, refinance to the extent of Rs.9.24 crores was availed of by banks and the outstanding amount as on that date was Rs.2.29 crores.

QUALITATIVE CHANGES IN BANK CREDIT DISTRIBUTION

Sectoral Deployment of Credit

Latest available data on sectoral deployment of credit in respect of 50 scheduled commercial banks which account for 95 per cent of gross bank credit are given in Table VII-11. During the financial year 1984-85 gross bank credit of these 50 banks increased by Rs.7,532 crores to Rs.47,953 crores at the end of March 1985. The share of priority sector advances in gross bank credit which had moved up by 1.2 percentage points to 36.9 per cent in 1983-84 increased further to 38.4 per cent by March 1985. In relation to their net bank credit, banks achieved a ratio of 39.9 per cent, as against the target of 40 per cent set for March 1985. The share of food

procurement credit in gross bank credit increased to 12.2 per cent at the end of March 1985 from 10.0 per cent a year ago. The percentage shares of medium and large industry and wholesale trade declined further from 36.2 and 5.8 in March 1984 to 33.3 and 5.5 by the end of March 1985.

Table VII-11: Sectoral Deployment of Gross Bank Credit
(As on the last Friday)

(Rupees crores)

Sector	Outstanding			Variation over the year	
	March 1983	March 1984	March 1985@	1983-84	1984-85
	1	2	3	4	5
I. Public Food Procurement Credit	**2,964 (8.6)**	**4,022 (10.0)**	**5,827 (12.2)**	**+1,058**	**+1,805**
II. a) Priority Sectors	**12,322 (35.7)**	**14,899 (36.9)**	**18,407 (38.4)**	**+2,577**	**+3,508**
i) Agriculture	5,275 (15.3)	6,144 (15.2)	7,657 (16.0)	+869	+1,513
ii) Small-scale Industries	4,486 (13.0)	5,447 (13.5)	6,608 (13.8)	+961	+1,161
iii) Other Priority Sectors	2,561 (7.4)	3,308 (8.2)	4,142 (8.6)	+747	+834
b) Industry (medium and large)	13,276 (38.5)	14,621 (36.2)	15,948 (33.3)	+1,345	+1,327
c) Wholesale Trade (other than food procurement)	2,353 (6.8)	2,343 (5.8)	2,651 (5.5)	−10	+308
d) Other Sectors	3,576 (10.4)	4,536 (11.2)	5,120 (10.7)	+960	+584
III. Non-Food Gross Bank Credit (a+b+c+d)	**31,527 (91.4)**	**36,399 (90.0)**	**42,126 (87.8)**	**+4,872**	**+5,727**
Export Credit (included under item III)	1,726 (5.0)	2,041 (5.0)	2,342 (4.9)	+315	+301
IV. Gross Bank Credit (I+III)	**34,491** (100.0)	**40,421** (100.0)	**47,953** (100.0)	**+5,930**	**+7,532**

@ Provisional.

Note: 1. Data relate to 50 scheduled commercial banks which account for about 95 per cent of gross bank credit. Further, these data include bills rediscounted with the RBI, IDBI, Exim Bank and other approved financial institutions and participation certificates.

2. Figures in brackets are percentages to total gross bank credit.

Source: Credit Planning Cell, RBI.

Outstanding advances to agriculture as at the end of March 1985 at Rs.7,657 crores formed 41.6 per cent of the total priority sector advances and 16.0 per cent of gross bank credit.

Advances to small-scale industries at Rs.6,608 crores formed 35.9 per cent of the priority sector advances and 13.8 per cent of gross bank credit.

Of the incremental non-food gross bank credit of these 50 banks amounting to Rs.5,727 crores during 1984-85, the share of priority sector was Rs.3,508 crores or 61.3 per cent. The share of agriculture in the incremental priority sector credit was 43.1 per cent and that of small-scale industries 33.1 per cent; the balance of 23.8 per cent was accounted for by other priority sectors. The rise in credit to medium and large industry during 1984-85 was marginally lower than in the previous year; but its share in the incremental non-food gross bank credit declined from 27.6 per cent in 1983-84 to 23.2 per cent in 1984-85. As against a return flow of credit from wholesale trade in 1983-84, credit to this sector rose by Rs.308 crores during 1984-85 and constituted 5.4 per cent of incremental non-food credit.

Data on sectoral classification of credit based on Basic Statistical Returns for all reporting banks are available upto December 1982 and are presented in Table VII-12 along with data as on March 31, 1968. The data show the sharp shift in emphasis in the direction of bank credit over the years. Between the period March 1968 and December 1982, as against a ten-fold increase in overall credit, advances to agriculture and allied activities rose by 83 times and to small-scale industry 18 times, their share in total credit moving up to 16.6 per cent and 11.5 per cent from 2.2 per cent and 6.9 per cent, respectively in 1968. The share of large and medium industries on the other hand dropped from 60.6 per cent to 36.8 per cent, and that of wholesale trade from 17.7 per cent to 15.2 per cent.

Industry-wise Deployment of Credit

Further details of industry-wise credit deployment which relate to 50 scheduled commercial banks, are given in Table VII-13. During 1984-85 (April-March), credit to industry-large, medium and small-scale — by these banks recorded an increase of Rs.2,488 crores to Rs.22,556 crores which was larger than the increase in the previous year *viz.* Rs.2,306 crores. However, the share of credit to industry in outstanding gross bank credit declined from 49.6 per cent at the end of March 1984 to 47.0 per cent by the end of March 1985.

The industries which accounted for a major part of the incremental credit of Rs.2,488 crores during 1984-85 were the engineering group (Rs.743 crores), cotton, jute and other textiles group (Rs.456 crores), chemicals, dyes, paints and pharmaceuticals group (Rs.233 crores), other metals and metal products (Rs.131 crores), paper and paper products (Rs.118 crores) and electricity (Rs. 112 crores). In all these cases, (except textiles), the increases during the year were somewhat larger than last year. The iron and steel industries group recorded a return flow of funds

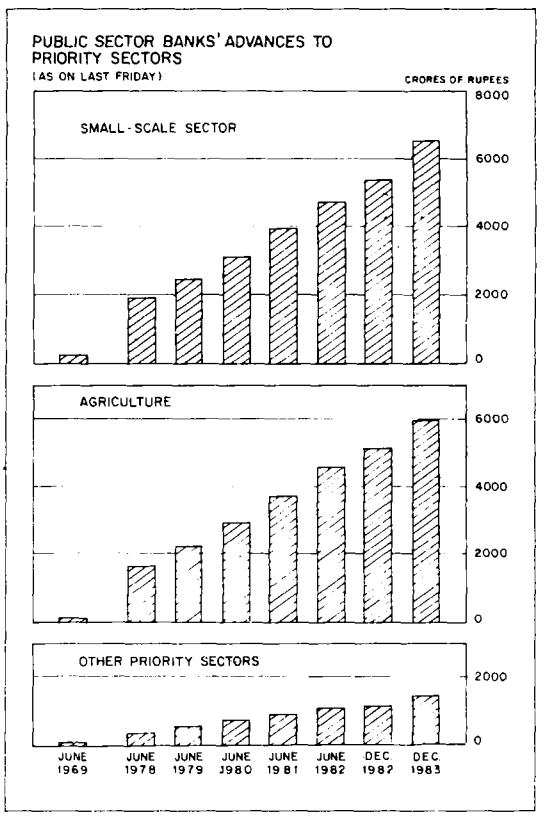


Table VII—12 : Sectoral Classification of Scheduled Commercial Banks' Advances

(Rupees crores)

SECTOR	Outstanding as on									
	March 31, 1968		December 28, 1979		December 26, 1980		December 25, 1981		December 31, 1982	
	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
I. Industry	**2,068**	**67.5**	**9,863**	**47.8**	**11,555**	**48.8**	**14,048**	**49.5**	**16,376**	**48.3**
(a) Large and Medium Industries	1,857	60.6	7,287	35.3	8,711	36.8	10,515	37.0	12,460	36.8
(b) Small-scale Industries	211	6.9	2,576	12.5	2,844	12.0	3,533	12.5	3,916	11.5
II. Agriculture and Allied Activities	**67**	**2.2**	**2,929**	**14.2**	**3,722**	**15.7**	**4,863**	**17.1**	**5,639**	**16.6**
of which:										
(a) Direct Finance	..	..	2,314	11.2	2,887	12.2	3,756	13.2	4,190	12.4
(b) Plantations	58	1.9	320	1.6	359	1.5	421	1.5	487	1.4
III. Internal Trade	**588**	**19.2**	**4,751**	**23.0**	**4,653**	**19.7**	**4,667**	**16.4**	**6,336**	**18.7**
(a) Wholesale Trade	541	17.7	4,088	19.8	3,852	16.3	3,638	12.8	5,160	15.2
of which:										
Food Procurement	109	3.5	2,699	13.1	2,041	8.6	2,313	8.1	3,065	9.0
(b) Retail Trade	47	1.5	663	3.2	801	3.4	1,029	3.6	1,176	3.5
IV. Services	..	..	**439**	**2.1**	**527**	**2.2**	**737**	**2.6**	**786**	**2.3**
V. Personal Loans	..	..	**669**	**3.3**	**810**	**3.4**	**1,037**	**3.7**	**1,248**	**3.7**
VI. All Others	**341***	**11.1**	**1,987**	**9.6**	**2,407**	**10.2**	**3,040**	**10.7**	**3,512**	**10.4**
VII. Total	**3,064**	**100.0**	**20,638**	**100.0**	**23,674**	**100.0**	**28,392**	**100.0**	**33,897**	**100.0**

* Includes services and personal loans .. Not available

Source: March 1968 data are based on Survey of Advances of scheduled commercial banks according to purpose.
Data for 1979 to 1982 are based on Basic Statistical Returns.

Table VII-13: Industry-wise Deployment of Gross Bank Credit
(Public and Private Sectors)
(As on the last Friday)

(Rupees crores)

Industry	Outstanding						Variations	
	March 1983	% to gross bank credit	March 1984	% to gross bank credit	March 1985 @	% to gross bank credit	1983-84	1984-85
	1	2	3	4	5	6	7	8
Coal	60	0.2	147	0.4	118	0.2	+87	−29
Iron and Steel	1,565	4.5	1,594	3.9	1,431	3.0	+29	−163
Other Metals & Metal Products	593	1.7	670	1.7	801	1.7	+77	+131
All Engineering	4,375	12.7	4,815	11.9	5,558	11.6	+440	+743
Electricity (generation and transmission)	260	0.8	303	0.7	415	0.9	+43	+112
Cotton textiles	1,380	4.0	1,644	4.1	1,872	3.9	+264	+228
Jute textiles	208	0.6	211	0.5	264	0.6	+3	+53
Other textiles	957	2.8	1,192	2.9	1,367	2.9	+235	+175
Sugar	588	1.7	599	1.5	429	0.9	+11	−170
Tea	265	0.8	247	0.6	296	0.6	−18	+49
Vegetable Oils (including vanaspati)	234	0.7	265	0.7	313	0.7	+31	+48
Tobacco & Tobacco Products	127	0.4	169	0.4	160	0.3	+42	−9
Paper & Paper Products	407	1.2	486	1.2	604	1.3	+79	+118
Rubber & Rubber Products	319	0.9	390	1.0	436	0.9	+71	+46
Chemicals, dyes, paints, drugs and pharmaceuticals	1,891	5.5	2,088	5.2	2,321	4.8	+197	+233
of which: fertilisers	327	0.9	397	1.0	361	0.8	+70	−36
Cement	205	0.6	237	0.6	284	0.6	+32	+47
Leather and Leather Products	237	0.7	267	0.7	324	0.7	+30	+57
Construction	189	0.5	216	0.5	265	0.6	+27	+49
Petroleum	163	0.7	374	0.9	72	0.2	+211	−302
SAFAUNS*	327	0.9	368	0.9	376	0.8	+41	+8
Residual	3,412	9.9	3,786	9.4	4,850	10.1	+374	+1064
Total Credit to Industry	**17,762**	**51.5**	**20,068**	**49.6**	**22,556**	**47.0**	**+2306**	**+2488**
Total Gross Bank Credit	**34,491**	**100.0**	**40,421**	**100.0**	**47,953**	**100.0**	**+5930**	**+7532**

@ Provisional.
* Ships acquired from abroad under new scheme.
Source: Credit Planning Cell, RBI.

of Rs.163 crores as against a small increase last year. Two other major industries which showed deceleration in outstanding credit were sugar (Rs.170 crores) and petroleum (Rs.302 crores).

As at the end of March 1985, engineering industry claimed the highest share of 24.6 per cent in total outstanding credit to industry followed by chemicals and allied products group (10.3 per cent), metal and metal products (including iron and steel) (9.9 per cent), cotton textiles (8.3 per cent) and jute and other textiles (7.2 per cent). A comparative position of the share of the various industrial categories in total bank credit in 1968 and 1982 is given in Table VII-14.

Table VII-14: Advances of Scheduled Commercial Banks to Major Industries

(Percentage to total bank credit)

Industry	March	As on last Friday of December			
	31,1968	1979	1980	1981	1982
1	2	3	4	5	6
Basic metals and metal products	. .	5.8	5.6	6.0	7.2
Of which: iron and steel	3.7	3.3	3.0	3.4	4.8
Beverage and tobacco	. .	0.8	0.8	0.7	0.6
Cement	1.3	0.5	0.5	0.6	0.6
Chemicals and chemical products	6.0	5.8	6.0	6.0	5.6
Of which:					
Heavy industrial chemicals	. .	0.8	0.8	0.8	0.8
Drugs and pharmaceuticals	. .	1.1	1.1	1.0	1.0
Fertilizers	. .	1.3	1.5	1.6	1.5
Coal	0.8	0.4	0.3	0.2	0.2
Edible oils and vanaspati	1.4	0.7	0.8	0.6	0.6
Engineering	15.7	10.2	10.1	9.6	9.7
Heavy Engineering	8.9	4.9	4.8	4.2	4.2
Light engineering	6.8	2.5	2.5	2.6	2.4
Others	. .	2.8	2.8	2.8	3.1
Leather and leather products	. .	0.8	0.7	0.7	0.6
Manufacturing of basic minerals	. .	0.4	2.3	2.7	1.5
Paper, paper products and printing	1.6	1.6	1.8	1.7	1.7
Rice, flour and dal mills	. .	1.1	0.9	1.0	0.9
Rubber and rubber products	0.7	1.0	1.0	0.9	0.9
Sugar	5.3	1.0	0.6	0.6	1.0
Textiles	15.5	8.9	8.4	8.5	7.7
Of which: Cotton textiles	10.3	4.7	4.3	4.1	3.8
Jute textiles	3.1	0.7	0.6	0.8	0.7
Vehicles, vehicle parts and transport equipments	. .	2.4	2.3	2.3	2.4
Other industries	. .	6.4	6.7	7.4	7.1
Total credit to industry	**67.5**	**47.8**	**48.8**	**49.5**	**48.3**
Total Bank Credit	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

. . Not available

Source: For March 31 1968 : Survey of Advances of Scheduled Commercial Banks according to purpose, and for 1979-81 : Basic Statistical Returns

Table VII-15 presents data on certain ratios relating to inventories and bank borrowings of public limited companies in the private sector. It may be seen that with the decline in the ratio of raw materials and components to total inventories of medium and large public limited companies, the ratio of short-term borrowings to total inventories also declined during the years 1980-81 to 1982-83. During 1983-84, however, despite a further fall in the ratio of raw materials and components to total inventories of large public limited companies, the ratio of short-term borrowings shot up to 40.5 per cent perhaps due to higher prices companies were required to pay on their inventories as also due to higher establishment costs.

Table VII-15: Ratio of inventories to Sales and Bank Borrowings to Inventories (Public limited companies in the private sector)

Year	Total inventories as percentage of sales @	Raw materials and components as percentage of total inventories	Short term bank borrowings as percentage of total inventories	Total bank borrowings as percentage of total inventories
*1651 Medium and Large Public Limited Companies**				
1980-81	27.5	32.1	43.6	51.0
1981-82	27.5	31.3	42.2	50.1
1982-83	27.7	29.1	41.0	50.4
500 Large Public Limited companies£				
1980-81+	28.4	33.4	39.9	45.0
1981-82	28.4	33.5	38.7	45.3
1982-83	28.9	30.9	36.9	45.8
1983-84	26.7	29.6	40.5	52.3

@ Net of rebates discounts, excise duty and cess

£ Each with paid up capital of Rs. 1 crore or above

* Each with paid up capital of Rs. 5 lakhs or above

(+ Based on the sample of 486 companies)

Source: RBI studies on company finances

Advances to Priority Sector

Data on outstanding advances of public sector banks to priority sectors on the eve of bank nationalisation (June 1969) and as at the end of December 1982 and December 1983 are presented in Table VII-16.

Within the priority sector, advances to agriculture during 1983 rose by Rs.867 crores (17.0 per cent), small-scale sector by Rs.1,157 crores (21.4 per cent), and other priority sectors by Rs.234 crores (21.0 per cent). About 76 per cent of outstanding advances of Rs.6,563 crores in respect of small-scale sector as at the end of December 1983 were accounted for by small-scale industrial units and the balance mainly by road and water transport operators. Among other priority sector advances, retail trade and small business and professional and self-employed persons were the main beneficiaries accounting for 75 per cent and 23 per cent, respectively, of the advances of Rs.1,349 crores to other priority sectors. As at the end of December 1983 public sector banks' loans to SC/ST and weaker sections for housing stood at Rs.42 crores and consumption loans Rs. 21 crores. According to provisional data available for 1984 the total number of borrowal accounts with public sector banks in the priority sector increased to 216 lakhs during the year; total advances to priority sector also rose to Rs.17,237 crores. Of this, the share of agriculture was 42.5 per cent, small-scale industries 35.7 per cent and others 21.8 per cent.

Assistance provided by public sector banks under the New 20-Point Programme amounted

Table VII-16: Public Sector Banks' Advances to Priority Sectors
(As on last Friday)

Sector	No. of Accounts (in 000's)			Amount outstanding (Rs. crores)		
	June 1969	December 1982	December 1983@	June 1969	December 1982	December 1983@
1	2	3	4	5	6	7
I. Agriculture	165	11593	12699	162	5106	5973
i) Direct Finance	160	10253	11720	40	3954	4735
ii) Indirect Finance	5	1340	979	122	1152	1238
II. Small-Scale Sector*	53	1410	1658	257	5406	6563
i) Road & Water transport operators	2	385	463	6	1142	1499
ii) Small-scale industries	51	1025	1195	251	4209	5001
iii) Setting up of industrial estate	—	—	—	—	55	63
III. Other priority sectors	42	3224	3760	22	1115	1349
i) Retail trade & small business	33	2150	2552	19	845	1011
ii) Professional & self-employed persons	8	1017	1138	2	252	310
iii) Education	1	47	51	1	15	19
iv) Indirect finance in other priority sectors £	—	10	19	—	3	9
IV. Housing loans to SC/ST & weaker sections £	—	138	145	—	35	42
V. Consumption loans £	—	201	195	—	16	21
Total Priority Sector Advances	**260**	**16566**	**18457**	**441**	**11678**	**13948**
VI. Exports				204	1448	—
Total Bank Credit				**3016**	**31282**	**36048**
Percentage of priority sector advances to total bank credit				14.6	37.3	38.7

* Relate to number of units @ Data are provisional. – = Nil or negligible

£ Data are available from December 1981.

Note: Data for 1969 are from Banking Statistics, Government of India and for later years from Rural Planning and Credit Department, RBI.

to Rs.5,163 crores in 111.63 lakh accounts at the end of December 1984 (provisional data) as compared to Rs.3,908 crores in 85.86 lakh accounts as at the end of December 1983.

Various measures taken to step up the flow of credit to SC/ST beneficiaries have resulted in an increase in the outstanding advances of the public sector banks to these categories of borrowers from Rs.790.93 crores as at the end of December 1983 to Rs.984.61 crores as at the end of December 1984.

Regional and Rural/Urban Pattern of Credit Deployment

With a view to reducing imbalances in banking development, a credit-deposit ratio of 60 per cent in rural and semi-urban areas had been prescribed for commercial banks. Region-wise and State-wise credit-deposit ratios of scheduled commercial banks as at the end of June 1984, classified according to population groups are presented in Table VII-17. For the country as a whole the credit-deposit

ratio for rural offices of all scheduled commercial banks including regional rural banks at 62.5 per cent at the end of June 1984 was higher than the national target. However, in the case of semi-urban branches, the ratio at 50.9 per cent was far below the target. While the progress of rural offices has been markedly better over the June 1983 position when the ratio was 59.9 per cent, in the case of semi-urban offices there was only a marginal improvement over the ratio of 50.8 per cent a year ago. If RRBs are excluded, the performance of public sector banks in rural areas with the credit-deposit ratio at 58.7 per cent was below the national target. Even so, these banks had a more impressive record than their counterparts in the private sector whose ratio was only 50.7 per cent. Progress in this regard has been uneven among the States with some of them recording impressive progress while others lagged behind. As may be seen from Table VII-17, in 11 States and 3 Union territories, rural offices of public sector banks exceeded the stipulated 60 per cent ratio.

The data on frequency distribution of districts according to credit-deposit ratios of rural and semi-urban offices as at the end of June 1984 as also in the previous two years are presented in Table VII-18. It may be seen that 231 (or 54.0 per cent) out of 428 districts achieved the credit-deposit ratio of 60 per cent and above in respect of rural offices at the end of June 1984 compared with 218 (53.3 per cent) out of 409 districts in the previous year. The average size of deposits per district in this category also increased to Rs.18 crores from Rs.15 crores in the previous year. The number of districts in the credit-deposit ratio below 40 per cent declined to 93 in June 1984 from 97 a year ago. The performance of semi-urban offices in achieving the credit-deposit ratio of 60 per cent and above was also better with the number of districts in this category moving up from 128 at the end of June 1983 to 140 by the end of June 1984.

Deposits and Credit of Scheduled Commercial Banks: Areawise and Statewise

The post-nationalisation period witnessed a rapid spread in banking facilities particularly in rural and semi-urban centres. The performance of bank offices in these centres, particularly that of rural offices, both in respect of mobilisation of deposits as also extension of credit has therefore been quite impressive.

The share of rural offices in total deposits and advances which was barely 3.1 per cent and 1.5 per cent in June 1969 and had moved up to 14.1 per cent and 12.4 per cent at the end of June 1983 improved further to 14.6 per cent and 13.2 per cent, respectively, by the end of June 1984. The share of semi-urban offices in total deposits has remained more or less around 21 per cent over the 15 year period. There was, however, notable improvement in credit share from 11.3 per cent in June 1969 to 15.6 per cent in June 1984. The share of urban and metropolitan offices taken together, both in deposit mobilisation and credit disbursement, came down from 74.9 per cent and 87.2 per cent to 64.2 per cent and 71.2 per cent, respectively, during the same period as may be seen from Table VII-19.

It may be observed from the table that during the 15 year period, the average size of deposits of rural offices quadrupled and of semi-urban offices near about quintupled. The average size of credit in the case of both rural and semi-urban offices increased five-fold. The increase in the average size of both deposits and advances of urban and metropolitan centres was relatively less pronounced.

The impressive performance of banks in deploying funds in rural and semi-urban areas is evident from the improvement in the credit-deposit ratios in these centres. Between June 1969 and June 1984 the credit-deposit ratio of rural offices of banks increased from 37.2 per cent to 62.5 per cent and that of semi-urban

Table VII-17: 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 1984)

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
Northern Region	**51.4**	**38.5**	**52.8**	**47.7**	**48.8**	**48.0**	**69.7**	**72.9**	**70.0**	**63.4**	**66.4**	**63.9**
Haryana	74.0	28.6	74.3	59.6	43.4	59.2	73.2	90.0	73.6	69.0	62.4	69.3
Himachal Pradesh	43.5	20.8	43.8	46.3	12.4	45.0	—	—	—	44.5	15.1	44.2
Jammu & Kashmir	36.7	41.7	40.9	48.8	58.6	52.9	38.2	80.8	57.5	39.2	67.6	52.5
Punjab	40.5	7.8	39.4	41.4	29.4	41.2	48.6	59.9	49.1	43.9	38.4	43.7
Rajasthan	82.1	78.4	90.4	56.3	55.1	56.8	75.2	63.4	73.5	71.5	63.3	72.7
Chandigarh	65.2	—	65.2	37.5	—	37.5	235.8	59.3	232.5	228.9	59.3	225.7
Delhi	31.3	25.2	30.8	18.0	—	18.0	61.0	73.5	62.1	60.5	73.1	61.6
North-Eastern Region	**49.0**	**36.2**	**53.3**	**35.7**	**32.2**	**35.8**	**44.0**	**39.6**	**43.9**	**41.3**	**36.4**	**42.4**
Assam	53.7	37.5	55.6	40.4	34.7	40.1	49.5	43.9	48.3	45.9	39.8	45.9
Manipur	112.5	—	113.2	75.7	—	75.7	46.2	—	46.7	59.5	—	60.2
Meghalaya	43.8	—	44.4	23.2	28.9	23.4	20.7	17.3	20.5	24.7	18.3	24.6
Nagaland	33.8	—	33.8	41.5	13.2	40.1	—	—	—	39.4	13.2	38.4
Sikkim	40.7	—	40.7	7.5	—	7.5	—	—	—	11.2	—	11.2
Tripura	77.1	—	100.8	52.9	—	63.7	53.8	12.5	58.6	58.9	12.5	72.0
Arunachal Pradesh	19.4	23.1	19.4	20.0	—	20.0	—	—	—	19.4	23.1	19.4
Mizoram	20.1	—	20.1	8.5	—	8.6	—	—	—	9.9	—	10.0
Eastern Region	**45.9**	**28.7**	**55.8**	**32.8**	**29.2**	**33.2**	**63.4**	**64.5**	**63.4**	**54.2**	**62.6**	**56.1**
Bihar	43.8	—	52.9	35.5	18.1	35.4	40.8	31.8	40.5	39.5	30.4	41.5
Orissa	97.9	—	123.2	68.7	—	69.9	87.5	60.4	86.6	85.2	60.4	92.2
West Bengal	31.7	28.7	36.6	23.7	30.2	24.4	67.4	65.3	67.1	57.3	63.4	58.4
Andaman & Nicobar Islands	26.2	—	26.2	34.7	—	34.7	—	—	—	32.9	—	32.9
Central Region	**55.0**	**43.0**	**58.5**	**54.5**	**36.7**	**53.4**	**48.7**	**63.1**	**49.3**	**51.5**	**52.3**	**52.4**
Madhya Pradesh	65.9	22.7	71.3	55.6	35.2	54.8	59.0	84.9	59.2	59.4	66.5	60.5
Uttar Pradesh	51.5	43.3	54.6	54.0	36.8	52.9	45.2	61.6	46.1	48.6	51.4	49.7
Western Region	**52.4**	**68.1**	**53.4**	**50.7**	**50.5**	**50.7**	**89.9**	**110.2**	**91.6**	**80.0**	**104.6**	**81.9**
Gujarat	43.7	—	44.0	47.8	193.3	47.8	53.4	54.9	53.5	50.3	55.7	50.4
Maharashtra	76.0	68.1	76.6	58.8	49.3	58.1	99.9	111.7	101.1	94.8	106.1	96.0
Dadra & Nagar Haveli	94.2	—	94.2	—	—	—	—	—	—	94.2	—	94.2
Goa, Daman & Diu	21.6	71.9	21.7	37.6	58.9	38.1	—	—	—	31.7	59.3	32.1
Southern Region	**86.4**	**58.7**	**88.5**	**64.1**	**51.3**	**62.2**	**92.7**	**92.9**	**92.7**	**83.4**	**71.9**	**82.8**
Andhra Pradesh	89.1	61.8	93.6	67.7	45.6	66.9	75.2	60.1	74.2	75.9	57.6	76.1
Karnataka	83.1	52.5	88.6	73.1	54.8	71.2	89.0	79.3	88.0	84.8	68.8	84.8
Kerala	67.1	54.6	69.1	49.2	52.7	51.0	114.7	92.4	109.7	71.8	62.7	70.4
Tamil Nadu	94.1	67.3	91.9	73.9	47.3	69.6	106.4	109.6	106.8	96.8	87.6	95.6
Lakshadweep	14.6	—	14.6	—	—	—	—	—	—	14.6	—	14.6
Pondicherry	84.1	45.9	82.6	38.6	28.3	38.2	56.1	61.1	56.4	58.6	56.3	58.5
All India	**58.7**	**50.7**	**62.5**	**50.9**	**48.5**	**50.9**	**76.2**	**85.4**	**77.0**	**68.2**	**75.0**	**69.3**

* Public sector banks comprise of State Bank of India, 7 Associate banks of SBI and 20 nationalised banks.

@ Including regional rural banks.

Note: The data are provisional.

Source: Quarterly return on aggregate deposits and gross bank credit.

Table VII-18: Frequency Distribution of Districts based on Credit-Deposit Ratios of Scheduled Commercial Banks (As on the last Friday)

(Rupees crores)

Credit-Deposit Ratio	June 1982			June 1983			June 1984		
	No.of Districts	Deposits@	Advances	No. of Districts	Deposits@	Advances	No.of Districts	Deposits@	Advances
	1	2	3	4	5	6	7	8	9
Rural Offices									
Upto 20%	28	570	75	28	703	99	27	785	117
		(20)			(25)			(29)	
20% to 30%	33	844	209	27	782	195	25	700	165
		(26)			(29)			(28)	
30%-40%	47	927	324	42	1097	384	41	1321	453
		(20)			(26)			(32)	
40%-50%	51	901	405	43	981	454	51	1228	546
		(18)			(23)			(24)	
50%-60%	38	542	300	51	808	445	53	1290	711
		(14)			(16)			(24)	
60% and above	211	2680	2479	218	3286	3011	231	4187	3954
% to total no. of districts	51.7	(13)		(53.3)	(15)		(54.0)	(18)	
Total	**408**	**6464**	**3792**	**409**	**7657**	**4588**	**428**	**9511**	**5946**
Semi-Urban Offices									
Upto 20%	23	907	156	19	896	149	20	1088	180
		(39)			(47)			(54)	
20%-30%	36	1219	310	41	1527	386	40	1770	444
		(34)			(37)			(44)	
30%-40%	60	1794	635	54	1887	663	52	2047	721
		(30)			(35)			(39)	
40%-50%	62	2228	1013	63	2591	1148	60	2159	965
		(36)			(41)			(36)	
50%-60%	53	1722	943	62	2369	1288	62	2717	1495
		(32)			(38)			(44)	
60% and above	125	2918	2334	128	3622	2912	140	4034	3227
% to total no. of districts	(34.8)	(23)		(34.9)	(28)		(37.4)	(29)	
Total	**359**	**10788**	**5391**	**367**	**12892**	**6546**	**374**	**13815**	**7032**

@ Figures in brackets indicate amount of deposits per district under each size class (in crores of rupees)
Note: The data are provisional.
Source: Quarterly Return on Aggregate Deposits and Gross Bank Credit.

offices from 39.7 per cent to 50.9 per cent. The credit-deposit ratio of urban offices of banks which was already high at 59.7 per cent in 1969 moved up to 62.3 per cent in 1984. The metropolitan centres however, recorded a decline from 106.1 per cent to 86.8 per cent.

Data on deposits mobilised by scheduled commercial banks classified according to population groups and type of deposits are available upto the end of December 1982 and are presented in Table VII-20. As may be seen from the table total deposits with scheduled commercial

Table VII-19 Distribution of Deposits and Advances of Scheduled Commercial Banks According to Population Groups (As on the last Friday)

(Rupees crores)

Population Group	June 1969		June 1983		June 1984		Increase (June 1969 to June 1984)	
	Deposits	Advances	Deposits	Advances	Deposits	Advances	Deposits	Advances
	1	2	3	4	5	6	7	8
1. Rural	**145**	**54**	**7,657**	**4,588**	**9,511**	**5,946**	**9,366**	**5,892**
Percentage to total	3.1	1.5	14.1	12.4	14.6	13.2	15.5	14.2
Average amount per office	0.10	0.04	0.35	0.21	0.39	0.24	—	—
2. Semi-Urban	**1,024**	**407**	**12,892**	**6,546**	**13,815**	**7,032**	**12,791**	**6,625**
Percentage to total	22.0	11.3	23.7	17.7	21.2	15.6	21.2	16.0
Average amount per office	0.31	0.12	1.32	0.67	1.49	0.76	—	—
3. Urban	**1,209**	**722**	**13,503**	**8,226**	**16,713**	**10,410**	**15,504**	**9,688**
Percentage to total	25.9	20.0	24.8	22.2	25.7	23.1	25.7	23.3
Average amount per office	0.63	0.38	2.22	1.35	2.45	1.52	—	—
4. Metropolitan	**2,287**	**2,426**	**20,352**	**17,689**	**25,017**	**21,705**	**22,730**	**19,279**
Percentage to total	49.0	67.2	37.4	47.7	38.5	48.1	37.6	46.5
Average amount per office	1.53	1.62	4.60	4.00	5.13	4.45	—	—
Total of 1 to 4	**4,665**	**3,609**	**54,404**	**37,049**	**65,056**	**45,093**	**60,391**	**41,484**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**
Average amount per office	0.57	0.44	1.29	0.88	1.43	0.99		—

Note: The data for June 1983 and June 1984 are provisional.
Source: BSR 1 and 2 for June 1969. Quarterly Return on Aggregate Deposits and Gross Bank Credit for June 1983 and June 1984.

banks at the end of December 1982 amounted to Rs.52,241 crores in 1,677 lakh accounts, which worked out to an average of Rs.3,114 per account. The share of rural and semi-urban offices in total deposits was 14.7 per cent and 22.6 per cent, respectively, as compared with 13.3 per cent and 22.9 per cent in December 1981. In the total number of deposit accounts, their combined share worked out to 56.3 per cent, an increase of 1.1 percentage point over the previous year. The respective shares of urban and metropolitan offices in total deposits at 24.6 per cent and 38.1 per cent showed declines of 0.2 and 0.9 percentage point over December 1981.

Savings deposit accounts continued to claim the highest share of 66.4 per cent of total deposit accounts. In terms of amount, however, term deposits claimed the largest proportion of 54.1 per cent of total deposits. This trend was evident in all the population groups. Both in terms of number of accounts and amount, current deposits were not significant in rural and semi-urban areas. In the case of urban and metropolitan centres current deposits were significantly high in terms of amount though not in terms of accounts, which signifies that these were large accounts held by big business and trading concerns.

A more detailed analysis of the performance of banks in deposit mobilisation and credit deployment in the post-nationalisation period show some inter-State disparities, though steps have been taken in recent years to reduce

Table VII-20: Distribution of Deposits of Scheduled Commercial Banks According to Population Group and Type of Deposits
(As on the Last Friday of December 1982)

(No. of accounts in thousands)
(Amount in rupees lakhs)

Population Group	Current			Savings			Term			Total		
	No. of Accounts	Amount Out-standing	Average per Account (Rs.)	No. of Accounts	Amount Out-standing	Average per Account (Rs.)	No. of Accounts	Amount Out-standing	Average per Account (Rs.)	No. of Accounts	Amount Out-standing	Average per Account (Rs.)
	1	2	3	4	5	6	7	8	9	10	11	12
Rural	**9,34**	**563,91**	**6038**	**330,56**	**3372,80**	**1020**	**108,58**	**3748,16**	**3452**	**448,48**	**7684,87**	**1714**
Per cent to total deposit category	(13.2)	(6.7)		(29.7)	(21.6)		(22.0)	(13.3)		(26.7)	(14.7)	
Per cent to total deposits	2.1	7.3		73.7	43.9		24.2	48.8		100.0	100.0	
Semi-Urban	**19,84**	**1372,01**	**6915**	**329,04**	**4019,62**	**1222**	**148,21**	**6426,11**	**4336**	**497,09**	**11817,74**	**2377**
Per cent to total deposit category	(28.0)	(16.3)		(29.6)	(25.9)		(30.1)	(22.7)		(29.6)	(22.6)	
Per cent to total deposits	4.0	11.6		66.2	34.0		29.8	54.4		100.0	100.0	
Urban	**19,75**	**2207,13**	**11175**	**240,41**	**3568,39**	**1484**	**125,44**	**7069,12**	**5635**	**385,60**	**12844,64**	**3331**
Per cent to total deposit category	(27.8)	(26.3)		(21.6)	(22.8)		(25.4)	(25.0)		(23.0)	(24.6)	
Per cent to total deposits	5.1	17.2		62.4	27.8		32.5	55.0		100.0	100.0	
Metropolitan	**22,03**	**4251,95**	**19301**	**213,24**	**4632,30**	**2172**	**110,93**	**11009,73**	**9925**	**346,20**	**19893,98**	**5746**
Per cent to total deposit category	(31.0)	(50.7)		(19.1)	(29.7)		(22.5)	(39.0)		(20.6)	(38.1)	
Per cent to total deposits	(6.4)	(21.4)		(61.6)	(23.3)		(32.0)	(55.3)		(100.0)	(100.0)	
Total	**70,96**	**8395,00**	**11831**	**1113,25**	**15593,11**	**1401**	**493,16**	**28253,12**	**5729**	**1677,37**	**52241,23**	**3114**
Per cent to total deposits category	(100.0)	(100.0)		(100.0)	(100.0)		(100.0)	(100.0)		(100.0)	(100.0)	
Per cent to total deposits	4.2	16.1		66.4	29.8		29.4	54.1		100.0	100.0	

Note: Data are provisional
Source: Basic Statistical Returns

them. During the period June 1969 to June 1984, total deposits of scheduled commercial banks increased by Rs.60,391 crores and, of this, Maharashtra (Rs.10,552 crores), West Bengal (Rs.6,289 crores), Uttar Pradesh (Rs.6,280 crores), Delhi (Rs.5,720 crores) and Gujarat (Rs.3,964 crores) together claimed more than 50 per cent. Other States which recorded substantial increase were Tamil Nadu (Rs.3,895 crores), Andhra Pradesh (Rs.3,594 crores), Punjab (Rs.3,284 crores), Karnataka (Rs.2,992 crores), Bihar (Rs.2,737 crores), Kerala (Rs.2,474 crores) and Madhya Pradesh (Rs.2,156 crores). In the case of Rajasthan, Himachal Pradesh, Haryana, Orissa and Assam the increase ranged between Rs.700 crores and Rs.1,600 crores.

Of the total deposits mobilised during the post-nationalisation period, urban and metropolitan centres together accounted for 63.3 per cent; the share of semi-urban and rural centres came to 21.2 per cent and 15.5 per cent, respectively. However, in terms of growth rates, the performance of rural offices was more impressive than the performance of other offices. Rural deposits rose during the period from Rs.145 crores to Rs.9,511 crores *i.e.* by about 65 times, semi-urban deposits from Rs.1,024 crores to Rs.13,815 crores or by more than 12 times and deposits of urban/metropolitan offices from Rs.3,496 crores to Rs. 41,731 crores or by 11 times. Out of the incremental rural deposits of Rs.9,366 crores, Uttar Pradesh claimed the maximum share (Rs.1,540 crores) followed by Punjab (Rs.1,017 crores), Andhra Pradesh (Rs.712 crores), Gujarat (Rs.680 crores) and Bihar (Rs.666 crores). Incremental rural deposits ranged between Rs.400 crores and Rs.600 crores in Karnataka, West Bengal, Maharashtra, Tamil Nadu and Madhya Pradesh.

Of the total incremental semi-urban deposits of Rs.12,791 crores Kerala claimed the highest share of Rs.1,498 crores presumably due to large inflow of non-resident deposits. This was followed by Uttar Pradesh (Rs.1,432 crores), Gujarat (Rs.1,023 crores), Punjab (Rs.1,014 crores), Tamil Nadu (Rs.997 crores) and Maharashtra (Rs.981 crores). The increase ranged between Rs.600 crores and Rs.950 crores in the case of West Bengal, Bihar, Andhra Pradesh and Madhya Pradesh.

Of the increase in urban/metropolitan deposits of Rs.38,234 crores, the share of Maharashtra was the highest at Rs.9,016 crores. This State along with West Bengal, Uttar Pradesh and Delhi accounted for about 60 per cent of the incremental deposits of urban/metropolitan centres.

Credit extended by scheduled commercial banks increased from Rs.3,609 crores in June 1969 to Rs.45,093 crores in June 1984 *i.e* by more than 11 times. Maharashtra claimed the highest share of incremental credit (Rs.10,141 crores), followed by Tamil Nadu (Rs.3,623 crores), Delhi (Rs.3,511 crores), West Bengal (Rs.3,347 crores) and Uttar Pradesh (Rs.3,127 crores).

During the post-nationalisation period, credit extended by rural offices increased phenomenally from Rs.54 crores to Rs.5,946 crores or by about 109 times. Of the incremental credit, Uttar Pradesh accounted for the highest share (Rs.837 crores) followed by Andhra Pradesh (Rs.667 crores), Karnataka (Rs.528 crores), Tamil Nadu (Rs.458 crores), Maharashtra (Rs.427 crores), Punjab (Rs.406 crores) and Bihar (Rs.350 crores). The incremental credit ranged between Rs.200 crores and Rs.350 crores in the case of Madhya Pradesh, Haryana, Rajasthan, West Bengal, Gujarat and Orissa.

In respect of semi-urban offices, credit outstanding during the 15 year period increased from Rs.407 crores to Rs.7,032 crores *i.e.* by more than 16 times. Kerala accounted for the highest share (Rs.773 crores) of the incremental credit followed by Uttar Pradesh (Rs.759

crores), Tamil Nadu (Rs.689 crores), Maharashtra (Rs.588 crores), Andhra Pradesh (Rs.587 crores) and Gujarat (Rs.522 crores).

There was a nine-fold increase in the credit extended by urban and metropolitan offices between June 1969 and June 1984. Of the incremental credit of Rs.28,967 crores, Maharashtra with an increase of Rs.9,126 crores accounted for the highest share, followed by Delhi (Rs.3,485 crores), West Bengal (Rs.2,898 crores) and Tamil Nadu (Rs.2,476 crores). The other States which accounted for sizeable increase in credit in urban/metropolitan centres were Karnataka (Rs.1,611 crores), Uttar Pradesh (Rs.1,531 crores), Andhra Pradesh (Rs.1,458 crores), Chandigarh (Rs.1,019 crores) and Gujarat (Rs.1,177 crores).

Distribution of Credit according to Interest Range

The latest data on scheduled commercial banks' credit classified according to interest range relate to the period ending December 1982. These are presented in Table VII-21 along with comparable data for the earlier three years. As there was no change in the interest rates structure in 1982, no significant changes were discernible in the distribution pattern of outstanding credit during the year.

GEOGRAPHICAL AND FUNCTIONAL COVERAGE OF BANKS

Branch Expansion

The main objective of the three year branch licensing policy which ended in March 1985 was to improve banking facilities in the rural and semi-urban areas with particular emphasis on balanced spatial distribution of bank offices. The policy aimed at achieving a coverage of one bank office on an average for a population of 17,000 in the rural and semi-urban areas. During the three year period, authorisations were issued to the banks for opening about 12,300 additional offices in rural and semi-urban areas. Total rural and semi-urban offices opened till March 1985 numbered 10,876. In the case of urban/metropolitan centres, banks were allowed to open about 700 offices and 550 offices, respectively. While the allotment of centres for opening offices at urban centres was made on the basis of proposals received from individual banks, the allotment in metropolitan centres was decided on the basis of surveys carried out by working groups of bankers which identified unbanked/underbanked localities in these centres. The banks opened 887 and 603 offices in urban and metropolitan/port town areas, respectively, during the period April 1982-March 1985.

During the period July 1984 to March 1985, commercial banks (including RRBs) opened 5,648 offices as against 3,253 offices opened during the whole year 1983-84. Of these, 4,551 offices were opened in hitherto unbanked centres (Table VII-22). With this the number of commercial bank offices in the country increased from 8,321 at the time of nationalisation of 14 major commercial banks to 50,980 by the end of March 1985. Of the 42,659 offices added during the period, 27,917 or 65.4 per cent were in unbanked centres.

As may be seen from Table VII-23, rural offices numbered 4,465 forming 79.1 per cent of the total offices opened during the nine month period July 1984-March 1985. As at the end of March 1985, 50.8 per cent of all offices of State Bank of India and its associate banks, 48.9 per cent of the offices of nationalised banks and 38.9 per cent of the offices of other commercial banks were in rural areas. More than 94 per cent of the offices of regional rural banks were in rural areas (Table VII-24).

Particulars of State-wise average population per bank office as at the end of June 1969, June 1984 and March 1985 are also presented in Table VII-22. The national average population

Table VII-21: Distribution of Loans and Advances* of Scheduled Commercial Banks According to Interest Range (As on the last Friday)

(Amount in rupees crores)

Interest Range	December 1979		December 1980		December 1981		December 1982	
	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
6 per cent and less	51.837	239.3	58,849	316.5	67,962	443.5	79,374	428.0
	(5.0)	(1.7)	(4.8)	(2.0)	(4.6)	(2.2)	(4.8)	(1.8)
6 to 10 per cent	71,804	480.7	62,133	558.3	43,607	533.0	44,042	571.8
	(6.9)	(3.4)	(5.0)	(3.4)	(2.9)	(2.6)	(2.6)	(2.3)
10 to 12 per cent	358,088	4215.9	405,885	4162.8	276,006	2274.9	256,069	1846.7
	(34.4)	(29.6)	(33.0)	(25.8)	(18.5)	(11.3)	(15.3)	(7.5)
12 to 14 per cent	235,165	2544.4	312,414	2424.5	520,173	4770.3	650,271	6572.2
	(22.6)	(17.9)	(25.4)	(15.0)	(34.8)	(23.8)	(38.9)	(26.8)
14 to 15 per cent	163,433	2359.5	93,049	1074.8	224,348	1793.6	268,999	2091.3
	(15.7)	(16.6)	(7.6)	(6.6)	(15.0)	(8.9)	(16.1)	(8.6)
15 to 16 per cent	18,472	568.3	48,290	792.8	52,395	864.6	52,024	883.0
	(1.8)	(4.0)	(3.9)	(4.9)	(3.5)	(4.3)	(3.1)	(3.6)
16 to 17 per cent	71,469	1981.0	87,968	1338.1	54,465	966.1	48,724	1479.8
	(6.9)	(13.9)	(7.1)	(8.3)	(3.6)	(4.8)	(2.9)	(6.0)
17 to 18 per cent	65.506	1793.8	27,808	1922.5	49,275	2375.3	54,205	2905.2
	(6.3)	(12.6)	(2.3)	(11.9)	(3.3)	(11.8)	(3.3)	(11.9)
18 to 20 per cent	3,927	43.6	129,770	3500.4	198,340	5899.1	209,890	7586.6
	(0.4)	(0.3)	(10.5)	(21.7)	(13.3)	(29.2)	(12.6)	(31.0)
Above 20 per cent	160	3.4	4,328	60.8	8,242	224.0	6,665	126.8
	(—)	(—)	(0.4)	(0.4)	(0.5)	(1.1)	(0.4)	(0.5)
Total	**1039,861**	**14229.9**	**1230,494**	**16151.5**	**1494,812**	**20164.4**	**1670,260**	**24491.4**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**

* Relate to accounts with credit limits over Rs. 10,000; exclude inland and foreign bills purchased and discounted.
(—) = Nil or Negligible.
Note: Figures in brackets indicate percentage to total.
Source: Basic Statistical Returns.

Table VII-22:State-wise Distribution of Bank Offices and Population per Bank Office as at the end of June 1969, June 1984 & March 1985

State/Union Territory	No. of offices as at the end of			No. of offices opened				Population per bank office (in thousands) as at the end of		
	June 1969	June 1984	March 1985	1983-84 (July-June)	Of which at unbanked centres	1984-85 (July 1984—March 1985)	Of which at unbanked centres	June 1969	June 1984	March 1985
	1	2	3	4	5	6	7	8	9	10
Andhra Pradesh	567	3,492	4,049	215	177	557	430	75	15	13
Assam	74	720	840	67	61	120	102	198	28	24
Bihar	273	3,195	3,898	145	123	703	670	207	22	18
Gujarat	752	2,763	3,003	157	132	240	183	34	12	11
Haryana	172	1,012	1,083	63	47	71	43	57	13	12
Himachal Pradesh	42	495	512	34	31	17	12	80	9	8
Jammu & Kashmir	35	630	662	45	40	32	23	114	9	9
Karnataka	756	3,451	3,808	301	259	357	229	38	11	10
Kerala	601	2,574	2,685	73	51	111	82	35	10	9
Madhya Pradesh	343	3,171	3,561	397	342	390	347	116	16	15
Maharashtra	1,118	4,394	4,765	278	222	371	284	44	14	13
Manipur	2	51	57	7	7	6	5	497	28	25
Meghalaya	7	98	122	19	18	24	21	147	14	11
Nagaland	2	56	64	6	4	8	5	205	14	12
Orissa	100	1,466	1,662	161	150	196	163	212	18	16
Punjab	346	1,844	1,966	66	51	122	85	42	9	8
Rajasthan	364	2,144	2,537	230	199	393	347	70	16	13
Sikkim	—	19	19	8	7	—	—	—	17	17
Tamil Nadu	1,060	3,612	3,878	218	179	266	180	37	13	12
Tripura	5	89	104	1	1	15	9	276	23	20
Uttar Pradesh	747	5,871	7,008	585	527	1,137	957	119	19	16
West Bengal	504	2,711	3,133	112	80	422	342	87	20	17
Andaman & Nicobar Islands	1	13	13	1	1	—	—	82	14	14
Arunachal Pradesh	—	36	46	5	5	10	10	—	17	14
Chandigarh	20	98	104	5	1	6	2	7	5	4
Dadra & Nagar Haveli	—	6	6	—	—	—	—	—	17	17
Delhi	274	982	1,029	42	5	47	1	10	6	6
Goa, Daman & Diu	85	257	259	7	6	2	—	8	4	4
Lakshdweep	—	5	5	—	—	—	—	—	8	8
Mizoram	—	19	41	4	3	22	19	—	26	12
Pondicherry	12	58	61	1	—	3	—	31	10	10
Total	**8,262**	**45,332**	**50,980**	**3,253**	**2,729**	**5,648**	**4551**	**65**	**15**	**13**

@ Adjusted for offices closed

Note: The Average population per bank office is based on 1981 Census in Cols. 9 and 10 and on 1961 Census in Col. 8

Source : Department of Banking Operations and Development, RBI.

per bank office which was 65,000 at the end of June 1969, came down to 13,440 at the end of March 1985. Banks were holding licenses for opening offices at around 4,000 centres in rural and semi-urban areas. With the utilisation of these licences the average population per bank office is expected to be reduced appreciably. Out of the 675 centres identified as unbanked block headquarters in the country, 618 were covered by branches of commercial banks/ RRBs. Of the remaining centres, licences in respect of 49 were pending with the banks.

Table VII-23: Share of rural offices in new offices*

Period (July-June)	Total offices opened during the year	*Of which* those opened in rural areas	(2) as percentage of (1)
	1	2	3
1970-71	1882	1217	64.7
1975-76	2490	881	35.4
1980-81	3287	2550	77.6
1981-82	3470	2744	79.1
1982-83	2902	2284	78.7
1983-84	3253	2694	82.8
1984-85 (July 1984-March 1985)	5648	4465	79.1

* Adjusted for offices closed.

Indian Banks' Offices Abroad

During 1984-85, State Bank of India opened a branch at Osaka in Japan and closed its Nottingham branch in U.K., Bank of Baroda opened a representative office at Harare (Zimbabwe), while State Bank of India merged the functions of its representative office at Frankfurt (West Germany) with those of its branch at the same place. Thus the total number of overseas branches and representative offices of Indian banks remained unchanged at 141 and 12 respectively, as on June 30, 1985 (Table VII-25).

As at the end of June 1985, Indian banks had 7 subsidiaries (of which 5 are wholly owned, including 3 deposit taking companies) and 4 foreign bank affiliates (having less than 50 per cent share holding). In addition, State Bank of India has 45 per cent share capital in a joint exchange company in Kuwait.

Primary (Urban) Co-operative Banks

The Primary (Urban) Co-operative Banks (PCBs) are small-sized co-operatively organised banking units. They operate in metropolitan, urban and semi-urban centres to cater mainly to the needs of small borrowers viz., owners of small-scale industrial units, retail traders, professionals and salaried classes. Commencing from March 1, 1966, these banks are regulated by the Reserve Bank, after certain provisions of the Banking Regulation Act, 1949 regarding matters relating to banking business were extended to co-operative banks, following the amendment of the Banking Laws (as applicable to Co-operative Societies) Act, 1965. As mentioned in the last year's Report, the Urban Banks Department of the Reserve Bank is vested with the responsibility of monitoring and regulating the growth of PCBs on sound lines. This Department is responsible for licensing of the existing/new banks and branches, sanction of credit limits to SCBs by way of refinance on behalf of PCBs for financing the SSI units, processing and recommending the loan applications of State Governments for contribution to share capital of PCBs to NABARD as well as statutory inspection.

The number of PCBs increased by 29 during the year 1983-84 from 1,281 as at the end of June 1983 to 1,310 as at the end of June 1984. Their deposits recorded an increase of Rs. 381 crores (16.7 per cent) over the year and stood at Rs. 2,659 crores as at end-June 1984 as compared to the rise of Rs. 628 crores (38.1 per cent) in the preceding year. Their outstanding loans at Rs. 2,103 crores as at end-June 1984 recorded a rise of Rs. 301 crores (16.7 per cent) during the year as compared with a rise of Rs. 377 crores (26.5 per cent) in the year 1982-83 (Table VII-26).

Table VII-24:Bank Group-wise/Population Group-wise Distribution of Commercial Bank Offices in India

Bank Group	Number of offices as on														
	19.7.1969					30.6.1984					31.3.1985				
	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	796	163	150	1571	3449	1773	788	626	6636	3787	1825	868	681	7161
	(29.4)	(50.7)	(10.4)	(9.5)	(100.0)	(52.0)	(26.7)	(11.9)	(9.4)	(100.0)	(52.9)	(25.5)	(12.1)	(9.5)	(100.0)
Associate Banks of SBI	358	375	86	75	894	1446	913	439	319	3117	1539	933	486	357	3315
	(40.0)	(42.0)	(9.6)	(8.4)	(100.0)	(46.4)	(29.3)	(14.1)	(10.2)	(100.0)	(46.4)	(28.1)	(14.7)	(10.8)	(100.0)
14 Nationalised Banks	703	1465	928	1072	4168	9373	4120	3063	2760	19316	10,336	4260	3294	2911	20801
	(16.9)	(35.1)	(22.3)	(25.7)	(100.0)	(48.5)	(21.3)	(15.9)	(14.3)	(100.0)	(49.7)	(20.5)	(15.8)	(14.0)	(100.0)
6 Banks nationalised in 1980*						1445	703	612	516	3276	1547	729	653	549	3478
						(44.1)	(21.5)	(18.7)	(15.7)	(100.0)	(44.5)	(21.0)	(18.8)	(15.7)	(100.0)
Regional Rural Banks						7853	456	50	1	8360	10,769	627	54	1	11451
						(93.9)	(5.5)	(0.6)	(—)	(100.0)	(94.0)	(5.5)	(0.5)	(—)	(100.0)
Other Commercial Banks	337	708	279	364	1688	1806	1297	817	707	4627	1859	1326	854	735	4774
	(20.0)	(41.9)	(16.5)	(21.6)	(100.0)	(39.0)	(28.0)	(17.7)	(15.3)	(100.0)	(38.9)	(27.8)	(17.9)	(15.4)	(100.0)
Total	**1860**	**3344**	**1456**	**1661**	**8321**	**25372**	**9262**	**5769**	**4929**	**45332**	**29,837**	**9700**	**6209**	**5234**	**50,980**
	(22.3)	**(40.2)**	**(17.5)**	**(20.0)**	**(100.0)**	**(56.0)**	**(20.4)**	**(12.7)**	**(10.9)**	**(100.0)**	**(58.5)**	**(19.0)**	**(12.2)**	**(10.3)**	**(100.0)**

* Number of Offices as on July 19, 1969 are included under "Other Commercial Banks" Group.

Note: 1 Figures in brackets indicate percentage to total in each bank group.

2. Classification of Centres: Rural=Population upto 10,000; Semi-Urban=10,001 to 1 lakh; Urban=Over 1 lakh to 10 lakhs; Metropolitan=Over 10 lakhs. Port Town=Cochin, Kakinada, Mangalore, Nagapattinam, Okha, Paradeep, Port Blair, Pondicherry, Kandla, Vishakapatnam, Tuticorin and Marmagoa.

Source: Department of Banking Operations and Development, R.B.I.

Table VII-25: Offices* of Indian Scheduled Commercial Banks outside India
(As at the end of June 1985)

Country	Bank of Baroda	Bank of India	Bharat Overseas Bank Ltd	Central Bank of India	Canara Bank	Indian Bank	Indian Overseas Bank	Punjab National Bank	Punjab & Sind Bank	State Bank of India	Syndicate Bank	United Commercial Bank	Union Bank of India	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Bangladesh	—	—	—	—	—	—	—	—	—	1	—	—	—	1
2. Bahamas	1	—	—	—	—	—	—	—	—	1	—	—	—	2
3. Belgium	1	—	—	—	—	—	—	—	—	1	—	—	—	2
4. Bahrain	1	—	—	—	—	—	—	—	—	1	—	—	—	2
5. Cayman Islands	—	1	—	—	—	—	—	—	—	1	—	—	—	2
6. Channel Islands	—	1	—	—	—	—	—	—	—	—	—	—	—	1
7. Fiji Islands	11	—	—	—	—	—	—	—	—	—	—	—	—	11
8. France	—	1	—	—	—	—	—	—	—	1	—	—	—	2
9. Guyana	2	—	—	—	—	—	—	—	—	—	—	—	—	2
10. Hong Kong	—	2	—	—	—	—	7	—	—	1	—	4	—	14
11. Japan	—	2	—	—	—	—	—	—	—	2	—	—	—	4
12. Kenya	7	2	—	—	—	—	—	—	—	—	—	—	—	9
13. Mauritius	6	—	—	—	—	—	—	—	—	—	—	—	—	6
14. Maldive Islands	—	—	—	—	—	—	—	—	—	1	—	—	—	1
15. Oman	3	—	—	—	—	—	—	—	—	—	—	—	—	3
16. Panama	—	—	—	—	—	—	—	—	—	1	—	—	—	1
17. South Korea	—	—	—	—	—	—	1	—	—	—	—	—	—	1
18. Sri Lanka	—	—	—	—	—	2	3	—	—	2	—	—	—	7
19. Singapore	—	1	—	—	—	1	1	—	—	1	—	3	—	7
20. Seychelles	1	—	—	—	—	—	—	—	—	—	—	—	—	1
21. Thailand	—	—	1	—	—	—	—	—	—	—	—	—	—	1
22. United States of America	1	2	—	—	—	—	—	—	—	4	—	—	—	7
23. United Kingdom	15	12	—	3	1	—	—	4	1	5	1	2	1	45
24. United Arab Emirates	8	—	—	—	—	—	—	—	—	—	—	—	—	8
25. Federal Republic of Germany	—	—	—	—	—	—	—	—	—	1	—	—	—	1
Total	**57**	**24**	**1**	**3**	**1**	**3**	**12**	**4**	**1**	**24**	**1**	**9**	**1**	**141**

* Excluding Representative offices, Subsidiaries and Joint Ventures.
Source: Department of Banking Operations and Development, RBI.

Table VII-26: Progress of Primary (Urban) Co-operative Banks* (July-June)

(Rupees crores)

Items	1981-82	1982-83	1983-84
Number of PCBs	1,258	1,281	1,310
Number of offices	2,254	2,332@	2,751
Owned funds	282	315 (R)	429
Deposits	1,650	2,278	2,659
Borrowings	146	395 (R)	185
Loans outstanding	1,425	1,802	2,103

* Include Salary Earners' type of banks
(R) Revised
@ As on 31.3.1983

Matters pertaining to credit policy, issue of licences and inspection of urban co-operative banks and other policy changes introduced by the Reserve Bank during 1984-85 are reviewed below:

Credit Policy

Interest Rates on Deposits

The Reserve Bank revised the interest rates on term deposits of PCBs on April 8, 1985 and again on May 27, 1985. The rates of interest on deposits since May 27, 1985 are as under :

(Per cent per annum)

Term Deposits	
a) 15 days to 45 days	3.0
b) 46 days to 90 days	4.0
c) 91 days to less than 6 months	6.5
d) 6 months & above but less than 1 year	8.0
e) 1 year & above but less than 2 years	8.5
f) 2 years & above but less than 3 years	9.0
g) 3 years & above but less than 5 years	10.0
h) 5 years & above	11.0

The PCBs* may, at their discretion, allow additional interest upto 1 per cent per annum over and above the rates specified in the directive on domestic deposits, but not on deposits accepted under Foreign Currency (Non-Resident) Accounts Scheme (FCNR) and Non-Resident (External) Rupee Accounts Scheme (NRE).

Interest Rates on Advances

With a view to providing relief to a large number of borrowers the ceiling rate of interest charged by PCBs was reduced from 18 per cent to 17.5 with effect from April 1, 1985. The rate of interest on pre-shipment credit (i) beyond 180 days and upto 270 days for specified medium and heavy engineering goods and construction contracts and (ii) beyond 90 days and upto 135 days for other goods and consultancy services was brought down from 14.5 per cent to 14 per cent per annum. In the case of loans against third party deposits, PCBs were advised to determine the rate of interest on such advances taking into consideration the purpose for which the advance was granted. Earlier, interest was charged at a rate of at least 2.5 per cent over the rate of interest applicable to deposits.

Short-term Credit

During the financial year 1984-85 (April-March), short-term credit limits for financing cottage and small-scale industrial units at a concessional rate of interest (i.e., 2.5 per cent below the Bank Rate) aggregating Rs. 36.0 crores were sanctioned to 70 PCBs as against Rs. 56.4 crores to 101 PCBs in the preceding year. The borrowings outstanding under the above limits amounted to Rs. 25 crores as on March 31, 1985 as compared with Rs. 48 crores a year ago.

Major Policy Changes

Non-Resident External Accounts in Rupees

Accepting the Reserve Bank's proposal to amend Rule 2 of Non-Resident Account Rule,

* Banks which are authorised dealers in foreign exchange and accept term deposits having a maturity period of one year and above under the Foreign Currency (Non-Resident) Accounts Scheme (FCNR) and the Non-Resident (External) Rupee Accounts Scheme (NRE) shall pay, on such deposits, interest at rates 2 percentage points per annum above the rates permissible on local currency deposits of comparable maturities.

1970 (to enable co-operative banks to maintain such accounts), the Government of India (Ministry of Finance) issued a notification dated February 21, 1985 effecting amendments to the said rules. Now a PCB having a minimum working capital of Rs. 10 crores and which is classified 'A' in the audit classification for two consecutive years and whose working has been found satisfactory at the time of submission of its application to the Reserve Bank for prior approval could maintain Non-Resident Accounts in rupees.

Advances Against Sensitive Commodities

Regulations on advances against cotton textiles, cotton yarn, man-made fibres and the yarn and fabrics produced out of man-made fibres (including stocks in-process), book debts, purchase and discounting of bills, etc. have been rescinded with effect from January 17, 1985. However, banks were advised to ensure that credit extended was not utilised for speculative build up of inventories and the parties did not enjoy credit facilities against the security of commodities subject to selective credit control from more than one bank.

Maximum Limit on Advances

A comprehensive review of the maximum limit on advances was made in October 1984. Accordingly ceiling limits on secured and unsecured advances for different purposes such as trade, commerce , cottage & small scale industries were raised. The maximum individual loan limit was raised from Rs. 20 lakhs to Rs. 30 lakhs in the case of banks with demand and time liabilities (DTL) of Rs. 10 crores or more. However, prior credit authorisation of the Reserve Bank had to be obtained for sanctioning credit limits in excess of the above ceiling limits. The limit for unsecured loans for financing trade, commerce, cottage and small scale industries and identifiable productive purposes such as poultry farming, bee-keeping, dairying and also borrowers in other priority sectors, including weaker section for productive purposes was raised in a graded manner depending on DTL of the bank from Rs. 15,000 to Rs. 20,000 (for banks with DTL over Rs. 1 crore but less than Rs. 10 crores) and to Rs.25,000 (for banks with DTL of Rs. 10 crores and over).

More than one primary co-operative bank could finance a borrower within the ceiling limit provided the financing bank obtained a 'no objection certificate' from the previous financing bank. The PCBs were not allowed to finance, without prior approval of the Reserve Bank, a borrower who enjoyed credit facilities from commercial banks which together with the limits proposed to be sanctioned by a primary co-operative bank exceeded the cut-off limit prescribed by the Reserve Bank under the Credit Authorisation Scheme administered for commercial banks.

Issue of Licences and Inspections

During 1984-85 (July-June), the Reserve Bank issued 200 licences to PCBs for opening new offices in the country. Licences to carry on banking business were issued to 16 existing and 19 new PCBs during 1984-85 (July-June). The total number of PCBs, as at the end of June 1985 stood at 1331 of which 428 were licensed. During 1984-85 (July-June), inspection of 400 PCBs were conducted under Section 35 of the Banking Regulation Act, 1949 (as applicable to co-operative societies) as against 397 in 1983-84 (July-June).

Credit Authorisation Scheme

During the year 1984-85 (July-June), the Reserve Bank received 94 proposals for exemption from the purview of the directive on maximum limit on advances to individual borrower from 14 PCBs for an aggregate amount of Rs. 78.0 crores. The Bank approved 74 proposals involving all banks for an aggregate amount of Rs. 65.1 crores.

Consortium Finance

The Reserve Bank approved a proposal to refinance Maharashtra Co-operative Housing

Finance Society Ltd. Bombay (MCHFS) for housing purposes by 6 PCBs in consortium for an aggregate amount of Rs. 11.5 crores during the year.

DICGC Scheme for Financing of SSI Units and Small Borrowers

DICGC has introduced a new scheme since July 1, 1984 called the Small Loans (Co-operative Banks) Guarantee Scheme, 1984 to provide guarantee cover in respect of certain credit facilities granted by the PCBs to borrowers engaged in activities under priority sectors like " small transport operators", "retail traders", "small business" and "professional and self-employed persons", etc. All urban banks eligible to participate under the Small Loans (SSI) Guarantee Scheme, 1981 could also participate in the new scheme. Total number of urban banks eligible to participate in the schemes increased from 560 as on June 30, 1984 to 617 as on June 30, 1985.

Study Teams/Committees

Standing Advisory Committee for Urban Co-operative Banks

The Standing Advisory Committee for urban co-operative banks after considering the views expressed by the State Governments/Co-operation Departments on the uniform norms suggested by the Reserve Bank for audit classification of urban co-operative banks, made suitable recommendations for adoption of standard norms for audit classification of the urban co-operative banks in the country. It also suggested that the audit of bigger banks with working capital of Rs. 2 crores and above be entrusted to professionally qualified auditors/chartered accountants with a view to improving the quality of audit. As suggested by the Standing Advisory Committee, urban co-operative banks with working capital of Rs. 25 crores and above were advised to ensure that at least 10 per cent of the liquid assets required to be maintained by them under statutory liquidity ratio (SLR) were held in the form of Government and other trustee securities with a view to involving bigger urban co-operative banks in the developmental activities of the Governments. The Committee also discussed revised proposals on the norms of viability of urban co-operative banks/branches and recommended the constitution of a small committee comprising 4 to 5 persons to conduct an in-depth study with a view to suggesting suitable norms of viability for its consideration.

Regional Rural Banks

Branch Expansion Programme

The RRBs with a large net work of branches, more than 90 per cent of which are located in unbanked rural centres have played a useful role in providing credit and banking services in rural areas. According to current policy, RRBs having one district each as their area of operations are allowed to open 100 branches each and those having more than one district are permitted to open 75 branches per district.

Setting up of New RRBs

The Sixth Five Year Plan envisaged the establishment of 170 regional rural banks covering 270 districts by the end of March 1985. The targets were exceeded with 183 RRBs covering 322 districts at the end of April 1985. The names of sponsor banks and the number of RRBs established upto the end of June 1985 are given below:

Sponsor Bank	No. of RRBs
State Bank of India	40
Central Bank of India	21
Bank of Baroda	19
Punjab National Bank	17
Bank of India	16
United Bank of India	11 each
United Commercial Bank	
Syndicate Bank	10
Canara Bank	8
Allahabad Bank	7
Union Bank of India	4 each
Dena Bank	
Indian Overseas Bank	3

(Contd.)

Sponsor Bank	No. of RRBs
Andhra Bank Bank of Maharashtra Jammu & Kashmir Bank Ltd.	2 each
Indian Bank Bank of Rajasthan Ltd. The UP State Co-op. Bank Ltd. Corporation Bank New Bank of India Vijaya Bank	1 each

As at the end of December 1984 (for which the data are available), 173 RRBs had opened 10,245 branches representing an increase of 2,452 branch offices over the year. Uttar Pradesh had the largest number of branches (2,247) followed by Bihar (1,480) and Madhya Pradesh (1,132). The number of branches varied between 520 and 820 in Andhra Pradesh, Karnataka, Orissa, Rajasthan and West Bengal and between 220 and 360 in Assam, Jammu & Kashmir, Kerala and Maharashtra. State-wise position of RRBs, their branches and districts covered by them is given in Table VII-27.

Table VII-27: State-wise offices of Regional Rural Banks

State/Union Territory	No. of RRBs as on 30.4.1985	No. of districts covered as on 30.4.1985	No. of branches as on 31.12.1984
Andhra Pradesh	14	19	816
Arunachal Pradesh	1	4	4
Assam	5	10	223
Bihar	22	37	1480
Gujarat	9	15	175
Haryana	4	9	181
Himachal Pradesh	1	3	87
Jammu & Kashmir	3	10	238
Karnataka	13	19	818
Kerala	2	5	247
Madhya Pradesh	22	40	1132
Maharashtra	8	15	354
Manipur	1	8	16
Meghalaya	1	3	30
Mizoram	1	3	20
Nagaland	1	7	4
Orissa	9	13	689
Punjab	3	6	79
Rajasthan	14	27	683
Tamil Nadu	1	2	130
Tripura	1	3	64
Uttar Pradesh	38	49	2247
West Bengal	9	15	528
Total	**183**	**322**	**10,245**

Operations of RRBs

As at the end of June 1985 deposits and advances of 179 reporting RRBs were Rs.1,009 crores and Rs.1,159 crores as compared with Rs.767 crores and Rs.861 crores, respectively, reported by 160 RRBs a year ago. Details of advances by RRBs available upto December 1984 show that direct advances of 173 reporting RRBs amounted to Rs.1,048.25 crores. Purpose-wise break up of these advances is given below:

Purpose	Amount (Rs. crores)
Short-term (Crop loans)	208.08
Term loans for agricultural activities	230.80
Allied activities	205.19
Rural artisans, village and cottage industries	62.12
Retail trade and self employed etc.	253.10
Consumption loans	9.30
Other purposes	79.66
Total	**1,048.25**

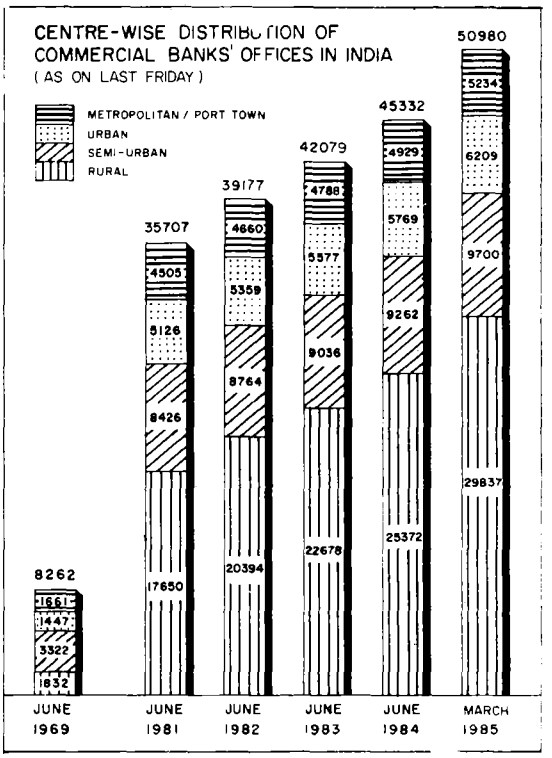
Aggregate advances to the weaker sections at Rs.968.6 crores formed 92 per cent of RRBs' direct advances. Indirect advances during the same period amounted to Rs.32.5 crores of which a sizeable portion was provided to the weaker sections. RRBs have actively involved themselves in the implementation of the Integrated Rural Development Programme. Their advances under the programme at the end of December 1984 which constituted 22 per cent of the total direct advances was to the

tune of Rs.211 crores in 976,985 accounts as compared with Rs.151 crores in 784,035 accounts a year ago.

Refinance from NABARD

During the year NABARD's refinance policy in respect of RRBs underwent a change. The composite limit, hitherto sanctioned to RRBs was bifurcated into short-term limit and medium-term (non-schematic) limit. Under the new policy, RRBs which have completed 5 years of existence as on July 1, 1984 are required to apply separately for short-term and long-term limits; RRBs which have not completed 5 years will continue to be eligible for a composite limit. While the composite/short-term refinance is provided out of the funds obtained from RBI under General Line of Credit, the medium term (non-schematic) refinance is out of NABARD's NRC (LTO) Fund. The quantum of refinance available to RRBs under the former limit ranges between 40 and 50 per cent depending on their age and level of business; RRBs which have completed 5 years are eligible for fixed 60 per cent refinance under the latter limit. Accordingly, 56 RRBs have become eligible for separate limits under the revised policy. Efforts were made during the year to introduce a measure of financial discipline on RRBs. Wherever the overdues exceeded 60 per cent of the demand it was decided not to sanction enhanced limits. The applications of such banks are considered for sanction to the extent of their outstanding under previous year's limit, after taking into account the special recovery efforts made by them.

During 1984-85 (July-June) NABARD sanctioned medium term (non-schematic) limits aggregating Rs.40.6 crores to 19 RRBs and short-term/composite limits of Rs.202.5 crores to 126 RRBs. The outstandings against these limits were Rs.124.7 crores and Rs.182.7 crores, respectively, at the end of June 1985. The RRBs had also availed of long-term refinance from NABARD. As at the end of June 1985, 892 schemes involving NABARD's commitment of Rs. 444.98 crores were sanctioned to RRBs and drawals amounted to Rs.346.75 crores as compared with 606 schemes involving commitments of Rs.283.21 crores and drawals of Rs.206.90 crores at the end of June 1984.



Refinance from Sponsor Bank:

Refinance availed of by RRBs from the respective sponsor banks amounted to Rs.178.6 crores at the end of December 1984 as against Rs.99 crores a year ago.

Study Report on RRBs:

The Agricultural Finance Corporation was commissioned by NABARD to undertake a study on the viability of RRBs. The recommendations contained in the report of the Corporation are under examination.

Working Group to evaluate the functioning of RRBs

In view of the rapid expansion of RRBs and the important role played by them in the implementation of development programmes aimed at the weaker sections, it was felt neces-

sary to review the various aspects of their functioning so as to identify appropriate measures to be adopted for strengthening their organisational structure and improving their overall capabilities in the light of the experience of their working in the recent past. The Government of India, therefore, set up a Working Group headed by the Additional Secretary (Banking) to evaluate the functioning of RRBs.

R and D Fund

The NABARD had offered assistance to RRBs on a tapering basis from its R&D Fund for setting up technical cells for preparation and evaluation of schemes under project lending. As a further incentive, with effect from January 1, 1985, RRBs have been provided full assistance for five years. However, RRBs have not been able to take full advantage of this offer due to their inability to attract suitable qualified technical personnel. The qualifications of the technical officers to man the cells have also been relaxed so that RRBs may be able to attract the required number of technical staff.

Export Credit Guarantee Corporation of India

During the financial year 1984-85, the Export Credit Guarantee Corporation of India (ECGC) issued 6,740 policies and guarantees as against 5,850 in 1983-84. The policies and guarantees in force at the end of March 1985 stood at 9,652 compared with 12,451 at the end of March 1984. The value covered under insurance policies and other schemes during 1984-85 amounted to Rs.2,240 crores (Rs.1,688 crores in 1983-84) and export advances covered under financial guarantees stood at Rs.8,106 crores (Rs.6,755 crores in 1983-84). (For scheme-wise details see Table VII-28.) The premium earned during 1984-85 excluding that under exchange fluctuation risk cover scheme was Rs. 25.31 crores as against Rs.16.62 crores earned in the previous year. Policies with maximum liability of Rs. 1.55 crores were issued under the exchange fluctuation risks cover scheme during 1984.

During 1984-85, the value of gross claims paid amounted to Rs.17.09 crores and value of claims recovered amounted to Rs.8.02 crores resulting in net claims paid of Rs. 9.07 crores.

Table VII-28: ECGCI's Guarantees to Banks and Standard Policies for Exporters (April-March)

Type	No. of Policies and Guarantees				Bank Finance (Guarantees availed of) (Rs. crores)	
	Issued during		In force at the end of			
	1983-84	1984-85	1983-84	1984-85	1983-84	1984-85
Standard Policies	2967	4307	7804	7253	—	—
Packing Credit Guarantee	479	526	674	515	4994.83	6,199.41
Post-Shipment Guarantee	948	771	1039	694	1383.81	1,844.78
Export Finance Guarantee	147	122	230	147	8.90	8.69
Export Production Finance Guarantee	43	12	6	5	7.29	12.06
Export Performance Guarantee	1127	846	2599	967	360.61	41.40
Special Schemes (Transfer guarantee, Buyer Credit Insurance, Line of Credit Insurance and Overseas Investment Insurance Schemes)	139	156	99	71	100.55	215.89

Note: Figures are provisional.
Source: Export Credit Guarantee Corporation of India Ltd.

New Schemes

In response to the demand from the exporting community to evolve schemes for covering services rendered by Indian entrepreneurs to overseas employers, the Corporation introduced in November 1984 the services (comprehensive risks) whole turnover policies and services (political risks) whole turnover policies. These policies are intended to cover the export of consultancy and other services on a repetitive basis. The schemes are designed to provide cover for the risk of non-payment by the overseas employer and other political risks that are usually covered under the insurance policies.

The Export Finance (overseas lending) Guarantee Scheme which came into force from July 1984, was evolved to provide a measure of protection to banking institutions in India which provide foreign currency loans to Indian contractors executing projects abroad. To be eligible for cover under the guarantee, a loan denominated in one of the approved foreign currencies should be granted by an Indian banking institution to an Indian company engaged in executing a project abroad. The loan should be for the purpose of enabling the contractor to meet the cost of executing the project and should be repayable on or before a stipulated date.

Irrespective of the currency of the loan the liability of ECGC will be in terms of Indian rupees. Claims are payable to the extent of 75 per cent or 90 per cent of the loss sustained by the bank as may be agreed to between the ECGC and the Bank. Premium rate shall be 0.90 per cent per annum for 75 per cent cover and 1.08 per cent per annum for 90 per cent cover.

A claim under the guarantee shall arise in the event of the bank sustaining a loss due to the borrower's insolvency or protracted default. The amount of claim payable shall be either 75 per cent or 90 per cent as the case may be, of the amount of loss covered under the guarantee, inclusive of unpaid interest and other charges considered by the ECGC as reasonable and incidental to the operation of the loan account.

Deposit Insurance and Credit Guarantee Corporation

The Deposit Insurance and Credit Guarantee Corporation (DICGC) gives insurance cover to small depositors in banks and guarantee support to credit facilities extended by eligible credit institutions to certain categories of small borrowers (including farmers, village artisans, etc.) particularly those belonging to the weaker and hitherto neglected sections of the society.

Deposit Insurance Function

The number of insured banks increased from 1,773 at the end of June 1984 to 1,821 by the end of June 1985, comprising 84 commercial banks, 180 RRBs and 1,557 co-operative banks. The scheme covered deposits of co-operative banks in fourteen States and three Union territories. The other States/Union territories where the scheme is yet to be extended account for 91 co-operative banks.

The limit of insurance cover per depositor per bank and the rate of insurance premium remained unchanged. Insured deposits of banks covered under the deposit insurance scheme at the end of June 1984, amounted to Rs.46,340 crores and constituted 74.8 per cent of the total assessable deposits of Rs.61,880 crores. Fully protected accounts numbered more than 2,000 lakhs at the end of June 1984 and formed 98.7 per cent of the total deposit accounts numbering 2,026 lakhs. The total amount of deposit insurance claims paid and provided for since the inception of the scheme

upto the end of June 1985 in respect of 14 commercial banks and 13 co-operative banks aggregated Rs.1.13 crores and Rs.2.12 crores, respectively. The Corporation has received from commercial/co-operative banks Rs.1.08 crores towards repayment.

Credit Guarantee Function

Schemes for non-industrial sector

As at the end of June 1985, 75 commercial banks and 157 regional rural banks participated in the Small Loans Guarantee Scheme, 1971. The number of institutions participating in the Small Loans (financial corporation) Guarantee Scheme, 1971 increased by 1 to 19 while the number of credit institutions participating in the Service Co-operative Societies Guarantee Scheme, 1971 stood at 169 comprising 61 commercial banks, 71 RRBs and 37 co-operative banks. The total advances covered by these three credit guarantee schemes relating to the non-industrial sector increased from Rs.7,099 crores at the end of June 1984 to Rs.8,134 crores by the end of June 1985 indicating a rise of 14.6 per cent over the year (Table VII-29). The Small Loans Guarantee Scheme, 1971 in which commercial banks including RRBs are participating continued to account for the bulk of total guaranteed advances forming 99.2 per cent thereof. Advances to farmers and agriculturists accounted for 58.2 per cent of the guaranteed advances to the non-industrial sector followed by credit to transport operators (17.9 per cent), retail traders (10.6 per cent), business enterprises (4.9 per cent), professional and self-employed persons (5.0 per cent), and the residual category of borrowers under the DRI Scheme (3.4 per cent).

Guarantee claims preferred during 1984-85 numbered 2,93,285 for Rs.71.42 crores taking the cumulative total since inception of the schemes upto the end of March 1985 to more than 9 lakh claims for Rs.192.75 crores. During 1984-85, 2,14,306 claims for Rs.30.05 crores were disposed off taking the cumulative claims disposed off since inception of the schemes till March 1985 to 6.77 lakhs for Rs.103.99 crores.

The Schemes for small-scale industries

The number of institutions participating in the Corporation's Small Loans (SSI) Guarantee Scheme, 1981 increased from 377 at the end of March 1984 to 423 by the end of March 1985 comprising 72 commercial banks, 121 RRBs, 16 State financial corporations, 7 other State development agencies and 207 co-operative banks. The total guaranteed advances to SSI sector increased from Rs.4,891 crores at the end of June 1984 to Rs.8,058 crores at the end of June 1985 or a rise of 64.8 per cent over the year. Under the Corporation's scheme, 18,720 claims for Rs.58.87 crores were received during 1984-85 (April-March). The Corporation disposed off 11,408 claims for Rs. 12.46 crores during the year.

As regards Government's scheme for SSI cancelled in March 1981, the Corporation, in addition to taking over from the Reserve Bank 30,826 claims for Rs.98.18 crores as on April 1, 1981, received 41,314 claims for Rs.81.70 crores till the end of March 1985. Total disposal till the end of March 1985 worked out to 65,793 claims for Rs. 107.25 crores.

Schemes for co-operative sector

The "Small Loans (co-operative banks) Guarantee Scheme, 1984" was introduced from July 1, 1984 to provide guarantee cover to primary (urban) co-operative banks (PCBs) in respect of their lending to single transport operators, retail traders, small business and

Table VII-29: Credit facilities guaranteed by Deposit Insurance and Credit Guarantee Corporation

(Rupees crores)

Scheme/Category of borrowers	As at the end of June						
	1972	1980	1981	1982	1983	1984	1985
	1	2	3	4	5	6	7
A. Small Loans Guarantee Scheme, 1971	**205.7**	**2,789.1**	**3,546.2**	**4,819.8**	**5,736.4**	**7,045.4**	**8,072.2**
Farmers and agriculturists	134.7	1,796.1	2,267.5	3,041.6	3,594.8	4,182.0	4,730.9
Transport operators	28.3	368.5	477.6	731.3	937.7	1,239.6	1,396.2
Retail traders	28.3	316.7	398.9	511.8	574.8	709.8	858.6
Professional and self employed persons	9.1	127.1	165.7	199.1	240.8	326.9	404.2
Business enterprises	5.3	116.6	150.1	209.7	239.6	322.5	401.6
Residual category of borrowers under the DRI scheme	—	64.2	86.6	126.2	148.7	264.5	280.7
B. Small Loans (financial corporations) Guarantee Scheme, 1971	**2.6**	**10.2**	**10.9**	**18.6**	**35.6**	**52.7**	**61.5**
Transport operators	2.4	9.6	10.3	18.4	35.4	52.3	61.1
Business enterprises	0.2	0.6	0.6	0.2	0.2	0.4	0.4
C. Service Co-operative Societies Guarantee Scheme, 1971							
Services co-operative societies	0.1	0.4	1.3	1.5	1.8	0.5	0.5
Total (A+B+C)	**208.4**	**2,799.7**	**3,558.5**	**4,839.9**	**5,773.8**	**7,098.6**	**8,134.2**
D. Small Loans (small-scale industries) Guarantee Scheme, 1981							
All SSI units including artisans, village/cottage industries etc.	—	—	3716.4*	3822.1	4153.7	4890.9	8,058.4
E. Small Loans (Co-operatives banks) Guarantee Scheme, 1984	—	—	—	—	—	**5.7@**	**6.5**
Total (all schemes)	**208.4**	**2,799.7**	**7,274.9**	**8,662.0**	**9,927.5**	**11,995.2**	**16,199.1**

— Nil or negligible.

* As at the end of March 1981.

@As at the end of December 1984. The borrower-wise breakdown are as follows: Transport operators Rs. 1.8 crores, Retail traders Rs. 2.6 crores, Professional and self employed persons Rs. 1.0 crore, Business Enterprises Rs. 0.2 crore and Consumption and housing Rs. 0.1 crore.

Source: Deposit Insurance and Credit Guarantee Corporation.

Reserve Bank of India CRDC Pune

professional and self-employed persons for productive purposes as also for their other needs such as consumption and housing. Participation in the scheme is open to all licensed and unlicensed PCBs registered as insured banks which are specifically recommended by the Reserve Bank for the purpose. Once an eligible bank joins the scheme the guarantee cover would be automatic and would cover in bulk all eligible credit facilities as in the case of other schemes operated by the Corporation. The rate of guarantee fee is the same as applicable to commercial banks under Small Loans Guarantee Scheme, 1971 *i.e.* 0.50 per cent per annum in respect of advances to small borrowers (to whom eligible credit facilities not exceeding Rs.25,000 in the aggregate are provided) and 0.75 per cent in respect of other borrowers. Out of 560 urban co-operative banks invited, 150 banks (102 licensed and 48 unlicensed) have, till the end of June 1985, expressed their willingness to join the scheme. Of these only 28 banks completed all formalities and were admitted as on that date as participants in the scheme. The guaranteed advances under the scheme as at the end of June 1985 amounted to Rs. 6.5 crores.

Another scheme for co-operative sector viz. Small Loans (co-operatives/credit societies) Guarantee Scheme, 1982 was formulated for providing guarantee cover to advances to be granted for agricultural and allied activities and was offered from January 1, 1983 onwards to certain select primary agricultural credit societies and primary land development banks/ branches of state land development banks on a pilot basis. The scheme has so far evoked poor response.

Other Developments

During 1984, with a view, *inter alia*., to ensuring that there is no dilution in the quality of lending to small borrowers and better recycling of funds, as also to see that the financial viability of the scheme is maintained, the guarantee cover under all the schemes was brought down to 60 per cent (from $66\frac{2}{3}$, 75 or 90 per cent wherever it was so available) in respect of advances granted/renewed/altered on or after January 1, 1985.

Advances granted by credit institutions to physically handicapped small borrowers including village artisans, DRI beneficiaries etc., upto Rs.2,500 per borrower for purchase of artificial limbs, hearing aids etc., were made eligible for cover under the schemes from July 1, 1984 provided, *inter alia,* such advances were granted along with the advances for productive purposes. Similar assistance to other physically handicapped persons who are engaged in village/cottage/other small-scale industries have been extended guarantee cover under the scheme for SSI subject to certain conditions.

Credit facilities by participating banks to retail dealers appointed by public sector oil companies under their social objective scheme have been included under priority sector advances. Such credit facilities were, therefore extended guarantee cover under the category of 'retail traders' under the Small Loans Guarantee Scheme, 1971 subject to compliance of various terms and conditions.

Special facilities of credit guarantee cover were extended to rehabilitation assistance for productive purposes granted by credit institutions to persons who suffered loss of means of livelihood and other business assets during the disturbances in Delhi and other parts of the country in November 1984.

Advances granted by credit institutions to master weavers who are not involved in the

main activity of weaving but provide allied services like dyeing of yarn, designing, clipping, embossing and giving finishing touches to the carpets woven by weavers were hitherto not eligible for guarantee under the Small Loans (SSI) Guarantee Scheme, 1981. It was decided to provide guarantee cover for those advances which are made for the "processing activities" (and *not* for trading activities) of such borrowers subject to certain conditions. Advances to SSI units engaged in ship breaking/dismantling activities were also covered under the scheme for SSI.

COMMITTEES, WORKING GROUPS RELATING TO BANKING

Committee of Direction

The Committee of Direction (COD) functioning in the Reserve Bank since 1975 had set up six sub-committees, four to review inventory/receivables norms for industries *viz.* (i) engineering, (ii) electrical group, (iii) textiles, (iv) glass, leather etc, the fifth to evolve lending norms for units engaged in the trading group and the sixth to review/lay down norms for the chemical industry after disaggregating the industry into smaller and clearly identifiable segments. The recommendations of the sub-committee on textile industry were examined and banks were advised in June 1984 to implement the revised norms as accepted by the Reserve Bank. Though initially any change in the norm pertaining to Jute industry was not considered necessary, subsequently, it was decided to revise the norms for the industry's stocks-in-process and banks were advised accordingly in December 1984. The recommendations of the sub-committee on electricals group were examined but implementation thereof has been withheld in the context of the prevailing overall credit situation. The reports submitted by the sub-committee on industries such as leather and glass were examined and the sub-committee was requested to re-examine the norms recommended in respect of certain industries. Another sub-committee was set up in December 1984 to examine two issues, *viz.*, (i) treatment of unpaid stocks for the purpose of calculation of drawing power and (ii) implementation of Drawee Bill system. While the recommendations on the issue of treatment of unpaid stocks were accepted, the sub-committee was asked to re-examine the Drawee Bills Scheme, and, if necessary, to suggest an alternative viable scheme.

It was decided by the COD to introduce audit by chartered accountants, of annual accounts of all non-corporate borrowers enjoying credit limits of Rs.10 lakhs and above from the banking system, with a view to improving the accounting system of these borrowers. The formats of balance sheet, profit and loss accounts, funds flow statements and special audit report (wherever necessary) were finalised by the COD and banks were informed accordingly.

Standing Committee on Co-ordination of Institutional Finance for certain Industries

Reference was made in last year's Report to the appointment of Standing Committees for co-ordination of Institutional Finance for four major industries *viz.* jute, tea, sugar and fertilisers. These committees are to study various problems affecting the industries and suggest solutions thereto. In the case of jute industry the problems related mainly to implementation of the rehabilitation packages for potentially viable jute mills, raw jute shortage, increase in prices of raw jute and jute goods and working capital requirements of jute mills. In the case of fertiliser industry a report was prepared for revising the inventory/receivables norms. The problems of the distribution

system are to be studied on the basis of conditions obtaining in Uttar Pradesh and Bihar.

Standing Committee on Export Finance

The Standing Committee on Export Finance made certain recommendations on the various problems faced by the exporting community. Based on the recommendations, the Reserve Bank withdrew with effect from January 28, 1985, the permission accorded to banks to charge concessional interest on post-shipment credit for export of commodities on consignment basis for periods beyond 180 days. The exports on consignment basis would henceforth be treated on par with export on outright sale basis on cash terms in matters regarding rate of interest and interest subsidy. The period of packing credit was extended to 180 days in the case of the export of iron ore and also for export of handicrafts. The rate of interest of rupee loans disbursed to Indian construction contractors executing projects in Iraq was further reduced from 16.5 per cent to 14 per cent with effect from April 1, 1984 to enable them to disburse the convertible currency portion of the wages of the labour employed on the projects.

Committee on Interest Rate on Export Credit

It was decided to constitute a Committee comprising experts drawn from the National Institute of Bank Management, Government of India and a commercial bank to study, *inter-alia*, the structure of interest rates on export credit and its impact on the cost of production of certain major export items; support in the form of subsidies/incentives provided by India and other countries; the necessity or otherwise of the reduction in the rate of interest for export credit and its scope and financial implications on the profitability of banks/financial institutions. The committee would look into the matter in detail with a view to finding out the necessity or otherwise for reduction in the rate of interest, particularly for export credit.

Working Group for Project Exports

The Working Group constituted for giving a package clearance to exporters, to export goods and services, including turnkey projects and civil construction contracts abroad on deferred payment terms, cleared 176 proposals during 1984-85 and another 32 proposals during the quarter April-June 1985. The cut-off point for clearance of projects by the Working Group has been enhanced from Rs. 2 crores to above Rs.5 crores.

Committee to consider final accounts of banks

The committee which was set up by the Reserve Bank to go into certain aspects relating to the final accounts of banks submitted its report in April 1985. The more important of the recommendations of the Committee are set out below.

(a) The time was not yet opportune for practising full disclosure in respect of secret reserves and loan loss provisioning.

(b) The banks should disclose their accounting policies with respect to certain key areas.

(c) Norms for making provisions for various purposes have been laid down which

include a detailed scheme of review and classification of advances on the basis of health codes. The system will be useful for exercising proper supervision over the advances portfolio, apart from facilitating loan loss provisioning on a rational basis.

(d) There should be bifurcation of investment portfolio of banks into 'permanent' and 'current' categories, the levels of securities in each category to be determined by RBI.

The report is being processed for follow-up action.

Working Group on data collection relating to credit support to retail outlets of public distribution system

The Reserve Bank set up a Working Group in December 1984, to examine under the existing reporting system, the availability of data on, and make an estimate of credit support to retail trade and distribution of essential commodities under the public distribution system. In the light of their findings, the Working Group would formulate suitable proforma for making available adequate data to the Union Ministry of Food and Civil Supplies as per their suggestion.

Working Group on bank credit to State Handloom Development Corporations

The Working Group appointed by Reserve Bank in June 1984 to study operational problems of the State Handloom Development Corporations in relation to bank credit undertook field visits to Karnataka, Tamil Nadu, West Bengal and North-eastern region with a view to understanding the various operational problems such as supply and distribution of yarn to weavers, marketing of handloom products and raising finance for production and marketing in the context of local conditions. The deliberations of the Working Group are in progress.

OTHER BANKING DEVELOPMENTS

Capital Base of Banks

The Government, through a notification dated September 19, 1984, extended the benefit of Section 36(1) (viii a) of Income Tax Act, 1961 to seven banks from 1983-84 onwards. These are: State Bank of India, Bank of Baroda, Bank of India, Central Bank of India, Indian Overseas Bank, Punjab National Bank and United Commercial Bank. These banks can create a special reserve account each by transferring thereto from out of income each year an amount not exceeding 40 per cent of their income and claim rebate in tax. They satisfy the criteria of having the ratio of owned funds to deposits below 2.5 per cent and the aggregate non-bank deposits of their foreign branches over U.S. $100 million. As per the revised criteria, this tax benefit is proposed to be extended to banks having public deposits of U.S. $50 million or more at their overseas branches. Accordingly, Government has notified Syndicate Bank and Indian Bank for the purpose of Section 36(i) (viii a) in respect of assessment year commencing from April 1, 1986 and any subsequent year.

Government of India have approved in principle the scheme of augmenting the capital of SBI and its associates. State Bank of India is working out the modalities of implementing the scheme.

Banking Laws (Amendment) Act, 1983

As mentioned in last year's Report, certain provisions of the Banking Laws (Amendment) Act, came into force in February 1984, except for sections 6,7,21,26,37 and clauses V and IX of Section 42. These sections were also brought into force with effect from March 29, 1985.

Section 6 which came into force on March 29, 1985, amended section 42 of the RBI Act, 1934 to provide for a change in the basis of

maintenance of "average daily balances" by scheduled banks with the Reserve Bank from the average of the balances held at the close of business on each day of a week to each day of a fortnight and the periodicity of the returns relating thereto from weekly to fortnightly. The average daily balance held during the fortnight will be based on the demand and time liabilities obtaining on the Friday immediately preceding the fortnight. A special return in form A would be filed if the alternate Friday is not the last Friday of the month. Section 7 which amends section 43 of the RBI Act, 1934 provides for issue of a fortnightly press communique by RBI instead of weekly.

By amendment to the relevant sections of the Banking Regulations (BR) Act, 1949 (as applicable to co-operative societies) the above provisions were also made applicable to state/ central co-operative banks and RRBs. Further, loans taken by a scheduled state co-operative bank from the National Co-operative Development Corporation and by a regional rural bank from its sponsor bank would be excluded from 'liabilities' for the purpose of calculation of CRR.

In terms of Section 21, every non-scheduled bank is required to maintain on a daily basis, a cash reserve, the amount of which shall not be less than 3 per cent of its demand and time liabilities in India as obtaining on the last Friday of the second preceding fortnight.

Section 26 amends Section 24 of the B.R. Act, 1949. It provides for a change in the basis of calculation of demand and time liabilities for the purpose of maintenance of SLR. Before the amendment, advances, if any, taken by a bank from RBI or from State Bank of India and its associates or from Industrial Development Bank of India or from the Export and Import Bank of India etc. were excluded. After the amendment the special status for borrowing from SBI and its associates was removed. Banks now have to calculate the net liability to the banking system.

A number of banks were making double use of cash balances once to meet the CRR and again to meet the SLR. Banks took advantage of the SLR being monitored only on Fridays and computed the excess cash for the purposes of SLR as the difference between the average cash balance required to be maintained and the cash balance actually maintained on Friday, irrespective of the level of balances held on other days of the week which were generally small. As per the amendment, banks were advised that average excess cash balance was to be computed as the difference between the average cash balance actually maintained and the average cash balance required to be maintained under the cash reserve requirement and this average excess cash balance figure should be included in the daily SLR position.

The Reserve Bank is empowered to levy penalty for non-compliance with SLR. The rate of penalty for non-compliance would be on the same basis as for CRR,that is, first default 13% (3% over the Bank Rate), subsequent continuous default 15% (5% over the Bank Rate). The percentage of SLR above the statutory minimum of 25 per cent but not exceeding 40 per cent of the DTL would henceforth be governed by the issue of a notification in the Official Gazette by Reserve Bank.

Section 37 which incorporates new sections 45Y and 45 Z in the BR Act, 1949 provides for framing of rules for period of preservation of banks' records and nomination facilities to bank customers. A banking company is now enabled to make payment to the nominee of a deceased depositor the amount of his deposits, to return the articles kept by a deceased person in safe custody to his nominee and to release the contents of a safety locker to the nominee of the hirer of such locker.

Banking Laws Committee's Reports

The various recommendations contained in the three reports *viz.*, the Report on Negotiable Instruments Law, the draft Personal Property Security Bill and the Report on Real Property Security Law, to which a reference was made in last year's Report were further considered in consultation with the Indian Banks' Association and the Bank's Legal Department and Government of India. The Bills are at various stages of finalisation.

Department of Financial Companies

Control over non-banking companies

The acceptance of deposits by corporate bodies outside the banking system is regulated as an adjunct to the monetary policy and to the extent possible, for affording a degree of protection to the depositors. The deposit taking activities of non-banking financial companies such as hire-purchase, loan, investment, mutual benefit, housing finance companies and equipment leasing companies are regulated by Reserve Bank and those of non-banking non-financial companies (*i.e* companies engaged in manufacturing and trading) by Government of India. The schemes of regulation in brief comprise ceiling on the quantum of deposits in relation to net owned funds of a company, ceilings on rate of interest/brokerage and stipulation as to minimum and maximum period for which deposits can be accepted.

While housing companies and mutual benefit finance companies are not subject to any ceilings on quantum of deposits, a hire-purchase company can accept deposits equal to ten times its net owned funds; equipment leasing companies are allowed to accept deposits which together with borrowings by way of bank loans and debentures shall not exceed 10 times their net owned funds. The other types of financial companies can accept deposits to the extent of 15 per cent from the share holders and 25 per cent of their net owned funds from members of public. In the case of non-financial companies whose deposit taking activities are regulated by the Government, the ceilings are more orless similar *viz.* 10 per cent from shareholders and 25 per cent from public in relation to their net owned funds. All companies other than housing finance companies can accept deposits for periods not less than 6 months and not exceeding 36 months. Non-financial companies are, however, permitted to accept deposits for three months to meet seasonal requirements. Housing finance companies can accept deposits for periods ranging from 6 to 60 months.

From April 1, 1981, no company other than a housing finance or a mutual benefit company can receive or renew deposits at an interest rate in excess of 15 per cent per annum, irrespective of the period of deposits. The non-banking companies are also allowed to pay brokerage for deposits at the rate of 1.0 per cent for one year, 1.25 per cent for two years and 1.50 per cent for three years. Hire-purchase, housing finance and equipment leasing companies as also non-financial companies are required to maintain minimum liquid assets by way of deposits in accounts with scheduled banks or by way of investment in approved securities or in both for an aggregate amount of not less than ten per cent of the deposits outstanding on any day in the case of the former and repayable in the next 12 months in the case of the latter.

Equipment Leasing Companies

Pursuant to the decision taken by the Government of India to encourage healthy growth of financial leasing of equipments, the Non-banking Financial Companies (Reserve Bank) Directions, 1977 were amended with effect from August 22, 1984 bringing equipment leasing companies within the ambit of the regulations. In terms of the amendment, the periods for which deposits can be accepted by these companies have been fixed between 6 and 36 months; aggregate amount of deposits together with the amount of debentures and borrowings from banks/other financial institu-

tions should not be in excess of ten times their net owned funds. These companies are also required to maintain minimum liquid assets in the same way as the hire-purchase and housing finance companies.

Amendment to Companies (Acceptance of Deposits) Rules, 1975

Following the changes made to the Bank's Directions to financial and miscellaneous non-banking companies, reducing the rate of penal interest from two to one per cent in the event of premature withdrawal of deposits, the Government of India also amended suitably the Companies (Acceptance of Deposits) Rules, 1975 with effect from March 19, 1985. The Government has also amended these deposits rules for the purpose of precluding unsecured loans, brought by promoters of non-financial companies in pursuance of the stipulation imposed by financial institutions, from the purview of the definition of 'deposit' as given therein.

The Chit Funds Act has become operative in eight States/Union territories *viz.*, Karnataka, West Bengal, Tamil Nadu, Chandigarh, Lakshadweep, Dadra & Nagar Haveli, Himachal Pradesh and Sikkim. Maharashtra, Haryana, Manipur, Meghalaya, Andaman & Nicobar Islands, Delhi, Orissa, Uttar Pradesh, Pondicherry and Punjab have either finalised or forwarded draft rules to the Bank for statutory consultation. The matter is being pursued with the remaining State Governments.

Acceptance of deposits by unincorporated bodies — Limitation

As stated in last year's Report the provisions of the new Chapter III C incorporated in the Reserve Bank of India Act, 1934 had come into force with effect from February 15, 1984, prohibiting unincorporated bodies such as individuals, partnership firms and association of individuals from accepting deposits from members of the public except to the extent specified therein. Since concurrent powers have been vested in the State Governments for enforcement of the relative provisions, the State Governments were requested to initiate action on aspects like issuance of suitable instructions to police authorities, giving publicity to the provisions of Chapter III C and authorising suitable officers to investigate contravention of Section 45 S and launching prosecution in appropriate cases. The enforcement of these provisions is in various stages of action.

Study on the growth of deposits with non-banking companies

The survey of deposits with non-banking companies as on March 31, 1984 has revealed that 6,798 reporting companies — both financial and non-financial, held regulated and exempted deposits aggregating Rs.2,334.5 crores and Rs.8,789.5 crores, respectively, as against Rs. 1,977.5 crores and Rs.7,216.8 crores held by 5,356 companies in the non-banking corporate sector as on March 31, 1983. Thus, both regulated and exempted deposits had recorded a rise of Rs.357.0 crores and Rs.1,572.7 crores over the year. Non-financial companies continued to hold predominant position in the matter of deposits, with 2,558 companies accounting for 88.2 per cent of total regulated deposits of Rs.2,334.5 crores in the non-banking corporate sector; 3,599 financial companies accounted for the balance 11.8 per cent. Exempted deposits with non-financial and financial companies aggregated Rs. 5903.9 crores and Rs. 2,505.0 crores, respectively as on March 31, 1984; 48 government companies held regulated and exempted deposits to the tune of Rs.553.1 crores and Rs.5,241.3 crores.

During the financial year 1983-84, the rate of growth in company deposits at 18.1 per cent was marginally higher than that of 18.0 per cent in the banking sector. As at the end of March 1984, aggregate deposits of Rs.11,124 crores in the non-banking corporate sector

constituted 18.4 per cent of the total deposits of Rs.60,596 crores held by all scheduled commercial banks. However, the ratio between bank and company deposits subject to regulatory measures remained unchanged at 3.8.

RURAL CREDIT

Institutional Finance for Agriculture

Complete data on institutional finance made available (disbursed) to the agricultural sector during the year 1984-85 as well as for the earlier two years are not available. However, provisional data are available in respect of the loans issued by the co-operatives for the year 1982-83 and estimates for the years 1983-84 and 1984-85. Data for the period subsequent to 1981-82 are not available in respect of scheduled commercial banks. Data in respect of loans issued by RRBs are also not available. However, some idea of the total advances made available to the agricultural sector by various agencies can be had from the data available in respect of outstanding amounts. The data in respect of outstanding amounts for all the institutions do not relate to the position as on June. These data relate to either March, June or December position (for details see footnotes to Tables). These data are given in Tables VII-30 and VII-31.

(a) Direct Finance

Direct finance for agriculture by institutional agencies *viz.*, co-operatives, scheduled commerical banks (excluding RRBs) and State Governments together amounted to Rs. 4,128 crores in 1981-82 as against Rs. 3,436 crores in 1980-81. As in the previous year, a large portion of the credit — Rs. 2,479 crores or 60 per cent was accounted for by the co-operatives followed by the commerical banks at Rs. 1,496 crores or 36 per cent. Complete data for the years 1982-83 to 1984-85 are not available. NABARD's estimates of disbursements by co-operatives show an increase in disbursements from Rs. 2,717 crores in 1982-83 to Rs. 3,028 crores in 1983-84 and further to Rs. 3,331 crores in 1984-85. Loans disbursed by the State Governments showed a decline from Rs. 188 crores in 1982-83 to Rs. 185 crores in 1983-84. According to the State Governments' estimates, these amounts would have increased to Rs. 250 crores in 1984-85. Data on disbursements by scheduled commercial banks and RRBs are not available for the three years 1982-83 to 1984-85.

Provisional data/estimates are available in respect of outstanding credit for the latest period. Data in respect of different institutions are available for different periods (please see footnotes to Tables VII-30 and VII-31). According to these data, the total outstanding loans in respect of direct finance provided by the co-operatives, scheduled commerical banks and RRBs together amounted to Rs. 10,324 crores in 1983. These amounts increased further to Rs. 12,184 crores in 1984 and to Rs. 13,129 crores in 1985 (for details see Table VII-30). Total outstanding loans of co-operatives increased from Rs. 5,155 crores at the end of June 1983 to Rs. 5,722 crores at the end of June 1984 and further to Rs. 6,294 crores at the end of June 1985. Short-term loans provided by co-operatives went up from Rs. 2,225 crores at the end of June 1983 to Rs. 2,500 crores at the end of June 1984 and further to Rs. 2,750 crores by end-June 1985. During the same period, the outstanding medium-term and long-term loans provided by PACS and LDBs went up from Rs. 2,930 crores to Rs. 3,222 crores by the end of June 1984 and to Rs. 3,544 crores by end June-1985. The outstanding amount of credit provided by scheduled commercial banks (excluding RRBs), both short and medium-term together, increased from Rs. 4,787 crores at the end of December 1983 to Rs. 5,953 crores at the end of December 1984 and further to Rs. 6,162 crores at the end of March 1985. The outstandings in respect of direct finance provided by

RRBs increased from Rs. 382 crores at end-June 1983 to Rs. 509 crores in June 1984 and further to Rs. 673 crores at the end of March 1985.

(b) Indirect Finance

Data on annual disbursements of indirect finance for agriculture are not available in respect of scheduled commercial banks and RRBs. In respect of the co-operatives, NABARD has prepared estimates for the years 1981-82 to 1984-85. Data on disbursements by the Rural Electrification Corporation (REC) are available upto 1984-85. These data are given in Table VII-31. Indirect finance for agriculture by co-operatives, as per NABARD's estimates, increased from Rs. 1,197 crores in 1981-82 to Rs. 1,956 crores in 1982-83, to Rs. 2,400 crores in 1983-84 and further to Rs. 2,993 crores in 1984-85. The bulk of these amounts was disbursed by the State Co-operative Banks. The amount outstanding is estimated to have increased from Rs. 840 crores as at the end of June 1982 to Rs. 1,338 crores by end-June 1983, Rs. 1,700 crores by end-June 1984 and Rs. 2,195 crores by end-June 1985. The loans issued by REC during 1984-85 (July-June) amounted to Rs. 327 crores as against Rs. 303 crores in 1983-84 and outstanding amounts of these loans have increased from Rs. 1,494 crores at the end of June 1984 to Rs. 1,674 crores at the end of June 1985.

The details of financial assistance provided by NABARD, co-operatives, RRBs, commercial banks and REC are provided in the subsequent paragraphs.

NABARD and Rural Credit

Sources and Uses of Funds

Resources of NABARD

The capital of NABARD remained unchanged during the year at Rs. 100 crores, subscribed equally by the Government of India and the Reserve Bank of India. The other sources of funds of NABARD are contributions from the Reserve Bank to NRC (LTO) Fund and NRC (Stabilisation) Fund, short-term borrowings from RBI, long-term loans from the Government of India and market borrowings by way of bonds and debentures. The net accretion to reserves and funds, borrowings and other liabilities during 1984-85 (July-June) aggregated Rs. 541 crores as against Rs. 774 crores during 1983-84, the reduction being mainly due to substantial increase in the repayments to the Reserve Bank. The details of sources and utilisation of funds are presented in Table VII-32.

During the year 1984-85, the Reserve Bank contributed Rs. 275 crores to the NRC (LTO) Fund and Rs. 80 crores to NRC (stabilisation) Fund (out of its profits for 1983-84) as against contributions of Rs. 225 crores and Rs. 75 crores to these Funds, respectively, in the previous year. During 1984-85, NABARD also transferred out of its profits Rs. 140 crores and Rs. 15 crores to NRC (LTO) Fund and NRC (Stabilisation) Fund, respectively, as against transfers of Rs. 100 crores and Rs. 10 crores to these Funds, respectively, in the previous year. The net borrowings from Government of India under externally aided projects amounted to Rs. 233 crores as compared with Rs.167 crores last year. The amount raised from open market through floatation of debentures aggregated Rs. 17 crores in 1984-85 (July-June) as compared with Rs. 30 crores during 1983-84 (July-June).

The credit limit of Rs. 1,300 crores sanctioned by the Reserve Bank to NABARD under Section 17 (4E) of the Reserve Bank of India Act, 1934 in 1983-84 for financing NABARD's short-term lending operations was continued for 1984-85 as well. The interest charged for this accommodation which was 4.75 per cent below the Bank Rate during 1983-84 was raised to 4.50 per cent below the Bank Rate from July 1, 1984. The financial accommodation availed of by NABARD from the Reserve Bank came down during the year

Table VII-30: Direct institutional finance for agriculture

(Rupees crores)

Source of finance	Loans issued during					Loans outstanding as on June 30				
	1980-81	1981-82	1982-83	1983-84	1984-85	1981	1982	1983	1984	1985
I. Co-operatives 1/	**2028.5**	**2479.0P**	**2716.9P**	**3028.0E**	**3331.0E**	**4315.0**	**4821.0P**	**5155.0P**	**5722.0E**	**6294.0E**
of which										
(a) Short-term loans by PACS	1385.5	1795.9	1908.1	2098.0	2308.0	1907.7R	2148.7	2225.2	2500.0	2750.0
	(30.9)	(34.0)	(37.4)	(41.0)	(45.0)	(73.4)	(80.7)E	(88.8)E	(96.0)E	(105.0)E
(b) Medium and long-term loans by	643.0	683.1	808.8	930.0	1023.0	2407.3	2672.3	2929.8	3222.0	3544.0
PACS/LDBs 2/	(363.0)	(363.9)	(425.8)	(469.0)	(516.0)E	(1650.4)	(1854.7)	(2047.4)	(2252.0)	(2477.0)E
II. State Governments 3/	**144.2**	**153.3**	**187.8**	**185.2**	**249.8RE**	—	—	—	—	—
III. Scheduled Commercial Banks (excluding RRBs)4/	**1262.8R**	**1495.6**	—	—	—	**3043.3**	**3541.1**	**4787.0 6/**	**5953.0 6/**	**6161.7 6/**
of which										
(a) Short-term loans	517.0	623.1	—	—	—	1161.5	1370.0	—	—	—
(b) Term loans	745.8	872.5	—	—	—	1881.8	2171.1	—	—	—
IV. Regional Rural Banks 5/	—	—	—	—	—	**180.4**	**273.1**	**381.9**	**509.4**	**673.0 7/**
V. TOTAL DIRECT FINANCE (I TO IV)	**3435.5**	**4127.9**	—	—	—	**7538.7R**	**8635.2**	—	—	—
of which										
(a) Short-term loans	2046.7	2572.3	—	—	—	3249.6	3791.8	—	—	—
(b) Medium and long-term loans	1388.8	1555.6	—	—	—	4289.1	4843.4	—	—	—

E=Estimates RE=Revised Estimates R=Revised P=Provisional — =Not available

1/ Figures in brackets relate to short-term finance provided by RRBs and other commerical banks through PACS.

2/ Figures in brackets relate to long-term loans by LDBs.

3/ Taken as short-term loans and relate to financial year April-March.

4/ Loans issued relate to financial year April-March, while outstandings are as on June 30.

5/ Taken as short-term loans.

6/ Data relate to public sector banks and are as on December 1983, December 1984 and March 1985.

7/ As on March 31, 1985.

Source: (i) NABARD.

(ii) Reserve Bank of India.

(iii) Annual Budgets of State Governments.

Table VII-31: Indirect institutional finance for agriculture

(Rupees crores)

Source of finance	Loans issued during					Loans outstanding as on June 30				
	1980-81	1981-82	1982-83	1983-84	1984-85	1981	1982	1983	1984	1985
I. Co-operatives 1/	**1154.0**	**1497.4E**	**1955.6E**	**2400.0E**	**2993.0E**	**638.3**	**839.7E**	**1337.6E**	**1700.0E**	**2195.0E**
of which										
(a) State Co-operative Banks 2/	619.8	862.2	1200.0	1550.0	2015.0	399.4	555.6	868.9	1000.0	1250.0
(b) Central Co-operative Banks 2/	534.2	635.2	755.2	850.0	978.0	238.9	284.1	468.7	700.0	945.0
II. Scheduled Commercial Banks (Excluding RRBs) 3/	—	—	—	—	—	**998.3**	**1158.1**	**1266.4 5/**	—	—
III. Regional Rural Banks	—	—	—	—	—	**16.1**	**21.4**	**23.1**	**26.7**	**32.0 6/**
IV. Rural Electrification Corporation 4/	**184.4+**	**191.6+**	**251.8+**	**303.2**	**327.1**	**938.4+**	**1089.4+**	**1292.7+**	**1493.9**	**1674.5**
TOTAL INDIRECT FINANCE (I TO IV)	—	—	—	—	—	**2591.1**	**3108.6**	—	—	—

— =Not available E =Estimates+=Financial year (April-March) data.

1/ Taken as short-term loans.

2/ Loans issued include food procurement finance but these are not included in loans outstanding which mainly cover direct advances given to non-agricultural credit societies operating at apex, regional or primary level.

3/ Break-up of these data into short and term loans are not available.

4/ Taken as long-term loans; figures in respect of earlier years have been revised.

5/ Data relate to public sector banks and are as on December 1983.

6/ As on March 31, 1985.

Source: (i) NABARD.

(ii) Reserve Bank of India.

(iii) Rural Electrification Corporation.

1984-85 by Rs. 277 crores. As at the end of June 1985, the borrowings outstanding under the General Line of Credit stood at Rs. 762 crores. The reduction in the borrowings under this Line of Credit is due to the fact that medium-term loans to RRBs which have completed more than five years of operation as on June 30, 1984 are treated as loans sanctioned from the NRC (LTO) Fund as against accounting them as composite short-term loans from the General Line of Credit as hitherto.

As mentioned in the last year's Report, NABARD has been associated with the implementation of 41 projects with external aid. The total credit to be routed through NABARD for the projects sanctioned by the World Bank Group and other donor countries/ agencies aggregated U.S. $2148* million till June 30, 1985 as against U.S. $2137 million upto June 30, 1984. During the year, Swiss credit of 40 million Swiss Francs (approximately Rs. 20 crores) was negotiated as against the aid of Rs. 47 crores negotiated with 3 countries/ agencies in 1983-84. The NABARD Credit Project I submitted to the World Bank during 1983-84 for credit assistance was appraised by the World Bank Mission during November/ December 1984.

Uses of Funds by NABARD

During the the year 1984-85, the net utilisation of funds by NABARD amounted to Rs. 481 crores for loans and advances, as against Rs. 535 crores during 1983-84. The total loans outstanding increased from Rs. 4,000 crores at end-June 1984 to Rs. 4,481 crores at end-June 1985, representing an increase of 12 per cent (Table VII-32). The loans outstanding to SCBs and RRBs (production and marketing credit) at Rs. 765 crores as on June 30, 1985 recorded a sharp decline of Rs. 192 crores (20 per cent) during the year 1984-85 as against an increase of Rs. 61 crores during 1983-84. The decline was mainly due to segregation of medium-term loans sanctioned to RRBs which had completed five years of existence as on June 30, 1984 and treating the segregated loans as sanctioned from the NRC (LTO) Fund. NABARD's medium-term loans for approved agricultural purposes (non-project loans) increased sharply by Rs. 126 crores during 1984-85 from Rs. 32 crores at end-June 1984 to Rs. 158 crores at end-June 1985 against a small increase of Rs. 3 crores during 1983-84. While the medium-term loans (conversion) remained at the same level of Rs. 120 crores at end-June 1985, the non-project long-term loans outstanding (loans to State Governments for contribution to the share capital of the co-operative credit institutions) declined by Rs. 11 crores over the year from Rs. 116 crores to Rs. 105 crores. Under schematic lending (refinance loans and purchase of debentures), the outstandings increased by Rs. 558 crores from Rs.2,775 crores at end-June 1984 to Rs. 3,333 crores by end-June 1985 — an increase of 20 per cent over the year.

Credit Policy

Deposit and Lending Rates

Deposit Rates

As in the case of commercial banks, it was left to the discretion of State/Central Co-operative Banks, Regional Rural Banks and Primary Co-operative Banks to fix, with effect from April 8, 1985, the interest rates on short-term deposits ranging between 15 days and less than one year subject to a maximum of 8 per cent. However, the rates offered were to be uniform at all branches and for all depositors. Simultaneously, the interest rate on deposits of one year to less than two years was increased from 8 per cent to 8.5 per cent. SCBs/CCBs

* The credit allocation to be routed to NABARD under Karnataka irrigation project (IDA Credit-788 IN) has been reduced from U.S. $7 million to U.S. $2 million as a result of the reallocation advised to NABARD by Government of India.

Table VII-32: Resources and their utilisation by NABARD

(Rupees crores)

Resources and Utilisation	Position as on June 30,1983	Net accretion/ utilisation during 1983-84	Position as on June 30,1984	Net accretion/ utilisation during 1984-85	Position as on June 30,1985
1	2	3	4	5	6
Sources of Funds					
(1) Capital	100	—	100	—	100
(2) Reserves & Surplus	122	35	157	30	187
(3) NRC (LTO) Fund	1252	325	1577	415	1992
(4) NRC (Stabilisation) Fund	448	85	533	95	628
(5) Deposits	11	3	14	10	24
(6) Bonds & Debentures	406	30	436	17	453
(7) Borrowings from GOI	1216	167	1383	233	1616
(8) Borrowings from RBI	904	135	1039	—277	762
(9) Other Liabilities	60	—6	54	18	72
Total (1 to 9)	**4519**	**774**	**5293**	**541**	**5834**
Uses of Funds					
(1) Loans and Advances	**3465**	**535**	**4000**	**481**	**4481**
(a) Production & Marketing Credit	896	61	957	—192	765
(b) Conversion Loans for Production Credit	123	— 3	120	—	120
(c) Medium-term Investment Credit (Non-Project Loans)	29	3	32	126	158
(d) Other Investment Credit					
(i) Medium-term & Long-term Project Loans	2292	483	2775	558	3333
(ii) Long-term Non-Project Loans	125	— 9	116	—11	105
(2) Investment in GOI Securities	267	303	570	127	697
(3) Special Deposit with RBI in respect of NRC (LTO) Fund & NRC (Stabilisation) Fund	631	—100	531	—132	399
(4) Fixed Assets	4	11	15	3	18
(5) Other Assets	141	11	152	56	208
(6) Cash & Bank Balances	11	14	25	6	31
Total (1 to 6)	**4519**	**774**	**5293**	**541**	**5834**

Source: NABARD.

and PCBs were allowed, at their discretion, to pay additional interest rate upto ¼, ½ and 1 per cent per annum, respectively over and above the rates specified for domestic deposits. The Foreign Currency (Non-Resident) accounts and the Non-Resident (External) Rupee accounts of one year and above were to be, as before, entitled to an additional interest of two per cent over the rates permissible on local deposits of comparable maturities. The SCBs/CCBs and PCBs were, however, not allowed to pay at their discretion, additional interest of ¼, ½ and 1 per cent, respectively on these deposits which they were allowed to pay on domestic savings and term deposits. On a review of the developments that took place since the announcement of aforesaid changes, RBI has restored, with effect from May 27, 1985, the interest rates for deposits of PCBs, SCBs, and CCBs to the levels prevailing prior to April 8 1985 and has fixed the interest rates for maturities of 91 days to less than 6 months at 6.5 per cent and that for 6 months to less than one year at 8 per cent.

Lending Rates

The structure of interest rates on deposits and advances remained unchanged for the greater part of the year under review. However, certain changes were made after March 31, 1985 which are discussed below. The maximum rate of interest charged by SCBs/CCBs/RRBs and PCBs was brought down from 18 per cent to 17.5 per cent with effect from April 1, 1985 in order to provide relief to a wide spectrum of borrowers. The rate of interest to be charged by PCBs on pre-shipment credit for (i) specified medium and heavy engineering goods and construction contracts beyond 180 days and upto 270 days and (ii) for other goods and consultancy services beyond 90 days and upto 135 days was also lowered from 14.5 per cent to 14 per cent. As regards interest rates on loans against third party deposits, the PCBs were advised to determine the rate of interest taking into account the purpose for which the loan was granted. Earlier, interest was charged at a rate of at least 2.5 per cent over and above the rate applicable to deposits.

Preservation of Records and Nomination

The Government of India in consultation with the Reserve Bank has framed two rules, viz., the Co-operative Banks (Period of Preservation of Records) Rules, 1985 and the Co-operative Banks (Nomination) Rules, 1985, and accordingly issued notifications bringing the provisions of Section 37 of the Banking Laws (Amendment) Act, 1983 into force with effect from March 29, 1985.

Other Policy Measures

Organisation and Financing of Functional Societies

NABARD examined the question of functional societies providing loans to their members and decided that organisation of such societies for non-land based activities like dairy (milk supply), sheep rearing, poultry farming, pig rearing, etc., may be permitted on a selective basis. Such societies may undertake credit functions for non-crop based purposes viz., financing their members for purchase of animals, feed, etc. Suitable instructions in this regard have been issued to all concerned.

Rejuvenation of Darjeeling Tea Gardens

The Tea Board had formulated an Interest Subsidy Scheme envisaging extension of area, replantation/replacement of the old and uneconomic area and rejuvenation over a period of 10 years along with provision of irrigation and other inputs for improving productivity in these gardens at a cost of about Rs. 45 crores. In view of the importance of Darjeeling Tea Gardens as foreign exchange earners and as most of the Gardens in Darjeeling were facing financial crisis, NABARD decided to treat the development schemes sponsored by the Tea

Board for Darjeeling Gardens on a special basis by relaxing the norms in regard to margin, maintenance of debt-equity ratio, funding of overdue borrowings of tea companies and provision for repayment of the funds in a phased manner and allowing longer repayment period. Under the programme, NABARD has sanctioned upto 30 June, 1985, 28 schemes with financial assistance of Rs. 733 lakhs involving NABARD's refinance of Rs. 660 lakhs.

Financing of Individuals by the State and Central Co-operative Banks for Purchase of Consumer Durables

The limits for financing of individuals for purchase of consumer durables by SCBs and CCBs have been enhanced to Rs.7,500 per borrower. The overall operative ceilings are given below:

Deposits	Ceiling on Advances
Banks having deposits from individuals upto Rs.10 crores	2 per cent of deposits or Rs.15 lakhs (Rs.10 lakhs earlier),whichever is less
Banks having deposits from individuals above Rs.10 crores but upto Rs.20 crores	2 per cent of deposits or Rs.30 lakhs, whichever is less.
Banks having deposits from individuals above Rs.20 crores	2 per cent of deposits or Rs.45 lakhs, whichever is less.

Note: The earlier ceiling on advances was Rs.30 lakhs or 2 per cent of deposits for banks having deposits from individuals above Rs.10 crores.

NABARD's Assistance for Agriculture

NABARD as the apex institution for financing agriculture and rural sectors, provides refinance assistance to the eligible co-operative and commercial banks for different purposes and durations. It provides short-term credit for periods not exceeding 18 months to SCBs/RRBs for seasonal agricultural operations (crop loans), marketing of crops, purchase and distribution of fertilizers and working capital requirements of co-operative sugar factories. The medium-term credit (18 months to 7 years) provided by NABARD to SCBs/RRBs relates to approved agricultural purposes, purchases of shares of processing societies and conversion of short-term crop loans into medium-term loans in areas affected by natural calamities.

NABARD also provides credit (for a period of 25 years) to SCBs, LDBs, RRBs and CBs for investments in agriculture under schematic lending. Long-term assistance is provided in the form of loans to State Governments (not exceeding 20 years) for contribution to share capital of co-operative credit institutions. The details of financial accommodation provided by NABARD to co-operatives and State Governments as well as the rates of interest are presented in Table VII-33. These credit facilities are reviewed briefly below:

Credit Limits

(i) Short-term

Short-term credit limits aggregating Rs.1,233 crores were sanctioned by NABARD to SCBs for financing seasonal agricultural operations for the year 1984-85 (July-June) as compared with Rs.1,245 crores last year. The outstandings against these limits stood at Rs.446 crores as on June 30, 1985 as compared with Rs.584 crores at end-June 1984. NABARD continued to sanction separate credit limits for financing *kharif* and *rabi* crops to the States where *rabi* crops are predominant.

Short-term credit limits sanctioned for purposes other than seasonal agricultural

TableVII-33: NABARD Credit to Co-operatives and State Governments during 1983-84 and 1984-85

(Rupees crores)

Section of the NABARD Act, 1981	Term-wise/Purpose-wise Finance	Period for which limits are sanctioned	1983-84				1984-85			
			Limits sanctioned	Drawals	Repayments	Outstandings	Limits sanctioned	Drawals	Repayments	Outstandings
1	2	3	4	5	6	7	8	9	10	11
	I. Short-term	**Total**	**1609**	**2637**	**2610**	**746**	**1531**	**2013**	**2125**	**634**
21(1)(i)/2(i) 21(1)(i)/3(a)	i) Seasonal agricultural operations(at 3% below Bank Rate from March 1978)*	July-June	1245	1991	1980	584	1233	1578	1716	446
21(1)(i)/3(b)	ii) Marketing of crops other than cotton and kapas (at Bank Rate from June 1978)	July-June	21	60	64	—	27	32	32	—
21(1)(i)/3(b)	iii) Marketing of cotton and kapas including monopoly procurement of cotton (at Bank Rate from June 1978)	July-June								
21(1)(ii)/3(b)	iv) Purchase and distribution of fertilizers (at 1% above Bank Rate from June 1978)	January-December	25	8	7	5	20	17	6	16
21(i)(v)/3(a)	v) Production and marketing of handloom products (at 2½% below Bank Rate from March 1978)	April-March	189	473	444	145	224	376	357	164
21(1)(v)/3(a)	vi) Financing of other cottage and small scale industries (at 2½% below Bank Rate from March 1978)$	April-March	9	5	6	5	8	5	5	5

(Contd.)

Table VII-33:NABARD Credit to Co-operatives and State Governments during 1983-84 and 1984-85 *(Contd.)*

1	2	3	4	5	6	7	8	9	10	11
21(1)(iv)/21(4)	vii) Purchase and sale of yarn (at Bank Rate)	April-March	10	6	5	2	9	5	5	2
21(1)(iii)/21(3)(a)(3)(b)	viii) Against pledge of sugar (at 5% above Bank Rate)	July-June	107	88	98	—	10	—	—	—
21(1)(iii)/21(2)(i)	ix)Against pledge of securities earmarked under Agricultural Credit Stabilisation Fund for meeting SCB share in M.T. conversion loans (Bank Rate)	July-June	3	6	5	5	—	–	4	1
21(1)(iii)/21(3) (a)	x) Collection and marketing of minor forest produce (Bank Rate)	July-June	—	—	1	—	—	—	—	—
	II. Medium-term	**Total**	**87**	**74**	**77**	**157**	**150**	**90**	**89**	**158**
24	i) Agricultural purposes (at 3% below Bank Rate from January 1, 1979)	January-December	31	19	18	37	25	17	16	38
	ii) Share capital contribution in co-operative processing societies	January-December	—	—	1	—	1	—	—	—

Table VII-33:NABARD Credit to Co-operatives and State Governments during 1983-84 and 1984-85 *(Concld.)*

1	2	3	4	5	6	7	8	9	10	11
22	iii) Conversion of short-term loans into medium-term loans in scarcity affected areas including rephasement and rescheduelement (at 3% below Bank Rate from January 1979)	July-June	56	55	58	120	124	73	73	120
	III. Long-term		**11**	**8**	**21**	**115**	**7**	**9**	**14**	**110**
27	Loans to State Governments for contribution to share capital of co-operative credit institutions (at 6% per annum)	April-March	11	8	21	115	7	9	14	110
	TOTAL CREDIT (I+II+III)		**1707**	**2719**	**2708**	**1018**	**1688**	**2112**	**2228**	**902**

* Subject to recovery of an additional interest of 1½ per cent as per linking scheme.
$ Include financing of individual rural artisans through PACS.
– Nil or negligible.
Source : NABARD.

operations aggregated Rs.298 crores during 1984-85 as against Rs.364 crores during 1983-84. Important among them was the credit limit sanctioned for production and marketing activities of handloom weavers' societies which rose from Rs.189 crores in 1983-84 (April-March) to Rs.224 crores during 1984-85 (April-March).

During 1984-85 (July-June), short-term and composite credit limits of Rs.203 crores were sanctioned to 126 RRBs as compared with the limits of Rs.271 crores sanctioned to 108 RRBs during 1983-84 (July-June). Outstandings under these limits upto end-June 1985 amounted to Rs.183 crores as against Rs. 242 crores as at the end of June 1984.

(ii) Medium-term

NABARD's policy of sanctioning medium-term credit limits for approved agricultural purposes remained unchanged during the year 1984-85. During the calendar year 1984, credit limits sanctioned to the SCBs and drawals made by them amounted to Rs.25 crores and Rs.17 crores, respectively as compared with Rs.31 crores and Rs.19 crores, respectively in the preceding year. The amount outstanding under these limits aggregated Rs.38 crores at end-December 1984 - Rs.1 crore higher than the amount outstanding at end-December 1983.

Conversion Loans

An aggregate credit limit of Rs.124 crores was sanctioned by NABARD during 1984-85 (July-June) as against Rs. 56 crores during 1983-84 (July-June) from the NRC (Stabilisation) Fund to enable SCBs/CCBs to convert short-term agricultural loans (including rephasement and reschedulement of loans) granted to farmers into medium-term loans in the event of widespread crop failure as a result of drought, floods or other natural calamities. The drawals against these limits during 1984-85 (July-June) amounted to Rs.73 crores as compared with Rs. 55 crores in 1983-84 (July-June), while the amount outstanding remained unchanged at Rs. 120 crores.

(iii) Long-term

During the financial year 1984-85, long-term credit limits amounting to Rs.7 crores were sanctioned to State Governments for contribution to the share capital of co-operative credit institutions. The amount sanctioned during 1983-84 was Rs.11 crores. The drawals against these limits stood at Rs. 9 crores (inclusive of drawals allowed during the year in respect of previous year's limit). The amount outstanding against these loans declined to Rs.110 crores by the end of March 1985 from Rs.115 crores a year ago.

Important Policy Changes

Short-term Credit

(i) Seasonal Agricultural Operations

During the year under review, there was no change in NABARD's policy in regard to sanctioning of short-term credit limits at 3 per cent below the Bank Rate to SCBs on behalf of CCBs for financing seasonal agricultural operations. In view of the increasing importance of cultivation of pulses and oilseeds, NABARD advised SCBs to impress upon CCBs the necessity of providing timely and adequate credit facilities for this purpose. The credit requirements for raising these crops were taken into account while sanctioning credit limits to co-operative banks.

(ii) Distribution of Fertilizers

As in the earlier years, credit requirements for fertlizer procurement, stocking and wholesale distribution continued to be met on a consortium basis involving the commercial banks, SBI Group and SCBs. Refinance facility in the form of short-term credit limits to SCBs for

financing the retail distribution of fertilizers on cash and carry basis continued to be made available by NABARD only to the extent of the gap which the commercial banks were unable to meet. Priority was to be given to the credit requirements of district/primary level societies engaged in the distribution of chemical fertilizers to the agriculturist members as kind component under the crop loan disbursed to them.

Medium-term Credit

Loans for Approved Agricultural Investment Purposes

During the year, NABARD continued to follow the existing policy governing the sanction of medium-term credit limits to SCBs on behalf of CCBs for financing approved agricultural investment purposes. This policy envisaged that at least 50 per cent of the medium-term loans issued by the CCBs in a calendar year should be for the benefit of small and marginal farmers. NABARD also advised the SCBs to prepare schemes under schematic lending. NABARD's approval was necessary if these schemes involved large outlays and longer repayment schedule.

Long-term Credit

Long-term Loans to State Governments for Share Capital Contribution

NABARD continued to sanction loans from the NRC (LTO) Fund to the State Governments for contribution to the share capital of co-operative credit institutions, viz., SCBs, CCBs, PACS, FSS, LAMPS, State and Primary Land Development Banks (SLDBs/PLDBs) and PCBs. The following changes were effected in the NABARD's policy in respect of above loans during 1984-85:

(i) PLDBs having overdues upto 35 per cent of the total demand would be considered eligible for share capital contribution, provided the State Government contributes (from out of its own resources) to the extent of 10 per cent of the demand to the share capital of the PLDBs. Further, the total contribution of a State Government to the share capital of a PLDB should not exceed 50 per cent of its total share capital.
(ii) Applications of the State Governments for contribution to the share capital of LAMPS would be considered provided such societies have full complement of technical staff. However, if any of the societies fails to satisfy this condition, the application of the State Government would be considered on furnishing by it a certificate to the effect that the services of the extension staff of tribal and other development departments would be made available to them.

Extension of Insurance Premium as Pre-investment Cost to Activities other than Dairy Development

As mentioned in the last year's Report, all SLDBs were advised to include insurance premium in respect of blanket insurance policy covering activities under dairy development schemes as part of pre-investment cost and grant necessary finance to borrowers for such schemes. It was decided that since August 16, 1984 the insurance premia paid for the assets acquired through development loans in respect of minor irrigation, farm mechanisation schemes, etc. may also be deemed to form part of the preliminary expenses to be included by the borrower and loan assistance may be provided to cover such expenditure.

Provision of Interim Finance to SLDBs

Taking into account the reduced margin available to the LDBs (particularly in regard to their loaning under normal programme) in view of the increase in the cost of their borrowings from the open market, NABARD decided, with effect from August 20, 1984, to provide interim finance to the SLDBs to cover their loaning both under the normal and special programmes. The credit limits were to be sanctioned by NABARD after considering the overall requirements of funds for both the

programmes on certain terms and conditions. By way of encouragement to step up recoveries, NABARD will charge interest at 8½ per cent per annum to such of the SLDBs whose recovery performance at primary level is not less than 75 per cent of the demand in the previous year as against the normal rate of interest of 9 per cent per annum.

Guidelines for Review of Overdues in Land Development Banks

Since provision of funds by way of supplementary loans for completion of unfinished works is very much in the nature of commited expenditure, NABARD advised all the LDBs on February 4, 1985 that loans for such purposes may be given in excess of the eligibility after obtaining its prior approval, subject to certain conditions.

Lending Programme and Resources of SLDBs

With a view to supplementing their resources, NABARD finalises the ordinary debentures programme of the SLDBs in consultation with the Reserve Bank, Government of India and the SLDBs. These ordinary debentures issued by SLDBs for raising the resources are treated as trustee securities and are fully guaranteed by the concerned State Governments-both in regard to repayment of principal and payment of interest and are approved securities under the Reserve Bank of India Act, 1934.

The total lending programme of the SLDBs for the financial year 1984-85 was fixed higher at Rs.550 crores as compared with Rs.490 crores during 1983-84. The resources for the lending programme were raised by issue of special debentures by NABARD (Rs.451 crores), issue of ordinary debentures by LDBs (Rs.97 crores) and internal resources of LDBs (Rs.2 crores); the corresponding figures for the year 1983-84 were Rs.392 crores, Rs.95 crores and Rs.3 crores, respectively. The lending programme of SLDBs for the financial year 1985-86 has been tentatively fixed at Rs.566 crores, resources for which would be mobilised through floatation of special debentures of Rs.471 crores and ordinary debentures of Rs.95 crores. The ordinary debentures floated by the SLDBs during the year 1984-85 amounted to Rs.92 crores which fell short of the target (Rs.97 crores) by Rs.5 crores. This was due mainly to the shortfall in mutual support and self-help (i.e., Rs.24 crores against the target of Rs.29 crores). The support availed of from the institutional investors under the ordinary debentures programme for the years 1983-84 and 1984-85 together with targets for the year 1985-86 is indicated in Table VII-34.

Table VII-34: Resources of Land Development Banks
(Rupees crores)

Item	1983-84 (Achievement)	1984-85 (Achievement)	1985-86 (Target)
1	2	3	4
Lending Programme	490	550	566
Resources (a+b+c)	485	545	566
(a) NABARD's special debentures	392	451	471
(b) Internal resources	3	2	—
(c) Ordinary debentures	90	92	95
Of which contribution by:			
(i) Central and State Governments	8	8	10
(ii) Life Insurance Corporation of India	35	35	35
(iii) State Bank of India Group	15	15	15
(iv) Commercial Banks	10	10	10
(v) Mutual support and self-help	22	24	25

Source: NABARD.

NABARD's Long-term Refinance Assistance under Various Schemes

During 1984-85 (July-June), NABARD sanctioned 5,601 schemes involving refinance

commitments of Rs.1,233 crores as compared with 4,961 schemes involving commitments of Rs.1,170 crores during 1983-84 (July-June). Disbursements during the year amounted to Rs.1,061 crores as compared with Rs.892 crores in the preceding year. The cumulative number of schemes sanctioned upto the end of June 1985 stood at 34,722. As against the cumulative commitments of Rs.7,909 crores upto the end of June 1985, the cumulative disbursements by NABARD aggregated Rs.5,427 crores (Table VII-35).

As in the previous year, minor irrigation continued to occupy top position both with regard to the number of schemes sanctioned and commitments made. During the year, NABARD sanctioned 1,813 schemes for minor irrigation involving commitments of Rs.444 crores. Schemes for diversified purposes @ (i.e., other than minor irrigation) numbered 3,788 involving commitments of Rs.789 crores. The purpose-wise classification of schemes sanctioned, commitments and disbursement of loans is given in Table VII-35.

Agency-wise, the share of commercial banks (including RRBs), SLDBs and SCBs in total disbursements by NABARD stood at Rs.710 crores (67 per cent), Rs.314 crores (30 per cent) and Rs.37 crores (3 per cent), respectively, during 1984-85 as against their respective shares of Rs.537 crores (60 per cent), Rs.314 crores (35 per cent) and Rs.41 crores (5 per cent) during 1983-84 (Table VII-36).

Region-wise, while the share of the Southern, Central and Eastern regions in total disbursements increased from 25.5 per cent, 21.3 per cent and 10.8 per cent, respectively in 1983-84 (July-June) to 27.2 per cent, 22.5 per cent and 11.9 per cent, respectively during 1984-85 (July-June), the share of North-Eastern and Western regions remained more or less at last year's level. The share of Northern region in total disbursements, however, came down to 22.7 per cent during 1984-85 (July-June) from 27.1 per cent in 1983-84 (July-June) (Table VII-37).

NABARD continued to pursue vigorously the policy of development and promotion of agricultural investments in the less developed and/or under-banked States. The disbursements in these areas stood at Rs.445 crores (41.9 per cent of total disbursements) in 1984-85 (July-June). During the year 1983-84 (July-June), these were placed at Rs.357 crores (40 per cent) (Table VII-38). On a cumulative basis, total disbursements in these areas as at the end of June 1985 amounted to Rs.2,208 crores.

Disbursements under IRD Programme

As at the end of June 1985, NABARD's cumulative commitments under IRDP amounted to Rs.1,150 crores against which disbursements by way of refinance were of the order of Rs.887 crores. The amount disbursed during 1984-85 (July-June) was Rs.353 crores as compared with Rs.233 crores during 1983-84 (July-June). The highest share during the year in total disbursements was that of commercial banks (54.0 per cent), followed by RRBs (34.5 per cent), SCBs (7.9 per cent) and SLDBs (3.6 per cent). The Industry, Service and Business (ISB) component of the IRDP accounted for Rs.107 crores (30.2 per cent) of the total disbursements during 1984-85 (July-June) as against Rs.52 crores (22.3 per cent) last year. (Table VII-39).

Refinance Facilities: Policy Changes

Schemes for Development of Scheduled Castes/ Scheduled Tribes

With effect from November 1984, NABARD decided to refinance special schemes formulated by State Governments/

@ These include land development, farm mechanisation, plantation, poultry, dairying, sheep breeding, fisheries, storage godowns, development of market yards, etc.

Table VII-35 Purpose-wise sanctions and disbursements of refinance assistance by NABARD during 1983-84 and 1984-85 (July-June)

(Rupees crores)

Purpose	1983-84			1984-85			Cumulative position as on June 30, 1985@		
	No.of schemes sanctioned	Commit-ments	Disburse-ments	No. of schemes sanctioned	Commit-ments	Disburse-ments	No. of schemes sanctioned	Commit-ments	Disburse-ments*
1	2	3	4	5	6	7	8	9	10
Minor Irrigation	1923	427	312	1813	444	335	13442	3740	2539
Land Development/CAD	95	20	29	504	23	43	1463	313	182
Farm Mechanisation	1116	233	204	958	169	170	6064	1166	1038
Plantation/Horticulture	579	90	38	576	85	47	3531	566	231
Poultry/Sheep breeding/ Piggery	296	21	13	449	36	23	2336	143	92
Fisheries	184	22	7	175	17	10	1474	157	72
Dairy Development	279	21	13	380	39	23	2637	198	111
Storage/Market Yards	71	9	9	149	17	12	1471	203	165
Others	418	327	267	597	403	398	2304	1423	997
Total	**4961**	**1170**	**892**	**5601**	**1233**	**1061**	**34722**	**7909**	**5427**

* Excludes short-term finance.
@ Cumulative position includes adjustments.
Source: NABARD.

Table VII-36 Agency-wise sanctions and disbursements of refinance assistance by NABARD during 1983-84 and 1984-85 (July-June)

(Rupees crores)

Agency	Number of schemes*		Financial Assistance		NABARD's Commitments		Disbursements by NABARD		Cumulative position as on June 30, 1985£			
	1983-84	1984-85	1983-84	1984-85	1983-84	1984-85	1983-84	1984-85	No. of schemes	Financial Assis-tance by Agencies	NABARD's commit-ments	Disburse-ments by NABARD @
1	2	3	4	5	6	7	8	9	10	11	12	13
1. State Land Development Banks	1461	1618	451	427	401	391	314	314	10096	3631	3213	2251
2. Scheduled Commercial Banks (Including RRBs)	3379	3854	939	**1078**	719	796	537	710	23959	5740	4445	3016
3. State Co-operative Banks	121	129	57	54	50	46	41	37	667	286	251	160
Total	**4961**	**5601**	**1447**	**1559**	**1170**	**1233**	**892**	**1061**	**34722**	**9657**	**7909**	**5427**

@ Excludes short-term finance.
* Excludes IRDP plans.£ Cumulative position includes adjustments.
Source: NABARD.

Table VII-37: Region-wise disbursements by NABARD
(July-June)

(Rupees crores)

Region@	1982-83	1983-84	1984-85
1	2	3	4
Northern	190	242	241
	(27.0)	(27.1)	(22.7)
North-Eastern	8	9	14
	(1.1)	(1.0)	(1.3)
Eastern	90	96	126
	(12.8)	(10.8)	(11.9)
Central	151	190	238
	(21.5)	(21.3)	(22.5)
Western	80	128	153
	(11.4)	(14.3)	(14.4)
Southern	184	227	289
	(26.2)	(25.5)	**(27.2)**
Total	**703**	**892**	**1061**
	(100.0)	**(100.0)**	**(100.0)**

@ **Northern Region** comprises Chandigarh, Delhi, Haryana, Himachal Pradesh, Jammu & Kashmir, Punjab, and Rajasthan; **North-Eastern Region** — Assam,Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Arunachal Pradesh; **Eastern Region** — Sikkim, Bihar, Orissa, West Bengal and Andaman & Nicobar Islands; **Central Region** — Madhya Pradesh and Uttar Pradesh; **Western Region** — Goa, Dadra & Nagar Haveli, Gujarat and Maharashtra; **Southern Region** — Andhra Pradesh, Karnataka, Kerala, Pondicherry and Tamil Nadu.
Note: Figures in brackets are **percentages to total.**
Source: NABARD.

Table VII-38: Disbursements of refinance assistance by NABARD to less developed and/or under-banked states (Schematic lending) (July-June)

(Rupees lakhs)

State	1983-84	1984-85
1	2	3
1. Uttar Pradesh	13041	16217
2. Madhya Pradesh	5959	7577
3. Bihar	4956	6656
4. Orissa	3002	3451
5. West Bengal	1626	2439
6. Andaman & Nicobar Islands	6	12
7. Assam & Other North-Eastern States	927	1380
8. Rajasthan	5160	5460
9. Jammu & Kashmir	652	898
10. Himachal Pradesh	345	400
Disbursements (1 to 10)	**35674**	**44490**
	(40.0)	**(41.9)**
Total Disbursements (All-India)	**89244**	**106087**

Note: Figures in brackets indicate percentage disbursements in the specified States to total disbursements.
Source: NABARD.

Table VII-39 NABARD's refinance assistance for IRDP
(July-June)

(Rupees crores)

Type of Agency	Disbursements during 1982-83	Disbursements during 1983-84	Disbursements during 1984-85	Disbursements upto end-June 1985
1	2	3	4	5
SLDBs	16 (—)	14 (—)	12 (—)	50 (—)
Commercial Banks (excluding RRBs)	88 (4)	112 (21)	191 (50)	460 (75)
RRBs	50 (10)	77 (29)	122 (53)	277 (92)
SCBs	31 (1)	30 (2)	28 (4)	100 (7)
Total	185 (15)	233 (52)	353 (107)	887 (174)

Note: Figures in brakcets indicate disbursements for ISB component.
Source: NABARD.

Scheduled Castes Development Corporations on the lines of the procedure followed for IRDP. Refinance would be available upto 90 per cent of the loans issued by the commercial banks including RRBs and the SCBs and upto 95 per cent of the special development debentures floated by the SLDBs for viable agricultural and allied activities. The procedure for release of refinance was also simplified. Banks were allowed to avail of refinance by mere submission of a prescribed statement once in a quarter as in the case of IRDP.

Refinance for Farm Mechanisation

During the year 1984-85, the following changes were made in the policy governing refinance by NABARD for farm mechanisation:

(i) The procedure for drawal of refinance in respect of tractors/power-tillers was simplified. The banks were allowed to avail of refinance by mere submission of a prescribed statement at quarterly or monthly intervals.

(ii) NABARD's refinance to commercial banks for farm mechanisation schemes was brought down from 75 per cent to 50 per cent except in the state of Madhya Pradesh and the Eastern and North-Eastern Regions where the refinance rate was fixed at 90 per cent. Further, NABARD's contribution to the special development debentures floated by the SLDB in Madhya Pradesh in the case of farm mechanisation schemes was stepped up to 95 per cent. The SLDBs in states other than Madhya Pradesh, Eastern and North-Eastern States would continue to get NABARD's refinance at the rate of 75 per cent.

(iii) With a view to reducing the loan burden of farmers, NABARD had earlier suggested purchase of tractors, as far as possible, of around 25 Draw Bar Horse Power (DBHP) for farm operations and haulage. NABARD has now decided to extend its refinance for this purpose upto 50 DBHP on the basis of viability of individual schemes.

Strengthening and Future Development of Co-operative Structure

Reorganisation of PACS *and Future Development of Reorganised* PACS

The reorganisation programme of the Primary Agricultural Credit Societies (PACS) is under implementation for the last two decades following a review of the structure at the primary level by expert committees appointed by the Reserve Bank and the Central Government. The programme, which envisaged, among others, a minimum short-term loan business of Rs.2 lakhs for a society to become a viable unit, coverage of villages with a gross cropped area of 2,000 hectares to achieve this level of business and appointment of a suitably trained full-time paid Secretary to manage its affairs, has been almost completed in all the States except Gujarat, Jammu & Kashmir and Maharashtra. The total number of PACS which was expected to come down to 90,000 by the end of 1980-81 stood at 92,496 at the end of June 1984.

The table below shows the number of PACS and their membership:

Year (July-June)	No. of PACS	Membership (in 000s)
1980-81	94,866	57,511
1981-82	94,270	60,999
1982-83	94,089	63,312
1983-84	92,496	66,669

The programme of intensive development of reorganised PACS is in operation since 1982-83. Under this programme, 4,399 PACS have been selected by sixteen State Governments/ Union Territories upto June 30, 1985 for intensive development. The States like Rajasthan,

Tamil Nadu, Uttar Pradesh and Union Territory of Pondicherry have already taken steps to prepare action plans to convert the selected societies in their States into multi-purpose units. A pilot study covering 24 societies was conducted by NABARD in Rajasthan, Tamil Nadu and Uttar Pradesh with a view to assessing the impact of reorganisation. The reports are under examination of NABARD.

Functional Co-ordination

With a view to enabling rural borrowers to obtain their entire credit requirements at a single contact point, functional co-ordination between the short-term and long-term co-operative credit structure has been envisaged. PACS operating at the village level would act as agents of PLDBs/branches of SLDBs in the matter of collection of loan applications, disbursement of loans and recovery thereof. In the States of Gujarat, Haryana, Himachal Pradesh, Karnataka, Madhya Pradesh, Punjab, Rajasthan and Tamil Nadu, the selection of PACS to undertake these functions has been completed.

Rehabilitation of CCBs/SCBs

As on June 30, 1983, 134 weak CCBs were under rehabilitation programme. The largest number of weak banks was in Bihar (33) followed by Uttar Pradesh (26), West Bengal (13) and Karnataka (12). The programme of rehabilitation also covers 7 SCBs in areas where two-tier co-operative credit structure prevails. viz., Assam, Chandigarh, Delhi, Manipur, Meghalaya, Pondicherry and Tripura. NABARD has so far conducted evaluation studies in respect of 12 weak CCBs in order to implement the rehabilitation programme effectively. Suitable action programmes for their strengthening are also being drawn up.

Rehabilitation Programme of SLDBs

The rehabilitation programme of SLDBs is being implemented in Bihar, Gujarat, Karnataka, Madhya Pradesh, Maharashtra and Tamil Nadu. The progress in the implementation of the recommendations made on the basis of Organisation and Management (O&M) studies conducted by the expert teams constituted for the purpose is periodically reviewed by the Government of India and NABARD. NABARD has expressed its concern over the unsatisfactory recovery position of the SLDBs to the States mentioned above (except Karnataka) and has requested them to implement promptly the recommendations of the O&M Study Teams relating to the SLDBs and their branches.

Organisation and Management Studies of SLDBs

Apart from the Organisation and Management (O&M) studies conducted by Expert Teams constituted by NABARD in respect of SLDBs in Bihar, Gujarat, Karnataka, Maharashtra, Madhya Pradesh and Tamil Nadu, further such studies covering SLDBs in Andhra Pradesh, Assam, Haryana, Himachal Pradesh, Jammu & Kashmir, Kerala, Orissa, Pondicherry, Rajasthan, Tripura, Uttar Pradesh and West Bengal have also been completed. All the O&M Study Reports except those of Andhra Pradesh, Haryana and Kerala have been considered by the Committee on Term Lending through Co-operatives (COTELCOOP). The measures for improvement drawn by NABARD based on these studies have been communicated to the concerned State Governments and SLDBs.

NABARD's Assistance for Non-agricultural Sector

Apart from providing credit to agriculture and allied activities, NABARD has been providing, on an increasing scale, financial assistance to the non-agricultural sector also for meeting its working capital and block capital requirements. The short-term credit is provided for the purpose of financing production and marketing activities of co-operative sugar mills, handloom weavers' societies and 22

broad groups of recognised cottage and small-scale industries, industrial co-operative societies and weavers and rural artisan members of village level co-operatives. It also provides medium-term finance for meeting their investment capital needs. The refinance assistance provided by NABARD is reviewed below.

Industrial Co-operatives

Refinance facilities to Handloom Weavers' Societies

During the year 1984-85, NABARD's policy with regard to the short-term financial accommodation to the SCBs on behalf of the CCBs for financing the production and marketing activities of the primary weavers' co-operative societies and for financing the apex/regional weavers' societies for their procurement and marketing of cloth remained unchanged. Short-term credit limits sanctioned for the above purposes by NABARD during the year 1984-85 (April-March) aggregated Rs.224 crores as against Rs.189 crores in 1983-84.

Scale of Finance for Cloth Produced on Handlooms

The per loom scales of finance in respect of the following varieties of cloth produced on handlooms in the case of newly organised societies or dormant societies to be reactivised were revised in March 1985. The scale of finance was revised from Rs.2000 to Rs.3000 in respect of cotton, from Rs.3000 to Rs.5000 for special varieties of cotton cloth like bed spreads, furnishing materials, jacquard terry towels and export varieties of cloth and from Rs.3000 to Rs.4000 in respect of woollen handlooms. The scale of finance in respect of other varieties of cloth on handlooms as also that on powerlooms, however, remained unchanged as in the last year.

Wage Advances as cover for Borrowings

From March 1985, the primary weavers' societies were allowed to reckon the entire wage advances paid by them to weavers as cover for their borrowings, provided such amount did not exceed 50 per cent of the value of knots of yarn issued to the members in respect of ordinary cotton varieties and 25 per cent of the value of yarn in respect of special varieties of cloth viz., silk sarees, polyester, special varieties of cotton, etc. The overdue advances, if any, were also to be excluded from the advance wages shown as cover for borrowings.

Establishment/Renovation of Handloom Emporia

In pursuance of one of the recommendations made by the Task Force on Handlooms, NABARD decided to extend refinance facility for term loans advanced for setting up of new emporia and renovation of existing ones by Apex Weavers' Societies. Accordingly, it has approved during the year a proposal submitted by the Tamil Nadu Handloom Weavers' Society (Co-optex) regarding setting up of 5 new emporia and renovation of 30 existing ones involving refinance assistance of Rs.60.75 lakhs.

Other Industrial Co-operatives

The policy of NABARD governing sanction of short-term credit limits to SCBs on behalf of CCBs and District Industrial Co-operative Banks for financing the production and marketing activities of industrial co-operative societies (other than weavers') engaged in any of the 22 broad groups of cottage and small scale industries remained the same as before. NABARD also sanctioned short-term credit limits to SCBs on behalf of CCBs for financing the PACS, FSS and LAMPS for working capital requirements i.e., production and marketing activities of weavers and other rural artisan

members of such societies engaged in any of the activities covered under the approved 22 broad groups of cottage and small scale industries. The policy governing sanction of such credit limits also remained the same as before. The credit limits sanctioned by NABARD for financing industrial societies other than weavers' aggregated Rs.8 crores in 1984-85 (April-March) as against Rs.9 crores during 1983-84 (April-March).

Refinance Facilities for Sericulture Development

NABARD extended term loan refinance facilities with effect from December 21, 1984 for reeling and twisting activities, irrespective of whether these activities were carried on by sericulturists along with the rearing activity or independently, so that the entire range of sericulture activities from mulberry plantation and reeling to the production of raw silk was covered. The extent of refinance to commercial banks, SCBs, and RRBs was fixed at 80 per cent of the bank loans and 90 per cent in the case of SLDBs if the loans were given to small farmers and 85 per cent in respect of other farmers. Repayment period was fixed at 3 years in respect of loans for *charkhas* and 7 years for cottage basins and twisting units.

With a view to enabling silk reelers' co-operative societies in Karnataka and Tamil Nadu to avail of refinance assistance, NABARD extended refinance facility to these societies with effect from December 21, 1984 for meeting their working capital requirements without insistence on their functioning as purely production-cum-sale units. The terms and conditions for availing refinance were the same as in the case of other industrial co-operative societies. Further, NABARD extended refinance facilities to twisters' co-operative societies in the above two states with effect from December 1984 for their working capital requirements without insisting that the twisting activities were done on their own account, subject to certain specific conditions/ safeguards.

Refinance for Development of Coir Industry

With effect from August 18, 1984, NABARD extended refinance facilities to the SCBs on behalf of the CCBs by way of term loans for financing primary coir co-operative societies for installation of defibering units. Similar facilities were extended to all scheduled commercial banks (other than RRBs) in respect of their loans to individual entrepreneurs having arrangements with the banks for provision of working capital. The involvement of the beneficiaries had to be at least to the extent of 20 per cent of the cost of investment or the cost of land, whichever was more. NABARD's refinance was limited to 90 per cent of the loans given by the banks. The rate of interest charged to SCBs was 6.5 per cent and the primary coir cooperative societies were to get the loan at 9 per cent per annum. In the case of commercial banks, refinance was provided by NABARD at the rate of 8 per cent per annum with a stipulation that their lending rate to the individual entrepreneurs should not exceed 12.5 per cent. The loan was repayable within a period of 10 years.

Refinance Facility for Bio-gas Programme

Refinance facility to banks in respect of their financing for bio-gas programme was made automatic by NABARD with effect from July 1, 1984. Further with effect from October 9, 1984, NABARD advised the banks to charge a uniform lending rate of 10 per cent per annum to the ultimate beneficiaries on the refinanced advances available to them at 6.5 per cent per annum, irrespective of whether they were small farmers or other farmers.

NABARD has made refinance facility available to banks for financing repairs of defunct/ defective plants to the extent of Rs.500 per plant (which will be in addition to the central subsidy of Rs.500 sanctioned for the purpose) given to the owners of non-operating plants for rectification of the defective bio-gas plants.

with effect from January 18, 1985. As a further step to maximise the use of available potential in the rural areas, NABARD decided to permit RRBs to provide finance for bio-gas plants upto 3 cubic metres capacity to the beneficiaries in the target group.

Other Developments

Credit Authorisation Scheme

As already mentioned in the last year's Report, the work relating to Credit Authorisation Scheme (CAS) in respect of large advances for working and block capital requirements of the constituents of SCBs/CCBs continued to be handled by NABARD on behalf of the Reserve Bank of India. With a view to exercising control over the sanction of credit limits by SCBs/CCBs in respect of sensitive commodities subject to selective credit control, the Reserve Bank advised NABARD to obtain prior approval for credit facilities/advances involving amounts exceeding Rs.5 crores.

During 1984-85 (July-June), credit authorisation granted for block capital finance amounted to Rs.38 crores as compared with Rs.48 crores in the preceding year. During the same period, authorisation for working capital finance was granted for a total amount of Rs.1083 crores as compared with Rs.1,243 crores in 1983-84. During the year following instructions were issued under CAS:

(i) The SCBs were permitted to sanction, without prior authorisation from NABARD, working capital limits against pledge of stocks of sugar to co-operative sugar factories for the 1984-85 sugar season to the extent of 80 per cent of the maximum amount availed of by them during the previous (1983-84) season (excluding temporary excess drawings). NABARD's prior authorisation was, however, made obligatory in case any of the sugar factories required additional pledge limits beyond the limits indicated above. No separate clean/hypothecation limit would generally be sanctioned to sugar factories without prior authorisation from NABARD. The CCBs were, however, required to obtain, as hitherto, prior authorisation from NABARD for sanctioning working capital limits to co-operative sugar factories in excess of the limit of Rs.150 lakhs.

(ii) The SCBs were advised to submit annually, on an on-going basis, data on month-wise position of sources and uses of funds, actuals for the previous year and estimates for the current/next year to assess sectoral deployment of funds envisaged by these banks.

Pilot Project — Credit Delivery System

NABARD has launched a Pilot Project for strengthening the credit delivery system in order to achieve qualitative improvement in lending and improve supervision over the utilisation of rural credit. This Pilot Project is designed to upgrade and strengthen the credit delivery system of all the lending institutions operating in three districts viz., Aurangabad (Maharashtra), Hoshangabad (Madhya Pradesh) and Sabarkantha (Gujarat). Emphasis is laid on providing adequate staff to the credit institutions at the ground level in order to keep the number of borrowers to be supervised by each field functionary at a manageable level, imparting intensive training to the field staff and their borrowers and introducing structured working activities for the field staff and those who guide and supervise them. For improving the mobility of the field staff, motorcycles, etc. are to be provided. Besides aiming at timely and efficient supply of credit, the end-use of credit is also monitored so as to ensure optimum impact on output and income. NABARD has agreed to bear the cost of incremental staff for a period of five years in the case of co-operative banks and RRBs.

Promotion of Dry Land Farming

NABARD has issued broad guidelines to all banks for formulation of dry land development projects covering a cluster of villages or small compact areas for the purpose of a) soil and moisture conservation including land development; b) small agricultural implements; c) farm forestry programmes on lands not suitable for growing agricultural crops; and d) allied activities such as animal husbandry and non-farm investments. The banks have also been advised to ensure availability of quality seeds, implements, fertilizers etc. to the beneficiaries.

Crop Insurance

The Pilot Crop Insurance Scheme

The Pilot Crop Insurance Scheme undertaken by the General Insurance Corporation (GIC) in collaboration with the State Governments since 1979-80 and initially adopted by three States was gradually extended to cover twelve States till it was replaced by the regular and comprehensive crop insurance scheme introduced by the Government of India effective from 1985 *kharif* season. As mentioned in the last year's Report, changes were introduced in the Pilot Crop Insurance Scheme from time to time to make the scheme effective and attractive to the farmers and increase its coverage. The most important among them was the raising of ceiling on sum insured from 100 per cent to 150 per cent of the crop loan not exceeding Rs.10,000 in irrigated areas and Rs.5,000 in unirrigated areas. The benefit of crop insurance was made available to 60,349 farmers covering 87,347 hectares during 1983-84 as compared with 50,855 farmers covering 70,729 hectares in 1982-83. The subsidy towards the premium payable by small and marginal farmers was also raised from 50 per cent to 66.66 per cent from *kharif* 1984 season, which was shared equally by the Central and State Governments. Further, it was decided to include high risk areas under the scheme.

The progress of the Pilot Crop Insurance Scheme since 1979 is shown below:

Progress of Pilot Crop Insurance Scheme

Year (April-March)	No. of states	Area covered (in hectares)	No. of farmers	Premium collected (Rs. lakhs)	Claims paid (Rs. lakhs)
1	2	3	4	5	6
1979-80	3	13,181	16,268	5.53	5.29
1980-81	3	18,703	23,442	6.93	3.27
1981-82	8	24,152	24,625	7.55	9.64
1982-83	9	70,729	50,855	15.65	37.32
1983-84	12	87,347	60,349	21.15	4.69 (kharif only)

Source: Annual Report of Ministry of Agriculture and Rural Development (Dept. of Agriculture and Co-operation), 1984-85.

Comprehensive Crop Insurance Scheme

The Government of India has introduced, as mentioned earlier, a comprehensive and regular crop insurance scheme with effect from *kharif* 1985 season which has replaced the earlier pilot crop insurance scheme. The scheme would operate through the General Insurance Corporation of India. The active involvement of the State Governments/Union Territories concerned is also envisaged. The scheme is intended to provide a measure of financial support to farmers affected by crop failure due to natural calamities like drought and floods, restore their credit worthiness for the next crop season after a crop failure as well as support and stimulate production of cereals, pulses and oilseeds. Initially the scheme would cover rice, wheat and millets besides oilseeds and pulses. Farmers raising these crops with loan assistance from co-operatives, commercial banks and RRBs would be covered under the scheme and the insurance charges will be built-in as part of crop loan for such crops in the areas identified for the purpose. The scheme would operate in defined areas for each crop as may

be notified by the Union Ministry of Agriculture. A defined area may be a District, Tehsil/Taluk, Block or other contiguous areas. The sum insured shall be 150 per cent of the loans for the eligible crops disbursed to the beneficiary during the season. The premium for the insurance coverage has been fixed at 2 per cent of the sum insured for rice, wheat and millets and 1 per cent of the sum insured for oilseeds and pulses. At the time of disbursement of the loan, the insurance charge is to be deducted for payment to the GIC.

Each State will set up a State Crop Insurance Fund. Initial capital of Rs.1 to 2 crores will be contributed equally by the State Government concerned and the GOI. The size of the Fund would be worked out in consultation with the State Government, Ministry of Finance and the Ministry of Agriculture and Rural Development, Government of India.

A separate fund known as the 'Central Crop Insurance Fund' will be set up by the GIC. Its main function would be to receive crop insurance premia from the financial institutions and issue insurance policies, settle claims promptly, collect and analyse statistical data received from the States and impress upon the State Governments to put in the necessary marketing and publicity efforts and link crop insurance with agricultural extension programmes. It would also fund the excess of crop insurance charges over indemnity claims in good crop years so as to enable GIC to draw from the fund to meet additional indemnity claims in bad crop years.

Provision has been made for subsidising the small and marginal farmers to the extent of 50 per cent of the insurance premium. This subsidy will be shared equally by the GOI and the respective State Governments. The State Governments would pay the subsidy to financial institutions in advance on the estimated loaning. The GOI would remit its share to the State Crop Insurance Funds in advance on the same basis. In the event of crop failure, the insured farmers would be eligible for indemnity as per the prescribed formula.

The budget for the year 1985-86 has provided Rs.4 crores for crop insurance. During the same period, the scheme is expected to cover about 10 lakh hectares.

Licensing of Co-operative Banks

During 1984-85 (July–June), licences to carry on banking business under Section 22(2) of the Banking Regulation Act, 1949 (as applicable to co-operative societies) were issued by the Reserve Bank to 35 PCBs. The total number of licensed co-operative banks as at end-June 1985 rose to 471 (comprising 8 SCBs, 35 CCBs and 428 PCBs) from 436 in the preceding year. During 1984-85 (July-June) licences were issued to 5 SCBs and 200 PCBs for opening new offices (under Section 23 of the Banking Regulation Act, 1949) against 6 SCBs and 150 PCBs during 1983-84 (Table VII-40).

Inspection of Co-operative Banks

As mentioned in the last year's Report, the responsibility for inspection of SCBs, CCBs and RRBs is of NABARD. The inspections of SLDBs and other Federations/Corporations are undertaken on a voluntary basis. During 1984-85, inspections of 197 CCBs, 21 SCBS, 10 SLDBs, 78 RRBs and 9 other institutions were conducted by NABARD.

Research and Development (R & D) Fund

During the year 1984-85 (July-June), assistance was provided by NABARD from its R&D Fund to 11 more RRBs for establishing/strengthening their Technical, Monitoring and Evaluation (TME) cells, bringing the total number of RRBs assisted from the Fund to 14 as on June 30, 1985. The total number of SLDBs/SCBs assisted from the R&D Fund remained the same at 11 and 2 respectively as on

June 30, 1985. During the year, a sum of Rs. 22.1 lakhs was disbursed from the Fund to various agencies for undertaking research projects/ studies, organising seminars/conferences/symposia, etc. on subjects of relevance to NABARD and setting up/strengthening the TME cells in SLDBs and RRBs. The total number of research proposals approved for assistance from the Fund stood at 34 by June 1985 including 8 proposals approved by the erstwhile Agricultural Refinance and Development Corporation (ARDC). Eight research proposals/ studies involving financial assistance of Rs.161.25 lakhs to various research institutions, universities and individuals were also approved by NABARD during 1984-85.

Farmers' Service Societies (FSS)

The scheme of setting up Farmers' Service Societies (FSS) for catering to credit and non-credit requirements of farmers at a single point has been in operation since 1973-74. As on June 30, 1984, there were 2,522 such societies. Of these as many as 1,962 societies (or 78 per cent) were in three States, *viz.*, Uttar Pradesh (1,049), Assam (699) and Karnataka (214).

At the end of June 1984, the FSS membership was 56.16 lakhs of which the Scheduled Castes and Scheduled Tribes constituted 21 per cent. The paid-up capital of FSS stood at Rs.49.94 crores; of this Rs.10.75 crores was contributed by State Governments. The FSS had issued loans of Rs.154.57 crores to 14.08 lakh borrowers during 1983-84. Their overdues at Rs.100.08 crores formed 45 per cent of their outstanding loans of Rs.223.57 crores at the end of June 1984.

Table VII-40: Licences issued to co-operative banks during 1982-83, 1983-84 and 1984-85 (July-June)

	1982-83				1983-84				1984-85			
	SCBs	CCBs	PCBs	Total	SCBs	CCBs	PCBs	Total	SCBs	CCBs	PCBs	Total
	1	2	3	4	5	6	7	8	9	10	11	12
Licences issued to carry on banking business	—	1	35	36	—	2	52	54	—	N.A.	35	35
No. of licensed banks at the end of the year	8	33	341	382	8	35	393	436	8	35	428	471
Licences issued for opening new offices	5 (5)	—	78	83	6 (19)	—	156	162	5 (7)	—	200	205

Note: Figures in brackets indicate the number of branches for which licences were issued.

N.A. = Not Available.
— = Nil.

Large-sized Adivasi Multi-purpose Societies (LAMPS)

The Large-sized Adivasi Multi-purpose Societies (LAMPS) operate mainly in backward regions, *viz.*, hilly and tribal areas. As on June 30, 1984, the number of LAMPS stood at 2,700 (excluding Kerala for which data were not av-

ailable) with Madhya Pradesh (1,044), Bihar (474), Maharashtra (275) and Orissa (222) together accounting for over 74 per cent of the total. The societies had a total membership of 37.76 lakhs of which 22.77 lakhs were from Scheduled Tribes and 4.18 lakhs from Scheduled Castes. The paid-up share-capital of LAMPS stood at Rs. 41.70 crores, the Government contribution being Rs.16.31 crores. Overdues of LAMPS at Rs.61.91 crores formed about 45 per cent of their outstandings.

Commercial Banks and Rural Credit

Besides co-operative credit institutions which play a dominant role in the sphere of rural credit, commercial banks have also been providing finance for agriculture and developmental activities in the rural sector-both directly and indirectly- on an increasing scale, particularly since the early seventies. The need to channelise the flow of institutional credit to certain neglected sectors of the economy — known as the priority sectors — was felt by the Reserve Bank and Government of India in the larger interest of the country, particularly after nationalisation of banks in 1969. Accordingly, the public sector banks were advised by the Government of India in November 1974 that their priority sector lending should reach a level of not less than one-third of their outstanding credit by March 1979. The Reserve Bank set up, in March 1980, a Working Group on Priority Sector Lending and 20-Point Economic Programme to go into the question of banks' lending to priority sectors and implementation of 20-Point Programme. On acceptance of the recommendations of the Working Group, the Reserve Bank advised the scheduled commercial banks on October 29, 1980 that their priority sector advances should constitute 40 per cent of the aggregate bank advances by March 1985. It also prescribed the following sub-targets.

(i) Direct finance for agriculture should reach a level of 15 per cent of total bank credit by March 1985 and should be increased to 16 per cent by March 1987.

(ii) Advances to weaker sections should account for 25 per cent of the priority sector advances or 10 per cent of the total advances by March 1985.

With a view to streamlining the flow of institutional credit to priority sectors, the Reserve Bank issued a comprehensive set of guidelines to commercial banks on March 16, 1984. These guidelines which were applicable to all categories of priority sector lendings covered, among other things, application forms and loan procedure, margin money, security norms, rates of interest and other charges to be levied, mode of disbursement of loans and repayment schedule.

The provisional data in respect of priority sector advances as on March 31, 1985 are given below:

(Rupees crores)

1) Outstanding advances to the priority sectors	17,971.14
Percentage to total credit	41.3
ii) Outstanding direct advances to agriculture	6,161.72
Percentage to total credit	14.2
iii) Outstanding advances to weaker sections	4,072.19
Percentage to priority sector advances	22.7
Percentage to total credit	9.4

As on March 31, 1985, outstanding advances of public sector banks to the priority sectors constituted 41.3 per cent of the total credit outstanding, thus surpassing the target of 40 per cent prescribed by the Reserve Bank. Direct advances to agriculture (outstanding) accounted for 14.2 per cent of the total credit outstanding — somewhat less than the prescribed target of 15 per cent. Likewise, outstanding advances to weaker sections which were targeted to reach the level of 25 per cent of priority sector advances or 10 per cent of total credit by March 1985, stood lower at 22.7 per cent of priority sector advances or 9.4 per cent of total outstanding credit.

Disbursal of Credit for Agriculture and Allied Activities

During 1981-82 (April-March), the latest year for which data are available, direct finance provided by scheduled commercial banks (excluding RRBs) for agriculture and allied activities at Rs.1,496 crores was higher by Rs.233 crores or 18.4 per cent than that of Rs.1,263 crores in 1980-81. A major portion of the credit (Rs.954 crores or 63.8 per cent) was disbursed by the nationalised banks. The State Bank of India Group and foreign and other scheduled commercial banks accounted for Rs.472 crores (31.6 per cent) and Rs.70 crores (4.6 per cent), respectively (Table VII-41).

Table VII-41 Disbursal of credit for agriculture and allied activities by commercial banks during 1980-81 and 1981-82 (April-March)

(Rupees crores)

Category of banks	1980-81	1981-82
Nationalised Banks	763	954
	(60.4)	(63.8)
State Bank of India Group	431	472
	(34.1)	(31.6)
Foreign and other Scheduled Commercial Banks	69	70
	(5.5)	(4.6)
Total	**1263**	**1496**
	(100.0)	**(100.0)**

Note: Figures in brackets indicate the share of each category of banks to the total loans disbursed.
Source: Data collected by RBI under special return I.

Purpose-wise Disbursements

Out of Rs.1,496 crores disbursed by scheduled commercial banks (excluding RRBs) during 1981-82, Rs.623 crores (41.7 per cent) were disbursed as short-term loans. Disbursal of term loans and loans for allied activities aggregated Rs.505 crores (33.7 per cent) and Rs.368 crores (24.6 per cent), respectively. Of the Rs.505 crores purveyed as term loans, a sizeable portion (55 per cent) was disbursed for the purchase of tractors, agricultural implements and machinery, followed by pumpsets/oil engines (12.3 per cent). Among allied agricultural activities, dairying accounted for a significant portion of the credit (34.8 per cent), followed by poultry farming, piggery and beekeeping (10.3 per cent) and fisheries (5.9 per cent) (Table VII-42).

Region-wise Disbursements

Region-wise, Southern region continued to receive the major share (46.3 per cent) of total direct credit disbursed for agricultural and allied activities during 1981-82, registering an increase of 6.2 per cent over that in the previous year (40.1 per cent). The share of Western region also increased from 12.6 per cent in 1980-81 to 13.8 per cent in 1981-82. The shares of Northern region, Central region and Eastern region, however, came down from 21.8 per cent, 15.3 per cent and 10.0 per cent, respectively in 1980-81 to 19.4 per cent, 13.6 per cent and 6.6 per cent, respectively in 1981-82. The share of North-Eastern region at 0.3 per cent showed a nominal rise of 0.1 percentage point over the year. (Table VII-42).

Financial Assistance to Persons affected by Natural Calamities and Riots/Disturbances

The guidelines for providing relief and rehabilitation assistance to the people affected by natural calamities such as floods, droughts, cyclones, etc. were revised by the Reserve Bank in August 1984 in consultation with the Government of India. The commercial banks were advised to take various measures including conversion of crop loans into term loans, rescheduling of the repayment period of term loan instalments, grant of fresh/supplementary loans, etc. Further, the relief and rehabilitation assistance under these guidelines was also extended to the victims of riots/disturbances. The banks were accordingly advised to provide

Table VII-42: Purpose-wise/region-wise distribution of credit by scheduled commercial banks — 1980-81 and 1981-82 (April-March) (Rupees lakhs)

Items	1980-81							1981-82						
	Northern Region	North-Eastern Region	Eastern Region	Central Region	Western Region	Southern Region	Total	Northern Region	North-Eastern Region	Eastern Region	Central Region	Western Region	Southern Region	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
I. Short-term Loans(Crop Loans)	**5765**	**101**	**5446**	**4376**	**5430**	**30582**	**51702**	**7203**	**172**	**3138**	**3931**	**7790**	40072	62306
	(11.1)	(0.2)	(10.5)	(8.5)	(10.5)	(59.1)	(100.0)	(11.6)	(0.3)	(5.0)	(6.3)	(12.5)	(64.3)	(100.0)
	(20.9)	(37.3)	(43.3)	(22.7)	(34.2)	(60.3)	(40.9)	(24.7)	(38.3)	(31.9)	(19.3)	(37.7)	(57.9)	(41.7)
II. Term Loans (A+B)	**21779**	**170**	**7125**	**14929**	**10456**	**20118**	**74576**	**21876**	**277**	**6690**	**16400**	**12853**	29154	87250
	(29.2)	(0.2)	(9.6)	(20.0)	(14.0)	(27.0)	(100.0)	(25.1)	(0.3)	(7.7)	(18.8)	(14.7)	(33.4)	(100.0)
	(79.1)	(62.7)	(56.7)	(77.3)	(65.8)	(39.7)	(59.1)	(75.3)	(61.7)	(68.1)	(80.7)	(62.3)	(42.1)	(58.3)
A) Loans for Agriculture	18421	96	4834	12533	6463	7395	49742	16550	159	4072	13099	8517	8082	50479
1. Sinking and Deepening of Wells and Tube Wells	454	3	601	1131	588	391	3168	424	4	390	822	925	525	6218
2. Pumpsets/Oil Engines	1012	2	945	2058	585	904	5505	1390	6	1046	2071	811	894	3090
3. Composite Minor Irrigation Schemes	302	2	311	837	331	424	2206	294	4	206	822	687	367	2380
4. Tractors, Agricultural Implements and Machinery	14190	19	841	6868	3695	1329	26941	12679	45	985	7596	4470	2011	27785
5. Plough Animals (Bullocks)	729	9	548	471	223	509	2489	561	28	339	656	437	892	2913
6. Reclamation and Land Development Schemes	215	7	186	52	365	379	1203	194	9	57	62	152	523	997
7. Construction of Godowns and Cold Storage	115	7	98	50	53	111	434	85	—	119	93	50	54	402
8. Plantations	16	31	382	8	87	1926	2451	31	36	329	17	76	1472	1962
9. Others	1388	16	922	1059	538	1422	5344	892	26	600	960	909	1344	4732
B) Loans for Allied Activities	3358	74	2291	2396	3993	12723	24834	5326	118	2618	3301	4336	21072	36771
1 Dairying	2196	24	719	1592	2236	3161	9928	3338	43	840	2054	2129	4387	12791
2. Poultry Farming, Piggery and Bee-keeping	550	22	521	290	351	1106	2839	726	24	408	392	528	1727	3804
3. Fisheries	41	19	322	23	868	929	2201	63	22	321	35	768	957	2166
4. Others	571	9	728	491	538	7527	9865	1199	29	1049	820	911	14001	18009
Grand Total (I+II)	**27544**	**271**	**12571**	**19305**	**15886**	**50700**	**126277**	**29079**	**494**	**9828**	**20331**	**20643**	69226	149556
	(21.8)	(0.2)	(10.0)	(15.3)	(12.6)	(40.1)	(100.0)	(19.4)	(0.3)	(6.6)	(13.6)	(13.8)	(46.3)	(100.0)
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

Notes: 1. Due to rounding off figures, the constituent items may not add up to the totals shown.

2. Figures in first bracket indicate the share of each region to the total loans disbursed under two main categories i.e., short-term loans and term loans.

3. Figures in the second bracket indicate the shares of each category of loans disbursed to the grand total.

financial assistance to the victims of riots in Hyderabad and Ahmedabad. The disturbances which took place in Delhi and other parts of the country in October/November 1984 following the assassination of the then Prime Minister, Smt. Indira Gandhi being of exceptional character and magnitude, the Reserve Bank issued special instructions to banks in November 1984 which included, among other things, reduction in the rate of interest and relaxation in margin and security requirements.

National Agricultural Inputs Fortnight

As mentioned in the last year's Report the Government of India had organised the National Agricultural Inputs Fortnight throughout the country-both for the *kharif* and *rabi* seasons in 1983. The objective of this campaign was to intensify efforts towards increasing agricultural production by ensuring the availability of seven essential inputs viz., technology, fertilizers, implements, need-based seeds, pesticides, irrigation and institutional credit to the farmers. Encouraged by the favourable results of the campaign, the Government of India organised the Agricultural Inputs Fortnight during the *kharif* and *rabi* seasons of 1984 too. As in the previous year, the banks were advised to participate actively in both the campaigns and ensure timely and adequate credit to the farmers. The *kharif* 1984 campaign laid special emphasis on increasing productivity of rice in Uttar Pradesh, Madhya Pradesh and the Eastern States, and cultivation in dryland areas. The banks were also advised to increase their involvement in the provision of loans to farmers for increasing agricultural production in States such as Uttar Pradesh where the co-operative credit structure was comparatively weak.

Central /State Governments and Co-operative Credit

In addition to the general monitoring, guidance and credit support provided by NABARD for the development of co-operative movement on sound and healthy lines throughout the country, the Government of India also initiated several central sector and centrally sponsored schemes aimed at giving financial assistance to co-operatives for specified/identified purposes, especially in the co-operatively underdeveloped States. The progress under these schemes during 1984-85 is reviewed below:

Risk Fund for Consumption Credit

A scheme for provision of assistance towards Risk Fund for Consumption Credit covering all the States and Union Territories has been in operation as a non-plan scheme since 1977-78. The scheme is intended to enable commercial banks, co-operative banks and RRBs to provide consumption credit to weaker sections in rural areas, viz., cultivators with land holdings upto 0.5 acre whether as owners or tenants, landless labourers, rural artisans and other people of very small means like carpenters, barbers, washermen, etc. who form an integral part of the village community. Under the scheme, the State Government contributes the entire amount of Risk Fund assistance (i.e., 10 per cent of the total consumption loans disbursed) and later claims 50 per cent of the assistance as reimbursement from the Government of India.

During 1984-85 (April-March), the Union Government released a sum of Rs. 7.06 lakhs under the scheme to 5 States, viz., Andhra Pradesh, Madhya Pradesh, Punjab, Tamil Nadu and Uttar Pradesh. The sum released during the preceding year was Rs. 11.2 lakhs. A budgetary provision of Rs. 20 lakhs has been made for the year 1985-86.

Agricultural Credit Stabilisation Fund

The Agricultural Credit Stabilisation Fund is maintained by SCBs and CCBs for the

purpose of converting the short-term loans of the farmer members of the co-operatives into medium-term loans on the occurrence of natural calamities when crop losses affect their repaying capacity adversely. Short-term loans given to farmers are eligible for conversion into medium-term loans whenever crop loss is declared to be more than 50 per cent in regions affected by natural calamities. This facility not only relieves the farmers of their debt burden but also enables them to get fresh loans. NABARD contributes 60 per cent of the amount required for this purpose from its NRC (Stabilisation) Fund. The concerned State Governments are expected to meet 15 per cent of the amount and the remaining 25 per cent is to be met by the concerned State/Central Co-operative Banks. Under the Centrally Sponsored Scheme of assistance to the Agricultural Credit Stabilisation Fund in operation since 1966-67, deficit in the Fund is being met by the Government of India-15 per cent by way of grants and 25 per cent by way of loans. The entire budgeted amount for the year 1984-85 (Rs.6 crores) was released to various State Governments. The amount released to the various State Governments under the scheme since its inception till end-March 1985 aggregated Rs. 126 crores.

Assistance to Cadre Fund of Reorganised Base Level Credit Institutions

This Central Sector Scheme of assistance for the appointment of paid and trained Secretaries/Managers in primary level credit institutions was introduced in 1979-80 in order to expedite the reorganisation programme. Assistance under the scheme is available only to those States which have formed a cadre of Secretaries/Managers of primary societies, viz., PACS, FSS and LAMPS either at the level of the Central Co-operative Banks or at the level of State Co-operative Bank. The primary societies, the CCBs and the SCBs together are to contribute to the Cadre Fund at the rate of not less than ½ per cent of the loans disbursed by the CCBs. The deficit in the Cadre Fund for meeting the salaries of these personnel is shared equally by the State and Central Governments subject to certain conditions. During the year 1984-85, a sum of Rs. 29 lakhs was released to the Government of West Bengal. A sum of Rs. 6.6 crores has been released to various States upto end-March 1985. The scheme has been discontinued during the year 1985.

Assistance to Co-operative Credit Institutions in Co-operatively Underdeveloped States

This Central Sector Scheme which is in operation from the beginning of the Fifth Five Year Plan, provides financial assistance to District Co-oerative Banks located in co-operatively underdeveloped States viz., Assam, Bihar, Meghalaya, Manipur, Nagaland, Orissa, Rajasthan, Tripura and West Bengal to meet the deficit in the non-overdue cover for enabling them to obtain credit limits from NABARD for their lending programme. The scheme originally intended for the co-operatively underdeveloped States was subsequently extended to cover tribal areas. DPAP areas and areas where there was concentration of scheduled castes to the extent of 20 per cent or more of the population. The assistance sanctioned under the scheme to various State Governments during the year 1984-85 at Rs. 16.6 crores was significantly higher than the budgetary provision of Rs. 6.6 crores. The financial outlay budgeted for 1985-86 is Rs. 5 crores. During the year it was also decided to give assistance to the CCBs in other six States viz., Assam, Bihar, Madhya Pradesh, Orissa, Uttar Pradesh and West Bengal to enable them to provide adequate credit support to rice growing farmers in blocks selected for special rice production project.

Other Institutions in the Field and Rural Credit

National Co-operative Development Corporation

The National Co-operative Development Corporation (NCDC) which was set up in

March 1963, promotes various economic programmes in the co-operative sector and provides financial assistance in the form of loan and subsidy to the co-operatives under the schematic pattern of assistance evolved for different schemes. During the year 1984-85, the activities of the NCDC in planning and promotion of programmes through co-operative societies for the production, processing, marketing, storage, export and import of agricultural produce, foodstuffs and certain other commodities recorded further progress. Further, it continued to implement the erstwhile programmes *viz.*, poultry, fisheries, minor forest produce, handlooms, coir, sericulture, dairy farming and strengthening of public distribution system in rural areas in the co-operative sector - basically intended to benefit the weaker sections of the society. A notable development during the year was the launching of NCDC-III project with World Bank assistance in the areas of storage, oilseeds, cotton processing and manpower development at a total cost of Rs.420 crores.

The total financial assistance provided by the NCDC during the year 1984-85 was Rs.129.1 crores - showing a marginal increase of 1.6 per cent over the previous year's assistance of Rs.127 crores (Table VII-43). Out of Rs.129.1 crores an amount of Rs.70.3 crores was disbursed under the central sector scheme as against Rs.81.2 crores in the previous year. Disbursements under the Corporation sponsored schemes were Rs.58.8 crores as against Rs.46 crores in 1983-84.

State-wise, two thirds of the assistance provided by the Corporation during 1984-85 was shared by seven States, *viz.*, Andhra Pradesh (5.1 per cent), Bihar (6.7 per cent), Madhya Pradesh (10.4 per cent), Maharashtra (11.1 per cent), Punjab (7.8 per cent), Tamil Nadu (6.4 per cent) and Uttar Pradesh (17.8 per

TABLE VII-43: NCDC's financial assistance during 1982-83 to 1984-85 (April-March)

(Rupees crores)

Schemes/purposes	Amount disbursed		
	1982-83	1983-84	1984-85
1	2	3	4
I. Central schemes	**48**	**81**	**70**
a. Co-operative storage programme with international aid	21	29	34
b. Co-operative marketing, processing and storage programmes in under-developed States	8	9	8
c. Margin money assistance to village societies for distribution of consumer articles in rural areas	4	4	5
d. Finance for co-operative sugar factories, co-operative spinning mills, NAFED, etc.	15	39	23
II. Corporation sponsored schemes	**48**	**46**	**59**
a. Storage	16	18	23
b. Agro-processing	14	10	17
c. Weaker sections	7	7	8
d. Agricultural marketing	5	3	3
e. Rural consumer activity	4	5	4
f. Agro-services and promotional & developmental programmes	2	3	4
III. Total (I+II)	**96**	**127**	**129**

cent). Total assistance provided by NCDC to the various State Governments and other agencies since its inception aggregated Rs.844.2 crores of which Rs.557.4 crores were outstanding as at the end of March 1985.

As on March 31, 1985, NCDC has sanctioned an amount of Rs.71.9 crores for 2641 projects for distributing consumer goods in rural areas covering 43,296 village societies in 21 States and 3 Union Territories.

Central Warehousing Corporation

The total number of warehouses managed by the Central Warehousing Corporation (CWC) during the year 1984-85 (April-March) increased to 408 from 381 in 1983-84. The total warehousing capacity increased to 48.7 lakh tonnes from 45.8 lakh tonnes. During the year, the owned, hired and plinth capacity of the Corporation increased to 31.8 lakh tonnes, 16.2 lakh tonnes and 0.7 lakh tonnes, respectively from 29.8 lakh tonnes, 15.5 lakh tonnes and 0.5 lakh tonnes, respectively, during 1983-84. (Table VII-44).

State Warehousing Corporations

During the year 1983-84 (April-March), the number of warehouses managed by the 16 State Warehousing Corporations (SWCs) increased by 12 from 1510 to 1522 and the total warehousing capacity increasd by 3.3 lakh tonnes from 56.4 lakh tonnes in 1982-83 to 59.7 lakh tonnes in 1983-84. During the year 1984-85, the number of warehouses increased by 87 from 1522 to 1609 and total warehousing capacity increased by 7.9 lakh tonnes from 59.7 lakh tonnes to 67.6 lakh tonnes. (Table VII-45).

Rural Electrification Corporation

The Rural Electrification Corporation (REC), set up in 1969 to bring about rapid electrification in the rural and backward areas and also to exploit fully the irrigation potential

Table VII-44: Central Warehousing Corporation — Position as at the end of 1982-83, 1983-84 and 1984-85

Capacity (in lakh tonnes)

Year (April-March)	Number of warehouses	Owned	Hired	Plinth	Total
1	2	3	4	5	6
1982-83	362	27.4	16.5	0.9	44.8
1983-84	381	29.8	15.5	0.5	45.8
1984-85	408	31.8	16.2	0.7	48.7

Table VII-45: State Warehousing Corporations — Position as at the end of 1982-83, 1983-84 and 1984-85

Capacity (in lakh tonnes)

Year (April-March)	Number of warehouses	Owned	Hired	Plinth	Total
1	2	3	4	5	6
1982-83	1510	32.5	23.9	—	56.4
1983-84	1522	36.0	23.7	—	59.7
1984-85	1609	39.5	28.1	—	67.6

through energisation of pumpsets in collaboration with the State Electricity Boards, continued to pursue its objectives during the year 1984-85. The main thrust of the Corporation's activities during the year was on achieving the objectives of the New-20 Point Programme of the Government, viz., 100 per cent electrification of villages and optimal exploitation of the minor irrigation potential with special accent on the areas inhabited by the weaker sections of the society. The policies and programmes of the Corporation were reoriented during the year to bring about speedier electrification and economic development of the rural areas through the instrument of electricity.

The year under review witnessed a sustained increase in the overall level of physical and financial achievements and operations. During 1984-85 (July-June), the Corporation sanctioned financial assistance to the extent of Rs. 483 crores which was nearly the same as that Rs. 484 crores during 1983-84 (July-June). Disbursements during the year amounted to Rs. 327 crores as compared with Rs. 303 crores last year (Table VII-46).

During the year, the Corporation sanctioned 1,710 new schemes covering 31,489 villages;in 1983-84, the Corporation had sanctioned 1,618 schemes covering 32,768 villages. The cumulative financial assistance sanctioned and disbursed by the REC upto end-June 1985 aggregated Rs. 2,999 crores and Rs. 2,025 crores, respectively. State-wise details are presented in Table VII.47.

During the year 1984-85 (July-June), the Corporation sanctioned 140 schemes for *Harijan Bastis* involving financial assistance of Rs.8 crores as compared with 128 schemes involving financial assistance of Rs. 10 crores in the preceding year. The amount disbursed during the year at Rs. 5 crores was the same as that in the last year. As at the end of June 1985, the REC had approved 773 schemes in the *Harijan Bastis* covering 40,836 villages. Cumulative financial assistance sanctioned and disbursed by the REC till June 1985 for these schemes amounted to Rs. 43 crores and Rs. 30 crores, respectively.

Table VII-46 Schemes sanctioned and loans disbursed by REC (July-June)

(Rupees crores)

Items	1982-83	1983-84	1984-85	Cumulative position as at end-June 1985
1	2	3	4	5
1. No. of schemes sanctioned	983	1,618	1,710	9,815
	(142)	(128)	(140)	(773)
2. No. of villages electrified	24,322	32,768	31,489	3,39,319
	(5,946)	(6,081)	(5,395)	(41,093)
3. Total cost of schemes	477	698	712	4126
4. Amount sanctioned	324	484	483	2999
	(10)	(10)	(8)	(43)
5. Amount disbursed	249	303*	327@	2025
	(5)	(5)	(5)	(30)

Note: Figures in brackets are in respect of Harijan Basti schemes included in the respective totals.
* Inclusive of inventory loans amounting to Rs. 46.3 crores adjusted during 1983-84.
@ Includes inventory loans aggregating Rs. 30.4 crores adjusted during 1984-85.

Table VII-47: State-wise data on schemes sanctioned and loans disbursed by REC (cumulative position) as at the end of June 1984 and 1985

(Rupees crores)

State	No. of schemes sanctioned		Villages covered		Loan amount sanctioned*		Amount disbursed*	
	1983-84	1984-85	1983-84	1984-85	1983-84	1984-85	1983-84	1984-85
1	2	3	4	5	6	7	8	9
1. Andhra Pradesh	760	913	17420	19330	191.7	233.6	129.6	152.7
2. Assam	170	228	12211	15092	114.1	154.9	73.5	96.8
3. Bihar	784	844	43117	45186	238.2	248.5	149.7	163.2
4. Gujarat	370	408	9555	12500	103.2	110.4	73.6	85.9
5. Haryana	264	289	5917	5917	62.7	68.3	45.2	51.4
6. Himachal Pradesh	145	175	12935	12862	73.8	89.0	45.7	51.2
7. Jammu & Kashmir	136	147	5431	5783	46.2	49.2	36.8	39.6
8. Karnataka	393	483	10366	10619	90.0	108.6	65.8	80.9
9. Kerala	149	194	223	327	36.3	44.9	23.3	28.2
10. Madhya Pradesh	1080	1361	49309	55423	338.4	420.1	230.9	264.1
11. Maharashtra	687	885	17106	17320	174.6	217.4	127.8	150.2
12. Manipur	18	21	690	783	9.7	12.0	4.1	6.1
13. Meghalaya	49	56	1643	1978	22.5	26.2	18.5	21.4
14. Nagaland	21	28	469	574	13.6	18.0	9.6	12.6
15. Orissa	433	532	29447	32106	153.6	177.3	104.3	116.6
16. Punjab	395	458	4385	4385	120.1	137.8	93.1	108.4
17. Rajasthan	670	823	20816	24128	185.5	207.1	127.2	153.2
18. Sikkim	12	19	125	184	6.2	10.9	3.0	5.9
19. Tamil Nadu	453	528	1279	1253	93.5	107.1	71.3	81.9
20. Tripura	52	63	1924	2402	16.9	23.9	11.5	14.1
21. Uttar Pradesh	717	964	43252	50268	285.9	380.0	172.0	211.6
22. West Bengal	347	396	20309	20899	140.0	154.2	111.9	129.4
Total	**8105**	**9815**	**307929**	**339319**	**2516.7**	**2999.3**	**1728.4**	**2025.2**

*Due to rounding off of figures, the constituent items may not add up to the totals shown.

Agricultural Finance Corporation

The Agricultural Finance Corporation (AFC) set up in April 1968 mainly to help the commerical banks in participating actively and extensively in agricultural development projects has now emerged as a consultancy organisation for diversified agricultural activities. The main thrust of the Corporation's activities during the year 1984-85 continued to be on project formulation in a wide range of discipline viz., Command Area Development, Watershed Management, Drip Irrigation, Modern Abattoir, Block Level Planning, Fisheries, Monitoring & Evaluation, besides conducting Research Studies. During the year 1984-85 (July-June), the Corporation undertook 52 project preparation/appraisal assignments including 4 international assignments (54 in the previous year) which comprised Command Area Development Project, Block Level Plans in various States/districts and plans for development of agriculture and allied activities. Some of these projects were formulated in the backward areas with a view to creating absorptive capacity for credit, improving levels of productivity and generating employment which would result in incremental income and improve the economic condition of the weaker sections. The AFC's monitoring

and evaluation activities included monitoring of Scheduled Caste Development Corporations set up in various States, evaluation study on lendings by CBs/RRBs in Karnataka State, evaluation study on the working of IRDP in 2 districts of UP, evaluation of Integrated Tribal Development Project (Orissa) and of intervention studies in Tawa CAD project. During the year, the Corporation undertook number of research studies, important among them being the two NABARD sponsored studies viz., the study on viability of Regional Rural Banks and the study of four selected Command Area Development Projects, Techno-Economic Feasibility Report for setting up a Corporation for Horticulture and Plantation crops and Techno-Economic Feasibility Report for setting up Modern Abattoir in Srinagar (Jammu & Kashmir) and Dharampur (Tamil Nadu).

In order to facilitate the flow of institutional finance for development, the Corporation identified a number of areas where it could be of assistance to NABARD, State Governments, Government of India and commercial banks in formulating projects and feasibility and evaluation studies. In the context of the increasing importance now being attached to dryland farming, the Corporation took the initiative to organise teams for preparation of Model Integrated Micro Watershed Development Project for 10-12 selected Micro Watersheds. During the year, the Corporation handled four international projects/assignments viz; Kegalla Rural Development Project (Sri Lanka), preparation of a manual for setting up Women's organisation for increasing income earning opportunities, preparation of Perlis Agricultural Development Project (Malaysia), and deputation of an expert to FAO/IC Project Formulation Mission to Commonwealth of Dominica. The consultancy fee earned by the Corporation in respect of international assignments during 1984-85 (July-June) amounted to U.S. $ 45,363 as against US $1.2 lakh in the previous year.

Study Teams /Committees

Committee on Term Lending through Co-operatives (COTELCOOP)

The Committee on Term Lending through Co-operatives (COTELCOOP) met on six occasions since its formation. The last meeting was held on April 4, 1985. The Committee continued to review the progress in the implementation of the rehabilitation programme of LDBs. Besides, it was also entrusted with evaluation studies relating to rehabilitation of weak CCBs. A sub-committee of COTELCOOP set up in June 1983 to study the problems of the rehabilitation of primary units in LDB structure and to prepare broad guidelines which the various State Governments could follow for drawing up individual rehabilitation plan, submitted its Report for the consideration of the Committee at its meeting held on October 29, 1984. The recommendation of the sub-committee as approved by the COTELCOOP were communicated to all SLDBs and State Governments; the major recommendations included revised criteria for identification of weak units and setting up of cells at SLDBs level for drawing up rehabilitation plan for other functions to be performed by it including preparation of list of weak banks.

Study Group on Norms for Involvement of Resources by State and Central Co-operative Banks in Agricultural Lending

The Study Group constituted by NABARD in June 1983 to recommend norms for involvement of resources by SCBs/CCBs in agricultural lending submitted its Report in June 1984. The important recommendations of the committee, included *inter alia* fixation of minimum involvement of internal lendable resources (ILR) of SCBs and CCBs in short-term agricultural lending (25 per cent for SCBs and

40 per cent for CCBs) and modifications in the scheme of linking borrowings from NABARD with efforts at deposit mobilisation by CCBs. The recommendations of the Study Group have been accepted by NABARD and will be implemented from the co-operative year 1985-86.

Study Teams for Review of Overdues of Financial Institutions

Study Teams consisting of representatives of Ministry of Finance (Banking Division), Ministry of Agriculture and Rural Development, NABARD and Reserve Bank were formed at the instance of the Union Ministry of Finance to review the overdue position of all financial institutions including LDBs. The Teams were required to lay down targets for recovery after visiting nine States, viz., Assam, Bihar, Gujarat, Karnataka, Madhya Pradesh, Maharashtra, Orissa, Tamil Nadu and West Bengal. The Teams were also requested to ensure that the instructions and guidelines for rehabilitation of weak co-operative institutions, particularly LDBs were properly implemented. The studies in respect of all the States except Bihar and Gujarat have been completed and the main findings and recommendations to improve the overdue position have been communicated to the respective State Governments and SLDBs for necessary action.

Working Group to Examine the Scope and Functions of SLDBs

A high level Working Group has been constituted by NABARD on January 2, 1985 to study the problems of LDBs which are presently suffering from certain basic disabilities of structural, financial and legal nature that have tended to impede their growth and to suggest remedial measures for their orderly growth.

Annexure I

Interest Rate Structure effective from April 1, 1985

Category of advances	Rate of interest per cent per annum	
	Prior to April 1, 1985	Effective April 1, 1985
1	2	3
I. Public Procurement and Distribution Agencies		
1. FCI, State Governments/ agencies acting as agencies of FCI for procurement of foodgrains under full price support scheme, where the sales are at fixed prices through Government approved outlets	12.50	14.00
2. (i) Advances to Central and State Government agencies entrusted with procurement/ distribution of specified essential consumer commodities for sale at fixed prices through Government approved outlets, the commodities being pulses, edible oils, kerosene, salt and sugar.	15.00	15.00
(ii) Advances to Central and State Government agencies entrusted with the procurement of pulses and oil seeds at support prices fixed by the Central Government.		15.00
3. Advances to Central and State Government agencies:		
(i) Entrusted with the procurement and distribution of essential consumer commodities other than those specified in category 2 above.	16.50	16.50
(ii) Entrusted with the procurement of cash crops where there is an element of price support.	16.50	16.50
(iii) Entrusted with the procurement and distribution of fertilizers, pesticides and seeds.	16.50	16.50
4. Advances to Central and State Government agencies entrusted with the procurement and distribution of commodities for sale on a commercial basis.	Not exceeding 18.00	Not exceeding 17.50

Annexure I *(Contd.)*

1	2	3
II. Minimum Lending Rate *(for commodities coming within the purview of Selective Credit Control)*		
(i) Loans/advances/cash credit/ overdrafts against commodities subject to selective credit control	18.00	17.50
(ii) Sugar mills in respect of all stocks	16.50	16.50
III. Exports		
1. *Pre-shipment Credit*		
(a) Specified medium and heavy engineering goods and construction contracts.		
(i) upto 180 days	12.00	12.00
(ii) beyond 180 days and upto 270 days	14.50	14.00
(b) Other specified goods (e.g. carpets, leather manufactures, coir, cashew, tobacco, etc.) upto 180 days.	12.00	12.00
(c) other goods and consultancy services.		
(i) upto 90 days	12.00	12.00
(ii) beyond 90 days and upto 135 days	14.50	14.00
(d) Against cash incentives etc. covered by ECGC guarantee (upto 90 days)	12.00	12.00
2. *Post-shipment Credit*		
(i) Demand bills – for transit period (as specified by FEDAI)	12.00	12.00
(ii) Usance bills–upto 180 days comprising usance period of the export bills, transit period as specified by FEDAI and grace period wherever applicable.	12.00	12.00

Annexure I *(Contd.)*

1	2	3
(iii) Cash incentives, duty draw-back, etc. receivable, covered by Export Production Finance Guarantee of ECGC (upto 90 days)	12.00	12.00
(iv) Undrawn balance (upto 90 days)	12.00	12.00
(v) Against retention money (for supplies portion only) payable within one year from the date of shipment (upto 90 days)	12.00	12.00
3. *Deferred Credit*		
Deferred credit for period beyond one year	8.65	8.65
4. *Duty Draw-back Credit Scheme*, 1976		
Against duty draw-back as provisionally certified by the Customs Authorities (upto 90 days)	Free of interest	Free of interest
5. *Export Credit not Otherwise* Specified	Not exceeding 16.50	Not exceeding 16.50
IV. **Agriculture** (Direct finance)		
A) Short-term loans to farmers		
(a) Upto Rs. 5,000	11.50	11.50
(b) Over Rs. 5000 and upto Rs. 10,000	12.50	12.50
(c) Over Rs. 10,000 and upto Rs. 25,000	Not exceeding 14.00	Not exceeding 14.00
(d) Above Rs. 25,000	Not exceeding 16.50	Not exceeding 16.50
B) Agriculture (Indirect Finance)£		
(given through PACS/ FSS/LAMPS)		
(a) Upto Rs. 5,000	Not exceeding 9.00	Not exceeding 9.00
(b) Over Rs. 5,000 and upto Rs. 10,000	Not exceeding 10.00	Not exceeding 10.00
(c) Over Rs. 10,000 and upto Rs. 25,000	Not exceeding 11.50	Not exceeding 11.50
(d) Above Rs. 25,000	Not exceeding 14.00	Not exceeding 14.00

£ Applicable for loans from banks to societies. The rates to be charged by the societies to the ultimate borrower in the same order are; (a) not exceeding 11.50; (b) same rate as charged by co-operatives in the area but not exceeding 12.50; (c) same rate as charged by co-operatives in the area but not exceeding 14.00; (d) same rate as charged by co-operatives in the area but not exceeding 16.50.

Annexure I *(Contd.)*

1	2	3
C) Units engaged in both production and distribution of seeds	14.00	14.00
D) Advances for distribution of fertilizers :		
(a) Upto Rs. 5,000	11.50	11.50
(b) Over Rs. 5,000 and upto Rs. 25,000	Not exceeding 14.00	Not exceeding 14.00
(c) Over Rs. 25,000	Not exceeding 16.50	Not exceeding 16.50
V. Small-scale Industry		
1. Composite Loans upto Rs. 25,000		
(a) Backward areas	10.00	10.00
(b) Other areas	12.00	12.00
2. Short-term advances, limits of :		
(a) Upto and inclusive of Rs. 2 lakhs	Not exceeding 14.00	Not exceeding 14.00
(b) Over Rs. 2 lakhs and upto Rs. 25 lakhs	Not exceeding 16.50	Not exceeding 16.50
(c) Above Rs. 25 lakhs	Not exceeding 18.00	Not exceeding 17.50
3. Advances to State-level Corporations for assisting artisans, village and cottage industries (*for the purpose of purchase and supply of inputs to and/or the marketing of the outputs of the beneficiaries)*	12.50	12.50
4. Advances to State-sponsored SC/ST development corporations (*for the purpose of purchase and supply of inputs to and/or the marketing of the outputs of the beneficiaries)*	12.50	12.50
VI. Loans to IRDP beneficiaries		
a) In the farm sector	10.00	10.00
b) In the non-farm sector	10.00	10.00
VII. Other categories		
1. DRI advances	4.00	4.00
2. Retail trade advances		
(a) Limits upto and inclusive of Rs. 5,000	12.50	12.50
(b) Over Rs. 5,000 and upto Rs. 25,000	Not exceeding 15.00	Not exceeding 15.00
(c) Above Rs. 25,000	Not exceeding 18.00	Not exceeding 17.50

Annexure I *(Contd.)*

1	2	3
3. Educational advances		
(a) Indigent students for purpose of higher education in India	Not less than Bank Rate	Not less than Bank Rate
(b) Other educational advance	14.00 —16.50	14.00 —16.50
4. Priority sector not otherwise specified	Not exceeding 16.50	Not exceeding 16.50
5. All other advances	Not exceeding 18.00	Not exceeding 17.50
VIII. Term loans		
1. *Small-scale Industry*		
(a) Backward areas	12.50	12.50
(b) Other areas	13.50	13.50
2.A. *Agriculture* (Direct finance)		
(i) Minor irrigation and land development	10.00	10.00
(ii) Other purpose		
(a) Small farmers	10.00	10.00
(b) Other farmers	12.50	12.50
(iii) Advances by way of term-loans for purchase of equipment based on new and renewable sources of energy for agricultural purposes	10.00	10.00
B. *Agriculture* (Indirect finance) $ (given through PACS/ LAMPS/FSS)		
(i) Minor irrigation and land development	8.50	8.50
(ii) Diversified purposes (as defined by NABARD)		
(a) To small farmers	8.50	8.50
(b) To other farmers	11.00	11.00
3. *Housing*		
(i) SC/ST upto and inclusive of Rs. 5,000	4.00	4.00
(ii) Others upto and inclusive of Rs. 5,000	12.50	12.50
(iii) Over Rs. 5,000 and upto Rs. 50,000	13.50	13.50
(iv) Above Rs. 50,000	15.00	15.00
4. *Road Transport Operators*		
(i) Upto 2 vehicles	12.50	12.50
(ii) Three or more vehicles	15.00	15.00
5. *All other term loans*	15.00	15.00

Annexure I *(Concld.)*

1	2	3
IX. Advances to professionals and self-employed persons belonging to SC/ST*		
a) Advances other than term loans	14.00	14.00
b) Advances by way of term loans	13.50	13.50
X. Advances to professionals and self-employed women*		
a) Advances other than term loans	14.00	14.00
b) Advances by way of term loans	13.50	13.50
XI. Scheme for providing self-employment to educated unemployed youth		
a) Backward districts	10.00	10.00
b) Other districts	12.00	12.00
XII. Financial assistance to physically handicapped persons other than those covered under the DRI Schemes for purchase of artificial limbs and aids subject to maximum of Rs. 2,500 in each case.	Not exceeding 15.00	Not exceeding 15.00

$ Applicable for loans from banks to societies. The rates to be charged by societies to the ultimate borrower are the same as in the case of Agriculture (Direct Finance) – term loans.

* In the event of the advances to persons coming in this category also falling within any other category of advances specified in categories I to VII, then, whichever rate of interest is lower, shall be the applicable rate of interest.

ANNEXURE II

SELECTIVE CREDIT CONTROL
SUMMARY OF THE PROVISIONS OF DIRECTIVES TO SCHEDULED COMMERCIAL BANKS ON ADVANCES AGAINST SELECTED COMMODITIES

(Position as on April 8, 1985)

A. FOODGRAINS

Rate of interest : 17.50% per annum for all loans/advances/cash credits/overdrafts

No. and Date of Directive	Minimum Margin	Level of Credit	Exemption from Minimum Margin, Level of Credit and Rate of Interest
(1)	(2)	(3)	(4)
(i) DBOD. No. Dir. BC. 85/C. 218-74 dated September 11, 1974 (ii) D. O. No. CPC. 250/C. 279-79 dated August 7, 1979 (iii) DBOD. No. Dir. BC. 50/C. 96-81 dated May 2, 1981 (iv) DBOD. No. Dir. BC. 59/C. 96-81 dated May 19, 1981 (v) DBOD. No. Dir. BC. 60/C. 96-81 dated May 19, 1981 (vi) DBOD. No. Dir BC. 100/C. 218-81 dated August 10, 1981	**A. Foodgrains** (other than pulses) (1) 45% on advances against stocks of paddy/rice, wheat and other foodgrains to processing units/mills. (2) 45% on advances against warehouse receipts. (3) 60% on all other advances. **B. 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) 45% on advances against warehouse receipts covering stocks of pulses. **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	In respect of each party, 100% of the peak level of credit maintained by the party in any of the 3 years (November-October) 1980-81, 1981-82 and 1982-83 separately in respect of advances against (i) paddy & rice (ii) wheat and (iii) 'other foodgrains' (i.e. foodgrains other than paddy, rice and wheat but including coarse grains and pulses). **Exemptions** (i) 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 foodrains from only one bank. (ii) Advances to manufacturing units and other borrowers, wholly or partly against security of foodgrains which	**A. States** Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa and Tripura. **B. Public Procurement, Storage and Distribution Agencies.** (i) Advances to the Food Corporation of India and State Government. (ii) Advances to Co-operative Marketing Federations, Central or State Warehousing Corporations and such other agencies duly appointed as agents for the purpose of food procurement/distribution by the Food Corporation of India/Central or State Governments to the extent of the stock held by them as such agents. (iii) Advances to rice millers against pledge/hypothecation of paddy and rice held to the extent they act as

No. and Date of Directive	Minimum Margin	Level of Credit	Exemption from Minimum Margin, Level of Credit and Rate of Interest
(1)	(2)	(3)	(4)
(vii) DBOD. No. Dir. BC. 100/C. 218/82 dated October 26, 1982 (viii) DBOD. No. Dir. BC. 62/C. 218(a)-84 dated July 14, 1984 (ix) DBOD. No. Dir. BC. 63/C. 218-84 dated July 17, 1984 (x) DBOD No. Dir. BC. 32/C. 96-85 dated March 16, 1985 (xi) DBOD. No. Dir. BC. 47/C. 218-85 dated April 6, 1985	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. (iii) Advances to mills/dealers against pledge/hypothecation of paddy/rice held to the extent of the levy quota to be surrendered statutorily to the State Government.	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 against foodgrains from only one bank. (iii) Advances against foodgrains to foodgrains processing units. (iv) Advances to millers/dealers against pledge/hypothecation of paddy/ rice held to the extent of the levy quota to be surrendered statutorily to the State Governments.	Government agents, provided the stocks are purchased at support price fixed by Government of India. (iv) 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. **C. Others** (i) 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. (ii) Advances granted to processing/manufacturing units covered under the Rural Industries Project, upto Rs. 50,000 per unit. (iii) Advances against the security of, or by way of purchase of, demand documentary bills drawn in connection with the movement of foodgrains. (iv) 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

No. and Date of Directive	Minimum Margin	Level of Credit	Exemption from Minimum Margin, Level of Credit and Rate of Interest
(1)	(2)	(3)	(4)
			State Government, or of any certification agencies authorised under the Seeds Act, 1966 and seeds notified under Section 5 of the said Act. (v) Khadi and Village Industries Commission and its associate institutions. (vi) Advances granted to Wholesale Consumers' Co-operative Stores and State and National Federations of Consumers' Co-operatives. (vii) Advances to roller flour mills against wheat. (viii) Advances upto an aggregate limit of Rs. 25,000 per borrower from all provisions of Selective Credit Control subject to the condition that the borrower deals with one bank only. **D. Exports** Pre-shipment credit granted to exporters against the security of 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) 'Other foodgrains' means any or all of the following commodities, viz, jowar, bajra, maize, barley, ragi, gram and all other grains but does not include paddy, rice and wheat.

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

(iii) 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.

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

(v) States and categories of advances indicated in column 4 above though are exempted from rate of interest, minimum margin and level of credit prescribed will continue to be governed by other instructions issued prohibiting banks from discounting usance bills allowing book debts and clean credit facilities, etc. In case of advances mentioned at item C (vii) & (viii) in column 4 above, however, these instructions will not be applicable.

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

*The Annexure II incorporates the errata/additions advised to scheduled commercial banks vide circular DBOD No. Dir BC. 76/C 218-85 dated July 2, 1985

B. OILSEEDS (INDIGENOUS GROUNDNUT, RAPESEED/MUSTARDSEED, COTTONSEED, CASTORSEED AND LINSEED AND ALL IMPORTED OILSEEDS)

Rate of interest: 17.50% per annum for all loans/advances/cash credits/overdrafts

No. and Date of Directive	Minimum Margin	Level of Credit	Exemption from Minimum Margin, Level of Credit and Rate of Interest
(1)	(2)	(3)	(4)
(i) DBOD. No. Dir. BC. 85/C. 218-74 dated September 11, 1974 (ii) DBOD. No. Dir. BC. 63/C. 218(H)-76/77 dated May 31, 1977 (iii) D. O. No. CPC. 250/C. 279-79 dated August 7, 1979 (iv) DBOD. No. Dir. BC. 50/C. 96-81 dated May 2, 1981 (v) DBOD. No. Dir BC. 59/C. 96-81 dated May 19, 1981 (vi) DBOD. No. Dir. BC. 60/C. 218-81 dated May 19, 1981 (vii) DBOD. No. Dir. BC. 100/C. 218-81 dated August 10, 1981 (viii) DBOD. No. Dir. BC. 113/C. 218(H)-81 dated September 9, 1981 (ix) DBOD. No. Dir. BC. 100/C. 218-82 dated October 26, 1982	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/ mustardseed, castorseed and linseed. 2. 60% on advances against warehouse receipts covering stocks of groundnut, cottonseed, rapeseed/mustardseed, castorseed and linseed. 3. 60% on advances against stocks of rapeseed/mustardseed 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/mustardseed, equivalent to 2 months' consumption of each oil mill in Rajasthan, U.P., M.P., West Bengal and Bihar.	In respect of each party, separate ceiling for each of (i) Groundnut, (ii) Cottonseed (iii) Linseed and Castorseed together; 100% of the peak level of credit maintained by the party in any of the 3 years (November-October), viz. 1980-81, 1981-82 and 1982-83. **Exemptions** (i) Advances against imported oilseeds.	**A. States** Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa and Tripura. **B. Public Procurement, Storage and Distribution Agencies** (i) Advances to the Food Corporation of India and the State Trading Corporation against stocks of oil seeds. (ii) Wholesale and retail dealers appointed/licensed by the Government and/or operating under statutory rationing/fair price distribution system in all the States and Union Territories to the extent of the quantum meant for public distribution. **C. Exports** (i) 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.

No. and Date of Directive	Minimum Margin	Level of Credit	Exemption from Minimum Margin, Level of Credit and Rate of Interest
(1)	(2)	(3)	(4)
(x) DBOD. No. Dir. BC. 63/C. 218-84 dated July 17, 1984 (xi) DBOD. No. Dir. BC. 32/C. 96-85 dated March 16, 1985 (xii) DBOD. No. Dir. BC. 47/C. 218-85 dated April 6, 1985	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. **Exemptions** (i) Advances against imported oilseeds for a period not exceeding 8 weeks after arrivel of the goods in India.		(ii) Packing credit advances to exporters of HPS groundnut against the security of groundnut to the extent of the value of raw materials required (which should be reasonably assessed) for selecting HPS groundnut covered by the export order even though the value of raw materials exceed the value of the relative export order, provided that such advances to the extent of the value of the residual groundnut shall be adjusted, either by the sale proceeds of the residual groundnut or in cash, as soon as the selection of the HPS groundnut is completed, within 30 days from the date of such advances and the balance in the packing credit account shall be adjusted by the proceeds of the relative export bill. **D. Others** (i) Khadi & Village Industries Commission and its associate institutions. (ii) Advances upto an aggregate limit of Rs.25,000 per borrower from all the provisions of Selective Credit Control subject to the condition that the borrower deals with one bank only.

No. and Date of Directive	Minimum Margin	Level of Credit	Exemption from Minimum Margin, Level of Credit and Rate of Interest
(1)	(2)	(3)	(4)
			(iii) Advances granted by way of purchase of demand documentary bills drawn in connection with the movement of commodities covered by the directive.
			(iv) Advances to the Wholesale Consumers' Co-operative Stores and the State and National Federation of Consumers' Co-operatives.

Notes: (i) Banks should refrain from granting additional limits against oilseeds to parties other than Government and Government supported organisations; even in the case of such organisations, a strict scrutiny on drawals should be maintained.

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

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

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

(v) States and categories of advances indicated in column 4 above though are exempted from rate of interest, minimum margin and level of credit prescribed, will continue to be governed by other instructions issued prohibiting banks from discounting usance bills, allowing book debts and clean credit facilities etc. In case of advances mentioned at item D(ii) in column 4 above, however, these instructions will not be applicable.

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

C. VEGETABLE OILS (INDIGENOUS OILS, VIZ. GROUNDNUT OIL, COTTONSEED OIL, RAPESEED OIL/MUSTARD OIL, CASTOR OIL, LINSEED OIL AND VANASPATI AND ALL IMPORTED OILS)

Rate of interest : 17.50% per annum for all loans/advances/cash credits/overdrafts

No. and Date of Directive	Minimum Margin	Level of Credit	Exemption from Minimum Margin Level of Credit and Rate of Interest
(1)	(2)	(3)	(4)
(i) DBOD. No. Dir. BC. 85/C. 218-74 dated September 11, 1974 (ii) DBOD. No. Dir. BC. 42/C. 218(H)-78 dated March 16, 1978 (iii) DO. No. CPC. 250/C. 279-79 dated August 7, 1979 (iv) DBOD. No. Dir. BC. 50/C. 96-81 dated May 2, 1981 (v) DBOD. No. Dir. BC. 59/C. 96-81 dated May 19, 1981 (vi) DBOD. No. Dir. BC. 60/C. 218-81 dated May 19, 1981 (vii) DBOD. No. Dir. BC. 100/C. 218-81 dated August 10, 1981 (viii) DBOD. No. Dir. BC. 117/C. 218-81 dated September 17, 1981 (ix) DBOD. No. Dir. BC. 23/C. 218/82 dated March 1, 1982	**Indigenous and imported oils** i) 60% registered oil mills and vanaspati manufacturers ii). other than (i) above iii) 60% against warehouse receipts representing stocks of oils. **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 vanaspati manufacturers against cottonseed oil. iii) Advances against all imported vegetable oils for a period not exceeding 4 weeks after arrival of the goods in India. iv) Advances granted to vanaspati manufacturers against the security of imported oils used as raw materials by them in the manufacture of vanaspati.	In respect of each party, 100% of level of credit maintained by the party in any of the 3 years (November-October) viz., 1980-81, 1981-82 and 1982-83. **Exemptions** i) Advances to consumers' co-operatives in respect of stocks held under Centrally Sponsored Scheme for distribution of essential consumer articles. ii) Advances against all imported vegetable oils.	**A. States** Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa and Tripura. **B. Public Procurement, Storage and Distribution Agencies** i) Advances to the Food Corporation of India and the State Trading Corporation against the stocks of vegetable oils and vanaspati. ii) 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. **C. Exports** i) Packing credit advances to the exporters of deoiled and/or defatted cakes against the security of oilseeds and/or other raw material to the extent of the value of raw material required for producing cakes covered by the export order, even though the value of the raw material exceeds the value of the relative export order.

No. and Date of Directive	Minimum Margin	Level of Credit	Exemption from Minimum Margin, Level of Credit and Rate of Interest
(1)	(2)	(3)	(4)
(x) DBOD. No. Dir. BC. 100/C. 218-82 dated October 26, 1982			**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 30 days from the date of advance and the balance in the packing credit account shall be adjusted by the proceeds of the relative export bills and advances, if any, against the by-product oil granted in a separate account are exempted for a period of 30 days from the date of such advances.
(xi) IECD. No. EFD. BC 60/C. 297(P)-83 dated June 20, 1983			ii) Pre-shipment credit granted to exporters against the security of vegetable oil on the basis of firm export orders/irrevocable letters of credit and post-shipment credit given in the form of purchase, negotiation or discounting of export bills or advances thereagainst in respect of export of vegetable oil.
(xii) DBOD. No. Dir. BC. 63/C. 218-84 dated July 17, 1984			**D. Others**
(xiii) DBOD. No. Dir. BC. 32/C. 96-85 dated March 16, 1985			i) Advances by way of purchase of demand documentary bills drawn in connection with the movement of vegetable oils and vanaspati.
(xiv) DBOD. No. Dir. BC. 47/C 218-85 dated April 6, 1985			ii) Khadi & Village Industries Commission and its associate institutions.

No. and Date of Directive	Minimum Margin	Level of Credit	Exemption from Minimum Margin, Level of Credit and Rate of Interest
(1)	(2)	(3)	(4)
			iii) Advances upto an aggregate limit of Rs.25,000 per borrower from all provisions of Selective Credt Control subject to the condition that the borrower deals with one bank only. iv) Advances against stocks of oil processed from linseed oil and castor oil for use as industrial raw material by factories. v) Advances against receivables arising out of sale of vegetable oils (including vanaspati) delivered to Army Purchase Organisation and against stocks of vanaspati held by vanaspati manufacturers for being delivered to the Army Purchase Organisation in the Ministry of Food and Agriculture, Government of India, New Delhi and with the prior approval of the Reserve Bank of India, other agencies designated for the purpose by the Central and State Governments, in pursuance of contracts entered into or to be entered into with the said Organisation by the said manufacturers. vi) Advances to Wholesale Consumers' Co-operative Stores and State and National Federations of Consumers' Co-operatives.

No. and Date of Directive	Minimum Margin,	Level of Credit	Exemption from Minimum Margin, Level of Cred t and Rate of Interest
(1)	(2)	(3)	(4)
(i) DBOD No. Dir. BC. 73/C. 218(H)-77 dated June 15, 1977 (ii) DBOD. No. Dir. BC. 971-C. 218-79 dated June 29, 1979	Banks should not establish letters of credit on more than 45 days' D/A basis for import of edible oils as far as possible. In case banks establish letters of credit on more than 45 days' D/A basis, they should stipulate that, after 30 days from the date of arrival of the goods in the port, the importer will deposit with them an amount equivalent to the margin amount which he would have provided under the directives had he availed himself of advances against the commodity. Banks should refrain from granting additional limits against vegetable oils to parties other than Government and Government-supported organisations; even in the case of such organisations a strict scrutiny on drawals should be maintanied.		

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

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

(iii) States and categories of advances indicated in column 4 above, though are exempted from rate of interest, minimum margin and level of credit prescribed, will continue to be governed by other instructions issued, prohibiting banks from discounting usance bills, allowing book debts and clean credit facilities. In case of advances mentioned at item D(iii) in column 4 above,however, these instructions will not be applicable.

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

D. COTTON AND KAPAS

Rate of interest : 17.50% per annum for all loans/advances/cash credits/overdrafts

No. and Date of Directive	Minimum Margin	Level of Credit	Exemption from Minimum Margin, Level of Credit and Rate of Interest
(1)	(2)	(3)	(4)
(i) DBOD. No. Dir. BC. 85/C. 218/74 dated September 11, 1974 (ii) DO. No. CPC. 250/C-279 dated August 7, 1979 (iii) DBOD. No. Dir. BC. 50/C. 96-81 dated May 2, 1981 (iv) DBOD. No. Dir. BC. 59/C. 96-81 dated May 19, 1981 (v) DBOD. No. Dir. BC. 60/C. 218-81 dated May 19, 1981 (vi) DBOD. No. Dir. BC. 96/C. 218(F)-81 dated July 29, 1981 (vii) DBOD. No. Dir. BC. 100/C. 218-81 dated August 10, 1981 (viii) DBOD. No. Dir. BC. 100/C. 218-82 dated October 26, 1982	i) 25% for mills/processing units (i.e. all mills including those spinning yarn). ii) 60% for others other than (i) above. iii) 45% for advances against warehouse receipts. **Exemptions** i) Advances against cotton and kapas of industrial users such as manufacturers of surgical cotton (absorbent cotton wool), provided that such stock is held by the borrower for processing and not for resale. ii) Advances granted to mills against the security of imported cotton.	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., 1980-81, 1981-82 and 1982-83. **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 resale. ii) Advances against the security of stocks (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, 320F, Bengal Deshi, J-34, 205 and H-14, Bikaneri-Narma, R.S. 89, Jawahar Kapas, Sujay, SRT 1, Jyoti, Mahalaxami,NH-12, Bhagya (GS-23), CBS-156 and Giza-7.	**A. States** Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa and Tripura. **B. Exports** i) Advances in respect of pre-shipment credit for cotton exports provided the advances are made in respect of firm export order and repaid on negotiation of the relevant export bills on shipment. ii) Advances to cotton mills in respect of pre-shipment credit against such stock 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 ex-

No. and Date of Directive	Minimum Margin	Level of Credit	Exemption from Minimum Margin, Level of Credit and Rate of Interest
(1)	(2)	(3)	(4)
(ix) DBOD. No. Dir. BC. 63/C. 218-84 dated July 17, 1984			porters are registered with Cotton Textiles Export Promotion Council and other requirements of the pre-shipment finance are complied with.
(x) DBOD. No. Dir. BC. 32/C. 96-85 dated March 16, 1985			iii) Advances against the security of, or by way of purchase or discount of export bills relating to to export of cotton from India.
(xi) DBOD. No. Dir. BC. 47/C. 218-85 dated April 6, 1985			**C. Others**
			i) Advances granted by way of purchase of demand documentary bills drawn in connection with the movement of cotton and kapas.
			ii) Khadi and Village Industries Commission and its associate institutions.
			iii) Advances upto an aggregate limit of Rs. 25,000 per borrower from all the provisions of Selective Credit Control subject to the condition that the borrower deals with one bank only.

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

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

(iii) States and categories of advances indicated in column 4 above, though are exempted from rate of interest, minimum margin and level of credit prescribed, will continue to be governed by other instructions issued prohibiting banks from discounting usance bills, allowing book debts and clean credit facilities. In case of advances mentioned at item C(iii) in column 4 above however, these instructions will not be applicable.

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

E. SUGAR, GUR AND KHANDSARI

Rate of interest : on loans/advances/cash credits/overdrafts :

A. Sugar : (i) 16.50% per annum to 17.50% per annum for sugar factories in respect of all stocks.
(ii) 17.50% per annum for parties other than sugar factories .

B. Gur and Khandsari : 17.50% per annum.

No. and Date of Directive	Minimum Margin	Exemption from Minimum Margin, and Rate of Interest
(1)	(2)	(3)
(i) DBOD. No. Dir. BC. 50/C. 96-81 dated May 2, 1981 (ii) DBOD. No. Dir. BC. 8/C. 218(J)-84 dated January 30, 1984 (iii) DBOD. No. Dir. BC. 63/C. 218-84 dated July 17, 1984 (iv) DBOD. No. Dir. BC. 32/C. 96-85 dated March 16, 1985 (v) DBOD. No. Dir. BC. 47/C. 218-85 dated April 6, 1985	**1) Advances against sugar** (a) To sugar factories i) Nil against buffer stock stipulated by the Government ii) 75% on advances to parties manufacturing sugar in respect of such stocks as have been released for sale by the Government and have left the factory or mill premises and on which excise duty has been paid. iii) 17.5% on advances to parties manufacturing sugar other than those referred to 1(a) (ii) above. (b) 75% to parties other sugar factories. **2) Advances against Gur and Khandsari** i) 45% on advances to manufacturing units. ii) 75% on advances to others. **3) Advances against warehouse receipts.** 60% on advances against warehouse receipts covering stocks of sugar, gur and Khandsari.	A. Public Procurement, Storage and Distribution Agencies i) Advances to Food Corporation of India. ii) Advances against sugar granted to wholesale and retail dealers appointed/licenced by Government and/or operating under statutory rationing/fair price distribution system in all the States and Union Territories to the extent of quantum of sugar allotted to them by the Government. **B. Exports** Advances granted in respect of stocks of sugar pledged/hypothecated with banks which are intended for export out of India. **C. Others** i) Advances by way of purchase of demand documentary bills drawn in connection with movement of commodities.

No. and Date of Directive	Minimum Margin	Exemption from Minimum Margin, Level of Credit and Rate of Interest
(1)	(2)	(3)
	Exemption Advances to Consumers' Co-operatives in respect of stocks held under schemes of public distribution organised by Government.	ii) Advances granted to industrial users such as confectioneries, bakeries, biscuit manufacturers, etc, against stocks of sugar, gur and khandsari pledged/hypothecated with banks. iii) Khadi and Village Industries Commission and its associate institutions. iv) Advances upto an aggregate limit of Rs.25,000 per borrower from all the provisions of Selective Credit Control subject to the condition that the borrower deals with one bank only. v) Advances to Wholesale Consumers' Co-operative Stores or State and National Federation of Consumers Co-operatives.

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

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

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

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

Chapter VIII

Fiscal Developments*

A review of the combined budgetary position of the Central and State Governments followed by a separate analysis of their operations is presented in this Chapter. The remaining sections deal with the finances of Railways, Department of Posts and Department of Telecommunications and public debt and other liabilities of the Government.

I. COMBINED BUDGETARY POSITION OF CENTRAL AND STATE GOVERNMENTS: 1984-85

The Central Budget for 1984-85 was presented to the Lok Sabha against the background of a significant economic recovery. The growth in national income in 1983-84 had been aided by a large spurt in agricultural output. The industrial sector had performed better than in 1982-83. In spite of the widening trade gap the balance of payments position had been strengthened by a rise in reserves. The Government voluntarily terminated the Extended Fund Facility arrangement with the IMF, with effect from May 1, 1984 after drawing only SDR 3.9 billion out of SDR 5 billion available under the loan agreement.

The fiscal policy for 1984-85 aimed at continuing the thrust of the earlier years by offering further stimulus to investment both in the public and private sectors and strengthening the forces of growth while keeping inflation under control. Despite the resource constraint, the 1984-85 budget provided for a substantial step-up in Plan outlay to accelerate the pace of development. The total Plan outlay of the Centre, States and Union Territories for 1984-85 was fixed at Rs. 30,132 crores as compared with the originally proposed outlay of Rs. 25,495 crores in 1983-84. The maximum support was to be given to programmes designed for benefiting the rural poor. The outlays for the 20-Point Programme (inclusive of those to be provided by States and Union Territories) were fixed at Rs. 11,858 crores forming nearly 40 per cent of the aggregate annual Plan outlay, same as in the previous year.

The year 1984-85 marked the end of the Sixth Plan. It is estimated that public sector Plan expenditure during the Sixth Plan period would have been Rs. 1,10,000 crores as against the originally envisaged outlay of Rs. 97,500 crores. In view of the price rise, however, outlays in real terms would have been lower than in the Plan.

There were several unanticipated developments on the Central budgetary front during the year. On the Plan side, higher budgetary provisions had to be provided for the Central and State Plans and also for public sector enterprises and larger assistance given to States affected by floods and cyclones. On the non-Plan side there was a substantial increase (i) in the expenditure on defence, (ii) in food and fertiliser subsidies and (iii) in payments of dearness allowance to Government employees. These factors resulted in a deficit higher than anticipated in the Central Budget of 1984-85.

Another disquieting feature in recent years has been that the resource constraint has become acute both at the Centre and the States. The basic problem is that the non-Plan expenditure has been increasing at a rate substantially faster than the growth of current revenues and

* Figures in this Chapter relate to the fiscal year (April-March).

Table VIII-1: Trends in Budgetary Deficits and Net RBI Credit to Governments

(Rupees crores)

Year	Budgetary Surplus(+) or Deficit(−) *(a)*			Net RBI Credit to Governments *(b)*		
	Centre	States	Total	Centre	States	Total
1.	2.	3.	4.	5.	6.	7.
1971-72	−519	−289	−808	583	287	870
1972-73	−869	−7	−876	1,211	−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	−1,162	−260	142	−118
1978-79	−1,506	1,010	−496	2,191	−419	1,772
1979-80	−2,433	−187	−2,620	2,650	339	2,989
1980-81	−2,577	−897@	−3,474	3,551	487	4,038
1981-82	−1,392	−1,020@	−2,412	3,207	789	3,996
1982-83	−1,656	−820	−2,476	3,368	−860*	2,508*
1983-84	−1,417	−551@@	−1,968	3,949	38	3,987
1984-85 (Revised Estimates)	−3,985	−1,960	−5,945	6,055	1,371	7,426

(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) Government's balances with the RBI so that an increase in cash balances will imply a decline in RBI Credit to Governments and *vice versa*. Data refer to full fiscal year (i.e.,from April 1 to March 31) and take into account adjustments made at the time of final closure of Government accounts.

@ Figures for Sikkim and Assam for 1980-81 and 1981-82 respectively, relate to Revised Estimates.

@@ Figures for Jammu and Kashmir relate to Revised Estimates.

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

Source: Central and State Budget Documents for budgetary data.

it was further aggravated in 1984-85. As a result, budgetary resources for the Plan have been severely eroded.

According to the revised estimates for 1984-85, the combined budgetary deficit of the Central and State Governments was significantly

higher at Rs. 5,945 crores as against Rs. 1,968 crores in 1983-84, recording more than a three-fold rise over the year[1] (Table VIII-1). The Centre's deficit at Rs. 3,985 crores was higher by Rs. 2,568 crores, and the States' at Rs. 1,960 crores by Rs. 1,409 crores; in comparison with the previous year. Net Reserve Bank credit to Government (Central and States) rose by Rs. 3,439 crores to Rs. 7,426 crores. The increase in net RBI credit to the Central Government was Rs. 2,106 crores, and the States Rs. 1,333 crores

The combined aggregate receipts of the Central and State Governments amounted to Rs. 66,919 crores in 1984-85 (+Rs. 8,898 crores, + 15.3 per cent)[2] (Table VIII-2). Revenue receipts rose by 17.5 per cent and capital receipts by 10.9 per cent. Out of the total increase, 76.8 per cent was due to revenue receipts. During 1984-85 the ratio of aggregate receipts (revenue plus capital) to Gross Domestic Product (GDP) at current market prices was 30.5 per cent as against 29.6 per cent in the previous year. Out of the total revenue receipts of Rs. 45,931 crores, tax revenue was Rs. 35,902 crores (+ Rs. 4,666 crores, + 14.9 per cent) and accounted for 16.4 per cent of the GDP (at current market prices) as compared to 16.0 per cent in the earlier year. The major portion of the increase, viz., Rs. 4,051 crores, was due to taxes on commodities and services, which rose by 15.8 per cent over the year, while the rise in the case of taxes on income and property was Rs. 615 crores (11.1 per cent).

In 1984-85, capital receipts were Rs. 20,988 crores (+Rs. 2,066 crores, + 10.9 per cent). The collections from Small Savings (net) amounted to Rs. 3,300 crores, (+ Rs. 891 crores, + 37.0 per cent). Market Borrowings (net) went up by Rs. 262 crores to Rs. 4,863 crores. The combined aggregate disbursements of the Centre and States at Rs. 72,864 crores were higher by Rs. 12,875 crores or 21.5 per cent over the levels in 1983-84. While developmental expenditure grew by 21.8 per cent or Rs. 8,348 crores, non-developmental expenditure moved up by 18.6 per cent or Rs. 3,708 crores.

For the fiscal 1985-86, the combined deficit, after taking into account the yield from additional resource mobilisation measures of the Central and State Governments, is anticipated to be lower at Rs. 3,683 crores as against Rs.5,945 crores in 1984-85.Aggregate receipts of the Central and State Governments are estimated to be Rs. 73,298 crores (+Rs. 6,379 crores, +9.5 per cent).[3] Total combined revenue receipts are budgeted at Rs. 50,729 crores in anticipation of an increase by Rs. 4,798 crores or 10.5 per cent. Capital receipts would be Rs. 22,569 crores (+Rs. 1,581 crores, +7.5 per cent). Within the

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1. Budgetary deficit or surplus is measured (A) in the case of Central Government by (i) net increase/decrease in outstanding treasury bills and (ii) withdrawals from/additions to cash balances and (B) in the case of States by the State Budget figures of (i) net increase/decrease in RBI credit in the form of ways and means advances (repayable in 90 days) and overdrafts (repayable within 7 working days), (ii) decline in/addition to cash balances, (iii) net sales/purchases of securities held by States in their Cash Balance Investment Account and (iv) encashment or investment in securities held in Revenue Reserve Fund. According to the books of the RBI, the combined deficit for 1984-85 amounted to Rs. 4,987 crores, the deficit of Rs. 3,742 crores being on the Centre's account and the deficit of Rs. 1,245 crores being on account of the States. Data on receipts and disbursements conforming to this figure are not available.
   All the figures for 1984-85 are based on revised estimates and those for 1983-84 are accounts, unless otherwise stated.

2. The variations of the revised estimates of 1984-85 over the accounts figures of 1983-84 are given in brackets. The absolute variation is given first followed by percentage change.

3. The variations of the budget estimates of 1985-86 over the revised estimates of 1984-85 are given in brackets.

Table VIII-2: Combined Receipts and Disbursements of Central and State Governments

(Rupees crores)

Items	1983-84 (Accounts)	1984-85 (Revised Estimates)		1985-86 (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	**59989**	**72864**	**+21.5**	**76981**	**+5.7**
Of which:					
1. Developmental (a + b + c)	**38352**	**46700**	**+21.8**	**47476**	**+1.7**
(a) Revenue	22870	27930	+22.1	29746	+6.5
(b) Capital	9043	11327	+25.3	11474	+1.3
(c) Loans	6439	7443	+15.6	6256	−16.0
2. Non-Developmental (a + b + c)	**19936**	**23644**	**+18.6**	**27960**	**+18.3**
(a) Revenue	18112	21977	+21.3	25920	+17.9
(b) Capital	1510	1308	−13.4	1654	+26.5
(c) Loans	314	359	+14.3	386	+7.5
II. Total Receipts (A + B)	**58021**	**66919**	**+15.3**	**73298**	**+9.5**
A. Revenue Receipts	**39099**	**45931**	**+17.5**	**50729**	**+10.5**
Of which:					
Tax Receipts (a + b)	31236	35902	+14.9	40178	+11.9
(a) Taxes on Commodities and Services	25706	29757	+15.8	33814	+13.6
(b) Taxes on Income and Property	5530	6145	+11.1	6364	+3.6
B. Capital Receipts	**18922**	**20988**	**+10.9**	**22569**	**+7.5**
Of which:					
(i) Market Borrowings (Gross)@@	5121	5878	+14.8	7032	+19.6
(ii) Market Borrowings (Net)	4601	4863	+5.7	5932	+22.0
(iii) Small Savings	2409	3300	+37.0	3900	+18.2
(iv) State Provident Funds (Net)	881	1017	+15.4	972	−4.4
III. Overall Surplus (+) or Deficit(−) (II-I)	**−1968**	**−5945**		**−3683**	
Financing of Surplus (+) or Deficit (−)					
(i) Increase(+) or Decrease(−) in cash balances of Centre and States	−3594	−2383		−462	
(ii) Increase(−) or Decrease(+) in Treasury Bills of Centre	+2075	−3500		−3348	
(iii) Withdrawals from (−) or additions to (+) Cash balance investment accounts of States (net)	−211	−14		−2	
(iv) Increase(−) or Decrease(+) in ways and means advances and overdrafts from the RBI to States (net)	−238	−48		+129	

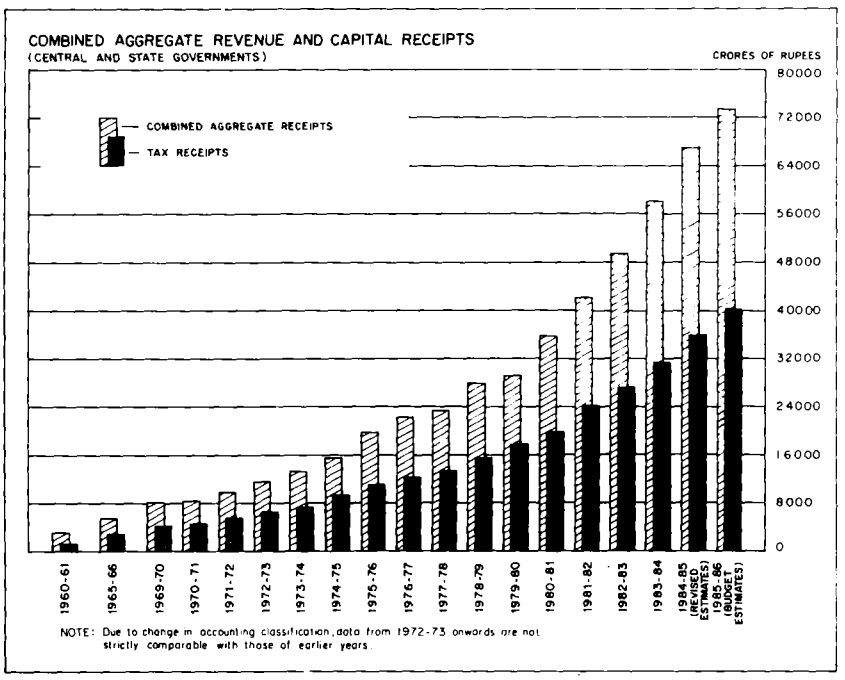
@ Including effects of budget proposals and excluding Post-Budget tax proposals in respect of Government of India Budget.

@@ Figures for Punjab are not available.

Notes:
1. Data do not cover Union Territories with legislatures. Data in respect of States relate to 22 States (Data in respect of 3 States, viz., Bihar, Manipur and Punjab are from vote-on-account budgets). Data for Jammu and Kashmir for 1983-84 relate to Revised Estimates.
2. Figures are adjusted for inter-Governmental transfers on the basis of the data available in Central Government Budget.
3. Figures of Developmental and Non-Developmental expenditure do not add up to total disbursements since the latter include besides Developmental and Non-Developmental expenditure, items like discharge of debt of Central and State Governments, compensation and assignments to local bodies and Panchayati raj institutions, appropriations to contingency funds, remittances (net) and adjusted for differences in the figures of repayment of loans by State Governments to the Central Government given in their respective budgets.

Source: Budgets of Central and State Governments.

revenue receipts,tax receipts are expected to be Rs. 40,178 crores which means a rise of 11.9 per cent over the likely tax receipts of Rs. 35,902 crores in 1984-85. During the year, the combined aggregate disbursements are estimated to be Rs. 76,981 crores (+Rs. 4,117 crores, +5.7 per cent). Developmental expenditure will amount to Rs. 47,476 crores rising by 1.7 per cent only. Non-developmental expenditure, on the other hand, will be to the extent of Rs. 27,960 crores (+Rs. 4,316 crores, + 18.3 per cent).



BUDGETARY OPERATIONS OF THE CENTRAL GOVERNMENT

Central Finances: 1984-85

The revised estimates for 1984-85 placed the aggregate receipts of the Central Government at Rs. 42,710 crores and aggregate disbursements at Rs. 46,695 crores leaving a budgetary deficit at a higher level of Rs. 3,985 crores compared with Rs. 1,773 crores budgeted for the year. The deficit in 1984-85 was higher by Rs. 2,168 crores over the amount of Rs. 1,817 crores in 1983-84.

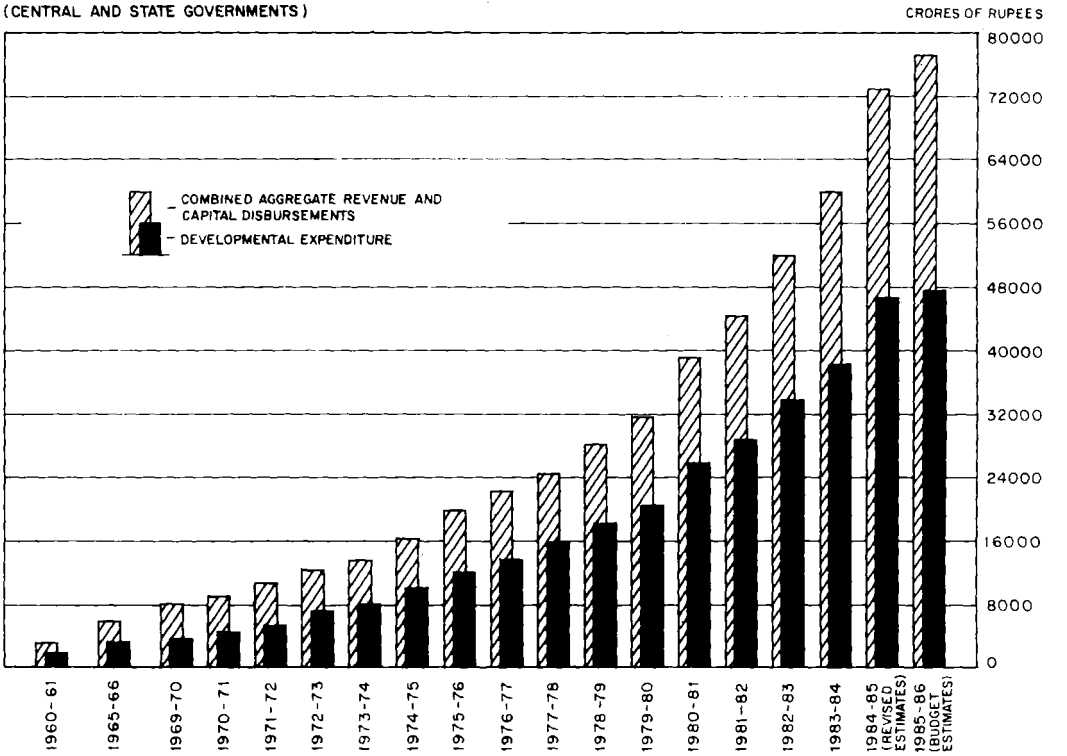
Aggregate disbursements during 1984-85 amounted to Rs. 46,695 crores (+Rs.8,524 crores, +22.3 per cent)[4]. While expenditure on revenue account at Rs. 28,301 crores moved up by Rs. 5,411 crores or 23.6 per cent, that on capital account rose by Rs. 3,113 crores or 20.4 per cent to Rs. 18,394 crores.

4. In this section all references to 1984-85 are based on the revised estimates unless stated otherwise. The figures within brackets relate to variations over the accounts figures for 1983-84. The absolute variation is given first followed by the percentage change.

The rise in revenue expenditure was contributed both by developmental expenditure (+ Rs. 2,724 crores) and non-developmental expenditure (+ Rs. 2,687 crores). A major part of the rise in non-developmental expenditure was due to the higher expenditure on defence (+ Rs. 740 crores), interest payments (+ Rs. 1,198 crores) and grants-in-aid to States and Union Territories for non-developmental purposes (+ Rs.150 crores). Under developmental revenue expenditure, the important items accounting for the rise were Economic Services (+ Rs. 1,540 crores), Grants-in-aid to States and Union Territories for developmental purposes (+ Rs. 812 crores) and Social and Community Services (+ Rs. 369 crores).

Under capital disbursements, developmental capital outlay was Rs. 6,587 crores (+ Rs. 1,684

COMBINED AGGREGATE REVENUE AND CAPITAL DISBURSEMENTS
(CENTRAL AND STATE GOVERNMENTS)



NOTES - Developmental expenditure consists of developmental outlays under Revenue and Capital Accounts and loans and advances for developmental purposes to the rest of the economy. The data for 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 Seventh Finance Commission.

crores, +34.3 per cent). Non-developmental capital outlay declined to Rs. 1,175 crores (−Rs. 198 crores, −14.4 per cent). Disbursements under Loans and Advances at Rs. 10,632 crores registered a rise of Rs. 2,027 crores over the preceding year. A major part of the rise under developmental capital outlay was accounted for by Economic Services (+Rs. 1,427 crores). Under non-developmental capital outlay, while there was a rise of Rs. 126 crores in respect of defence, outlay on Others comprising General Services like India Security Press, Currency, Coinage and Mint, etc., recorded a decline of Rs. 324 crores.

Aggregate receipts in 1984-85 amounted to Rs. 42,710 crores (+Rs. 6,356 crores, +17.5 per cent). Revenue receipts aggregated Rs. 24,932 crores (+Rs. 4,439 crores, + 21.7 per cent) and captial receipts Rs. 17,778 crores (+Rs. 1,917 crores, +12.1 per cent). Under revenue receipts, tax revenue was Rs. 17,925 crores (+Rs. 2,448 crores, +15.8 per cent). The increase in tax revenue was due to higher collection under customs (+Rs. 1,517 crores), union excise duties (+Rs. 478 crores) and corporation tax (+Rs. 331 crores). Non-tax revenue receipts at Rs. 7,007 crores also recorded a rise of Rs. 1,991 crores or 39.7 per cent.

The major contributory factors were: Interest Receipts (+Rs. 1,318 crores), Fiscal Services (+Rs. 389 crores), General Services (+Rs. 107 crores), Economic Services (+Rs. 108 crores) and Cash Grants from Foreign Countries and International Organisations (+Rs. 114 crores). However, the higher receipts were partly offset by a decline under the head 'Dividends and Profits' (−Rs. 69 crores).

Under capital receipts the following items recorded increase, which are given in brackets. Net collections from small savings (+Rs. 891 crores), external loan receipts (+Rs. 300 crores), internal market borrowings (+Rs. 62 crores), 'other receipts' which include deposits of U.S. Rupee Balances, Reserve Funds other than Railway Reserve Funds, special securities issued by I.M.F., I.B.R.D, A.D.B., I.D.A., National Rural Development Bonds, Capital Investment Bonds, etc. (+Rs. 805 crores) and Special Deposits of non-government provident funds (+Rs. 154 crores). These increases were partly offset by a decrease in receipts from Railway Reserve Fund (−Rs. 62 crores), deposits from L.I.C., G.I.C., etc. (−Rs. 251 crores) and special borrowings from RBI against compulsory deposits (−Rs. 10 crores).

Pattern of Expenditure for 1985-86—Budget Estimates

The year 1985-86 marks the beginning of the Seventh Five Year Plan. On the eve of the launching of the Plan, resource constraint became acute both at the Centre and in the States. This was mainly due to the fact that non-Plan expenditure had been rising at a substantially faster rate than current revenue resulting in a serious erosion of budgetary resources for the Plan—a trend referred to earlier. Thus, the main task during the current year of the Plan will be to consolidate the gains of the past and give a new thrust to the movement for increasing productivity while at the same time ensuring financial and monetary stability. The Budget of 1985-86 has, therefore, provided for a modest step-up in the Plan outlay. The Central Plan for 1985-86 has been fixed at Rs. 18,500 crores—a rise of 5.7 per cent over the level of Rs. 17,495 crores in 1984-85. The budgetary support to the Central Plan for 1985-86 is estimated at Rs. 11,747 crores, almost the same as in the previous year (Rs. 11,751 crores). The outlay of the States and the Union Territories is fixed at Rs. 13,608 crores (Rs. 12,622 crores in 1984-85). The total Plan outlay of Centre, States and Union Territories is projected at Rs. 32,108 crores representing an increase of 6.6 per cent over the revised approved Plan outlay for 1984-85 (Rs. 30,117 crores). The Central assistance for the Plans of the States and Union Territories will be Rs. 6,762 crores (Rs. 5,204 crores in 1984-85). The central budgetary support for the Annual Plan of Centre, States and Union Territories together will be of the order of Rs. 18,509 crores against Rs. 16,955 crores in 1984-85. In determining sectoral priorities, a

provision of Rs.955 crores has been made for the development of agriculture and fertiliser factories and Rs. 932 crores for special programmes of rural development like the Integrated Rural Development Programme, Rural Landless Employment Guarantee Programme and National Rural Employment Programme. The other programmes which have been accorded priority are the Family Welfare Programme and Education for which Rs. 500 crores and Rs. 221 crores respectively, have been provided for in the Central Plan. The Central Plan also includes Rs. 207 crores for various programmes benefiting the scheduled castes and scheduled tribes. Larger provisions have been made for energy, preservation of forests and tackling the environmental problems. The total Central allocations to the 20-Point Programme during 1985-86 is Rs. 4,900 crores representing an increase of 18.3 per cent (Rs. 4,141 crores in 1984-85).

Aggregate disbursements of the Central Government in 1985-86 at Rs. 51,296 crores are anticipated to rise by Rs. 4,601 crores or 9.9 per cent from Rs. 46,695 crores last year.[5] Aggregate receipts will increase from Rs. 42,710 crores in 1984-85 to Rs. 47,947 crores in 1985-86 (+Rs. 5,237 crores, +12.3 per cent). As a result, the budgetary deficit at Rs. 3,349 crores will be lower by Rs. 636 crores than the amount of Rs. 3,985 crores recorded in the previous year.

The revenue expenditure is expected to go up by Rs. 4,417 crores or 15.6 per cent from Rs. 28,301 crores in 1984-85 to Rs. 32,718 crores in 1985-86. A major portion of the rise is accounted for by non-developmental expenditure, which is anticipated to rise from Rs. 16,132 crores to Rs. 19,480 crores (+Rs. 3,348 crores, +20.8 per cent), while developmental expenditure will move up from Rs. 12,169 crores to Rs. 13,237 crores (+Rs. 1,068 crores, +8.8 per cent). The major items under non-developmental expenditure contributing to the rise are: Interest Payments (+Rs. 1,094 crores), Administrative Services (+Rs. 363 crores), Defence Expenditure (+Rs. 347 crores), Grants-in-aid to State Governments and Union Territories (+ Rs. 588 crores) and Currency, Coinage and Mint and other General Services (+ Rs. 763 crores). Within developmental expenditure, large increases occur under Social and Community Services (+ Rs. 601 crores) and Grants-in-aid to States and Union Territories (+ Rs. 680 crores). Developmental expenditure in the case of Economic Services will be Rs. 5,701 crores. It is lower by Rs. 216 crores mainly due to smaller provision for Industries and Minerals (–Rs. 389 crores).

In 1985-86 capital disbursements are estimated to be Rs. 18,578 crores against Rs. 18,394 crores in 1984-85 (+Rs. 184 crores, +1.0 per cent). Developmental capital outlay at Rs. 6,560 crores will decline by Rs. 27 crores or 0.4 per cent. However, non-developmental capital outlay at Rs. 1,475 crores will rise by Rs. 300 crores. The decline in developmental capital outlay is on account of the lower provisions for Economic Services (–Rs. 41 crores) and General Services (–Rs. 4 crores) which are partly offset by increased provisions for Social and Community Services (+Rs. 18 crores). Under non-developmental capital outlay, the provision for defence at Rs. 932 crores is higher by Rs. 164 crores while that for Others, comprising outlay on General Services like India Security Press, Currency, Coinage and Mint, etc., at Rs. 543 crores is higher by Rs. 136 crores. Loans and Advances are expected to be Rs. 10,542 crores in 1985-86 which will be lower by Rs. 90 crores over the level last year.

Revenue receipts will be Rs. 27,084 crores against Rs. 24,932 crores in 1984-85

5. As a result of the first Supplementary Demand for Grants presented to the Lok-Sabha in July 1985, the net additional expenditure (after taking into account related receipts and recoveries) amounts to Rs. 2,876.3 crores in 1985-86.

(+Rs. 2,152 crores, +8.6 per cent). Tax receipts at Rs. 19,233 crores will be higher by Rs. 1,308 crores or 7.3 per cent and non-tax receipts at Rs. 7,851 crores by Rs. 844 crores or 12.1 per cent. Among tax receipts, net receipts from indirect taxes (net of States' share) will be Rs. 15,567 crores (+Rs. 1,367 crores, +9.6 per cent). The revenue from direct taxes budgeted at Rs. 3,666 crores registers a decline of Rs. 59 crores. During the year, revenue receipts are estimated to constitute 56.5 per cent of the aggregate receipts compared with 58.4 per cent in the previous year.

During 1985-86, capital receipts budgeted at Rs. 20,863 crores are expected to be higher by Rs. 3,085 crores or 17.3 per cent over the level of Rs. 17,778 crores in 1984-85. At this level, capital receipts form 43.5 per cent of aggregate receipts compared to 41.6 per cent in the earlier year. While net receipts from market borrowings will be Rs. 5,100 crores (+Rs. 1,000 crores, + 24.4 per cent), credit for net external loans is taken for an amount of Rs. 2,144 crores (+Rs. 407 crores, +23.4 per cent). Receipts from small savings (net) budgeted at Rs. 3,900 crores will be higher by Rs. 600 crores. The Budget also takes credit for Rs. 808 crores from other capital receipts which include deposits of U.S. Rupee Balances, Reserve Funds other than Railway Reserve Funds, special securities issued to I.M.F., I.B.R.D., A.D.B., National Rural Development Bonds, Capital Investment Bonds, etc.

Economic and Functional Classification of the Central Government Budget: 1984-85

For an understanding of the impact of the fiscal operations on the economy their classification in terms of economic and functional categories becomes necessary. An analysis of the budgetary transactions of the Central Government based on economic and functional categories brings out not only their influence on the other sectors of the economy but also the allocations made for different functions or purposes in accordance with the priorities laid down in the Plan. On the basis of this classification, aggregate expenditure of the Central Government in 1984-85 was placed at Rs. 44,601 crores which was higher by 23.9 per cent (+Rs. 8,613 crores) than that in 1983-84, when it had risen by 18.0 per cent to reach the level of Rs. 35,988 crores (Table VIII—3).[6]

Economic Classification

Classifying aggregate expenditure into final outlays (denoting Central Government's direct demand for goods and services for consumption and capital formation) and financial assistance to the rest of the economy, it is observed that the former went up by 18.9 per cent to reach a level of Rs. 13,660 crores as against the growth of 15.5 per cent in the previous year. However, with a higher percentage rise in financial assistance to the rest of the economy by 26.3 per cent, there was a decline in the share of final outlays in total expenditure from 31.9 per cent in 1983-84 to 30.6 per cent in 1984-85. On the other hand, the proportion of financial assistance provided to the rest of the economy in the total expenditure moved up from 68.1 per cent in 1983-84 to 69.4 per cent in 1984-85.

The increase of Rs. 2,174 crores in final outlays was shared both by consumption expenditure and gross capital formation. Consumption expenditure at Rs. 9,511 crores was higher by Rs. 1,381 crores (+17.0 per cent) and the rise was accounted for by wages and salaries

6. Total expenditure given in the Economic and Functional Classification is lower than the budgetary expenditure given in the earlier paragraphs mainly because the former does not include current expenditure of the departmental commercial undertakings, their interest payments and net transfers of funds. Figures given in the earlier paragraphs relating to budgetary expenditure exclude only the current expenditure of Railways and Posts and Telecommunications and their interest payments but include current expenditure of other departmental commercial undertakings. Data relate to the revised estimates of 1984-85 and accounts figures of 1983-84. The variations are given in brackets with plus or minus sign, as the case may be.

Table VIII-3: Economic Classification of Total Budgetary Expenditure of the Central Government

(Rupees crores)

Items	1983-84 (Accounts)	Per cent variation over the previous year	1984-85 (Budget Esti-mates)	Per cent variation over the previous year	1984-85 (Revised Esti-mates)	Per cent variation over the previous year	1985-86 (Budget Esti-mates)	Per cent variation over the previous year
1.	2.	3.	4.	5.	6.	7.	8.	9.
I. Total Expenditure (A + B)	**35,988**	**+18.0**	**40,325**	**+12.1**	**44,601**	**+23.9**	**49,181**	**+10.3**
	(100.0)		**(100.0)**		**(100.0)**		**(100.0)**	
A. Final Outlays	**11,486**	**+15.5**	**13,001**	**+13.2**	**13,660**	**+18.9**	**15,452**	**+13.1**
	(31.9)		**(32.2)**		**(30.6)**		**(31.4)**	
(a) Consumption Expenditure	8,130	+15.2	9,017	+10.9	9,511	+17.0	10,980	+15.4
	(22.6)		(22.3)		(21.3)		(22.3)	
(b) Gross Capital Formation	3,356	+16.4	3,984	+18.7	4,149	+23.6	4,472	+7.8
	(9.3)		(9.9)		(9.3)		(9.1)	
B. Financial Resources Provided to the Rest of the Economy	**24,502**	**+19.2**	**27,324**	**+11.5**	**30,941**	**+26.3**	**33,729**	**+9.0**
	(68.1)		**(67.8)**		**(69.4)**		**(68.6)**	
(a) For Capital Formation	11,346	+19.2	12,881	+13.5	13,724	+21.0	14,982	+9.2
	(31.5)		(32.0)		(30.8)		(30.5)	
(i) To States and Union Territories	5,974	+21.2	6,602	+10.5	7,325	+22.6	8,828	+20.5
	(16.6)		(16.4)		(16.4)		(18.0)	
(ii) To others*	5,372	+17.1	6,279	+16.9	6,399	+19.1	6,154	−3.8
	(14.9)		(15.6)		(14.4)		(12.5)	
(b) For purposes other than Capital Formation	13,156	+19.2	14,443	+9.8	17,217	+30.9	18,747	+8.9
	(36.6)		(35.8)		(38.6)		(38.1)	
(i) To States and Union Territories	2,870	+10.8	3,010	+4.9	3,683	+28.3	4,274	+16.1
	(8.0)		(7.5)		(8.3)		(8.7)	
(ii) To others*	10,286	+21.8	11,433	+11.2	13,534	+31.6	14,473	+6.9
	(28.6)		(28.3)		(30.3)		(29.4)	
II. Total Expenditure for Capital Formation	**14,702**	**+18.5**	**16,865**	**+14.7**	**17,872**	**+21.6**	**19,455**	**+8.9**
	(40.9)		**(41.8)**		**(40.1)**		**(39.6)**	
III. Total Expenditure for purposes other than Capital Formation	**21,286**	**+17.7**	**23,460**	**+10.2**	**26,729**	**+25.6**	**29,726**	**+11.2**
	(59.1)		**(58.2)**		**(59.9)**		**(60.4)**	

Note: Figures in brackets represent percentages to total expenditure.

* Comprises non-departmental commercial undertakings, local authorities, foreign governments, etc.

Source: Economic and Functional Classification of the Central Government Budget,1984-85 and 1985-86.

(+Rs. 749 crores) and commodities and services (+Rs. 632 crores). The rise in gross capital formation was by Rs. 793 crores to Rs. 4,149 crores (+23.6 per cent).

A significant portion of the increase in aggregate expenditure of the Central Government during 1984-85 was in financial resources provided to the rest of the economy at Rs. 30,941 crores. It recorded a rise of Rs. 6,439 crores or 26.3 per cent over 1983-84. While the total transfers to States and Union Territories (Rs. 11,008 crores) registered a rise of Rs. 2,164 crores, the transfers to the other sectors (Rs. 19,933 crores) were even higher by Rs. 4,275 crores. Of the total transfers to States and Union Territories, those meant for capital formation were Rs. 7,325 crores (+Rs. 1,351 crores, +22.6 per cent). Transfers for other purposes were Rs.3,683 crores (+Rs. 813 crores, +28.3 per cent). The increase in transfer payments meant for other sectors (other than States and Union Territories) was in interest payments (+Rs. 1,224 crores), grants (+Rs. 407 crores), other current transfers (+Rs. 1,573 crores), capital transfers (+Rs. 184 crores), loans for capital formation (+Rs. 880 crores) and other loans (+Rs. 315 crores). It was to some extent offset by a decline in investment in shares (−Rs. 23 crores) and subscription to international financial organisations and purchase of gold and silver (−Rs. 285 crores).

Total provision for capital formation (both direct and indirect) in 1984-85 amounted to Rs. 17,872 crores and constituted 40.1 per cent of the total expenditure as compared with Rs. 14,702 crores in 1983-84 when it formed 40.9 per cent of the total. The proportion of total expenditure for purposes other than capital formation at Rs.26,729 crores went up marginally from 59.1 per cent in 1983-84 to 59.9 per cent in 1984-85. At these levels, capital formation expenditure recorded a rise of 21.6 per cent (+Rs. 3,170 crores) in 1984-85 against 18.5 per cent (+Rs. 2,299 crores) in 1983-84. While the increase in direct capital formation expenditure was Rs. 793 crores (+23.6 per cent), that in assistance provided for the same purpose to the rest of the economy was Rs. 2,377 crores or 21.0 per cent. Expenditure for purposes other than capital formation increased in 1984-85 by 25.6 per cent (+Rs. 5,443 crores) as against 17.7 per cent (+Rs. 3,195 crores) in the previous year.

Functional Classification

Function-wise, developmental expenditure of the Central Government was higher in 1984-85 both in absolute amount (Rs. 26,635 crores) and in percentage (+26.3 per cent) than in 1983-84 (Rs. 21,084 crores, +16 5 per cent). (Table VIII-4). Consequently, as a proportion of the total expenditure it increased from 58.6 per cent in 1983-84 to 59.7 per cent in 1984-85. Item-wise, the increase in expenditure on Social Services at 19.4 per cent was marginally lower than that in 1983-84 (+19.8 per cent). Economic Services, on the other hand, had a higher growth of 27.3 per cent in 1984-85 as against only 16.1 per cent earlier. Increased budgetary support for the enlarged Plan outlay in 1984-85 was a significant factor for the rise in developmental expenditure.

During 1984-85, expenditure for non-developmental purposes was Rs.17,966 crores—a rise of 20.5 per cent—as against Rs. 14,904 crores in 1983-84 which amounted to an increase of 20.2 per cent over the previous year. At this level, non-developmental expenditure constituted 40.3 per cent of the total expenditure (41.4 per cent in 1983-84). Expenditure on General Services, which include civil and defence expenditure, and non-Plan grants and loans to States and Union Territories for natural calamities was Rs. 9,087 crores. This indicated a smaller rise of 12.8 per cent against 22.8 per cent in 1983-84. The growth in unallocable expenditure, on the other hand, was significantly higher at Rs. 8,879 crores and showed an increase of 29.6 per cent. In 1983-84 it was Rs.6,851 crores registering a rise of 17.3 per cent. The unallocable items include statutory grants-in-aid to States, non-Plan grants to Union Territories, food and other consumer

Table VIII-4: Functional Classification of the Central Government's Total Expenditure

(Rupees crores)

Items	1983-84 (Accounts)		1984-85 (Budget Estimates)		1984-85 (Revised Estimates)		1985-86 (Budget Estimates)	
	Amount	Per cent variation over the previous year	Amount	Per cent variation over the previous year	Amount	Per cent variation over the previous year	Amount	Per cent variation over the previous year
1.	2.	3.	4.	5.	6.	7.	8.	9.
Total Expenditure (A + B)	**35,988**	**+18.0**	**40,325**	**+12.1**	**44,601**	**+23.9**	**49,181**	**+10.3**
	(100.0)		**(100.0)**		**(100.0)**		**(100.0)**	
A. Developmental Expenditure (i + ii)	**21,084**	**+16.5**	**24,280**	**+15.2**	**26,635**	**+26.3**	**28,451**	**+6.8**
	(58.6)		**(60.2)**		**(59.7)**		**(57.8)**	
(i) Social Services	2,557	+19.8	2,790	+9.1	3,054	+19.4	3,247	+6.3
	(7.1)		(6.9)		(6.8)		(6.6)	
(ii) Economic Services*	18,527	+16.1	21,490	+16.0	23,581	+27.3	25,204	+6.9
	(51.5)		(53.3)		(52.9)		(51.2)	
B. Non-Developmental Expenditure (i + ii)	**14,904**	**+20.2**	**16,045**	**+7.7**	**17,966**	**+20.5**	**20,730**	**+15.4**
	(41.4)		**(39.8)**		**(40.3)**		**(42.2)**	
(i) General Services	8,053	+22.8	8,245	+2.4	9,087	+12.8	10,465	+15.2
	(22.4)		(20.4)		(20.4)		(21.3)	
(ii) Unallocable	6,851	+17.3	7,800	+13.9	8,879	+29.6	10,265	+15.6
	(19.0)		(19.4)		(19.9)		(20.9)	

Note: Figures in brackets are percentages to total expenditure.

* Includes block grants and loans.

Source: Economic and Functional Classification of the Central Government Budget, 1984-85 and 1985-86.

subsidies, interest on public debt, pensions and aid to foreign countries. Increased provisions for interest payments (+Rs. 1,224 crores) and for fertiliser and food subsidies (+Rs. 1,055 crores) were major items accounting for the rise in 'unallocable' expenditure in 1984-85.

Within developmental expenditure, the provision of Rs. 17,622 crores for capital formation in 1984-85 accounted for a share of 66.2 per cent as against 69.2 per cent in 1983-84 (Table VIII—5). Such expenditure rose by Rs. 3,038 crores or 20.8 per cent as against 18.9 per cent in 1983-84.

1985-86
Economic Classification

Total expenditure of the Central Government budgeted at Rs. 49,181 crores is anticipated to rise at a slower rate of 10.3 per cent in 1985-86 over the estimated increase of 23.9 per cent in 1984-85 (Table VIII—3). In absolute terms, the increase will be Rs. 4,580 crores in 1985-86 (+Rs. 8,613 crores in 1984-85).[7]

7. The data for 1985-86 are based on budget estimates. Those for 1984-85 and 1983-84 relate to revised estimates and accounts, respectively.

Table VIII-5: Provision for Capital Formation

(Rupees crores)

Items	1983-84 (Accounts)	1984-85 (Budget Estimates)	1984-85 (Revised Estimates)	1985-86 (Budget Estimates)	Per cent variation Col.4 over Col.2	Col.5 over Col.4
1.	2.	3.	4.	5.	6.	7.
I. Total Provision for Capital Formation (A + B)	**14,702**	**16,865**	**17,872**	**19,455**	**+21.6**	**+8.9**
A. Developmental (1 to 3)	**14,584**	**16,700**	**17,622**	**19,206**	**+20.8**	**+9.0**
1. Social Services	955	763	1,067	972	+11.7	−8.9
2. Economic Services (a to d)	10,362	12,368	12,990	13,370	+25.4	+2.9
(a) Agriculture	1,017	1,307	1,403	1,282	+38.0	−8.6
(b) Industry	4,806	5,913	5,928	5,965	+23.3	+0.6
(c) Transport and Communication	2,771	3,127	3,216	3,334	+16.1	+3.7
(d) Other Economic Services	1,768	2,021	2,443	2,789	+38.2	+14.2
3. Block Grants and Loans	3,267	3,569	3,565	4,864	+9.1	+36.4
B. Non-Developmental (1 + 2)	**118**	**165**	**250**	**249**	**+111.9**	**−0.4**
1. General Services	118	165	250	249	+111.9	−0.4
2. Unallocable	—	—	—	—	—	—
II. Total Developmental Expenditure	**21,084**	**24,280**	**26,635**	**28,451**	**+26.3**	**+6.8**
III. I A as per cent of II	**69.2**	**68.8**	**66.2**	**67.5**		

Source: Economic and Functional Classification of the Central Government Budget, 1984-85 and 1985-86.

The deceleration in the growth rate of expenditure during 1985-86 is expected to be sharper in financial assistance provided to the rest of the economy than that in final outlays. Financial resources provided to the rest of the economy will be Rs. 33,729 crores growing at the rate of 9.0 per cent (+Rs. 2,788 crores) as against the rise of 26.3 per cent (+Rs. 6,439 crores) in the preceding year. It will constitute 68.6 per cent of the aggregate expenditure in the current year (69.4 per cent in 1984-85). Financial assistance provided for capital formation will be Rs. 14,982 crores going up by 9.2 per cent (+21.0 per cent in 1984-85), while transfers for purposes other than capital formation will be Rs. 18,747 crores showing a growth of 8.9 per cent (+30.9 per cent in 1984-85). The total transfer of resources to States and Union Territories is expected to be Rs. 13,102 crores—a rise of Rs. 2,094 crores or 19.0 per cent as against Rs. 2,164 crores or 24.5 per cent in the preceding year. The provision made for transfer of resources to others is Rs. 20,627 crores. It records a modest rise of Rs. 694 crores or 3.5 per cent (+Rs. 4,275 crores, +27.3 per cent in the preceding year). The significant rise in transfer payments for Others is in respect of interest payments (+Rs. 962 crores), grants (+Rs. 256 crores), investment in shares (+Rs. 466 crores), subscription to International Financial Organisations (+Rs. 137 crores) and net purchases of gold and silver (+Rs. 16 crores). It will partly be offset by a decline in transfer payments on account of other current transfers (−Rs. 176 crores), capital transfers (−Rs. 72 crores), loans for

capital formation (– Rs. 616 crores) and other loans (– Rs. 258 crores). The direct expenditure by the Central Government for consumption and capital formation purposes (final outlays) will be Rs. 15,452 crores in 1985-86. It indicates a growth of 13.1 per cent as compared with 18.9 per cent last year. These outlays constitute 31.4 per cent and 30.6 per cent of the total expenditure in 1985-86 and 1984-85, respectively. Consumption expenditure at Rs. 10,980 crores will record an increase of 15.4 per cent — somewhat lower than the rise of 17.0 per cent in the previous year. Gross capital formation expenditure is expected to be Rs. 4,472 crores—a smaller rise of only 7.8 per cent as against 23.6 per cent in 1984-85. Of the rise of Rs. 1,469 crores in consumption expenditure, Rs. 452 crores will be accounted for by wages and salaries while the remaining amount of Rs. 1,017 crores will be due to commodities and services. Of the increase of Rs. 323 crores in gross capital formation, Rs. 280 crores will be for building and other constructions and Rs. 77 crores for work stores; and at the same time there will be a decline of Rs. 34 crores in respect of machinery and equipment.

Total capital formation expenditure by the Central Government amounting to Rs. 19,455 crores is expected to show a rise of 8.9 per cent over the preceding year. It is much lower than the increase of 21.6 per cent recorded in the preceding year. This will constitute 39.6 per cent of the total expenditure in 1985-86 (40.1 per cent in the previous year).

Functional Classification

The provision for developmental expenditure in 1985-86 is Rs. 28,451 crores—an increase of 6.8 per cent over the level of last year (Table VIII—4). At this level it forms 57.8 per cent of total expenditure. In the previous year the developmental expenditure of Rs. 26,635 crores recorded a rise of 26.3 per cent over 1983-84, constituting 59.7 per cent of the total expenditure. Of the rise of Rs. 1,816 crores in developmental expenditure, Rs. 193 crores will be accounted for by Social Services and the remaining Rs. 1,623 crores by Economic Services.

Non-developmental expenditure budgeted at Rs. 20,730 crores in 1985-86 increases by 15.4 per cent as compared with Rs. 17,966 crores in 1984-85 which, in turn, marked an increase of 20.5 per cent over 1983-84. A provision of Rs. 10,465 crores has been made for General Services constituting 21.3 per cent of the total expenditure. It records a rise of 15.2 per cent as against 12.8 per cent in the previous year. Of the rise of Rs. 1,378 crores in 1985-86, Rs. 1,077 crores will be accounted for by defence, Rs. 147 crores by consumption expenditure other than defence and Rs. 154 crores by non-consumption expenditure. The unallocable expenditure of Rs. 10,265 crores constituting 20.9 per cent of the total expenditure will record an increase of 15.6 per cent. In the preceding year the relative growth was 29.6 per cent. Of the rise of Rs. 1,386 crores in unallocable expenditure, Rs. 962 crores is due to interest payments and Rs. 714 crores is for statutory and non-developmental grants to States and Union Territories. The provision made for subsidies to others is lower by Rs. 497 crores. The share of non-developmental expenditure to total expenditure in 1985-86 is expected to be higher at 42.2 per cent as against 40.3 per cent in the previous year.

The provision for capital formation in the 1985-86 Budget is Rs. 19,455 crores. It is a rise of 8.9 per cent (+Rs. 1,583 crores) in comparison with the rise of 21.6 per cent (+Rs. 3,170 crores) in 1984-85. Within developmental expenditure, the amount allotted for capital formation is Rs. 19,206 crores envisaging a rise of 9.0 per cent (+Rs. 1,584 crores) over the preceding year. Capital formation provision out of non-developmental expenditure at Rs. 249 crores shows a marginal decline of 0.4 per cent. The share of capital formation in total developmental expenditure is expected to go up from 66.2 per cent in 1984-85 to 67.5 per cent in 1985-86. Within developmental expenditure the provision for capital formation in 1985-86 is expected to be as follows:

Table VIII-6: Additional Resource Mobilisation by the Centre during 1985-86

(Rupees crores)

Items	Centre's share	States' share	Total
1.	2.	3.	4.
I. Taxes (a + b + c)	**310.9***	**120.0*@**	**430.9*@**
(a) Direct Taxes (i + ii + iii)	−116.0	—	−116.0
(i) Income Tax	−197.0	—	−197.0
(ii) Corporation Tax	251.0**	—	251.0**
(iii) Interest Tax	−170.0	—	−170.0
(b) Indirect Taxes (i + ii)	426.6	120.0	546.6
(i) Customs	287.1	—	287.1
(ii) Union Excise Duties	139.5	120.0	259.5
(c) Others	0.3	—	0.3
II. Revision in Railway Fares and Freights	**471.0**	—	**471.0**
III. Total (I + II)	**781.9**	**120.0**	**901.9**

* Excludes post-budget tax concessions amounting to Rs. 32.8 crores announced on March 25, 1985 and May 8, 1985.
** Takes into account the impact of discontinuance of interest tax Rs. 170 crores.
@ Excludes Rs. 12 crores accruing to states on account of stamp duties.
Source: Budget Documents of Government of India, 1985-86.

	Amount (Rs. crores)	Percentage increase (+) / decrease (−) over 1984-85
(1) Economic Services	13,370	+2.9
(2) Social Services	972	− 8.9
(3) Block Grants and Loans	4,864	+36.4

Major Tax Proposals: 1985-86

A distinguishing feature of the 1985-86 Budget is the initiation of reforms in direct taxes that are designed to create an environment for growth, productivity and savings, which will also secure better tax compliance and be more equitable. Innovative changes in income tax have provided relief at all levels of personal income. The rationale for reduction in both personal and corporate tax rates is provided by the beneficial effects that tax rate cuts may have on the supply side by stimulating output. In other words, relatively larger income in the private sector is expected to fructify as savings and investment. In the field of indirect taxes, the policy aims at bringing about changes which will help in reducing costs of investment in priority sectors, encourage the growth of small-scale sector and remove certain distortions. The need for raising additional resources, restoring viability in the balance of payments position, containing the rate of inflation and giving impetus to export promotion and import substitution have also been kept in view while proposing the changes in indirect taxes. It was indicated that in order to carry out a time-bound and phased process of reforms a long-term fiscal policy co-terminous with the Plan will be formulated.

The budget proposals are expected to yield a net additional revenue of Rs. 431 crores; of this the Centre's share would be Rs. 311 crores and States' share Rs. 120 crores.[8] Along with tax proposals of Railways aggregating Rs. 471 crores, the total net additional revenue will be Rs. 902 crores inclusive of Central and States' share (Table VIII-6).

While changes in direct taxes result in a net revenue loss of Rs. 116 crores, those in indirect taxes fetch an additional Rs. 547 crores. Within direct taxes, the modification made in respect of income tax and the abolition of interest tax together will result in a loss of Rs. 367 crores

8. Excludes post-budget tax revenue amounting to Rs. 32.8 crores announced on March 25 and May 8, 1985 of which Rs. 14 crores will be the share of the State Governments.

which will, to some extent, be made good by additional tax proposals in respect of corporation tax yielding Rs. 251 crores. In the case of indirect taxes, changes in customs duties are expected to yield Rs. 707 crores while those in union excise and others yield Rs. 424 crores. The concessions and reliefs aggregate Rs. 420 crores on the customs side and Rs. 165 crores on the excise side. Thus, the net additional revenue will be Rs. 287 crores and Rs. 260 crores from customs and excise duties, respectively. In the excise duties, the Centre's share will be Rs. 140 crores and the States' share Rs. 120 crores. Thus, taking into account the net additional revenue of Rs. 311 crores that will accrue to the Centre, the uncovered deficit will be Rs. 3,349 crores against the last year's deficit of Rs. 3,985 crores.[9]

The salient features of the important tax proposals contained in the Budget are briefly given below:

(A) Direct Taxes

(1) Income-Tax

With a view to making the structure of the personal income-tax more simple and reasonable, the rates were recast and rationalised to provide relief at all levels of income. This measure is expected to have a salutary effect on tax compliance. In order to eliminate a large number of small assessments and provide relief to low and middle-income groups the exemption limit for personal income tax was raised from Rs. 15,000 to Rs. 18,000. As a result, out of about 4 million assessees around a million will not have to pay any income tax. The rate structure of personal income-tax was revised downward as follows:

Previous position		Position resulting from the Budget	
Income slab	**Rate**	**Income slab**	**Rate**
Up to Rs. 15,000	Nil	Up to Rs. 18,000	Nil
Rs. 15,001-20,000	20%	Rs. 18,001-25,000	25%
Rs. 20,001-25,000	25%	Rs. 25,001-50,000	30%
Rs. 25,001-30,000	30%	Rs. 50,001-1,00,000	40%
Rs. 30,001-40,000	35%	Over Rs. 1,00,000	50%
Rs. 40,001-50,000	40%		
Rs. 50,001-70,000	45%		
Rs. 70,001-1,00,000	50%		
Over Rs. 1,00,000	55%		

Furthermore, the surcharge on income-tax for all categories of non-corporate tax payers was abolished. With these modifications, the maximum marginal rate of income tax on personal incomes stands reduced from 61.9 per cent to 50.0 per cent. The average rate of income tax is even lower. The rate schedule applicable to Hindu undivided families having one or more members with separate income exceeding the exemption limit was also restructured.

With effect from April 1, 1985, the Scheme of Compulsory Deposit for Income Tax Payers has been abolished. However, the repayments of instalments in respect of earlier deposits and payment of interest due for the financial year 1985-86 have been postponed by one year.

(2) Wealth-Tax

The existing basic exemption limit of Rs. 1.5 lakhs was raised to Rs. 2.5 lakhs. The wealth tax rate schedule was restructured under the new schedule. Wealth tax on the slab of above Rs.2.5 lakhs up to Rs.10 lakhs in half per cent; on the slab above Rs. 10 lakhs and up to Rs. 20 lakhs, 1 per cent and on the slab over Rs. 20 lakhs, 2 per cent. The maximum marginal rate stands reduced from 5 per cent to 2 per cent. With a view to providing tax payers with a wider choice of investment in tax-exempt assets, the separate exemption limits for one house, units of UTI and deposits under the National Deposit Scheme have been done away with and a consolidated exemption limit of Rs. 5.25 lakhs in relation to specified assets is provided including Rs. 25,000 under National Deposit Scheme.

(3) Estate Duty

Estate duty has not achieved the twin objectives of reducing unequal distribution of wealth and assisting the States in financing their development schemes. The yield from estate duty was only Rs. 20 crores while its cost of administration was relatively high. It was, therefore, decided to abolish the levy of estate duty in respect of estates passing on deaths occurring on or after March 16, 1985.

9. Taking into account post-budget changes in tax proposals the Centre will get an additional revenue of Rs. 32.8 crores. Accordingly the budgetary deficit of the Centre for 1985-86 will stand reduced to Rs. 3,316 crores.

(4) Corporation Tax

The basic rate of income tax applicable to companies was reduced by 5 percentage points for the year 1985-86. This reduction is the starting point of the proposed phased reform of corporation tax. In the succeeding year, the basic rate of income tax in the case of all categories of companies is proposed to be further reduced by 5 percentage points. In the third year, the surcharge on income tax and surtax payable by the companies will be abolished. At the same time, it was proposed to discontinue the grant of investment allowance in a phased manner during the next two years. The grant of additional depreciation will not be continued in respect of machinery and plant installed after March 31, 1985.

At the time of presentation of the Budget closely-held industrial companies were taxed at a lower rate than that applicable to other closely-held companies. A common rate for all closely-held companies, except trading and investment companies, was prescribed in the Budget. As a result, the basic rate of income tax in the case of certain categories of closely-held companies stands reduced by 10 percentage points from the existing 65 per cent, benefiting particularly companies carrying on employment-oriented activities. The existing tax holiday in respect of industrial undertakings and hotels which started functioning before April 1, 1985 and ships brought into use before that date was extended for a further period of 5 years.

Curbs on expenditure on advertisement, publicity and sales promotion were withdrawn and depreciation allowance was raised from 10 per cent to 15 per cent.

Tea companies engaged in growing and manufacturing tea will be eligible for a deduction up to 20 per cent of their profits deposited in a special account with NABARD. Withdrawals from the account will be allowed for specified purposes of investment in new machinery, fresh planting and replanting.

The provision for disallowing 15 per cent of the interest paid by non-banking non-financial companies on public deposits was discontinued. Non-tax concessions for the corporate sectors intended to reduce rigidities and improve the environment for industrial growth included: (a) delicensing of a number of industries, (b) raising of exempted assets limit for MRTP companies from Rs. 20 crores to Rs. 100 crores, (c) raising of the ceiling on investment in plant and machinery for small-scale industries from Rs. 20 lakhs to Rs. 35 lakhs and for ancillaries from Rs. 25 lakhs to Rs. 45 lakhs, (d) raising of maximum interest on convertible debentures of non-MRTP and non-FERA companies from 13.5 per cent to 15 per cent and (e) reduction in the maximum rate of interest charged on advances by banks from 18 per cent to 17.5 per cent. Contribution to political parties was made permissible. It was proposed to set up a Board for Financial and Industrial Reconstruction to provide a speedy mechanism for amalgamation and mergers and devise such other solutions as may be necessary to deal with the problem of sick units in the large and medium sector.

(5) Interest Tax

With a view to providing larger internal funds with banks for meeting their increasing social commitments, interest tax in relation to interest accruing after March 31, 1985 was discontinued. Banks were allowed to make deductible provisions for their bad and doubtful debts up to an amount equal to 10 per cent of the profits or 2 per cent of the aggregate average advances made by their rural branches whichever is higher.

B. Indirect Taxes

(1) Customs Duties

(i) Auxiliary duty on crude petroleum was raised from the existing Rs. 100/- per tonne to Rs. 300/- per tonne. In addition, a levy of basic customs duty of 10 per cent *ad valorem* on crude petroleum was imposed. (ii) With a view to providing protection to the indigenous bearings industry, the basic customs duty on ball and roller bearings was increased by 50 per cent of the existing rates (iii) To relieve the pressure on forest resources, the duty on imported pulp

and wood chips was totally exempted. (iv) The duty on wood in certain other specific forms was reduced from the existing level of 100 per cent to 10 per cent *ad valorem*. (v) With a view to achieving export promotion objectives, export duties on 12 items were abolished. (vi) To encourage leather industry in the field of export, customs duty on specified machinery used for leather processing, footwear and other leather goods manufacturing industries was reduced from the general level of 81.5 per cent to 35.0 per cent *ad valorem*, and full exemption for import duty given to raw hides and skins, crust leather and finished cattle leather. (vii) Customs duties on certain advanced type of imported computers were abolished. In order to benefit indigenous manufacturers of computers, duties on four important components of computers were reduced from 75 per cent to 25 per cent *ad valorem*. (viii) The duty was reduced from 50 per cent to 40 per cent on raw wool. (ix) Import duty was reduced from 65 per cent to 45 per cent for project imports and to 25 per cent on imports for power projects. It was abolished for fertiliser projects.

(2) Excise Duties

(i) Taking into consideration the recommendations of the Eighth Finance Commission, the rates of stamp duty on the instruments of bills of lading and letters of credit were raised, with effect from July 1, 1985. (ii) The rate of duty in respect of item 68 of the Excise Tariff was raised from the existing level of 10 per cent to 12 per cent. (iii) The excise duty on vegetable products was raised from 5 per cent to 10 per cent. (iv) In respect of common varieties of cement, the basic excise duty was raised from Rs. 205 per metric tonne to Rs. 225 per metric tonne. (v) As a measure of simplification as well as relief 100 items were given exemption from the levy of special excise duty by merging it with the basic duty. (vi) The licence fee on television sets, Video Cassette Recorders (VCRs) and radios was dispensed with. Henceforth a uniform rate of Rs. 100/- per set will be charged at the time of purchase of the T.V. set. The excise duty on black and white T.V. sets (up to 36 cm. screen) was abolished. (vii) The basic excise duty on commercial vehicles was raised from the existing 10 per cent to 15 per cent *ad valorem* and from 7.5 per cent to 10 per cent *ad valorem* for three-axled vehicles. (viii) In order to encourage the growth of the small-scale sector in respect of 67 specified groups of commodities, full exemption was made available up to the first clearance of Rs. 7.5 lakhs and clearance thereafter up to Rs. 25 lakhs will be charged to duty at 75 per cent of the duty otherwise payable. A unit,the clearance of which exceeded Rs. 25 lakhs was not eligible for this concession last year. In order to ensure that the cut-off limit of Rs. 25 lakhs does not inhibit the growth of small sector, the eligibility limit was raised to Rs. 75 lakhs.

Other Measures

Two measures were introduced to benefit particularly the poorer sections of the society. These were: (i) Crop Insurance Scheme and (ii) Social Security Scheme. Government has decided to introduce a comprehensive scheme of crop insurance. There will be a built-in insurance cover for all crop loans; the cover is provided up to 150 per cent of the crop loan. To begin with, the scheme is being introduced for wheat, paddy, oilseeds and pulses. Not only will the insurance charges be low but the marginal and small farmers will be subsidised to the extent of two-thirds of the charges by the Central and State Governments on a matching basis. A Social Security Scheme has been introduced to cover the risk of death by accident in respect of earning members of poor families comprising landless labourers, small and marginal farmers, traditional craftsmen, *et al.* Under this Scheme, a sum of Rs. 3,000 will be paid to the dependants of the deceased, who dies as a result of an accident. To begin with, the Scheme is being introduced in 100 selected districts.

II. BUDGETARY OPERATIONS OF STATE GOVERNMENTS

Revised Estimates: 1984-85

Aggregate receipts of 19 State Governments@ for which comparable data are available increased from Rs. 29,614 crores in 1983-84 to Rs. 34,169 crores in 1984-85 registering a growth of 15.4 per cent (Table VIII-7). On the other hand, total disbursements grew by 20.2 per cent from Rs. 29,842 crores to Rs. 35,857 crores.[10] As a result, there was a substantial increase in deficit. The deficit which was Rs. 228 crores in 1983-84 and was budgeted to be Rs. 444 crores in 1984-85, after taking into account additional resource mobilization, expanded to Rs. 1,688 crores in the latter year.[11]

Receipts

While revenue receipts (Rs. 24,786 crores) went up by 15.3 per cent, capital receipts (Rs. 9,383 crores) recorded a rise of 15.6 per cent over the year. Under revenue receipts, tax receipts moved up by 15.2 per cent and non-tax receipts by 15.5 per cent. The States' own taxes amounted to Rs.11,218 crores (+Rs. 1,456 crores, +14.9 per cent) and the share in Central taxes was Rs. 4,974 crores (+Rs. 678 crores, +15.8 per cent). The proportion of the States' own taxes to aggregate receipts stood at 32.8 per cent in 1984-85 against 33.0 per cent in 1983-84. Among the States' own taxes, the major contribution to the increases was from State excise duties (+ Rs. 204 crores), sales tax (+Rs. 771 crores), electricity duties (+ Rs. 118 crores) and tax on vehicles (+ Rs. 95 crores). Of the increase of Rs. 678 crores in the share in Central taxes, 91.9 per cent was accounted for by Union excise duties and 7.2 per cent by income tax. The relative proportions of the States' own taxes and their share in Central taxes to total tax revenue were 69.3 per cent and 30.7 per cent in 1984-85 against 69.4 per cent and 30.6 per cent in 1983-84. Under non-tax receipts the grants from the Centre were Rs. 4,389 crores (+Rs. 718 crores, +19.6 per cent) and other non-tax receipts Rs. 4,205 crores (+Rs. 434 crores, +11.5 per cent).

Capital Receipts

Of the total capital receipts of Rs. 9,383 crores, loans from the Centre (gross) amounted to Rs. 5,151 crores or 54.9 per cent and States' capital receipts Rs. 4,232 crores. Over the year the former registered a rise of 15.2 per cent and the latter 16.2 per cent. In States' capital receipts gross market borrowings according to budget documents amounted to Rs. 1,173 crores as against Rs. 692 crores in 1983-84. According to the RBI records, gross market borrowings for all the 22 States in 1984-85 amounted to Rs. 1,301 crores as compared with Rs. 763 crores in 1983-84. Net market borrowings, according to the RBI records, were Rs. 772 crores and Rs. 588 crores in 1984-85 and 1983-84, respectively. The recovery of loans and advances granted by the States too was impressive. It rose by 39.0 per cent in 1984-85 although the budget estimate had indicated a decline by Rs. 99 crores or 13.7 per cent.

Transfer of Resources from the Centre

There was a considerable rise in the devolution of resources from the Centre to the States. The total amount of share in Central taxes and duties, grants and loans transferred to the States went up from Rs. 12,440 crores in 1983-84 to Rs. 14,514 crores in 1984-85. The relative shares in the total for 1984-85 were Rs. 4,974 crores, Rs. 4,389 crores and Rs. 5,151 crores accounting for 34.3 per cent, 30.2 per cent and 35.5 per cent,respectively. Of the additional resources of Rs. 2,074 crores in 1984-85 loans from the Centre accounted for 32.7 per cent. The resources transferred from the Centre accounted for 42.5 per cent in the aggregate receipts of States in 1984-85 against 42.0 per cent in 1983-84. After adjusting for interest payments on loans to the Centre (Rs. 1,394

@ The three States for which final budgets were not available at the time of finalisation of this section are Bihar, Punjab and Manipur. All the references are to 19 states, unless otherwise stated.

10. The comparisons are between the revised estimates of 1984-85 and the accounts figures of 1983-84 unless otherwise stated.

11. Due to non-availability of State-wise details, the deficit has not been adjusted for the relative amount, out of medium-term loan of Rs. 400 crores given by the Centre to the States in 1983-84 to clear the overdrafts. The deficit will be higher after taking this amount into account.

TABLE VIII-7: Overall Budgetary Position of State Governments

(Rupees crores)

Items	1983-84 (Accounts)	1984-85 (Budget Estimates)		1984-85 (Revised Estimates)		1985-86 (Budget Estimates)	
		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)	**29614**	**31792**	**+7.4**	**34169**	**+15.4**	**37592**	**+10.0**
		(31510)	**(+6.4)**			**(37102)**	**(+8.6)**
A. Revenue Receipts (1 + 2)	**21500**	**24117**	**+12.2**	**24786**	**+15.3**	**28535**	**+15.1**
		(23835)	**(+10.9)**			**(28045)**	**(+13.1)**
1. Tax Receipts (a + b)	14058	15901	+13.1	16192	+15.2	18761	+15.9
		(15693)	(+11.6)			(18275)	(+12.9)
(a) States' Taxes	9762	11010	+12.8	11218	+14.9	13067	+16.5
		(10802)	(+10.7)			(12581)	(+12.2)
(b) Share in Central Taxes	4296	4891	+13.9	4974	+15.8	5694	+14.5
2. Non-Tax Receipts (c + d)	7442	8216	+10.4	8594	+15.5	9774	+13.7
		(8142)	(+9.4)			(9770)	(+13.7)
(c) Grants from the Centre	3671	4058	+10.5	4389	+19.6	5223	+19.0
(d) Other Non-Tax Receipts	3771	4158	+10.3	4205	+11.5	4551	+8.2
		(4084)	(+8.3)			(4547)	(+8.1)
B. Capital Receipts (1 + 2)	**8114**	**7675**	**−5.4**	**9383**	**+15.6**	**9057**	**−3.5**
1. States' Capital Receipts	3641	3554	−2.4	4232	+16.2	3836	−9.4
Of which:							
(a) Market Borrowings (Gross) †	692	1219	+76.2	1173	+69.5	1198	+2.1
(b) Recovery of Loans and Advances	724	625	−13.7	1006	+39.0	747	−25.7
2. Loans from the Centre (Gross)	4473	4121	−7.9	5151	+15.2	5221	+1.4
II. Aggregate Disbursements (A to E)	**29842**	**32236**	**+8.0**	**35857**	**+20.2**	**38008**	**+6.0**
A. Developmental Expenditure* (1 + 2)	**21500**	**22443**	**+4.4**	**25092**	**+16.7**	**26364**	**+5.1**
1. Social and Community Services	9696	9916	+2.3	11321	+16.8	12161	+7.4
Of which:							
Expenditure on Natural Calamities	368	104	−71.7	356	−3.3	157	−55.9
2. Economic Services	11804	12527	+6.1	13771	+16.7	14203	+3.1

(Contd.)

TABLE VIII-7: Overall Budgetary Position of State Governments *(Concld.)*

(Rupees crores)

Items	1983-84 (Accounts)	1984-85 (Budget Estimates)		1984-85 (Revised Estimates)		1985-86 (Budget Estimates)	
		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.
B. Non-Developmental Expenditure*	**6175**	**7433**	**+20.4**	**7651**	**+23.9**	**9166**	**+19.8**
C. Repayment of Loans to the Centre	**1490**	**1486**	**−0.3**	**1935**	**+29.9**	**1657**	**−14.4**
D. Discharge of Internal Debt	**229**	**550**	**+140.2**	**552**	**+141.0**	**492**	**−10.9**
Of which:							
Market Loans	163	473	+190.2	473	+190.2	407	−14.0
E. Others @	**448**	**324**	**−27.7**	**627**	**+40.0**	**329**	**−47.5**
III. Overall Surplus(+) or Deficit(−) (I—II)	**−228**	**−444**		**−1688**		**−416**	
		(−726)				**(−906)**	

* Comprise expenditure on Revenue and Capital Accounts and Loans and Advances extended by States.

@ Comprise compensation and assignments to local bodies, reserve with finance department, appropriation for contingency fund and remittances (net).

† Figures for Punjab are not available.

Notes:

1. Budget estimates for 1985-86 include the estimated net yield of Rs. 490 crores from additional resource mobilisation measures introduced through the State budgets and are not adjusted for the States' share of Rs.134 crores in the Centre's additional taxation measures introduced through the Central budget for 1985-86, due to non-availability of State-wise details.

2. Budget estimates for 1984-85 include the estimated net yield of Rs. 282 crores from additional resource mobilisation measures introduced through the State budgets and are not adjusted for the estimated decline of Rs. 89 crores in the States' share in the Central taxes due to tax concessions announced in the Central budget for 1984-85 owing to non-availability of State-wise details.

3. Figures in brackets under the year 1984-85 (Budget Estimates) and 1985-86 (Budget Estimates) are at 1983-84 and 1984-85 rates of taxation, respectively.

4. As the State-wise details of medium-term loan of Rs. 400 crores given by the Centre to the States in 1983-84 to clear overdrafts is not available, the relative amount has not been adjusted in States' Capital Receipts, Loans from the Centre (Gross) and overall Surplus/Deficit in 1983-84 (Accounts).

5. States' Capital Receipts as well as Loans from the Centre (gross) in 1985-86 (Budget Estimates) exclude the medium-term loans of Rs. 536 crores given by the Centre to three States to clear 90% of overdrafts outstanding with the Reserve Bank of India as on 28.01.1985. Only these States appear to have taken credit for the medium-term loans in their estimates of capital receipts out of 17 States which were granted these loans for clearing overdrafts.

6. Data relate to 19 States i.e. excluding Bihar, Manipur and Punjab.

crores) and repayment of loans to the Centre (Rs. 1,935 crores), the net devolution amounted to Rs. 11,185 crores as compared with Rs. 9,905 crores in the previous year. The proportion of net resources transferred from the Centre (share in Central taxes, grants and net loans) to States' aggregate receipts (adjusted to loans from the Centre on a net basis) was 34.6 per cent against 34.7 per cent in 1983-84.

Plan loans (gross) rose from Rs. 2,611 crores in 1983-84 to Rs. 2,925 crores in 1984-85 and non-plan loans from Rs. 1,862 crores to Rs. 2,226 crores. The share of small savings in non-plan loans increased by Rs. 397 crores to Rs. 1,609 crores in 1984-85. Grants for the State Plan Schemes and the Centrally-Sponsored Schemes increased from Rs. 1,561 crores and Rs. 1,073 crores in 1983-84 to Rs. 1,593 crores and Rs. 1,624 crores, respectively, in 1984-85. Grants for the Central Plan Schemes amounted to Rs. 400 crores (+Rs. 91 crores, +29.4 per cent).

Disbursements

Aggregate disbursements in 1984-85 amounted to Rs. 35,857 crores, recording a substantial growth of Rs. 6,015 crores or 20.2 per cent as compared with Rs. 29,842 crores or 15.9 per cent in the earlier year. Developmental expenditure formed 59.7 per cent of the increase in aggregate disbursements in 1984-85 against 82.0 per cent in 1983-84. Developmental expenditure in 1984-85 registered a growth of 16.7 per cent and non-developmental expenditure 23.9 per cent. The relative shares of developmental and non-developmental expenditures in the total disbursements were 70.0 per cent and 21.3 per cent against 72.0 per cent and 20.7 per cent in 1983-84. Economic Services and Social and Community Services accounted for 54.9 per cent and 45.1 per cent, respectively, under developmental expenditure more or less the same as in previous year.

The disbursements on account of the repayment of loans to the Centre, discharge of internal debt and 'others' were Rs. 1,935 crores, Rs. 552 crores and Rs. 627 crores, respectively, recording a rise of 29.9 per cent, 141.0 per cent and 40.0 per cent, respectively, over the year. Of the discharge of internal debt, 85.7 per cent was due to the repayment of market loans.

Budget Estimates:1985-86

The combined budgetary operations of 19 State Governments are expected to result in a deficit of Rs. 906 crores in 1985-86 at the rates of taxation of 1984-85.[12] The budget estimates for the previous year had indicated a deficit of Rs. 726 crores before additional resource mobilisation. The figure would come down to Rs. 416 crores, after additional resource mobilisation of Rs. 490 crores in 1985-86, as against the revised estimates of Rs. 1,688 crores in the previous year.

Receipts

Taking into account the additional mobilisation of resources, aggregate receipts are expected to be Rs. 37,592 crores indicating a rise of only 10.0 per cent against 15.4 per cent in the previous year.[13] The lower percentage is due to the decline in States' capital receipts from Rs. 4,232 crores to Rs. 3,836 crores. Whereas revenue receipts will increase by Rs. 3,749 crores or 15.1 per cent, capital receipts will decline by Rs. 326 crores or 3.5 per cent. In 1984-85 revenue and capital receipts had gone up by 15.3 per cent and 15.6 per cent, respectively. As a consequence, the shares of revenue and capital receipts in the total will be 75.9 per cent and 24.1 per cent, respectively, in contrast

12. The 22 States together are entitled to an estimated amount of Rs. 134 crores as their shares in the Centre's additional tax collection during 1985-86. However, this is not taken into account in estimating the deficit in 1985-86, since the State-wise break-up of the amount is not available. Consequently, the estimated State-wise deficit for 19 States is subject to downward revision. Further, in the calculation of the deficit the medium-term loans of Rs. 536 crores given by the Centre to three States to clear 90% of overdrafts outstanding with the Reserve Bank of India, as on January 28, 1985, has been excluded. Only 3 States appear to have taken credit for these loans in their estimates of capital receipts out of 17 States which were granted these loans.

13. The comparisons in the section in 1985-86 are between the budget estimates for the year with the revised estimates of 1984-85. While those for 1984-85 and 1983-84 are between the revised estimates of the former and the accounts figures of the latter. The absolute variations over the levels in the previous year are given in brackets followed by percentage variations.

to 72.5 per cent and 27.5 per cent in 1984-85. Under revenue receipts, tax receipts and non-tax receipts at Rs. 18,761 crores and Rs. 9,774 crores, respectively, are expected to register increase of 15.9 per cent and 13.7 per cent, respectively. In 1984-85 the relative percentages were 15.2 per cent and 15.5 per cent.

While the States' tax receipt will be Rs. 13,067 crores in 1985-86 (+ Rs. 1,849 crores, +16.5 per cent), the share in Central taxes will be Rs. 5,694 crores (+ Rs. 720 crores, + 14.5 per cent). In the previous year the levels were Rs. 11,218 crores (+ Rs. 1,456 crores, +14.9 per cent) and Rs. 4,974 crores (+Rs. 678 crores, +15.8 per cent) respectively.

The comparative position in respect of receipts from different taxes is given below:

Tax	Receipts 1985-86 Amount (Rs.crores)	1985-86 Increase over 1984-85(%)	1984-85 Amount (Rs.crores)	1984-85 Increase over 1983-84(%)
1. Sales tax	7,157	10.5	6,477	13.5
2. State excise duties	1,810	14.0	1,588	14.7
3. Land revenue	327	16.0	282	32.4
4. Tax on Vehicles	779	17.1	665	16.5
5. Tax on passengers and goods	518	12.1	462	9.2
6. Taxes and duties on electricity	593	32.4	448	35.9
7. Stamps and registration fees	700	12.5	622	12.7

Under non-tax receipts in 1985-86, grants from the Centre and other non-tax receipts at Rs. 5,223 crores and Rs. 4,551 crores, respectively, will rise by 19.0 per cent and 8.2 per cent respectively, against 19.6 per cent and 11.5 per cent respectively, in the previous year. Plan grants will be Rs. 4,156 crores (+Rs. 540 crores, +14.9 per cent) and non-plan grants Rs. 1,067 crores (+Rs. 294 crores, +38.0 per cent). The relative amounts were Rs. 3,616 crores (+Rs. 673 crores, +22.9 per cent) and Rs. 773 crores (+Rs. 45 crores, +6.2 per cent) in 1984-85. Of the rise in States' own non-tax revenue, the proportions accounted for by economic services and interest will be 52.6 per cent and 28.3 per cent, respectively, in 1985-86 (34.8 per cent and 42.4 per cent, respectively, in 1984-85).

Capital Receipts

Aggregate capital receipts of the States at Rs. 9,057 crores indicate a decline of 3.5 per cent in 1985-86 against a rise of 15.6 per cent in 1984-85. While loans from the Centre (gross) will register a marginal increase of 1.4 per cent, States' capital receipts will decline by 9.4 per cent. The decline is due mainly to the recovery of loans and advances granted by the States which will amount to only Rs. 747 crores in contrast to Rs. 1,006 crores — a fall of Rs. 259 crores or 25.7 per cent. In 1984-85 the recovery had shown an increase of 39.0 per cent over the previous year. The gross market borrowings are estimated to rise from Rs. 1,173 crores in 1984-85 to Rs. 1,198 crores in 1985-86 against the rise of Rs. 481 crores or 69.5 per cent in 1984-85. Loans from the Centre on a net basis, i.e., after providing for the repayment of loan instalments and interest payments, are estimated to be Rs. 1,983 crores in 1985-86 (Rs. 1,822 crores in 1984-85).

Disbursements

In view of the resource constraint, aggregate disbursements in 1985-86 will rise by a modest 6.0 per cent compared to 20.2 per cent in the previous year. The amount will be Rs. 38,008 crores against Rs. 35,857 crores in 1984-85. While developmental expenditure will be Rs. 26,364 crores (+Rs. 1,272 crores, +5.1 per cent), non-developmental expenditure will be Rs. 9,166 crores (+Rs. 1,515 crores, +19.8 per cent). The deceleration in developmental expenditure is from 16.7 per cent to 5.1 per cent and

that in non-developmental expenditure from 23.9 per cent to 19.8 per cent. The share of developmental expenditure in the total disbursements will decline marginally from 70.0 per cent in 1984-85 to 69.4 per cent in 1985-86. The deceleration in the rise in developmental expenditure is shared by both Social and Community Services and Economic Services. While the two groups, viz., Economic Services and Social and Community Services accounted for a rise of 16.7 per cent and 16.8 per cent, respectively, in 1984-85, the relative increase in 1985-86 will be 3.1 per cent and 7.4 per cent respectively. Particularly notable is the lower provision for expenditure on natural calamities. At Rs. 157 crores in 1985-86 it is a decline by 55.9 per cent over the last year. The remaining items of disbursements, viz., repayment of loans to the Centre, discharge of internal debt and others are estimated to decline by 14.4 per cent, 10.9 per cent and 47.5 per cent, respectively, over the year. These items had shown a marked increase by 29.9 per cent, 141.0 per cent and 40.0 per cent, respectively, in 1984-85 compared with the position in 1983-84.

Transfer of resources from the Centre to the States by way of share in Central taxes, grants and loans, net of repayment and interest payments at Rs. 12,901 crores, is estimated higher by Rs. 1,716 crores over the level in 1984-85. As a proportion to the States' aggregate receipts (excluding repayments of loans to the Centre) these resources went up to 35.9 per cent in 1985-86 from 34.7 per cent in 1984-85.

Additional Resource Mobilisation

During 1985-86 14 out of the 19 States covered are expected to mobilise additional resources to the extent of Rs. 490 crores against Rs. 282 crores budgeted in 1984-85 (Table VIII-8). Of this, Maharashtra (Rs. 76.0 crores), Haryana (Rs. 71.0 crores), Madhya Pradesh (Rs. 54.0 crores) and Karnataka (Rs. 50.0 crores) account for about a half. The additional resources mobilised are net of the concessions in existing taxes announced by the following States : Maharashtra (Rs. 4.3 crores), Tamil Nadu (Rs. 5.0 crores), West Bengal (Rs. 1.7 crores), Haryana (Rs. 0.5 crore), Rajasthan (Rs. 1.1 crores), Uttar Pradesh, Gujarat and Karnataka (amount not available). The total loss amounts to Rs. 12.6 crores. Of the total amount of Rs. 490 crores to be mobilised as additional resources, 53.8 per cent will be from sales tax and 13.1 per cent from State excise duties. While all other taxes are expected to register increased collections the amount under entertainment tax is estimated to fall by Rs. 6.8 crores. The Centre proposes to introduce a consignment tax the proceeds of which are to be fully shared by the States. In anticipation of legislation for the purpose, six States have provided for an additional yield of Rs. 145.0 crores from the levy. These States are: Haryana (Rs. 44.5 crores), Karnataka (Rs. 37.0 crores), Maharashtra (Rs. 35.0 crores), Gujarat (Rs. 23.0 crores), Uttar Pradesh (Rs. 5.0 crores) and

TABLE VIII-8: Estimated additional yield from Budget Proposals

(Rupees crores)

States	Net additional yield 1985-86
1. Gujarat . .	28.10
2. Haryana . .	71.00
3. Himachal Pradesh . .	2.40
4. Jammu and Kashmir . .	1.76
5. Karnataka . .	50.00
6. Kerala . .	22.20
7. Madhya Pradesh . .	54.00
8. Maharashtra . .	75.95
9. Orissa . .	45.00
10. Rajasthan . .	19.88
11. Sikkim . .	0.34
12. Tamil Nadu . .	49.00
13. Uttar Pradesh . .	32.00
14. West Bengal . .	38.34
Total— . .	**489.97**
By Major Heads	
1. Sales Tax . .	263.79
2. Stamps and Registration Fees . .	13.35
3. Tax on Passengers and Goods . .	16.75
4. Tax on Vehicles . .	28.40
5. State Excise . .	64.18
6. Electricity Duty . .	10.00
7. Entertainment Tax . .	−6.75
8. Profession Tax . .	16.00
9. Other Taxes and Duties . .	79.91
10. Non-Tax Revenue . .	4.34
Total—	**489.97**
States' share in Centre's additional taxation/tax concession	
1. Income Tax . .	119.95
2. Estate Duty . .	16.65
3. Union Excise Duty . .	−2.51
Total— . .	**134.09**

Himachal Pradesh (Rs. 0.8 crore). The amount of Rs. 145.0 crores expected from consignment tax constitutes 38.8 per cent of the additional yield of Rs. 490.0 crores budgeted for 1985-86. Non-tax revenue will yield a small amount of Rs. 4.3 crores in additional resource mobilisation.

States' Plan Outlay

The outlay for the Seventh Plan (1985-90) for all the States including Hill areas, etc. and Union Territories is fixed at Rs. 84,466 crores, higher by Rs. 33,421 crores or 65.5 per cent over the actual expenditure of Rs. 51,045 crores in the Sixth Plan (Table VIII-9). The actual expenditure in the Sixth Plan was a little higher than the originally approved outlay of Rs. 50,250 crores. The achievement would, however, have been lower in view of the general price rise in the Plan period, as mentioned earlier.

In the Seventh Plan higher priority is accorded to the group "irrigation, flood control and power" which accounts for nearly half of the total outlay. Power, in particular gets special attention, as 29.2 per cent of the total outlay is earmarked for this sector (Table VIII-10). Agriculture and allied services, industry and minerals, transport and communications and others get a share of 13.4 per cent, 4.8 per cent, 7.4 per cent and 24.8 per cent, respectively, in the total.

TABLE VIII-10: States' Plan Outlay by Heads of Developments

(Rupees crores)

Sectors	1984-85 (Revised Approved Outlay)	7th Plan (Approved Outlay) (1985-86 to 1989-90)	1985-86 (Approved Outlay)	Variation over the previous year Col.4 over Col.2
1	2	3	4	5
1. Agriculture and Allied Services including Co-operation (i + ii)	1681 (14.3)	10468 (13.4)	1781 (14.0)	+ 100 (+ 5.9)
i) Agriculture and Allied Services	1556 (13.2)	9598 (12.3)	1652 (13.0)	+ 96 (+ 6.2)
ii) Co-operation	125 (1.1)	870 (1.1)	129 (1.0)	+4 (+ 3.2)
2. Irrigation, Flood Control and Power (i + ii)	5553 (47.1)	38736 (49.6)	6102 (48.2)	+ 549 (+ 9.9)
i) Power	3090 (26.2)	22786 (29.2)	3523 (27.8)	+ 433 (+ 14.0)
ii) Irrigation and Flood Control	2463 (20.9)	15950 (20.4)	2579 (20.4)	+ 116 (+ 4.7)
3. Industry and Minerals (i + ii)	649 (5.5)	3776 (4.8)	619 (4.9)	− 30 (− 4.6)
i) Village and Small Industries	242 (2.0)	1378 (1.8)	223 (1.8)	− 19 (− 7.9)
ii) Medium and large scale industries and mining	407 (3.5)	2398 (3.0)	396 (3.1)	− 11 (− 2.7)
4. Transport and Communications	930 (7.9)	5781 (7.4)	969 (7.7)	+ 39 (+ 4.2)
5. Others	2978 (25.2)	19336 (24.8)	3191 (25.2)	+ 213 (+ 7.2)
Total (1 to 5)	**11791 (100.0)**	**78097 (100.0)**	**12662 (100.0)**	**+ 871 (+ 7.4)**

Note: Figures in brackets in columns 2 to 4 are percentages to total while those in column 5 indicate percentage variation over the previous year i.e. column 4 over column 2.

Source: Planning Commission, Government of India.

Table VIII-9: Plan Outlay of States and Union Territories

(Rupees crores)

States/Union Territories	Actual Expenditure for 4th Plan (1969-70 to 1973-74)	Actual Expenditure for 5th Plan (1974-75 to 1978-79)	6th Plan Approved Outlay (1980-81 to 1984-85)	Actual Expenditure for 6th Plan (1980-81 to 1984-85) £	1983-84 Actual Expenditure	1984-85 Revised Approved Outlay	7th Plan Approved Outlay (1985-86 to 1989-90)	1985-86 Approved Outlay
1.	2.	3.	4.	5.	6.	7.	8.	9.
1. Andhra Pradesh	426	1,449	3,100	3,232	759	918	5,200	810
2. Assam	198	433	1,115	1,283	290	360	2,100	410
3. Bihar	479	1,185	3,225	2,990	605	751	5,100	851
4. Gujarat	545	1,374	3,680	3,855	883	935	6,000	804
5. Haryana	358	671	1,800	1,629	333	424	2,900	480
6. Himachal Pradesh	113	236	560	655	143	168	1,050	177
7. Jammu and Kashmir	162	376	900	921	196	235	1,400	260
8. Karnataka	374	1,039	2,265	2,633	625	650	3,500	651
9. Kerala	333	661	1,550	1,583	327	355	2,100	355
10. Madhya Pradesh	476	1,396	3,800	3,911	877	1,037	7,000	1,170
11. Maharashtra	1,005	2,612	6,175	6,484	1,505	1,605	10,500	1,700
12. Manipur	31	93	240	242	52	61	430	70
13. Meghalaya	36	99	235	262	59	65	440	75
14. Nagaland	39	97	210	225	52	56	400	65
15. Orissa	249	640	1,500	1,556	327	400	2,700	450
16. Punjab	428	940	1,957	1,901	429	440	3,285	500
17. Rajasthan	309	872	2,025	2,087	459	387	3,000	430
18. Sikkim	—	41	122	130	29	35	230	41
19. Tamil Nadu	552*	1,143	3,150	3,593	790	927	5,750	960
20. Tripura	35	75	245	284	72	68@	440	86
21. Uttar Pradesh	1,163	2,909	5,850	6,207	1,350	1,503	10,447	1,642
22. West Bengal	364	1,230	3,500	2,294	507	411	4,125	675
A. Total All States	**7,675**	**19,571**	**47,204**	**47,957**	**10,669**	**11,791**	**78,097**	**12,662**
B. Hill Areas	—	174	560	n.a.	135		753	
C. Tribal Areas	—	167	470	485*	110*	125*	756	140
D. Total Union Territories	278	655	1,650	2,003	449	566	3,768	641
E. North Eastern Council	—	91	340				675	
F. Border Area, Western Ghat and other Area Development Programmes	—	—	—	—	—	—	375	165
G. Others	—	—	26	600	—	—	42	
Total (A to G)	**7,953**	**20,658**	**50,250**	**51,045**	**11,363**	**12,482**	**84,466**	**13,608**

@ Tentative.

* The same amount as outlay released as actual expenditure not known.

£ Actual expenditure for the Sixth Plan = Actual Expenditure 1980-84 + Revised Approved Outlay 1984-85 as actual expenditure for 1984-85 is not available.

The outlay for the Annual Plan of 1985-86 indicates a step-up of Rs. 871 crores or 7.0 per cent over the revised approved outlay of Rs. 11,791 crores in the previous year. Here too high priority is accorded to the development of energy. Power will claim an outlay of Rs. 3,523 crores accounting for 27.8 per cent of the total. It registers a rise of 14.0 per cent over the previous year's level. Irrigation, flood control and power together account for 48.2 per cent in the total outlay followed by agriculture and allied services (14.0 per cent), transport and communications (7.7 per cent) and industry and minerals (4.9 per cent). Industry and minerals will register a decline of 4.6 per cent compared with the outlay in 1984-85.

III. RAILWAY FINANCES

The highlight of the Railway Budget for fiscal year 1985-86 is an anticipated net surplus of Rs. 74.0 crores against a deficit of Rs. 266.0 crores in the previous year mainly due to the imposition of a surcharge of 10 per cent on all classes of passenger tickets beyond a distance of 50 kilometres and the levy of a 10 per cent supplementary charge on freight in respect of goods traffic moving beyond a distance of 500 kilometres. The carrying of 13 million tonnes more of revenue-earning traffic over the level of 237 million tonnes likely to have been reached in 1984-85, the growth of non-suburban and suburban passenger kilometres by 2 per cent and 4 per cent, respectively, and the reduction in the ratio of total expenditure to total receipts from 96.2 per cent in 1984-85 to 90.7 per cent in 1985-86 are the other features anticipated in the Budget. Along with the other changes, the revisions in fare and freight rates (including the post-budget concession of about Rs. 24.0 crores in surcharge on passenger tickets due to the decrease in the originally proposed surcharge of 12.5 per cent to 10 per cent), are expected to yield an additional revenue of Rs. 471.0 crores in 1985-86 as against the additional revenue of Rs. 114.2 crores raised in the previous year.

The total receipts of the Railways during 1985-86 are estimated to reach a level of Rs. 6,287.4 crores — an increase of Rs. 790.1 crores or 14.4 per cent over the previous year (Table VIII-11). The total expenditure is budgeted at Rs. 5,701.4 crores as against Rs. 5,288.3 crores in the previous year, a rise of Rs. 413.1 crores or 7.8 per cent. In view of resources constraint, the Railways Annual Plan

Table VIII—11: Financial Results of Railways

(Rupees crores)

	Items	1981-82 (Actuals)	1982-83 (Actuals)	1983-84 (Actuals)	1984-85 (Budget Estimates)	1984-85 (Revised) Estimates)	1985-86 (Budget Estimates)
	1.	2.	3.	4.	5.	6.	7.
I.	**Total Receipts**	**3627.8**	**4483.3**	**5089.1**	**5566.8**	**5497.3**	**6287.4**
II.	**Total Expenditure**	**3224.7**	**3929.0**	**4710.1**	**5146.8**	**5288.3**	**5701.4**
III.	Ratio of Total Expenditure to Total Receipts	88.9	87.6	92.6	92.5	96.2	90.7
IV.	Net Revenue (I – II)	403.1	554.3	379.0	420.0	209.0	586.0
V.	Capital-at-charge*	6698.0	7251.1	7567.8	8425.8	8235.9	8845.9
VI.	Net Revenue as percentage of Capital-at-charge*	6.0	7.6	5.0	5.0	2.5	6.6
VII.	Dividend to General Revenues	356.5	436.0	423.7	490.0	475.0	512.0
VIII.	Net Surplus (+)/Deficit(–) (IV – VII)	+46.6	+118.3	(379.0)+ −44.7 (—)**	(420.0)+ −70.0 (—)**	(209.0)+ −266.0 (—)**	+74.0
IX.	Appropriation to (+) or withdrawals from (–) funds:						
	(a) Development Fund	+44.1	+46.4	+49.6@@	+58.4@@	+62.6@@	+63.5
	(b) Revenue Reserve Fund	—	—	—	—	—	—
	(c) Deferred Dividend Liability Account	+2.5	+71.9	−44.7**	−70.0**	−266.0**	+10.5

* Excludes Capital-at-charge on Metropolitan Transport Projects.

\+ Represents actual payment of dividend to General Revenues.

** Shortfall in payment of dividend to General Revenues in 1983-84 and 1984-85 transferred to Deferred Dividend Liability Account.

@@ Appropriation by taking loan from General Revenues.

Source: Explanatory Memorandum on the Railway Budget, 1985-86.

for 1985-86 has been pegged at the 1984-85 level of Rs. 1,650.0 crores.

Revised Estimates — 1984-85

According to the revised estimates for 1984-85, the total receipts of the Railways were Rs. 5,497.3 crores compared to Rs. 5,089.1 crores in the previous year showing a rise of Rs. 408.2 crores or 8.0 per cent. A major portion of the increase (Rs. 303.5 crores) was accounted for by 'goods earnings' which moved up from Rs. 3,353.5 crores in 1983-84 to Rs. 3,657.0 crores in 1984-85, a rise of 9.1 per cent. The increase in 'passenger earnings' was Rs. 106.5 crores (+7.9 per cent), i.e., from Rs. 1,353.5 crores in 1983-84 to Rs. 1,460.0 crores in 1984-85. The originating revenue-earning freight traffic during 1984-85 at 237.0 million tonnes was higher by 6.9 million tonnes than that in 1983-84.

As regards revenue earnings, though the revised estimates of 1984-85 showed improvement over the previous year, there were sizeable shortfalls in relation to the budget estimates. Thus, the total receipts during 1984-85 were lower by Rs. 69.5 crores than the original budget estimates. Earnings from both passenger and goods traffic are expected to be lower by Rs. 48.0 crores and Rs. 32.0 crores, respectively, over the budget expectations of Rs. 1,508.0 crores and Rs. 3,689.0 crores. This decline is partially offset by an estimated increase of Rs. 10.5 crores from 'other coaching earnings', 'sundry earnings', etc. The decline in the goods earnings was largely due to a shortfall of 8 million tonnes or 3.3 per cent in the traffic as against the target of 245 million tonnes set by the Railways. The shortfall in traffic offering occurred in core sectors like coal, iron and steel, etc., which was mitigated to some extent by the larger transportation of cement and fertilisers. Abnormal breaches and disruption in communications particularly in the north-eastern and southern parts of the country and disturbed civil conditions in some areas further depressed the goods traffic. The decline in earnings would have been much sharper but for certain compensating factors such as the increase in the average lead over which the traffic was carried by the Railways. At the beginning of the Sixth Five-Year Plan, passenger earnings at Rs. 739.0 crores accounted for 30.7 per cent of total earnings. The proportion declined gradually to 26.6 per cent in 1984-85. On the other hand, freight earnings at Rs. 1,440.0 crores in 1979-80 accounted for 59.9 per cent of total earnings. This proportion gradually increased to 66.5 per cent in 1984-85.

Total expenditure of the Railways at Rs. 5,288.3 crores in 1984-85 was higher by Rs. 578.2 crores or 12.3 per cent over the previous year's expenditure of Rs. 4,710.1 crores. As compared with original budget estimate, the increase was Rs. 141.5 crores or 2.7 per cent. The higher expenditure was attributable to many factors. The payment of additional dearness allowance to the staff, increase in fuel cost, rise in the price of steel, aluminium and cement and restoration of tracks and bridges damaged by breaches and cyclones resulted in larger expenditure than budgeted. The expenditure on repairs and maintenance as well as on fuel, which constituted about half of the Railways' total expenditure, was higher by Rs. 92.4 crores over the budget estimates.

With a decline in the receipts coupled with an increase in expenditure, the net revenue of the Railways during the year was estimated to shrink to Rs. 209.0 crores as compared with Rs. 420.0 crores anticipated in the budget. The net revenue was insufficient to meet the dividend liability in full. The actual dividend paid was restricted to Rs. 209.0 crores, and the balance payable, *viz.*, Rs. 266.0 crores, was transferred to the Deferred Dividend Liability Account. The ratio of total expenditure to total receipts after reaching its peak in 1980-81 at 95.3 per cent had started declining but moved up again to 92.6 per cent in 1983-84. During 1984-85, it rose to another peak of 96.2 per cent. At this level it was 3.7 percentage points higher than that envisaged in the budget and 3.6 percentage points higher than that in the preceding year.

Developmental Expenditure—1984-85

The developmental expenditure of the Railways during 1984-85 at Rs. 1,650.9 crores was only marginally higher by Rs. 0.9 crore over the budget estimates. But compared with

the expenditure of Rs. 1,419.3 crores in the previous year it was higher by Rs. 231.6 crores or 16.3 per cent. (Table VIII-12). Major items of developmental expenditure were: rolling stock (Rs. 533.7 crores) followed by track renewals (Rs. 353.9 crores), traffic facilities (Rs. 210.0 crores) and electrification (Rs. 161.7 crores). As compared with the previous year, a substantial rise in expenditure was noticed in the expenditure on traffic facilities, track renewals and electrification, while the expenditure on rolling stock showed a decline. The expenditure on metropolitan transport projects at Rs. 87.5 crores was higher than that in the previous year by Rs.21.3 crores. Despite scarcity of resources, by effective control over the turn-round of existing stock, the Railway introduced 121 non-suburban trains in 1984-85.

Table VIII—12: Developmental Expenditure of Railways

(Rupees crores)

Items	1980-81 (Actuals)	1981-82 (Actuals)	1982-83 (Actuals)	1983-84 (Actuals)	1984-85 (Budget Estimates)	1984-85 (Revised Estimates)	Total outlay in 6th Five Year Plan (Col. 2 to 5 & Col. 7)	1985-86 (Budget Estimates)
1.	2.	3	4	5.	6.	7.	8.	9.
1. Rolling Stock	348.7	444.8	510.0	565.5	524.4	533.7	2402.7	496.9
2. Traffic Facilities †	142.5	160.0	128.6	147.7	182.2	210.0	788.8	164.8
3. Track Renewals	124.4	193.0	246.5	323.0	350.5	353.9	1240.8	494.6
4. Electrification	34.3	72.2	114.9	98.7	172.2	161.7	481.8	170.2
5. New Lines	41.5	46.3	63.3	75.9	90.0	87.5	314.5	65.0
6. Signalling & Telecommunication Works	22.7	28.0	28.4	36.9	50.4	45.4	161.4	40.5
7. Staff Quarters	10.2	11.0	9.8	13.1	15.0	16.3	60.4	13.0
8. Plant & Machinery	18.1	31.4	50.7	40.3	60.0	59.7	200.2	55.0
9. Investment in Government Commercial Undertakings—Road Services	22.0	18.0	44.4	*	*	*	84.4	*
10. Workshops—including production units	49.5	83.4	111.4	80.3	105.2	98.1	422.7	80.1
11. Others@	159.6	120.9	11.3	37.9	100.1	84.6	414.3	69.9
Of which: Metropolitan Transport Projects	34.0	50.5	53.8	66.2	88.0	87.5	292.0	90.0
Total (1 to 11)	**973.5**	**1209.0**	**1319.3**	**1419.3**	**1650.0**	**1650.9**	**6572.0**	**1650.0**

* From 1983-84 onwards this item is excluded from the Railway budget and will be shown in the budget of the Ministry of Shipping and Transport.

@ Includes suspense and credit for released materials.

† Includes restoration of dismantled lines, guage conversion, doubling, yard remodelling, etc.

Source: Explanatory Memorandum on Railway Budget, 1985-86.

The Financial Effect of Social Obligation-1984-85

The Indian Railways being essentially a public utility service have a social obligation in conformity with the national policy of transporting essential commodities and raw materials at rates which do not fully cover the cost of transportation. Also the relief supplies to the areas affected by natural calamities are carried free of charge. The Railways also sustain losses in the operation of suburban and short-distance passenger services and on certain branch lines. The trends in the financial cost of social obligation on Indian Railways are indicated in Table VIII-13.

Table VIII—13: Financial cost of Social Obligations on Indian Railways

(Rupees crores)

	Items	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85 (Estimates)
	1.	2.	3.	4.	5.	6.	7.	8.
1.	Loss on Coaching Services (Suburban and non-Suburban passenger traffic, Parcels, Luggage,etc.)	114.0 (64.5)	183.8 (73.3)	287.2 (68.3)	380.8 (78.5)	540.8 (83.8)	662.6 (82.4)	827.8 (80.5)
2.	Loss on low-rated freight like Coal, Foodgrains, Fodder, Charcoal, Firewood, Fruits and Vegetables, etc.	62.5 (35.4)	66.8 (26.6)	133.5 (31.7)	104.2 (21.5)	104.5 (16.2)	141.7 (17.6)	200.7 (19.5)
3.	Loss on freight concessions on relief measures	0.2 (—)	0.1 (—)	—	—	—	—	—
4.	Total (1+2+3)	176.7 (100.0)	250.7 (100.0)	420.7 (100.0)	485.0 (100.0)	645.3 (100.0)	804.3 (100.0)	1,028.5 (100.0)
5.	Total Receipts	2,161.3	2,404.4	2,703.5	3,627.8	4,483.3	5,089.1	5,497.3
6.	Total Expenditure	1,900.5	2,177.1	2,576.0	3,224.7	3,929.0	4,710.1	5,288.3
7.	Percentage of item (4) to item (5)	8.2	10.4	15.6	13.4	14.4	15.8	18.7
8.	Percentage of item (4) to item (6)	9.3	11.5	16.3	15.0	16.4	17.1	19.4

— Negligible

Note: Figures within brackets are percentages to totals.

The financial cost of social obligation which was around Rs. 250 crores before the commencement of the Sixth Plan escalated significantly to Rs. 1,028.5 crores during 1984-85, the terminal year of the Sixth Plan, recording a rise of over 300 per cent. Of the total cost of Rs. 1,028.5 crores, Rs.827.8 crores or over 80 per cent was on account of loss on coaching services which was higher by Rs. 165.2 crores or 24.9 per cent over Rs. 662.6 crores in the preceding year. The loss on account of low-rated freight items like foodgrains, coal, fodder and firewood was estimated at Rs. 200.7 crores in 1984-85 as compared with Rs. 141.7 crores in the preceding year. The ratio of the financial cost of social obligation to Railways' total receipts was estimated higher at 18.7 per cent as compared with 15.8 per cent in 1983-84 and 10.4 per cent in 1979-80. It was estimated at 19.4 per cent of total expenditure in 1984-85 as against 17.1 per cent in 1983-84 and 11.5 per cent in 1979-80.

Outlay on Railways in the Sixth Plan

During the Sixth Plan period, the Railways faced severe resource constraint. The total outlay under the Plan period was expected to be of the order of Rs. 6,572.0 crores as against the original allocation of Rs. 5,100.0 crores at 1979-80 prices. Yearly item-wise expenditure is presented in table VIII—12. It may be seen that major portion of total outlay was spent on rolling stock (Rs. 2,403.0 crores), and track renewals (Rs. 1,241.0 crores) and provision on traffic facilities (Rs. 789 crores). Expenditure on electrification and laying of new lines was also substantial at Rs. 482.0 crores and Rs. 315.0 crores, respectively. With the investment of this order, the Railways, apart from replacement and rehabilitation of overaged assets, could energise about 1,600 kms. route, 1,600 kms. of gauge conversion, 600 kms. of doubling of tracks and 9,200 kms. of renewal of tracks. The Railways were estimated to have achieved an increase of about 11 per cent and 17 per cent, respectively, in the passengers and freight carried in 1984-85 as compared with that in 1979-80.

Budget Estimates: 1985-86

With the revival of the economy, particularly in the core sector, the Railways expect to carry 250 million tonnes of revenue-earning freight traffic in 1985-86 which would be higher by 13 million tonnes over the likely level of 237 million tonnes achieved in 1984-85. Almost the entire anticipated increase in total revenue-earning goods tonnage will be on account of coal. As regards passenger traffic, because of the

declining trend, a growth of only 4 per cent in suburban and 2 per cent in non-suburban passenger kilometres has been assumed for fiscal year 1985-86.

With the expected increase in traffic offerings during the year, total receipts of the Railways, which include the anticipated yield from the revisions in fares and freight rates, is estimated to reach a level of Rs. 6,287.4 crores in 1985-86 recording an increase of Rs. 790.1 crores or 14.4 per cent over the likely realisation in 1984-85. A major portion of the increase (Rs. 565.0 crores) is expected to accrue from goods traffic, the receipts from which are estimated at Rs. 4,222.0 crores as compared with Rs. 3,657.0 crores in the preceding year. Passenger earnings are expected to increase by Rs. 184.0 crores to Rs. 1,644.0 crores as compared with Rs. 1,460.0 crores in the previous year.

Total expenditure of the Railways during 1985-86 at Rs. 5,701.4 crores would be higher by Rs. 413.1 crores or 7.8 per cent over the revised estimates of Rs. 5,288.3 crores in the preceding year. The increase is mainly on account of staff costs, repairs and maintenance of rolling stock and expenditure on coal, diesel and consumption of electricity for hauling the anticipated increase in both passenger and goods traffic envisaged in the budget. Expenditure on repairs and maintenance is estimated at Rs. 1,777.9 crores which would be higher by Rs. 128.0 crores or 7.8 per cent over Rs. 1,649.9 crores in the preceding year. Operating expenses on fuel estimated at Rs. 1,005.0 crores and provision for depreciation at Rs. 920.0 crores would also be higher by Rs. 41.7 crores and Rs. 70.0 crores, respectively, over the previous year. Appropriation to Pension Fund has been enhanced from Rs. 225.0 crores in 1984-85 to Rs. 265.0 crores in 1985-86.

With the anticipation of substantial increase in total receipts and economy in working expenses, the ratio of total expenditure to total receipts is expected to decline to 90.7 per cent as compared with 96.2 per cent in 1984-85. The net revenue of the Railways during 1985-86 after provision of Rs. 920 crores as depreciation against Rs. 850 crores in the preceding year, is estimated to rise by Rs. 377.0 crores or 180.4 per cent to Rs. 586.0 crores from Rs. 209.0 crores in the preceding year. Net revenue as percentage of Capital-at-charge is anticipated to improve from 2.5 per cent in 1984-85 to 6.6 per cent in 1985-86. Inspite of steep increase in the provision for depreciation from the level of Rs. 350 crores in 1981-82 to Rs. 920 crores in 1985-86, the Railways will not be able to provide for overtaking the large backlog in renewals and replacements which had occurred over a number of years. The Railways have provided for full dividend liability of Rs. 512.0 crores to General Revenues during 1985-86. The total indebtedness of the Railways to the General Revenues under the Development Fund and Deferred Dividend Liability Account together is estimated to go down marginally from Rs. 951.9 crores in 1984-85 to Rs. 941.5 crores in 1985-86.

Developmental Expenditure: 1985-86

In the context of scarcity of resources, it has become all the more important to make a determined effort to bring about a significant improvement in the functioning of the Railways. The thrust in the Seventh Plan would, therefore, be on the following items:

i) Serious efforts to block leakage of revenue in the form of ticketless travel and malpractices in freight traffic;
ii) Enforcement of a series of economy measures;
iii) Optimum utilisation of existing assets so as to ensure their higher productivity;
iv) Enlarging the areas of modernisation of operation and maintenance of railway assets with the help of the latest technologies;
v) Speeding of existing works which are in an advanced stage of construction by allotting more funds to them even within the limited resources;
vi) Building up of a sound system of Management Information, using the computer also in areas relating to freight and passenger traffic operations for an optimum use of existing assets and other facilities; and

vii) Taking into consideration the modernisation progamme and more efficient use of assets, limiting to the utmost extent incresae in staff strength, except in areas where it becomes inescapable, so that man-power productivity registers suitable increase.

The Plan outlay of the Railways during 1985-86, the first year of the Seventh Five-Year Plan, has been pegged at the previous year's level of Rs. 1,650.0 crores which would be financed to the extent of 57.6 per cent (Rs. 950.0 crores) from internal resources and the balance of 42.4 per cent (Rs. 700.0 crores) through budgetary support from the General Revenues. During the year, greater stress would be laid on replacement and rehabilitation of worn out assets as well as expeditious completion of the on-going projects. The major allocations are: rolling stock (Rs. 496.9 crores), track renewals (Rs. 494.6 crores), traffic facilities (Rs. 164.8 crores) and electrification projects (Rs. 170.2 crores). The construction of new lines has been allocated Rs. 65.0 crores as compared with Rs. 87.5 crores in the previous year.

Eighth Finance Commission's Recommendations

The Eighth Finance Commission has recommended that the amount payable to States in lieu of the Passenger Fare Tax should be raised from the present annual level of Rs. 23.1 crores to Rs. 95.0 crores. The recommendations of the Finance Commission are to be referred to the Railway Convention Committee when reconstituted.

Budget Proposals: 1985-86

The Railways propose to mobilise additional revenue of Rs. 471.0* crores in 1985-86, of which Rs. 129.0* crores would come from revision in passenger fares and Rs. 342.0 crores from increase/adjustments in freight rates. The salient features of the proposed fare and freight rate structure are as under:

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* Includes a loss of revenue of Rs. 24.0 crores due to post-budget concessions.

Passenger Fares

1. A surcharge of 10.0 per cent was levied on all classes of passenger tickets beyond a distance of 50 kilometre for mail-express or ordinary trains.

2. Corresponding increases were made applicable for travel by Rajdhani Express, with rounding off of the the fare so arrived at the next Rs. 5 stage.

3. The surcharge on 2-Tier air-conditioned sleeper has been enhanced by Rs.5 for all the four distance slabs. The minimum surcharge would be Rs. 20 for a distance up to 500 kms. and the maximum Rs. 55 for a distance of 1,501 kms. and above.

4. Second class sleeper surcharge which had been Rs. 8 for the first night and Rs. 5 for the second night was enhanced to Rs. 10 for the first night with no surcharge for the subsequent nights.

5. For the Calcutta Circular Railway, the minimum fare will be Re. 1 instead of 50 paise charged so far.

6. The fares for the second class monthly season ticket have been enhanced by Rs. 3 to Rs. 12, depending on distance slabs from 1 to 150 kilometres. First class monthly season ticket fare is four times that of the revised fare of the second class monthly season ticket. The revision in passenger fares, effective from April 15, 1985, is expected to fetch an additional revenue of Rs. 129.0 crores in 1985-86.

Concession to the youth

Since 1985 is the 'International Year of the Youth', certain reliefs are being given to the Youth. They are: (a) a concession of 50 per cent for the youth in the age-group of 13 and 33 years travelling in groups of 10 or more for a distance of over 1,000 kilometres and (b) a reduction of 25 per cent for "INDRAIL" passes for the youth in similar age-group travelling in batches of 10 or more.

The age limit for free travel by children which was increased from 3 years to 5 years in the "International Year of the Child" in 1979 has been regularised as a permanent feature.

Freight Rates

A supplementary charge of 10 per cent has been fixed on the total freight in respect of goods traffic in trainloads, wagonloads and smalls. However, with a view to ensuring that inordinate burden is not put on short distance traffic, all goods traffic moving up to and inclusive of a distance of 500 kilometres is exempted from the levy of the proposed 10 per cent supplementary charge.

The minimum distance for charge for goods traffic had been at 75 kilometres. Since the haulage of goods traffic for such short distance is considered uneconomical on account of detention of rolling stock at the terminals, the minimum distance for charge has been enhanced from 75 kilometres to 100 kilometres.

However, with a view to ensuring that unnecessary burden is not placed on the agriculturists moving sugarcane by rail, a concession of 33 per cent in freight rates for this class of traffic moving up to a distance of 100 kilometres has been provided.

The three lowest classes of the goods tariff, i.e., classes 65, 70 and 75, have been abolished as they are found to be uneconomical. Thus, class 80 will become the lowest class in the goods freight structure.

All commodities having train load classification of 65, 70 and 75 are re-classified as 80 in trainloads and class 85 in wagonloads. For commodities which have no classification for trainloads, 80 becomes the lowest class for wagonload traffic.

The important commodities which are classified under the lowest classes 65, 70 and 75 are grains and pulses and salt for human consumption. The classifications of these two groups, viz., grains and pulses have been revised as follows:

	Existing Classification		Revised Classification	
	Train loads	Wagon loads	Train loads	Wagon loads
Grains and pulses Division A. (paddy, pulses, etc.)	70	80	80	85
Grains and pulses Division B. (wheat, rice, etc.)	65	75	80	85

The impact of the increase in freight rates on foodgrains is estimated to be marginal at 4.4 paise per kg. at the average lead of 1,232 kilometres. Similarly, the impact of the increase in freight rates on salt meant for human consumption is estimated to be marginal at 3 paise per kg. at the average lead of 1,520 kilometres.

The revision in the freight rate structure came into force from April 15, 1985 and is expected to fetch an additional revenue of Rs. 342.0 crores in 1985-86.

IV. FINANCES OF DEPARTMENT OF POSTS AND DEPARTMENT OF TELECOMMUNICATIONS

The erstwhile Indian Posts and Telegraphs Department (PTD) was bifurcated into two separate Departments, viz., Department of Posts (DP) and Department of Telecommunications (DT) with effect from December 31, 1984.

Revised Estimates: 1984-85

The finances of the erstwhile PTD suffered a setback in 1984-85. Net revenue receipts of both DP and DT taken together, declined by 6.8 per cent to Rs. 254.8 crores in 1984-85 from Rs. 273.5 crores in 1983-84. After contributions towards capital expenditure and payment of dividend to General Revenues, the net surplus

at Rs. 121.8 crores revealed a substantial decline by Rs. 54.7 crores. Revenue receipts rose from Rs. 1,462.7 crores in 1983-84 to Rs. 1,660.0 crores in 1984-85 (+Rs. 197.3 crores, +13.5 per cent)[14]. Net working expenses amounted to Rs. 1,405.2 crores (+ Rs. 216 crores, + 18.2 per cent) resulting in a lower net receipt at Rs. 254.8 crores in 1984-85 as against Rs. 273.5 crores in 1983-84. The provision of Rs. 133.0 crores for payment of dividend to General Revenues indicated an increase of Rs. 36 crores over the year. All these brought about a decline in the net surplus by Rs. 54.7 crores to Rs. 121.8 crores in 1984-85 (Table VIII-14). Of the total receipts of Rs. 1,660.0 crores during 1984-85, Postal receipts accounted for Rs. 475 crores or 28.6 per cent and Telecommunications Rs. 1,185.0 crores or 71.4 per cent. The proportion of the total receipts from these two departments was almost the same as in the previous year. The tariff structure of Posts and Telecommunications services was not changed during 1984-85.

Total gross expenditure in 1984-85 at Rs. 1,554.0 crores showed an increase by Rs. 244.6 crores (+18.7 per cent) over the previous year. As in 1983-84, the major portion of increase in expenditure was on account of operational and engineering expenditures to the extent of Rs. 100.6 crores (+16.9 per cent) and Rs. 62.6 crores (+18.7 per cent), respectively. The increase in other items of expenditure were: General Administration Rs. 20.2 crores (+19.5 per cent), Pension Rs. 13.3 crores (+ 20.8 per cent), Stationery and Printing Rs. 9.3 crores (+26.6 per cent), Depreciation Rs. 24.8 crores (+22.5 per cent) and Others Rs. 13.8 crores (+20.1 per cent). After taking into account credit to working expenses of Rs. 148.8 crores, net working expenses amounted to Rs. 1,405.2 crores. They rose by Rs. 216.0 crores (+18.2 per cent) over 1983-84. The dividend payable to General Revenues was Rs. 133.0 crores which was higher by Rs. 36 crores over the previous year. As in 1983-84, in 1984-85 too, there was no contribution to capital expenditure.

The deficit on account of Postal Services had been lower at Rs. 82.3 crores in 1983-84 whereas in 1984-85 it widened further to Rs. 141.8 crores. On the other hand, Telecommunication Services continued to show surpluses for three consecutive years, i.e., 1982-83, 1983-84 and 1984-85 by Rs. 259.9 crores, Rs. 258.8 crores and Rs. 263.6 crores respectively. The estimated surplus of Rs. 121.8 crores of DP and DT together in 1984-85 was appropriated towards the Capital Reserve Fund and the Revenue Reserve Fund. The relative amounts were Rs. 121.0 crores and Rs. 0.8 crore.

The capital outlay of the erstwhile PTD was Rs. 875.3 crores. It was higher by Rs. 131.2 crores over the outlay in the previous year. Of the total, the capital outlay of the DP at Rs. 32.2 crores in 1984-85 was marginally higher than the amount of Rs. 31.8 crores in 1983-84. The capital outlay of the DT stood at Rs. 843.1 crores which was larger by Rs. 130.8 crores over the previous year's level (Table VIII—15). Of the total outlay of the PTD, Plan outlay amounted to Rs. 751.2 crores or 85.8 per cent and the balance of Rs. 124.1 crores or 14.2 per cent was on non-Plan account. Of the total outlay of Rs. 843.1 crores for Telecommunications and Stores and Manufacture Suspense in 1984-85, Plan outlay amounted Rs. 719 crores or 85.3 per cent and non-Plan outlay Rs. 124.1 crores or 14.7 per cent as against Rs. 641.6 crores or 90.1 per cent and Rs. 70.7 crores or 9.9 per cent respectively, in 1983-84. The entire non-Plan outlay of Rs. 124.1 crores in 1984-85 was due to Stores and Manufacture Suspense.

Among the financing items of the capital outlay of the DP, capital advanced from the General Revenues received a large share of Rs. 29.3 crores or 91.0 per cent. The total outlay (Plan and non-Plan) of Rs. 843.1 crores pertaining to the DT was financed mainly from Capital Reserve Fund to the extent of Rs. 128.8

14. The figures in brackets are the absolute and percentage variations of the Revised Estimates of 1984-85 over the accounts data for 1983-84.

Table VIII—14: Financial Working of Department of Posts and Department of Telecommunications*

(Rupees crores)

Items	1982-83 (Accounts)			1983-84 (Accounts)			1984-85 (Budget Estimates)			1984-85 (Revised Estimates)			1985-86 (Budget Estimates)		
	Postal	Telecommunications	Total	Postal	Telecommunications	Total	Postal	Telecommunications	Total	Postal	Telecommunications	Total	Postal	Telecommunications	Total
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.
1. Revenue Receipts	378.0	912.3	1290.3	434.6	1028.1	1462.7	495.0	1255.0	1750.0	475.0	1185.0	1660.0	520.0	1360.0	1880.0
2. Working Expenses	518.7	629.6	1148.3	572.6	736.8	1309.4	704.3	885.0	1589.3	680.0	874.0	1554.0	790.0	990.0	1780.0
Of which:															
i) Operation	369.9	153.6	523.5	417.6	176.0	593.6	505.2	198.3	703.5	491.7	202.5	694.2	570.3	221.3	791.6
ii) General Administration	35.1	52.5	87.6	41.2	62.6	103.8	47.7	72.0	119.7	48.3	75.7	124.0	58.0	85.0	143.0
iii) Engineering	8.5	274.2	282.7	9.8	324.4	334.2	11.4	402.7	414.1	11.8	385.0	396.8	12.1	436.3	448.4
iv) Pension	26.2	25.0	51.2	32.9	31.1	64.0	48.6	38.7	87.3	40.4	36.9	77.3	47.6	40.2	87.8
v) Stationery and Printing	42.2	13.8	56.0	28.1	6.9	35.0	40.0	10.0	50.0	36.2	8.1	44.3	40.0	10.5	50.5
vi) Depreciation	1.8	89.3	91.1	2.1	107.9	110.0	2.6	130.1	132.7	2.6	132.2	134.8	3.1	159.3	162.4
vii) Others	35.0	21.2	56.2	40.9	27.9	68.8	48.8	33.2	82.0	49.0	33.6	82.6	58.9	37.4	96.3
3. Credits to Working Expenses	56.7	41.0	97.7	64.8	55.4	120.2	77.8	70.0	147.8	74.9	73.9	148.8	83.2	93.0	176.2
4. Net Working Expenses (2−3)	462.0	588.6	1050.6	507.8	681.4	1189.2	626.5	815.0	1441.5	605.1	800.1	1405.2	706.8	897.0	1603.8
5. Net Receipts (1−4)	−84.0	323.7	239.7	−73.2	346.7	273.5	−131.5	440.0	308.5	−130.1	384.9	254.8	−186.8	463.0	276.2
6. Dividend to General Revenues	7.0	63.8	70.8	9.1	87.9	97.0	10.8	110.5	121.3	11.7	121.3	133.0	..	155.1	155.1
7. Surplus(+)/Deficit(−) before making contributions towards Capital Expenditure (5−6)	**−91.0**	**+259.9**	**+168.9**	**−82.3**	**+258.8**	**+176.5**	**−142.3**	**+329.5**	**+187.2**	**−141.8**	**+263.6**	**+121.8**	**−186.8**	**+307.9**	**+121.1**
8 Contributions towards Capital Expenditure	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
9. Surplus(+)/Deficit(−) after making contributions towards Capital Expenditure (7−8)	**−91.0**	**+259.9**	**+168.9**	**−82.3**	**+258.8**	**+176.5**	**−142.3**	**+329.5**	**+187.2**	**−141.8**	**+263.6**	**+121.8**	**−186.8**	**+307.9**	**+121.1**
10. Appropriations to (+) or Withdrawals from (−)															
a) Revenue Reserve Fund	−91.0	+91.9	+0.9	−82.3	+83.8	+1.5			+0.2			+0.8	..	Neg.	Neg.
b) Capital Reserve Fund	—	+168.0	+168.0	—	+175.0	+175.0			+187.0			+121.0	..	+307.9	..

* The erstwhile combined Posts and Telegraphs Department has been bifurcated into Department of Posts and Department of Telecommunications with effect from 31.12.1984.

Note: Financial results of the working of Postal and Telecommunications wings of the erstwhile combined Posts and Telegraphs Department are shown separately so as to facilitate a comparison with the present Department of Posts and Department of Telecommunications.

Sources:(i) Explanatory Memoranda on the Budgets of the Central Government.
(ii) Annual Reports of Indian Posts and Telegraphs Department.

Reserve Bank of India

Table VIII—15: Capital Outlay of Department of Posts and Department of Telecommunications*

(Rupees crores)

Items	1982-83 (Accounts)			1983-84 (Accounts)			1984-85 (Budget Estimates)			1984-85 (Revised Estimates)			1985-86 (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:															
Postal	23.6	—	23.6	31.8	—	31.8	28.7	—	28.7	32.2	—	32.2	35.5	—	35.5
2. Financed from :															
i) Receipts and Recoveries on (a + b)	—	—	—	0.1	—	0.1	0.1	—	0.1	Neg.	—	Neg.	—	—	—
(a) Capital Account	—	—	—	0.1	—	0.1	0.1	—	0.1	Neg.	—	Neg.	—	—	—
(b) Under Store Suspense	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
ii) Advance Rentals received under O.Y.T. and other Schemes	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
iii) Amount met from Deposit received under Telex Deposit Scheme	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
iv) Capital Reserve Fund	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
v) Depreciation on Historical Costs Transferred from Revenue	1.8	—	1.8	2.0	—	2.0	2.8	—	2.8	2.9	—	2.9	—	3.5	3.5
vi) Contribution towards Capital Expenditure from Revenue	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
vii) Capital advanced from the General Revenues	21.8	—	21.8	29.7	—	29.7	25.8	—	25.8	29.3	—	29.3	35.5	−3.5	32.0
Total (i to vii)	**23.6**	—	**23.6**	**31.8**	—	**31.8**	**28.7**	—	**28.7**	**32.2**	—	**32.2**	**35.5**	—	**35.5**
3. Expenditure (a + b)	**532.9**	**82.1**	**615.0**	**641.6**	**70.7**	**712.3**	**673.5**	**124.1**	**797.6**	**719.0**	**124.1**	**843.1**	**775.0**	**134.6**	**909.6**
(a) Telecommunications	532.9	0.2	533.1	641.6	—	641.6	673.5	—	673.5	719.0	—	719.0	775.0	—	775.0
(b) Stores and Manufacture Suspense	—	81.9	81.9	—	70.7	70.7	—	124.1	124.1	—	124.1	124.1	—	134.6	134.6
4. Financed from:															
i) Receipts and Recoveries on (a + b)	0.9	65.6	66.5	0.2	64.7	64.9	0.3	109.1	109.4	0.3	111.1	111.4	0.3	121.6	121.9
(a) Capital Account	0.9	—	0.9	0.2	—	0.2	0.3	—	0.3	0.3	—	0.3	0.3	—	0.3
(b) Under Store Suspense	—	65.6	65.6	—	64.7	64.7	—	109.1	109.1	—	111.1	111.1	—	121.6	121.6
ii) Advance Rentals received under O.Y.T. and other Schemes	13.6	—	13.6	22.8	—	22.8	20.0	—	20.0	25.0	—	25.0	40.0	—	40.0
iii) Amount met from Deposit received under Telex Deposit Scheme	—	—	—	—	—	—	20.0	—	20.0	20.0	—	20.0	6.0	—	6.0
iv) Capital Reserve Fund	158.5	16.5	175.0	177.0	6.0	183.0	178.9	15.0	193.9	115.8	13.0	128.8	303.0	13.0	316.0
v) Depreciation on Historical Costs transferred from Revenue	89.8	—	89.8	110.0	—	110.0	130.6	—	130.6	133.7	—	133.7	160.7	—	160.7
vi) Contribution towards Capital Expenditure from Revenue	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
vii) Capital advanced from the General Revenues	270.1	—	270.1	331.6	—	331.6	323.7	—	323.7	424.2	—	424.2	265.0	—	265.0
Total (i to vii)	**532.9**	**82.1**	**615.0**	**641.6**	**70.7**	**712.3**	**673.5**	**124.1**	**797.6**	**719.0**	**124.1**	**843.1**	**775.0**	**134.6**	**909.6**
5. Total Expenditure (1 + 3)	**556.5**	**82.1**	**638.6**	**673.4**	**70.7**	**744.1**	**702.2**	**124.1**	**826.3**	**751.2**	**124.1**	**875.3**	**810.5**	**134.6**	**945.1**
6. Total Financing (2 + 4)	**556.5**	**82.1**	**638.6**	**673.4**	**70.7**	**744.1**	**702.2**	**124.1**	**826.3**	**751.2**	**124.1**	**875.3**	**810.5**	**134.6**	**945.1**

* The erstwhile combined Posts and Telegraphs Department has been bifurcated into Department of Posts and Department of Telecommunications with effect from 31.12.1984.

Note: Capital outlay of Postal and Telecommunications wings of erstwhile combined Posts and Telegraphs Department are shown separately so as to facilitate a comparison with the present Department of Posts and Department of Telecommunications.

Sources: 1. Explanatory Memoranda on the Budgets of the Central Government. 2. Annual Reports of Indian Posts and Telegraphs Department. 3. The Ministry of Communications, Government of India.

crores or 15.3 per cent, Receipts and Recoveries on capital account and Under Store Suspense Rs. 111.4 crores or 13.2 per cent. Capital Advanced from the General Revenues at Rs. 424.2 crores, contributed a half of the capital outlay.

Budget Estimates: 1985-86

In the budget estimates for the year 1985-86, the DP and DT are dealt with separately. The financial results of the working of the DP and DT for 1985-86 together envisage net receipt of Rs. 276.2 crores on revenue account — an increase of Rs. 21.4 crores over the revised estimates of Rs. 254.8 crores of the previous year. Revenue receipts are budgeted to rise to Rs. 1,880.0 crores (+Rs. 220 crores, + 13.3 per cent)[15]. Total expenditure is placed higher at Rs. 1,780.0 crores (+Rs. 226.0 crores, +14.5 per cent). After adjusting for the credit of Rs. 176.2 crores to working expenses, net working expenses are estimated to go up from Rs. 1,405.2 crores in 1984-85 to Rs. 1,603.8 crores in 1985-86 (+Rs.198.6 crores, +14.1 per cent). The increase is due to higher Operational and General Administration Costs, larger expenditure under the head 'Engineering' and increased provision for Depreciation and Pension.

The net surplus, after the payment of Rs. 155.1 crores towards dividend to General Revenues, is expected to be around Rs. 121.1 crores, which is slightly lower than the amount of Rs. 121.8 crores in 1984-85. The DP will incur a deficit of Rs. 186.8 crores. However, the DT will have a surplus of Rs. 307.9 crores. As in the previous year, there will be no contribution towards capital expenditure in 1985-86. The capital outlay of DP will go up by Rs. 3.3 crores to Rs. 35.5 crores. Similarly the capital outlay of the DT will be raised by Rs. 56 crores to Rs. 775.0 crores and that on Stores and Manufacture Suspense by Rs. 10.5 crores to Rs. 134.6 crores in 1985-86.

Of the total capital outlay of Rs. 909.6 crores for the DT, Plan outlay will constitute Rs. 775.0 crores or 85.2 per cent and non-Plan outlay Rs. 134.6 crores or 14.8 per cent. The capital outlay will be financed from internal sources of the DT to the extent of Rs. 644.6 crores or 70.9 per cent and the balance of Rs. 265.0 crores or 29.1 per cent will be met from capital advanced from General Revenues.

The aggregate capital outlay of the PTD during the Sixth Five Year Plan (1980-85) amounted to Rs. 3,084.7 crores exceeding the originally provided amount of Rs. 2,508 crores (including outlay on Indian National Satellite) by Rs. 576.7 crores.

V. PUBLIC DEBT AND OTHER LIABILITIES

A. Central Government

The aggregate liabilities of the Government of India, including outstanding public debt and other liabilities, at Rs. 1,12,812 crores at the end of March 1985 (Revised Estimates) showed a comparatively larger increase of Rs. 17,551 crores (+18.4 per cent) in the year under review as against Rs. 10,389 crores (+12.2 per cent) in 1983-84 (Table VIII-16)[16]. Internal debt increased by Rs. 8,231 crores. There had been a smaller increase of Rs. 3,324 crores in the previous year. The share of public debt in the aggregate liabilities marginally declined from 68.9 per cent at the end of March 1984 to 67.0 per cent at the end of March 1985.

Public Debt

There was a sharp rise of Rs. 9,968 crores (+15.2 per cent) in the outstanding public debt which rose to Rs. 75,351 crores at end-March 1985. As against this, there had been a comparatively smaller increase of Rs. 4,762 crores (+7.9 per cent) in the previous year. The outstanding public debt of Government of India was 34.4 per cent of the Gross Domestic Product at current market prices (33.4 per cent in 1983-84).

15. The absolute and percentage variations of the budget estimates of 1985-86 over the revised estimates of 1984-85 are given in brackets.

16. Including the amount due from Pakistan on allotment of pre-partition debt.

Table VIII–16: Public Debt and Other Liabilities of Government of India

(Rupees crores)

Items	As at the end of March						
	1980	1981	1982	1983	1984	1985 (Revised Estimates)	1986 (Budget Estimates)
1.	2.	3.	4.	5.	6.	7.	8.
A. Public Debt (1+2+3)	**34,283**	**42,162**	**47,981**	**60,621**	**65,383**	**75,351**	**87,062**
	(31.8)	**(33.0)**	**(32.5)**	**(37.1)**	**(33.4)**	**(34.4)**	
1. Internal Debt (i to vi)	24,319	30,864	35,653	46,939	50,263	58,494	68,061
i) Current Market Loans	12,867	15,549	18,461	22,232	26,270	30,368	35,467
ii) Others@	196	251	309	429	520	602	643
iii) Special Bearer Bonds	—	88	964	964	964	964	964
iv) Treasury Bills	10,196	12,851	10,273	17,431	15,756	19,256	22,916
v) Special Floating and other Loans†	1,140	1,540	1,536	1,673	2,183	2,554	3,061
vi) Special Securities issued to R.B.I.	−80	585	4,110	4,210	4,570	4,750	5010
2. External Debt	9,964	10,760	11,790	13,144	14,582	16,319	18,463
3. Loans from I.M.F. Trust Fund	—	538	538	538	538	538	538
B. Other Liabilities (a to d)	**15,932**	**17,587**	**20,205**	**24,251**	**29,878**	**37,461**	**46,170**
	(14.8)	**(13.7)**	**(13.7)**	**(14.8)**	**(15.3)**	**(17.1)**	
a) Small Savings	6,856	7,976	9,375	11,098	13,506	16,806	20,706
b) State Provident Funds	2,268	2,456	2,670	3,060	3,260	3,508	3,773
c) Others*	3,363	3,521	4,533	5,729	7,108	8,983	11,221
d) Reserve Funds and Deposits **	3,445	3,634	3,627	4,364	6,004	8,164	10,470
C. Aggregate Liabilities (A+B)	**50,215**	**59,749**	**68,186**	**84,872**	**95,261**	**1,12,812**	**133,232**
	(46.6)	**(46.7)**	**(46.2)**	**(51.9)**	**(48.7)**	**(51.5)**	
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)	**49,915**	**59,449**	**67,886**	**84,572**	**94,961**	**1,12,512**	**1,32,932**

@ Comprises mainly balances of expired loans, prize bonds, premium prize bonds, compensation bonds, etc. Annuity certificates are excluded from here and shown under small savings.

† These represent mainly non-negotiable non-interest bearing securities issued to International Financial Institutions like the International Monetary Fund, International Bank for Reconstruction and Development, International Development Association, International Fund for Agricultural Development and Asian Development Bank.

* Includes mainly Public Provident Fund, 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 brackets represent percentages to the CSO estimates of Gross Domestic Product at current market prices. However, for 1985 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 1980 to 1984 and Explanatory Memorandum on the Budget of the Central Government for end-March 1985 and 1986.

External Debt

At the end of March 1985 the external debt of the Government of India stood at Rs. 16,319 crores registering a rise of Rs. 1,737 crores (+ 11.9 per cent) as against an increase of Rs. 1,438 crores (+ 10.9 per cent) in 1983-84. Loans from the IMF Trust Fund continued to remain at Rs. 538 crores as in the previous year. The budget envisages Rs. 2,675.8 crores as gross receipts under external loans during 1985-86 as against Rs. 2,234.3 crores n 1984-85 (Revised Estimates).

Internal Debt

Internal debt of the Government of India was Rs. 58,494 crores at end-March 1985. The increase in 1984-85 was larger at Rs. 8,231 crores or 16.4 per cent compared with Rs. 3,324 crores or 7.1 per cent in the previous year. All constituents of internal debt, except Special Bearer Bonds, had a rise. Special Bearer Bonds, the sale of which was discontinued from January 9, 1982, remained unchanged at Rs. 964 crores. The internal debt of the Government of India is estimated to increase by Rs. 9,567 crores (+ 16.4 per cent) in 1985-86 to reach a level of Rs. 68,061 crores at the end of March 1986. As in previous year the rise is mainly on account of current market loans and treasury bills.

Market Borrowings[17]
1984-85

During the year, the net receipts under market borrowings of the Central Government at Rs. 4,100 crores increased by Rs. 99 crores over the previous year. The Central Government borrowings were in conformity with the budget estimates of Rs. 4,100 crores (Table VIII-17).

The Central Government entered the market six times, the last tranche having been entirely placed with the Reserve Bank of India.

For the first tranche of the borrowing, the Central Government entered the market on June 1, 1984 with three loans, viz., 8.50 per cent Loan 1994, 9.50 per cent Loan 2004 and 10.25 per cent Loan 2012 on a cash-cum-conversion basis and raised a gross amount of Rs. 881.72 crores. Net collections after repayment of maturing loans amounted to Rs. 606.32 crores.

In the second tranche of July 9, 1984 the Government issued three loans, viz., 8.50 per cent Loan 1994 (second issue), 9.50 per cent Loan 2004 (second issue) and 10.25 per cent Loan 2012 (second issue) on a cash-cum-conversion basis and raised a gross amount of Rs. 774.76 crores. Net collections after repayment of maturing loans were Rs. 658.57 crores. On October 29, 1984, the Government of India entered the market for the third time with the issue of three loans, viz., 7.75 per cent Loan 1989, 8.50 per cent Loan 1994 (third issue) and 10.50 per cent Loan 2014 on a cash-cum-conversion basis and collected a gross amount of Rs. 829.16 crores. The net collections after repayment of maturing loans amounted to Rs. 729.68 crores.

In the fourth tranche of borrowing on December 17, 1984, the Central Government issued three loans, viz., 8.50 per cent Loan 1994 (fourth issue), 9.50 per cent Loan 2004 (third issue) and 10.50 per cent Loan 2014 (second issue). They were entirely on a cash basis and the total collection amounted to Rs. 827.24 crores. In the fifth market flotation of February 4, 1985 the Government issued four loans, viz., 8.00 per cent Loan 1991, 8.50 per cent Loan 1994 (fifth issue), 9.50 per cent Loan 2004 (fourth issue) and 10.50 per cent Loan 2014 (third issue) again entirely on a cash basis and realised Rs. 770.37 crores.

On March 29, 1985 the Central Government issued 10.25 per cent Loan 2012 on a cash basis for private placement in favour of the Reserve Bank of India for Rs. 507.32 crores. The monthly average of gross redemption yield on Government securities was higher at 8.21 per cent during the year 1984-85 as against 7.72 per cent during the previous year.

17. Subscription figures are compiled from the Reserve Bank of India records.

Table VIII—17: Marketing Borrowings of Government of India During 1984-85

(Rupees crores)

Date	Loans Floated	Issue Price (Rupees Per cent)	Amount 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.
1-6-1984@	8.50 Per cent Loan, 1994	100.00		83.71	35.34	119.05		
	9.50 Per cent Loan, 2004	100.00	800	41.06	30.00	71.06		
	10.25 Per cent Loan, 2012	100.00		609.68	81.93	691.61		
				734.45	147.27	881.72	128.13	606.32
9-7-1984@	8.50 Per cent Loan, 1994 (Second Issue)	100.00		143.24	0.96	144.20		
	9.50 Per cent Loan, 2004 (Second Issue)	100.00	700	74.36	—	74.36		
	10.25 Per cent Loan, 2012 (Second Issue)	100.00		474.06	82.14	556.20		
				691.66	83.10	774.76	33.09	658.57
29-10-1984@	7.75 Per cent Loan, 1989	100.00		79.79	0.53	80.32		
	8.50 Per cent Loan, 1994 (Third Issue)	100.00	750	79.99	0.01	80.00		
	10.50 Per cent Loan, 2014	100.00		598.02	70.82	668.84		
				757.80	71.36	829.16	28.12	729.68
17-12-1984*	8.50 Per cent Loan, 1994 (Fourth Issue)	100.00		121.11	—	121.11		
	9.50 Per cent Loan, 2004 (Third Issue)	100.00	750	130.82	—	130.82		
	10.50 Per cent Loan, 2014 (Second Issue)	100.00		575.31	—	575.31		
				827.24	—	827.24	—	827.24
4-2-1985*	8.00 Per cent Loan, 1991	100.00		137.52	—	137.52		
	8.50 Per cent Loan, 1994 (Fifth Issue)	100.00	700	77.56	—	77.56		
	9.50 Per cent Loan, 2004 (Fourth Issue)	100.00		44.35	—	44.35		
	10.50 Per cent Loan, 2014 (Third Issue)	100.00		510.94	—	510.94		
				770.37	—	770.37	—	770.37
29-3-1985*	10.25 Per cent Loan, 2012£	100.00	507.32	507.32	—	507.32	—	507.32
	Total during 1984-85		**4207.32**	**4288.84**	**301.73**	**4590.57**	**189.34**	**4099.50**

@ Offered on cash-cum-conversion basis.

* Offered for cash subscription only.

£ Special Issue by the Central Government, initially taken up by Reserve Bank of India.

Source: Reserve Bank of India Records.

1985-86

The Central Government Budget for 1985-86 envisages gross and net market borrowings of Rs. 5,754 crores and Rs. 5,100 crores, respectively. The Central Government entered the market on May 21, 1985 with three loans, viz., 9.50 per cent Loan 1995, 10.50 per cent Loan 2005 and 11.50 per cent Loan 2015 on a cash basis and raised an aggregate amount of Rs. 990 crores. On May 22, 1985, the Government issued further loans for Rs. 500 crores which were re-issues of the three loans. The entire amount was initially taken up by the Reserve Bank of India and subsequently made available to investors at notified prices. Another issue of Rs. 500 crores was also taken up by the Reserve Bank of India on June 13, 1985. On July 22, 1985,in the second tranche,the Central Government entered the market with three loans, viz., 9.25 per cent Loan 1992, 10.80 per cent Loan 2008 and 11.50 per cent Loan 2015 (second issue) on a cash-cum-conversion basis and raised an aggregate amount of Rs. 1,100 crores of which Rs. 890.0 crores was on cash basis and the balance of Rs. 210.0 crores was by way of conversion.

Coupon Rates on Central Government Loans

The trend witnessed earlier in the hike in the coupon rates continued during the year. There was an increase of 0.50 percentage point in the coupon rate on 2014 Loan having a maturity of 30 years compared to the coupon rate of 10.00 per cent on the loan of 31 years' maturity issued in the previous year. The coupon rates on the 7-year, 10-year, and 28-year loans were higher by 0.25 percentage point than those on the 8-year, 12-year and 31-year loans issued in the previous year. The coupon rate on the 20-year loan was 9.50 per cent which was the same rate as on the 24-year loan issued in the previous year.

During 1984-85, long-dated securities having a maturity period of 30 years with a coupon rate of 10.50 per cent were introduced for the first time. On its borrowing programme announced on May 21, 1985, the Central Government announced a higher coupon rate of 11.50 per cent for the 30-year loan. Other measures of resource mobilisation through bonds, certificates and deposit schemes are described in the following paragraphs.

National Rural Development Bonds

With a view to providing investment facility for persons desirous of availing of exemption from capital gains tax on transfer or sale of capital assets, the 7-Year National Rural Development Bonds, the first of the two in the series and carrying an interest rate of 7.5 per cent per annum, were introduced on July 9, 1979. The 3-Year National Rural Development Bonds (Second Issue) with an interest rate of 7.5 per cent per annum were floated on July 7, 1983. Both these bonds have continued to be on tap from the dates of their introduction. As at end–August 1985, the total receipts from the sale of 7-Year National Rural Development Bonds since inception were placed at Rs. 182.5 crores, while those from the 3-Year National Rural Development Bonds since inception amounted to Rs. 75.0 crores.

Social Security Certificates

The Social Security Certificates have been placed on sale in all the Post Offices from June 1, 1982 to mobilise private savings, especially from small savers, for public use. The certificates are available in two denominations, viz., Rs. 500 and Rs. 1,000. Under this scheme, an individual between the age of 18 and 45 can invest up to Rs. 5,000 and the amount will triple in 10 years. The rate of interest works out to 11.3 per cent per annum compounded half-yearly. The certificates carry a provision for payment of full maturity value to the nominees or legal heirs in the event of the death of an investor. Moreover, premature encashment will be allowed at any time after the first three years. They can also be pledged as security to Government authorities. The total proceeds from the sale of the certificates since inception amounted to Rs. 16.4 crores, as at the end of March 1985.

Capital Investment Bonds

Capital Investment Bonds with a ten-year maturity period and carrying an interest rate of 7 per cent per annum were introduced on June 28, 1982 to mobilise private savings for public use. The receipts from the sale of these bonds amounted to Rs. 154.7 crores till end-August 1985.

National Deposit Scheme

The Government introduced the National Deposit Scheme with effect from July 30, 1984 having broadly the same features as long-term time deposits with banks with a view to mopping up excess liquidity in the banking system as also to mobilise some resources for public investment. Details regarding the scheme were given in the last year's Report.Since then certain amendments have been introduced in the scheme. Firstly, in respect of deposits made in the financial year 1984-85, interest up to March 31, 1985 will be deemed to have accrued on March 31,1985 though interest will be paid at the end of six months or compounded half yearly,as the case may be. Further, for the convenience of the public 122 additional branches of nationalised banks have been authorised to accept deposits from January 1, 1985. Earlier, deposits under the National Deposit Scheme up to an aggregate amount of Rs. 35,000 along with units of UTI were exempt from wealth tax. Besides, an additional exemption up to Rs. 25,000 was exclusively provided in respect of deposits under the National Deposit Scheme. Certain amendments to the Wealth Tax Act proposed in the 1985-86 budget will replace the separate exemption limits by a consolidated exemption limit of Rs. 5 lakhs in respect of all the assets, which will provide the tax payers with a wider choice of investing in tax-exempt assets. However, the additional exemption up to Rs. 25,000 exclusively provided for these deposits will continue as before. Moreover, the existing provision to allow wealth tax exemption only if the deposit is kept for a period of at least six months has now been removed. These amendments will take effect from April 1, 1986 and will be applicable in relation to the assessment year 1986-87 and subsequent years. The Scheme has undegone some changes with effect from September 1, 1985. The rate of interest on the premature encashment of deposits after one year but before the expiry of 2 years was raised to 8.5 per cent from 7 per cent per annum. Further, 174 more branches of Associate Banks of State Bank of India and Nationalised Banks have also been authorised to accept deposits under the scheme. Non-designated branches of bank in the same city/town are also permitted to accept applications for issue of Deposit Receipts by authorised Deposit Office and a service charge of Re. 1/- per Rs. 100/- will be payable for the purpose. Subscriptions to these deposits since inception amounted to Rs. 42.9 crores at the end of August 1985 as against the target of Rs. 500 crores over a period of time. The scheme is temporary and will be discontinued soon after the target is reached or earlier, if monetary developments so warrant.

Market Borrowings by Local Authorities and Institutions sponsored by Central and State Governments

Local authorities and institutions sponsored by Central and State Governments borrowed a net amount of Rs. 1,898.6 crores registering a smaller rise of Rs. 160.3 crores (+9.2 per cent) during 1984-85 as against a rise of Rs. 239.1 crores (+15.9 per cent) in 1983-84 (Table VIII-18). The net market borrowings of the institutions sponsored by the Central Government at Rs. 1,216.9 crores were higher by Rs. 134.9 crores (+12.5 per cent), while those of the institutions sponsored by the State Governments at Rs. 655.7 crores were higher by Rs. 29.2 crores (+4.7 per cent) over the preceding year. Among the Central and State Government-sponsored institutions, those engaged in providing long-term finance to industry and for export accounted for 61.4 per cent of the net aggregate borrowings of all the institutions and local authorities taken together.

Table VIII-18: Net Market Borrowings of Local Authorities and Institutions Sponsored by Central and State Governments

(Rupees crores)

Institutions	1983-84	1984-85
1.	2.	3.
Local Authorities	**29.81**	**25.97**
Municipal Corporations	29.81	25.97
Institutions Sponsored by the Central Governments	**1,082.00**	**1,216.90**
Industrial Development Bank of India	528.00	644.00
Industrial Credit and Investment Corporation of India	152.00	175.00
Industrial Finance Corporation of India	151.00	175.00
Exim Bank	53.00	25.00
Industrial Reconstruction Bank of India	5.00	5.00
National Bank for Agriculture and Rural Development	30.25	33.00
Rural Electrification Corporation	33.00	36.30
Housing Urban Development Corporation	52.30	40.00
National Co-operative Development Corporation	34.50	45.00
Damodar Valley Corporation	41.95	33.60
Delhi Co-operative Housing Finance Society Ltd.	—	5.00
Goa Economic Development Corporation	1.00	—
Institutions Sponsored by State Governments	**626.53**	**655.68**
State Electricity Boards	449.83	487.44
State Financial Corporations	100.06	130.00
Industrial Investment Corporation & Industrial Development Corporation	12.94	19.26
Land Development Banks	33.96	−6.03
Housing Boards	9.92	9.07
Other Institutions	19.82	15.94
Grand Total	**1,738.34**	**1,898.55**

Source: Reserve Bank of India Records.

Maturity Pattern of Rupee Debt

The maturity pattern of Government of India rupee loans underwent some change at end-March 1985 (vide Statement 96 in Volume II of the Report). The proportion of long-dated securities (maturing after 10 years and undated) in the total showed an improvement from 73.4 per cent at end-March 1984 to 73.9 per cent at end-March 1985 and that of short-dated securities (maturing within 5 years) declined from 12.4 per cent to 11.2 per cent. The proportion of medium-dated securities (maturing between 5 and 10 years) also witnessed a further improvement from 14.2 per cent at end-March 1984 to 14.9 per cent at end-March 1985.

Treasury Bills

The Government of India's outstanding Treasury Bills at Rs. 19,452 crores showed a substantial increase of Rs. 3,696 crores (net) (+23.5 per cent) during 1984-85 as against a decline of Rs. 1,675 crores (−9.6 per cent) in the preceding year (vide Statement 86 in Volume II of the Report). The increase during the year was mainly in the holdings of the Reserve Bank of India (+Rs. 4,338 crores). The rise in the holdings of State Governments was Rs. 126 crores. The holdings of commercial banks declined by Rs. 640 crores and those of others declined by Rs. 128 crores.

Special Floating and Other Loans

Special floating loans and other loans representing mainly India's contribution towards the share capital of international financial institutions stood at Rs. 2,554 crores at end-March 1985 showing a smaller rise of Rs. 371 crores (+17 per cent) during 1984-85 as against a larger rise of Rs. 510 crores (+30.5 per cent) in the preceding year.

Special Securities Issued to the Reserve Bank

Special securities issued to the Reserve Bank of India against Compulsory Deposit and those in lieu of *ad hoc* Treasury Bills amounted to Rs. 4,750 crores as at the end of March 1985 and were higher by Rs. 180 crores (+3.9 per cent) during 1984-85 compared with a rise of Rs. 360 crores (+8.6 per cent) in the previous year. The Budget for 1985-86 envisages an increase of Rs. 260 crores under this head.

Other Liabilities

The non-marketable debt liabilities of the Government of India rose by Rs. 7,583 crores (+25.4 per cent) from Rs. 29,878 crores in 1983-84 to Rs. 37,461 crores in 1984-85. In the preceding year, these liabilities had increased by Rs. 5,627 crores (+23.2 per cent).

Small Savings

Small savings, outstanding at end-March 1985, aggregated Rs. 17,895 crores, as against Rs. 14,449 crores, at end-March 1984, and showed an increase of about 24 per cent (vide Statement 98 in Volume II of the Report). Small savings collections (net) during the year 1984-85 were higher at Rs. 3,446 crores as compared with Rs. 2,642 crores in the preceding year. A major portion (Rs. 2,499 crores) of the increase in the outstandings was on account of substantial investment in National Savings Certificates. Within this group, the 6-Year National Savings Certificates (VI and VII issues) and 7-Year National Savings Certificates (II Issue), showed sizeable increases of Rs. 2,307 crores, Rs. 251 crores and Rs. 75 crores, respectively, while the 7-Year National Savings Certificates (III, IV and V issues) declined by Rs. 134 crores. The spectacular rise in collections from the 6-Year National Savings Certificates (VI issue) was due to attractive tax concessions given on these certificates in the past three years. The holder of these certificates is entitled to: (i) wealth tax exemption up to a ceiling of Rs. 5 lakhs along with other specified assets. Earlier the wealth-tax exemption limit was Rs. 2.65 lakhs along with other specified assets with a separate exemption of Rs. 35,000 available for units of UTI, deposits with IDBI and under the National Deposit Scheme and an additional exemption of Rs. 25,000 in respect of National Deposit Scheme. The overall monetary ceiling was Rs. 3.25 lakhs. With a view to providing tax payers with a wider choice of investment in tax-exempt assets the separate exemption limits in respect of one house, units of UTI and deposits under the National Deposit Scheme have been done away with and an overall exemption limit of Rs. 5 lakhs in respect of these assets has been provided in the Budget for 1985-86, as already mentioned. However, the additional exemption up to Rs. 25,000 exclusively provided in respect of the deposits under National Deposit Scheme will continue to be available; (ii) Deposits up to Rs. 40,000 along with other specified assets qualify for income tax rebate under Section 80 -C of the Income Tax Act; (iii) Interest is exempt from tax up to Rs. 7,000 along with income from other specified investments under Section 80-L of the Income Tax Act. Together with the income from investments in units of UTI and deposits under National Deposit Scheme, the effective exemption limit is Rs. 12,000 at present. The net increase in small savings through the Post Office Time Deposits was larger at Rs. 764 crores during 1984-85 as compared with a smaller increase of Rs. 498 crores in the preceding year. The net rise in respect of Post Office Savings Bank Deposits, Cumulative Time Deposits and Post Office Recurring Deposits was also larger (+ Rs. 335 crores) than the increase of Rs. 317 crores in 1983-84.

Promotional Measures

The various tax concessions and the hike in the interest rates on small savings in the recent years have substantially boosted the net collections under small savings. For achieving higher collections, the Government has utilised press advertisements and other mass media like Radio and Television to intensify the sales promotion campaign to take the message of small savings even to remote area. Folders, leaflets and documentary films were among the other media used by the Government to popularise small savings.

B. State Governments

The outstanding debt liabilities of the State Governments at Rs. 43,386 crores as at the end of March 1985 showed an increase of Rs. 5,634 crores (+14.9 per cent) as against a rise of Rs. 5,331 crores (+16.4 per cent) in the previous year. According to the State Budgets, the combined debt liabilities of all States are expected to move up by Rs. 6,297 crores (+14.5 per cent) to reach Rs. 49,683 crores, at the end of March 1986.[18]

18. For State-wise break-up refer to Statement 95 in Volume II of the Report.

Loans and Advances from the Centre

The loans and advances from the Central Government for Plan and non-Plan purposes and loans against small savings which constitute a major portion of States' debt increased by Rs. 3,850 crores (+14.3 per cent) to Rs. 30,831 crores during 1984-85 as against the rise of Rs. 3,431 crores (+14.6 per cent) in the previous year. The share of loans and advances in the States' debt witnessed a marginal decline from 71.5 per cent at the end of March 1984 to 70.1 per cent at the end of March 1985. The States' indebtedness to the Centre is expected to increase further by Rs. 6,297 crores (+14.5 per cent) to reach a level of Rs. 49,683 crores at the end of March 1986.

Market Loans and Bonds

Loans and bonds comprising loans floated in the market and bonds issued by the State Governments such as Zamindari/Jagirdari abolition bonds, etc., at Rs. 5,059 crores, as at the end of March 1985, recorded a rise of Rs. 726 crores (+ 16.8 per cent) as compared with a rise of Rs. 566 crores (+15.0 per cent) in the previous year.

Market Borrowings 1984-85

Twenty-one State Governments (excluding Sikkim) entered the market on September 4, 1984 with a notified amount of Rs. 1,178.8 crores. All the loans were issued at par with a maturity period of 15 years and carrying interest at 9 per cent per annum. Maturing 5.75 per cent and 6.00 per cent Loans 1984 of 20 State Governments and 6.00 per cent Tripura State Development Loan 1984 amounting to Rs. 528.9 crores were offered the facility of conversion into new loans of the respective State Governments.

The total subscriptions to State loans amounted to Rs. 1,301.3 crores out of which cash subscriptions were Rs. 1,070.3 crores and the balance by way of conversion. After taking into account the cash repayment for the unconverted portion of the maturing loans, the net amount raised by the State Governments aggregated Rs. 772.3 crores. Consistent with the higher coupon rates offered on market loans raised by the Central Government, the yield on State Government loans at issue price in 1984-85 was higher at 9 per cent per annum for 15-year loans as compared with 8.25 per cent for 12-year loans and 8.75 per cent for 17-year loans issued in the previous year. The monthly gross redemption yield was higher at 6.32 per cent during 1984-85 as compared with 6.31 per cent in 1983-84.

1985-86

Twenty-one State Governments (excluding Sikkim) approached the market on September 2, 1985 with a notified amount of Rs. 1,284.0 crores. All the loans were issued at par with a maturity period of 13 years and carrying interest of 9.75 per cent per annum.

The total subscriptions retained for these loans amounted to Rs. 1,412.5 crores of which cash subscriptions amounted to Rs. 1,187.4 crores and the balance Rs. 225.1 crores was by way of conversion. The net amount raised by the State Governments aggregated Rs. 971.4 crores after taking into account the repayment of maturing loans amounting to Rs. 441.1 crores.

Overdrafts of States

The widespread resort to overdrafts by a number of States and its adverse impact on the economy have been commented upon in previous Reports. The outstanding overdrafts of States, at the end of June 1984, were cleared by Central assistance of Rs. 570.0 crores released on June 29, 1984. But they reappeared immediately from the beginning of July 1984. On July 2, 1984 two States had overdrafts amounting to Rs. 3.7 crores. Since then resort to overdrafts has been continuous and sizeable; the outstanding level reached Rs. 1,465.4 crores by end-December 1984 and Rs. 1,843.0 crores by end-January 1985. With a view to bringing about financial discipline, the Centre advised the States to restrict their unauthorised overdrafts in fiscal 1984-85 to the level of Rs. 1,809 crores reached on January 28, 1985 by 17 States. The State-wise ceilings on over-

drafts were also fixed at the levels outstanding as on that date. Further, States were informed that in case the overdraft exceeded the level already reached on January 28, 1985 and continued for more than seven working days, the Reserve Bank would stop payments in respect of the States concerned. In fact, the Reserve Bank stopped payment of two State Governments in February and April 1985. The level of overdrafts declined to Rs. 1,258.0 crores at end-February and to Rs. 947.7 crores on March 31, 1985 in respect of 11 States as against Rs. 257.6 crores on account of 8 States as on March 31, 1984. The State Governments' overdrafts were cleared at the end of June 1985 with the assistance released by the Government of India. On October 1, 1985, Government of India granted term loans aggregating Rs. 1,628.01 crores to the State Governments representing 90 per cent of the outstanding overdraft balance as on January 28, 1985. Simultaneously, the Government of India also advised the States that thereafter they should not have any overdraft with the Reserve Bank and in case an overdraft appears in any State Government account and remains beyond 7 continuous working days, Reserve Bank of India would stop payments on that Government account.

Loans from Banks and Other Institutions

Loans from Banks and Other Institutions include *inter alia,* loans and cash credit from the State Bank of India and other commercial banks and loans from the National Rural Credit (Long-Term Operations) Fund of the NABARD, National Cooperative Development Corporation and Life Insurance Corporation of India. The outstanding loans from these institutions estimated at Rs. 1,366 crores at the end of March 1985 were higher by Rs. 154 crores (+12.7 per cent) as compared to the previous year. These loans are expected to rise further by Rs. 143 crores to reach a level of Rs. 1,509 crores by the end of March 1986.

Provident Funds and Other Funds

Provident Funds and Other Funds mainly respresent balances in State Provident Funds. These funds increased by Rs. 905 crores (+20.3 per cent) during 1984-85 as against a rise of Rs. 798 crores (+21.8 per cent) during the previous year. A further rise of Rs. 889 crores (+16.6 per cent) in these funds is expected by end-March 1986.

Chapter IX

Industrial Finance

During 1984-85 (July-June), activity on capital markets—both primary and secondary—increased considerably reflecting marked improvement in investment climate, especially following liberalisation in Government's industrial and fiscal policies. Capital market trends and developments, and operations of term lending institutions are reviewed in this chapter.

Aggregate value of capital consents/ acknowledgements granted by the Controller of Capital Issues to non-Government public limited companies during 1984 at Rs. 1,747.1 crores was higher by 74.5 per cent compared with that in 1983. Capital consents/ acknowledgements during the first half of 1985 at Rs. 1,158.6 crores were higher by 76.3 per cent compared with those in the first half of 1984. New capital issues by non-Government public limited companies increased by 41.5 per cent during 1984 to Rs. 1,091.5 crores. During the first half of 1985 such new capital issues amounted to Rs. 606.0 crores as compared with Rs. 478.4 crores in the first half of 1984.

Capital raised (paid-up) by non-Government companies (under consents/acknowledgements of proposals granted by CCI) through new issues of shares (excluding bonus shares) and debentures amounted to Rs.780.1 crores in 1984 compared with Rs. 684.6 crores in 1983.

Assistance sanctioned by all-India and state-level term-lending institutions during 1984-85 (April-March) at Rs. 5,600.5 crores was higher by 38.1 per cent compared with that sanctioned in 1983-84. Disbursements by these institutions at Rs. 3,408.7 crores during the year were higher by 17.9 per cent compared with those in 1983-84.

Equity prices on major stock exchanges fluctuated within narrow ranges from July to November 1984. Thereafter, equities showed a sustained uptrend which gathered strong momentum in March 1985 after presentation of the Union Budget for 1985-86. The post-budget period was characterised by stock market buoyancy and equity prices recorded a phenomenal rise in June.

Consents for Capital Issues

The aggregate value of consents/acknowledgements for capital issues granted during 1984 by the Controller of Capital Issues (CCI) to non-

Government public limited companies at Rs. 1,747.1 crores was substantially higher by 74.5 per cent than Rs. 1,001.0 crores in 1983 (Table IX-1). The major portion of this rise (60.0 per cent) was on account of increase in consents/acknowledgements for issues of equity shares. Consents for fresh capital (i.e. new issues of shares and debentures) during 1984 at Rs. 1,613.2 crores were higher by 87.9 per cent than Rs. 858.6 crores in 1983. It is noteworthy that the value of consents for new issues of equity shares rose sharply from Rs. 267.9 crores in 1983 to Rs. 715.3 crores in 1984.

Among consents for fresh capital issues, consents for debentures accounted for Rs. 892.8 crores (or 55.4 per cent) and those for equity shares Rs. 715.3 crores (or 44.3 per cent). Though consents for debentures continued to account for larger share of consents for new issues, their proportion declined from 68.0 per cent in 1983 to 55.4 per cent in 1984. Consents for initial issues of shares rose sharply to Rs. 530.6 crores during 1984 from Rs. 161.2 crores in 1983. Consents for further issues also rose markedly from Rs. 113.1 crores in 1983 to Rs. 189.8 crores in 1984.

The sharply rising trend in capital consents witnessed during 1984 continued through the first half of 1985; total value of consents/acknowledgements during the first half of 1985 aggregated Rs. 1,158.6 crores compared with Rs. 657.3 crores in the corresponding period of 1984.

Table IX—1: Consents/Acknowledgements of Proposals granted by the Controller of Capital Issues to non-Government Public Limited Companies

(Rupees crores)

Year	Shares (Other than Bonus) and Debentures				Approval for shares (Equity and Preference)		Bonus shares	Miscellaneous issues* (Loans etc.)	Grand Total (5+8+9)
	Equity shares	Preference shares	Debentures	Total (2+3+4)	Initial issues	Further issues			
1	2	3	4	5	6	7	8	9	10
1980	261.3	8.4	67.7	337.4	121.1	148.6	125.4	310.9	773.7
	(77.4)	(2.5)	(20.1)	(100.0)					
1981	193.2	2.8	328.9	524.9	127.7	68.3	101.8	92.4	719.1
	(36.8)	(0.5)	(62.7)	(100.0)					
1982	240.3	11.1	519.9	771.3	141.4	110.0	150.5	195.1	1,116.9
	(31.2)	(1.4)	(67.4)	(100.0)					
1983	267.9	6.4	584.3	858.6	161.2	113.1	82.5	59.9	1,001.0
	(31.2)	(0.8)	(68.0)	(100.0)					
1984	715.3	5.1	892.8	1,613.2	530.6	189.8	82.9	51.0	1,747.1
	(44.3)	(0.3)	(55.4)	(100.0)					
January-June									
1984	271.5	1.2	304.4	577.1	197.2	75.5	47.4	32.8	657.3
	(47.0)	(0.2)	(52.8)	(100.0)					
1985 (Provisional)	320.0	1.8	573.5	895.3	223.0	98.8	42.8	220.5	1,158.6
	(35.7)	(0.2)	(64.1)	(100.0)					

* Other than loans granted by public financial institutions, banks, etc., which are exempted from control of capital issues.
Note: Figures in brackets in columns 2, 3, and 4, are percentages to the totals in column 5.
Source: Office of the Controller of Capital Issues, Government of India.

Capital Issues*

According to data compiled by the Reserve Bank, new capital issues (excluding bonus shares and miscellaneous issues) by non-Government public limited companies during 1984 at Rs. 1,091.5 crores (through 433 issues) were higher by 41.5 per cent compared with issues of Rs. 771.6 crores (through 907 issues) in 1983 (Table IX-2) Issues through prospectus rose by 10.2 per cent to Rs. 396.5 crores while rights issues rose by 40.2 per cent to Rs. 577.3 crores, indicating continuation of the shift, witnessed since 1983, towards rights issues. This shift is explained by marked preference of companies for non-convertible debentures (which are mostly issued on rights basis) owing, *inter alia,* to increasing popularity of these debentures with investors following enhancement of the rate of interest to 15 per cent per annum and introduction of the buy-back facility which has increased their liquidity. An interesting feature of capital issues during 1984 was 'private placement' of non-convertible debentures. During the year, debentures worth Rs. 117.7 crores were issued on this basis. Hitherto companies used to offer debentures on private placement basis only to institutions like UTI. In September 1984, Government issued revised guidelines for issue of debentures which, *inter alia,* allowed companies to retain, subject to CCI consent, over-subscription upto 50 per cent of the originally consented issue of non-convertible debentures. During 1984 a number of companies whose non-convertible debenture issues had been oversubscribed approached CCI for consents to retain the oversubscription. The revised guidelines thus appear to have encouraged companies to mobilise larger capital than they had originally planned to issue. In majority of cases, consents given for retention of oversubscription to non-convertible debentures were for issues on private placement basis.

Out of total issues of Rs. 396.5 crores through prospectus during 1984, the amount offered for public subscription at Rs. 215.2 crores was lower than that of Rs. 242.0 crores in 1983.

Security-wise, equity issues during 1984 at Rs. 375.8 crores were higher by 7.3 per cent than in 1983. Issues of preference shares at Rs. 0.6 crores were, however, much lower compared to Rs. 1.6 crores in 1983. Debenture issues, as stated earlier, continued to dominate the new issues market during 1984; out of total debenture issues of Rs. 715.1 crores, convertible debenture issues amounted to Rs. 176.2 crores (or 24.6 per cent) while non-convertible debenture issues amounted to Rs. 538.9 crores (or 75.4 per cent).

The 433 new capital issues during 1984 comprised 304 issues of new public limited companies i.e., companies which had not gone in for commercial production/business at the time of the public issue, and 129 issues of existing companies. In the previous year there were total 907 issues, of which 752 were of new companies. As pointed out in the last year's Report, in 1983 a large number of issues of new companies were for small amounts of less than Rs. 25 lakhs, the bulk of which were by financial companies. It may be recalled here that the Government had issued in October 1983 new listing guidelines containing stringent norms for enlistment of investment companies on stock exchanges with a view to checking mushroom growth of such companies. The sharp decline in the number of new issues in 1984 compared to 1983 is indicative of the impact of these guidelines.

The new issue activity of leasing companies increased significantly during 1984. During the year there were 87 issues of leasing companies for a total amount of Rs. 49.1 crores, as against 27 issues for Rs. 15.7 crores in 1983.

As regards public response to new issues, available data relating to 273 issues in 1984 revealed that 231 issues were oversubscribed, 12

* The analysis is based on data compiled by the Reserve Bank on the basis of replies to its questionnaire by companies, as also information available from stock exchanges, prospectuses, press handouts, etc.

Table IX-2: Fresh Capital Issues through Prospectus and Rights by Non-Government Public Limited Companies*

(Amount in rupees crores)

Year	Issues through Prospectus					Issues through Rights					Issues through Private Placement (Non-convertible Debentures) +	Grand Total		*Of which*			
		Amount					Amount							Issues of New Companies@		Issues of Existing Companies	
	No. of Issues	Equity Shares	Preference Shares	Debentures	Total (3+4+5)	No. of Issues	Equity Shares	Preference Shares	Debentures	Total (8+9+10)	Amount	No. of Issues (2+7)	Amount (6+11+12)	No. of Issues	Amount	No. of Issues	Amount
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.	18.
1981	307	256.2	2.0	137.1	395.3	73	23.8	0.1	58.9	82.8	—	380	478.1	243	207.3	137	270.8
1982	447	228.8	2.1	215.2	446.1	82	17.7	0.7	185.5	203.9	—	529	650.0	371	205.6	158	444.4
1983	809	321.7	1.0	37.0	359.7	98	28.5	0.6	382.8	411.9	—	907	771.6	752	273.0	155	498.6
1984** (January-June)	366	356.8	0.5	39.2	396.5	67	19.0	0.1	558.2	577.3	117.7	433	1091.5	304	316.4	129	775.1
1984**	167	135.8	0.5	0.7	137.0	39	16.6	0.1	255.8	272.5	68.9	206	478.4	142	123.2	64	355.2
1985**	224	143.5	—	11.5	155.0	36	6.2	—	444.8++	451.0	n.a.	260	606.0	205	127.9	55	478.1

* Other than term-lending institutions.

** Provisional.

@ Companies which had not gone in for commercial production/business at the time of the public issue. Total amount of issue of these companies also includes amount subscribed by promoters, directors, etc., before the public issue.

\+ Excluding issues exclusively made to financial institutions like Unit Trust of India.

++ Includes the issue of Rs.270.0 crores by Reliance Industries Ltd. This issue which opened in June 1985 was raised by Rs.80.0 crores under another consent in August 1985; the company was also allowed in August 1985 to retain Rs.90.0 crores out of oversubscription (*i.e.* 50 per cent of the total consented issue of Rs.180.0 crores).

n.a. not available

Source: Prospectuses/Circulars and replies to our questionnaires received from the companies.

were fully subscribed and 30 were under-subscribed.

During the first half of 1985, there were 260 issues for a total amount of Rs. 606.0 crores as against 206 issues for Rs. 478.4 crores during the corresponding period of 1984. Issues through prospectus amounted to Rs. 155.0 crores while rights issues amounted to Rs. 451.0 crores, indicating a further shift towards issues on rights basis owing to preponderance of non-convertible debentures (rights issues) in total new issues. Security-wise, the amount of equity issues at Rs. 149.7 crores during this period was marginally smaller compared with that in the first half of 1984. On the other hand, the amount of debentures at Rs. 456.3 crores during the first half of 1985 was substantially higher compared with that of Rs. 256 crores in 1984 owing to the large issue of Rs. 270.0 crores by Reliance Industries.

Capital Raised

Capital raised (paid-up) by non-Government companies (under consents/acknowledgements of proposals granted by CCI) during 1984 aggregated Rs. 901.4 crores compared with Rs. 872.9 crores in 1983 (Table IX–3). Capital raised through equity shares at Rs. 250.9 crores was substantially higher than Rs. 153.9 crores in the previous year while that raised through debentures at Rs. 527.4 crores was marginally lower than Rs. 529.1 crores in the previous year. Debentures, however, continued to account for a larger share of capital raised; they constituted 67.6 per cent of total capital raised through new issues during 1984. Capitalisation of reserves (i.e. bonus issues) and capital raised through miscellaneous issues (loans, etc.) at Rs. 62.5 crores and Rs. 58.8 crores, respectively, was smaller compared with Rs. 101.2 crores and Rs. 87.1 crores, respectively, in 1983.

According to provisional data, capital raised by non-Government companies during the first half of 1985 was lower at Rs. 376.6 crores compared with Rs. 414.0 crores in the corresponding period of 1984.

Developments in Policy

During 1984-85 (July-June) a number of decisions were taken with a view to reducing rigidities, improving the environment for industrial growth, and encouraging the growth of capital market. The important policy changes

Table IX—3: Capital Raised (paid-up) under Consents/Acknowledgements of Proposals by non-Government Companies

(Rupees crores)

			January-June	
	1983 @	1984 @	1984 @	1985 @
1	2	3	4	5
i) Equity shares	153.9	250.9	112.1	72.5
ii) Preference shares	1.6	1.8	1.8	0.4
iii) Debentures	529.1	527.4	244.1	255.2
Total (i to iii)	**684.6**	**780.1**	**358.0**	**328.1**
iv) Bonus	101.2	62.5	31.4	39.5
v) Loans, etc.*	87.1	58.8	24.6	9.0
Grand Total (i to v)	**872.9**	**901.4**	**414.0**	**376.6**

@ Data are provisional.

* Other than loans granted by public financial institutions, banks, etc., which are exempted from control of capital issues.

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 reports received from companies by the Controller of Capital Issues.

Source: Office of the Controller of Capital Issues, Government of India.

of relevance to the capital market are described below.

On September 15, 1984 the Government issued revised guidelines for issue of debentures by public limited companies. The revisions were mainly in respect of objects of issue, redemption period, conversion into equity shares and retention of excess subscription; however, the basic features of the guidelines relating to interest rate, debt-equity ratio, etc., have remained unchanged. Further, companies (including public sector companies) can issue debentures to raise capital for setting up new projects, modernisation, merger/amalgamation of companies, restructuring of capital as approved by banks/financial institutions and/or any legal authority, and acquisition of assets in accordance with legal provisions and/or MRTP Act, besides for purposes of expansion/diversification of existing projects and augmenting long term resources for working capital requirements. Further, companies are allowed the option of redeeming debentures from the fifth year to the ninth year in such a way that the average period of redemption continues to be seven years. Non-convertible debentures or non-convertible portion of convertible debentures can be converted into equity and oversubscription to non-convertible debentures can be retained upto a maximum of 50 per cent of original issue. Exemption from listing of debentures on stock exchanges is allowed in respect of private placement of non-convertible debentures with banks/financial institutions, corporate bodies and individuals.

With a view to regulating growth of leasing companies, the listing guidelines were amended by the Government on December 29, 1984. Accordingly, only companies with a minimum paid-up capital of Rs. 1 crore will be listed on stock exchanges.

The exemption limit for capital issues under the Capital Issues (Exemption) Order, 1969 was raised from Rs. 50 lakhs to Rs. 1 crore with effect from February 23, 1985.

The Union Budget for 1985-86 contains following important policy changes favourable to capital market: (i) exemption limit for personal income-tax has been raised from Rs. 15,000 to Rs. 18,000 and for wealth tax from Rs. 1.5 lakhs to Rs. 2.5 lakhs; the rate schedules for taxes on personal income and wealth have been restructured; the surcharge on income-tax in the case of all categories of non-corporate tax payers has been withdrawn; the compulsory deposit scheme and estate duty have been abolished; the basic corporate tax rate has been reduced by 5 percentage points; the tax holiday concession available upto April 1, 1985 in respect of industrial undertakings has been extended for a further period of five years; (ii) consistent with the increase in the cost and economic size of projects, the asset limit for MRTP companies fixed in 1969 has been raised from Rs. 20 crores to Rs. 100 crores; (iii) it has been proposed to notify a list of industries for delicensing so that procedural delays are cut to a minimum in areas where additional capacity is needed; (iv) with a view to improving the marketability of convertible debentures of non-MRTP and non-FERA companies, the maximum interest payable by them on such issues has been raised from 13.5 per cent to 15 per cent per annum; (v) it has been proposed to amend the Securities Contracts (Regulation) Act, 1956 to ensure free transfer of securities of listed public limited companies; (vi) the listing guidelines in respect of closely-held companies have been proposed to be amended to permit such companies to get enlisted by offering 40 per cent of their equity capital in two stages over a period of three years and to capitalise a larger proportion of their free reserves before going to the public; (vii) a new type of security, viz., Convertible Cumulative Preference Share, would be introduced in order to diversify the capital market; (viii) tax on interest income of banks has been withdrawn with a view to leaving larger funds with banks for meeting their increasing social commitments; (ix) several measures to reduce the prevailing high cost of public issues would be announced; (x) the Government would consider introduction of a scheme of stock option for employees and workers of companies to encourage their participation in management; (xi) the provision

relating to disallowance of 20 per cent of expenditure in excess of Rs. 1 lakh on advertisement, publicity and sales promotion has been withdrawn; and similarly the provision relating to disallowance of 15 per cent of interest paid by non-banking non-financial companies on public deposits has been withdrawn; (xii) it has been decided to allow companies engaged in the business of growing and manufacturing tea a deduction upto 20 per cent of their profits if deposited in a special account with NABARD to facilitate mobilisation of internal resources; (xiii) certain changes in the fiscal structure of cotton textile industry have been introduced; and (xiv) as in the case of components and raw materials for computers, imports of other items of manufactures in electronics would be liberalised.

Shortly after the presentation of the Union Budget for 1985-86, Government issued detailed guidelines relating to issue of bonus shares by closely-held companies and listing of such companies, retention of oversubscribed equity upto 25 per cent of originally consented amount and raising of the maximum rate of interest on convertible debenture issues by non-MRTP and non-FERA companies from 13.5 per cent to 15 per cent per annum. In May 1985, Government also issued guidelines relating to cost of public issues prescribing overall ceilings on expenditure on public issues of equity and convertible and non-convertible debentures.

Later, Government announced liberalisation measures concerning certain specific industries which have favourable implications for the capital market. These include (i) a liberal export-import policy for three years (April); (ii) exemption of 18 additional categories of industries for a period of five years from the purview of sections 21 and 22 of the MRTP Act which stipulates prior approval for expansion or setting up of new units; (iii) a new textile policy envisaging *inter alia* harmonious growth of all sectors of the textile industry; (iv) delicensing of additional 82 bulk drugs, with a view to giving a boost to their production (June); and (v) broad banding of certain products of the engineering industry into 14 categories for the purpose of licensing, affording flexibility to manufacturers in adjusting product-mix to suit market demand (June).

Industrial Securities Market

Equity prices on major stock exchanges recovered in July 1984 but remained subdued from August to November. A sustained and marked upward trend in equities was witnessed from December, which gained strong momentum after the presentation of the Union Budget for 1985-86 in March 1985. The post-budget period was characterised by stock market buoyancy, equity prices recording an extraordinary rise in June. Reflecting these trends, the Reserve Bank's all-India index number of ordinary share prices (Base 1970-71 = 100) which moved up from 203.0 for the week ended June 30, 1984 to 211.9 by the week ended July 28, 1984, declined to 204.7 by the week ended September 15; subsequently it recovered to 212.2 by October 20 and hovered around 209.0 during November. Thereafter it registered a sustained rise, reaching 356.2 by the week ended June 29, 1985 (Table IX—4). The average index for 1984-85 (July-June) at 236.3 showed a sharp rise of 17.9 per cent over that for the preceding year.

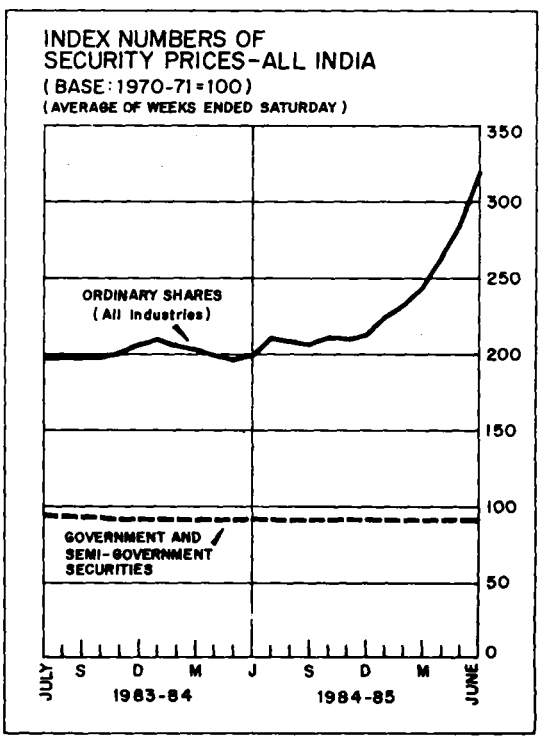


Table IX—4: Index Number of and Yield on Ordinary Shares

Year (July-June)	Index Numbers of Ordinary Shares (1970-71 = 100)				Average Gross Yield (per cent per annum)
	End of the Year (Last week ended Saturday)	Highest	Lowest	Annual Average of Weekly Index	
1	2	3	4	5	6
1980-81	199.6	199.6	148.7	170.3 (+19.1)	5.7
1981-82	173.0	200.3	173.0	189.4 (+11.2)	5.5
1982-83	200.7	202.8	170.8	182.5 (−3.6)	5.7
1983-84	203.0	211.7	194.7	200.4 (+9.8)	5.1
1984-85	356.2	356.2	204.7	236.3 (+17.9)	4.5

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

The firmness in equity prices witnessed towards the end of June 1984 following the hike in iron and steel prices was sustained in July as market sentiment was further aided by announcement of substantial reduction in import duty on viscose staple fibre and on expectation of upward revision in cement prices. Equities, however, reacted towards the end of July as the revision in cement prices fell short of market expectations, and continued to rule easy till the middle of September. Thereafter, equities recovered on institutional support, encouraging corporate news and expectation of bonus issue by Associated Cement Company (ACC). However, ACC's decision in the third week of October to put off the bonus issue adversely affected market sentiment and equities recorded fall on a wide front. After assassination of Prime Minister Smt. Indira Gandhi on October 31, trading on stock exchanges remained suspended till November 4. Thereafter, trading was dull and cautious and undertone was easy upto second week of December due to a number of factors such as anxiety about political stability, trading restrictions imposed by stock exchange authorities, Bombay High Court's decision in Escort's case upholding the company's refusal to register transfer of shares purchased by Caparo group of companies, announcement of general elections towards the end of November and pre-election uncertainties, shadow of payments crisis in the context of sharp fall in ACC share prices, and the tragedy following leakage of poisonous gas from Union Carbide's chemical plant in Bhopal in early December.

A sustained uptrend in equities emerged in the second week of December on indications of the ruling party's chances of retaining power and expectations of a liberal industrial policy. This trend became more pronounced following the landslide victory of the ruling party in the general elections. During January and February 1985, equities continued to rule firm and scored handsome gains influenced by prospects of liberalisation in industrial policy, saving and investment oriented general budget for 1985-86 and revision in prices of bulk drugs, cement, etc. In the first fortnight of March, equities surged forward on renewed speculative support but suffered a mild setback following presentation of the Railway Budget for 1985-86 on March 14 which stipulated a hike in passenger fares and freight charges.

The market welcomed the Union Budget for 1985-86 in view of substantial relief in direct taxation in the form of reduction in personal and corporate income tax and wealth tax, abolition of estate duty, reduction in excise and customs duty on a number of items, delicensing of 25 industries, raising of the asset limit for MRTP companies from Rs. 20 crores to Rs. 100 crores, and announcement of several measures to strengthen the capital market. The post-budget period was marked by a bullish fervour and excessive speculation in pivotal scrips which forced stock exchange authorities to impose severe curbs, such as stipulation of special deposit margins, reduction in duration of trading sessions and prescription of heavy penalty for indulging in kerb deals; on the Bombay Stock Exchange restrictions were also placed on fresh trading. Although the turnover declined as a result of these regulatory measures, equities continued to rule firm on speculative support and expectations of liberal textile and drug policy, which prompted stock exchange authorities to impose a margin of 3 per cent on purchases and sales of all specified shares. After a mild setback, equities recovered and firmed up in the wake of relaxation in trading in specified shares, announcement of liberal export-import policy for three years, rumours about decontrol of cement and expectation of convertible debenture issue by Tata Steel, although the uptrend was somewhat checked by sale of select scrips by financial institutions. To control excessive speculation and avoid possible payments crisis, BSE stepped up margins on specified scrips and also announced its decision to remove Tata Steel from specified list with effect from August 2, 1985. After reacting to these measures for a while, equities again firmed up mainly encouraged by exemption of 18 categories of industries from the purview of Section 21 of MRTP Act, further rationalisation and liberalisation of customs duty on electronic equipment, and the Finance Minister's statement regarding formulation of a long term fiscal policy. With a view to regulating the securities market, major stock exchanges introduced, in addition to daily and settlement margins, a three-tier system of *ad hoc* margins related to volume of transactions and rise in equity prices effective from May 29. Despite these regulatory measures, equity prices recorded an extraordinary rise in June strongly influenced by good corporate news, reduction in levy cement quota, delicensing of 82 bulk drugs and their formulations, announcement of a new textile policy, and liberalisation in norms for issue of bonus shares by closely held non-FERA companies.

Yield on Industrial Securities

The average gross yield on ordinary shares which declined to 5.1 per cent in 1983-84 from 5.7 per cent in 1982-83 declined further to 4.5 per cent during 1984-85.

Open Market Operations

The quantum of sales and purchases of Central Government securities under the RBI's open market operations was higher during 1984-85 (April–March) than in the preceding year; the net absorption of securities by the market through these operations (*i.e.*, net sales) was also substantially higher than that in 1983-84. During the first quarter of financial year 1985-86 also, both purchases and sales of securities were larger than in the corresponding quarter of the previous year.

The sales of securities during 1984-85 amounted to Rs. 1,199.1 crores, about 34.5 per cent more than the quantum of sales in 1983-84 (Rs. 891.3 crores). The purchases of securities at Rs. 898.9 crores in 1984-85 recorded a rise of 8.6 per cent over the purchases in 1983-84 (Rs. 827.5 crores). The net sales of securities showed a substantial increase from Rs. 63.8 crores in 1983-84 to Rs. 300.2 crores in 1984-85.

In the first quarter of 1985-86 (April–June), there was a spurt in the sales of securities to Rs. 1,095.8 crores which was substantially larger than that of the corresponding quarter of the previous year (Rs. 135.6 crores). This was mainly on account of new loans floated by the Central Government during the quarter. The purchases of securities at Rs. 134.2 crores was higher by 11.3 per cent over the purchases in the corresponding quarter of 1984-85 (Rs. 120.6 crores). The net sales of securities thus increased

substantially to Rs. 961.6 crores in the first quarter of 1985-86 as compared with Rs. 15 crores in the first quarter of financial year 1984-85.

Data on the Reserve Bank's purchases and sales of Government securities for the years 1970-71, 1975-76 and latest 5 years are presented in Table IX-5. Data on open market operations as also those on the aggregate purchases and sales inclusive of those effected from time to time out of the surplus funds of the IDBI, the EXIM Bank and the NABARD under a special arrangement are also indicated in the Table.

Gilt-edged Market

In the gilt-edged market the subdued trend witnessed last year continued during 1984-85 (April-March) as well. The improvement in the coupon rates of some of the Government securities issued during the year contributed to the sluggish trend. Among different groups of securities, while the prices of Central Government and State Government securities declined by 0.5 and 0.1 percentage points, respectively, semi-Government securities remained unchanged during the year. Within the Central Government securities, the decline occurred largely in medium-dated and long-dated scrips, whereas short-dated securities registered marginal increases over the year.

The all-India index (base 1970-71=100) for Government and semi-Goverment securities declined by 0.5 percentage point from 92.0 as on March 31, 1984 to 91.5 in the last week of March 1985. The decline in the index was almost entirely due to a fall in the index for Central Government securities, from 89.1 to 88.6 ; the price index of State Government securities recorded only a fractional decline from 99.8 to 99.7. The index of semi-Government securities remained at around 101.9 throughout the year. The all-India index for Government and semi-Government securities was steady in the first week of April. It moved in the range of 91.0 – 91.9 during the period April 14, 1984 to October 27, 1984. The index touched a low of 90.8 by the week ended November 10, 1984 in the wake of the flotation of the Central Government loans on October 31, 1984. A part of the loss was recouped from December 1984, the index moving up gradually to close at 91.5 on March 30, recording a net decline of 0.5 per cent over the year. The decline was more pronounced in the Madras market, where it was 0.6 percentage point as compared to 0.5 percentage point in Calcutta and 0.4 percentage point in Bombay.

The price index of Central Government securities which stood at 89.1 at the end of March 1984, after an initial fractional increase in the first week of April declined steadily to 87.8 by November 17, 1984. It improved thereafter and the index after moving in the range of 88.1 to 88.7 in the rest of the period stood at 88.6 at the end of March 1985, thus recording a fall of 0.5 per cent over the year.

Table IX-5: The Reserve Bank's Open Market Operations

(Rupees in crores)

Year	Purchases	Sales	Net Sales
1	2	3	4
July–June			
1970-71	207.2 (276.5)	312.9 (374.7)	105.7 (98.2)
April–March			
1975-76	540.1 (715.9)	941.6 (1107.0)	401.5 (391.1)
1980-81	933.4 (1986.4)	1257.4 (2269.4)	324.0 (283.0)
1981-82	751.8 (1865.2)	735.9 (2158.5)	–15.9 (293.3)
1982-83	1223.1 (3521.5)	2185.1 (4792.2)	962.0 (1270.7)
1983-84	827.5 (3026.1)	891.3 (3717.9)	63.8 (691.8)
1984-85	898.9 (4444.7)	1199.1 (4419.3)	300.2 (–25.4)
April–June			
1984-85	120.6 (1106.2)	135.6 (444.5)	15.0 (–661.7)
1985-86	134.2 (1299.2)	1095.8 (2094.4)	961.6 (795.2)

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 NABARD under a special arrangement.

2. Figures are inclusive of purchases from and sales to the State Governments.

Table IX-6 : Price and Yield variations of Central Government Securities

Loans	Price as on			Variation		Yield as on			Variation	
	30.3.1984	28.3.1985	28.6.1985	Col. (3) over Col. (2)	Col. (4) over Col. (3)	30.3.1984 (per cent)	28.3.1985 (per cent)	28.6.1985 (per cent)	Col. (8) over Col. (7)	Col. (9) over Col. (8)
1	2	3	4	5	6	7	8	9	10	11
Terminable less than 5 years										
5¾% 1984	102.00					2.26				
4½% 1985	99.50					4.90				
5½% 1985	100.70					4.93				
6% 1985	101.80					4.56				
6% 1985 II	100.00 $					6.00				
4½% 1986	94.00	98.25	98.25	+ 4.25	–	7.64	6.15	6.62	– 1.49	+0.47
6% 1986	99.75	100.65	100.65	+ 0.90	–	6.12	5.39	5.22	– 0.73	–0.17
5¼% 1986	97.45	99.00	99.00	+ 1.55	–	6.52	6.08	6.29	– 0.44	+0.21
6¼% 1986	99.65	100.50	100.50	+ 0.85	–	6.41	5.85	5.76	– 0.56	–0.09
5¼% 1986 (N.D.L.)	97.25	98.90	97.25	+ 1.65	–1.65	6.36	5.92	7.24	– 0.44	+1.32
6¼% 1986 II	100.00 $					6.25				
6¼% 1987	99.55	98.80	98.90	– 0.75	+ 0.10	6.48	6.88	6.89	+ 0.40	+0.01
6% 1987	97.60	98.25	98.25	+ 0.65	–	6.83	6.84	6.91	+ 0.01	+0.07
5¼% 1987	94.50	96.05	96.05	+ 1.55	–	7.14	7.13	7.34	– 0.01	+0.21
5¼% 1988	98.10	98.10	98.10	–	–	5.77	5.91	5.97	+ 0.14	+0.06
6% 1988	96.25	95.75	95.75	– 0.50	–	6.96	7.35	7.44	+ 0.39	+0.09
4¾% 1989	89.00	85.00	85.00	– 4.00	–	7.40	9.24	9.52	+ 1.84	+0.28
6¼% 1989	95.55	94.75	94.75	– 0.80	–	7.30	7.74	7.83	+ 0.44	+0.09
6¾% 1989	97.25	97.50	97.50	+ 0.25	–	7.37	7.41	7.44	+ 0.04	+0.03
6¾% 1989 II	100.00$					6.75				
6% 1989	93.45	93.50	93.50	+ 0.05	–	7.44	7.69	7.77	+ 0.25	+0.08
7¾% 1989	–	100.00$	100.00 $	–	–	–	7.75	7.75	–	–

(Contd.)

Table IX-6 *(Contd.)*

Loans	Price as on			Variation		Yield as on			Variation	
	30.3.1984	28.3.1985	28.6.1985	Col. (3) over Col. (2)	Col. (4) over Col. (3)	30.3.1984 (percent)	28.3.1985 (percent)	28.6.1985 (percent)	Col. (8) over Col. (7)	Col. (9) over Col. (8)
1	2.	3.	4.	5.	6	7	8	9	10	11
5 to 10 years										
5½% 1990	89.50	89.50	89.50	–	–	7.64	7.98	8.09	+ 0.34	+0.11
6½% 1990	94.70	94.70	94.80	–	+ 0.10	7.57	7.73	7.77	+ 0.16	+0.04
5½% 1991	84.55	87.40	87.40	+ 2.85	–	6.37	8.09	8.18	+ 1.72	+0.09
6¾% 1991	94.20	94.55	94.55	+ 0.35	–	7.80	7.86	7.89	+ 0.06	+0.03
6¾% 1991 II	100.00 $					6.75				
6¼% 1991	97.40	97.40	97.40	–	–	6.94	6.74	6.76	– 0.20	+0.02
7¼% 1992	96.25	94.75	94.75	– 1.50	–	7.88	8.23	8.16	+ 0.35	–0.07
8% 1991	–	100.00 $	100.00 $	–	–	–	8.00	8.00	–	–
7¾% 1991	100.00 $	100.05	100.05	+ 0.05	–	7.75	7.74	7.74	– 0.01	–
7¾% 1991 II	100.00 $					7.75				
7¾% 1991 III	100.00 $					7.75				
7¾% 1991 IV	100.00 $					7.75				
7¾% 1991 V	100.00 $					7.75				
5½% 1992	86.00	86.00	86.00	–	–	7.82	8.07	8.15	+ 0.25	+0.08
6¼% 1993	88.40	88.40	88.40	–	–	8.05	8.21	8.26	+ 0.16	+0.05
6% 1993	86.60	86.60	86.60	–	–	8.07	8.25	8.31	+ 0.18	+0.06
6¾% 1994	90.80	90.80	90.80	–	–	8.13	8.22	8.26	+ 0.09	+0.04
6% 1994	91.50	91.50	91.50	–	–	7.18	7.28	7.30	+ 0.10	+0.02
7% 1994	92.10	89.00	89.00	– 3.10	–	8.13	8.73	8.76	+ 0.60	+0.03
8½% 1994	–	100.65	100.65	–	–	–	8.40	8.40	–	–
8½% 1994 IV	–	100.00 $	100.00 $	–	–	–	8.50	8.50	–	–
8½% 1994 V	–	100.00 $	100.00 $	–	–	–	8.50	8.50	–	–
5½% 1995	85.90	85.90	79.40	–	–6.50	7.38	7.52	8.51	+ 0.14	+0.99
6¼% 1995	93.50	93.50	93.50	–	–	7.10	7.16	7.18	+ 0.06	+0.02
6½% 1995	87.10	87.10	87.10	–	–	8.29	8.41	8.44	+ 0.12	+0.03
9½% 1995			100.00 $					9.50		

(Contd.)

Table IX-6 *(Contd.)*

Loans	Price as on			Variation		Yield as on			Variation	
	30.3.1984	28.3.1985	28.6.1985	Col. (3) over Col. (2)	Col. (4) over Col. (3)	30.3.1984 (percent)	28.3.1985 (percent)	28.6.1985 (percent)	Col (8) over Col. (7)	Col. (9) over Col. (8)
1	2	3	4	5	6	7	8	9	10	11
10 to 15 years										
8¼% 1995	100.05	99.25	99.25	– 0.80	–	8.22	8.35	8.36	+ 0.13	+0.01
8¼% 1995 II	100.00 $	100.00 $	100.00 $	–	–	8.25	8.25	8.25	–	–
8¼% 1995 III	100.00 $	100.00 $	100.00 $	–	–	8.25	8.25	8.25	–	–
6¼% 1996	83.10	83.10	83.10	–	–	8.45	8.71	8.60	+ 0.26	–0.11
7¼% 1997	98.15	98.15	98.15	–	–	7.44	7.49	7.49	+ 0.05	–
6½% 1997	84.30	84.30	84.30	–	–	8.50	8.60	8.63	+ 0.10	+0.03
6¼% 1997	81.75	81.75	81.75	–	–	8.54	8.65	8.68	+ 0.11	+0.03
7% 1998	95.00	85.05	85.05	– 9.95	–	7.58	8.96	8.98	+ 1.38	+0.02
6% 1998	91.00	76.35	75.85	–14.65	–0.50	7.00	8.86	8.98	+ 1.86	+0.12
6¼% 1998	97.75	97.95	97.95	–	–	6.47	6.48	6.48	+ 0.01	–
5½% 1999	72.50	72.00	72.00	– 0.50	–	8.53	8.76	8.80	+ 0.23	+0.04
5½% 1999 *	70.00	69.00	69.00	– 1.00	–	8.83	9.13	9.18	+ 0.30	+0.05
5½% 2000	72.10	69.00	69.00	– 3.10	–	8.45	9.00	9.05	+ 0.55	+0.05
15 Years and above										
6½% 2000	81.25	80.00	80.00	– 1.25	–	8.67	8.92	8.95	+ 0.25	+0.03
5¾% 2001	72.75	72.75	72.75	–	–	8.52	8.65	8.68	+ 0.13	+0.03
6½% 2001	79.35	79.35	79.35	–	–	8.85	8.93	8.95	+ 0.08	+0.02
7½% 2001	88.10	88.10	88.10	–	–	8.85	8.89	8.91	+ 0.04	+0.02
5¾% 2001 (NDL)	90.25	70.00	71.75	–20.25	+ 1.75	6.70	8.93	8.75	+ 2.23	–0.18
7¾% 2002	89.55	89.55	89.55	–	–	8.92	8.95	8.96	+ 0.03	+0.01
5¾% 2002	71.35	71.35	71.35	–	–	8.58	8.69	8.73	+ 0.11	+0.04
6½% 2002	86.00	75.00	75.00	–11.00	–	7.95	9.44	9.12	+ 1.49	–0.32
5¾% 2003	76.00	76.00	76.00	–	–	8.27	8.34	8.36	+ 0.07	+0.02
6½% 2003	77.00	73.75	73.75	– 3.25	–	9.04	9.17	8.20	+ 0.13	+0.03
6½% 2004	76.50	74.70	74.70	– 1.80	–	9.05	8.97	9.00	– 0.08	+0.03

(Contd.)

Table IX–6 *(Contd.)*

Loans	Price as on			Variation		Yield as on			Variation	
	30.3.1984	28.3.1985	28.6.1985	Col. (3) over Col. (2)	Col. (4) over Col. (3)	30.3.1984 (percent)	28.3.1985 (percent)	28.6.1985 (percent)	Col. (8) over Col. (7)	Col. (9) over Col. (8)
1	2	3	4	5	6	7	8	9	10	11
9½% 2004	–	100.00 $	100.00 $	–	–	–	9.50	9.50	–	–
9½% 2004 II	–	–	–	–	–	–	–	–	–	–
9½% 2004 III	–	100.00 $	100.00 $	–	–	–	9.50	9.50	–	–
9½% 2004 IV	–	100.00 $	100.00 $	–	–	–	9.50	9.50	–	–
6½% 2005	74.00	72.75	69.00	–1.25	–3.75	9.32	9.09	9.54	– 0.23	+0.45
8¼% 2005	91.05	91.05	91.05	–	–	9.08	9.10	9.11	+ 0.02	+0.01
10½% 2005			100.00 $					10.50		
6¾% 2006	77.00	77.00	77.00	–	–	9.20	9.24	9.25	+ 0.04	+0.01
6¾% 2007	74.95	74.95	74.95	–	–	9.40	9.44	9.03	+ 0.04	–0.41
9½% 2008	100.00 $	98.00	97.50	– 2.00	–0.50	9.50	9.69	9.74	+ 0.19	+0.05
7% 2009	74.80	72.75	72.75	– 2.05	–	9.18	9.44	9.45	+ 0.26	+0.01
7½% 2010	79.75	77.20	76.80	– 2.55	–0.40	7.22	9.51	9.56	+ 2.29	+0.05
8¾% 2010	92.25	89.00	89.00	– 3.25	–	9.41	9.73	9.74	+ 0.32	+0.01
8% 2011	84.00	81.75	80.85	– 2.25	–0.90	9.34	9.59	9.68	+ 0.25	+0.09
10¼% 2012	–	100.25	100.25	–	–	–	10.23	10.24	–	+0.01
9% 2013	92.00	88.50	88.50	– 3.50	–	9.67	10.00	10.00	+ 0.33	–
9% 2013 V	100.00 $	–	–	–	–	9.00	–	–	–	–
10% 2014	100.20	96.60	95.90	– 3.60	–0.70	9.98	10.30	10.36	+ 0.32	+0.06
10% 2014 II	100.00 $					10.00				
10% 2014 III	100.00 $					10.00				
10% 2014 IV	100.00 $					10.00				
10% 2014 V	100.00 $					10.00				

(Contd.)

Table IX-6 *(Concld.)*

Loans	Price as on			Variation		Yield as on			Variation	
	30.3.1984	28.3.1985	28.6.1985	Col. (3) over Col. (2)	Col. (4) over Col. (3)	30.3.1984 (percent)	28.3.1985 (percemt)	28.6.1985 (percent)	Col. (8) over Col. (7)	Col. (9) over Col. (8)
1	2	3	4	5	6	7	8	9	10	11
10½% 2014	–	100.30	92.10	–	–8.20	–	10.47	11.22	–	+0.75
10½% 2014 II	–	100.30	100.30	–	–	–	10.47	10.47	–	–
10½% 2014 H	–	100.00 $	100.00 $	–	–	–	10.50	10.50	–	–
11½% 2015			100.15					11.48		
Non-Terminable										
3% 1986 or later	89.75	93.00	93.25	+ 3.25	+ 0.25	3.34 F	3.23 F	3.22 F	– 0.11	–0.01
3% (Government Rupee Paper)	73.00	86.00	81.00	+ 13.00	–5.00	4.11 F	3.49 F	3.70 F	– 0.62	+0.21

NDL = National Defence Loans.
* = Banks (Acquisition and Transfer).
F = Flat Yield.
$ = Issue Price.

The index of State Government securities touched a low of 99.4 on February 16, 1985 and remained unchanged upto March 23, 1985. It reached 99.7 in the last week of March 1985 thereby recording a fall of 0.1 percentage point over the March 1984 level.

The index of semi-Government securities remained almost unchanged at 101.9 throughout the year except for a brief period when it reached a maximum of 102.0.

In Bombay, among Central Government securities, while some of the short-dated securities registered increases over the year ranging from Re. 0.05 to Rs. 4.25, others showed declines ranging from Re. 0.50 to Rs. 4.00. Most of the medium-dated and long-dated securities depreciated in value over the year with consequent increases in yields. The losses ranged between Rs. 1.50 and Rs. 3.10 in the case of loans maturing in 5—10 years, between Re. 0.50 and Rs. 14.65 in respect of loans maturing in 10—15 years and between Rs. 1.25 and Rs. 20.25 in the case of loans maturing after 15 years. However, a notable exception in the case of loans maturing in 5—10 years, was 5½ per cent loan 1991 which appreciated by Rs. 2.85 over the year. Both the non-terminables appreciated over the year, the 3 per cent 1986 or later recording an increase of Rs. 3.25 and the 3 per cent Government Rupee Paper gaining Rs. 13.00 over the year.

Among State Government securities, the trend was mixed. Most of the securities of Maharashtra, Andhra Pradesh, Gujarat, and Uttar Pradesh State Governments showed increases ranging from Re. 0.10 to Rs. 3.20 though a few securities in these States showed declines ranging from Re.0.05 to Rs. 3.75. Securities of Tamil Nadu State Government, however, declined in the range of Re. 0.50 to Rs. 5.90 and the 7 per cent 1993 loan of Tripura State declined by Rs. 7.00. The securities of Haryana, Karnataka, Punjab, Rajasthan, Kerala, Madhya Pradesh, Meghalaya, Orissa, and West Bengal showed only marginal variations confined to one or two scrips while those of other States did not show any change over the year.

During the first quarter of the financial year 1985-86, the Reserve Bank's all-India weekly price index (base: 1970-71=100) for Government and semi-Government securities moved in the range of 91.3 to 91.5 and closed for the week ended June 29 at 91.3. The index of Central Government securities declined from 88.6 to 88.4 for the week ended June 29, 1985 while the index of State Government securities moved in the range of 99.3 to 99.5 and closed at 99.3 for the week ended June 29, 1985. The index of semi-Government securities remained unchanged at 101.9 till June 1, 1985, but closed a shade better at 102.0 on June 29, 1985.

In Bombay, among short-dated Central Government securities only two scrips showed marginal variations. Some of the medium-dated and long-dated securities registered declines over the quarter. The declines ranged between Re. 0.50 and Rs.6.50 in the case of loans maturing in 5 to 15 years and between Re. 0.40 to Rs. 8.20 in the case of loans maturing after 15 years. Among the non-terminables, while the 3 per cent 1986 or later appreciated by Re. 0.25, the 3 per cent Government Rupee Paper registered decline of Rs. 5.00.

The prices of most of the State Government securities remained steady. Securities of a few State Governments like Maharashtra, Bihar, Gujarat, Rajasthan, Tamil Nadu and Uttar Pradesh showed marginal variations.

Term-lending Institutions

Financial assistance sanctioned by term-lending institutions (i.e. IDBI, IFCI, ICICI, IRBI, UTI, LIC, GIC and its subsidiaries, SFCs and SIDCs/SIICs) during 1984-85 (April-March) increased substantially by 38.1 per cent to Rs. 5,600.5 crores. Assistance disbursed by these institutions rose by 17.9 per cent during the year to Rs. 3,408.7 crores (Table IX-7). During the previous year, sanctions had increased by 24.9 per cent and disbursements by 22.5 per cent. Sanctions of rupee loans increased by 28.7 per cent to Rs. 4,213.2 crores and disbursements by 13.7 per cent to Rs. 2,804.3 crores; sanctions of foreign currency loans rose

Table IX—7: Assistance Sanctioned and Disbursed by Financial Institutions@

(Rupees crores)

Year (April-March)	Rupee Loans		Foreign Currency Loans		Underwriting and Direct Subscriptions				Guarantees		Total	
					Ordinary & Preference Shares		Debentures					
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5	6	7	8	9	10	11	12	13
1982-83£	2,783.6	2,043.8	131.6	128.2	108.8	93.6	163.3	90.3	57.4	4.2	3,244.7	2,360.1
	(+18.5)	(+14.2)	(−13.9)	(+4.6)	(−11.8)	(+94.6)	(+50.9)	(+17.3)	(+2.0)	(+3.5)	(+16.3)	(+15.9)
1983-84*	3,274.7	2,466.3	281.8	135.3	180.9	57.6	246.8	230.7	69.8	2.3	4,054.0	2,892.2
	(+17.6)	(+20.7)	(+114.1)	(+5.5)	(+66.3)	(−38.5)	(+51.1)	(+155.5)	(+21.6)	(−45.2)	(+24.9)	(+22.5)
1984-85*	4,213.2	2,804.3	359.4	172.8	277.1	57.6	458.1	368.4	292.7	5.6	5,600.5	3,408.7
	(+28.7)	(+13.7)	(+27.5)	(+27.7)	(+53.2)	(—)	(+85.6)	(+59.7)	(+319.3)	(+143.5)	(+38.1)	(+17.9)

@ Covers IDBI, IFCI, ICICI, IRBI, UTI, LIC, GIC and its subsidiaries, SFCs and SIDCs/SIICs.

£ Covers data in respect of 24 SIDCs/SIICs.

* Provisional.

Note: (1) The data exclude (i) IDBI refinance to SFCs and SIDCs, subscriptions to shares and bonds of financial institutions and seed capital assistance through SFCs and SIDCs/SIICs to avoid double counting;(ii) short-term loans of LIC;(iii) suppliers' credit by ICICI; and (iv) hire purchase/leasing assistance by IRBI and ICICI.

(2) Figures in brackets indicate percentage variations over previous year.

Source: Industrial Development Bank of India.

by 27.5 per cent to Rs. 359.4 crores and disbursements by 27.7 per cent to Rs. 172.8 crores. Assistance by way of underwriting and direct subscriptions to ordinary and preference shares and debentures increased to Rs. 735.2 crores from Rs. 427.7 crores in 1983-84. Guarantees sanctioned rose from Rs. 69.8 crores in 1983-84 to Rs. 292.7 crores in 1984-85; guarantees issued/executed rose from Rs. 2.3 crores to Rs. 5.6 crores during the same period.

Institution-wise, IDBI provided, as in the previous year, the highest amount of assistance, accounting for 47.4 per cent of total sanctions and 42.0 per cent of total disbursements by all term-lending institutions (Table IX-8).

Sector-wise, assistance sanctioned to private sector units rose significantly from Rs. 3,296.1 crores in 1983-84 to Rs. 4,815.2 crores in 1984-85 while that sanctioned to units in public sector declined from Rs. 613.5 crores to Rs. 592.7 crores (Table IX-9).

Table IX-8: Institution-wise Financial Assistance

(Year: April-March) (Rupees crores)

Institutions	1983-84*		1984-85*		Percentage change in 1984-85 over 1983-84	
	Sanctions	Disburse-ments	Sanctions	Disburse-ments	Sanctions	Disburse-ments
1	2	3	4	5	6	7
IDBI @	1,766.1	1,299.0	2,653.2	1,432.9	+50.2	+10.3
	(43.6)	(44.9)	(47.4)	(42.0)		
IFCI @	321.9	225.4	418.0	275.7	+29.9	+22.3
	(7.9)	(7.8)	(7.5)	(8.1)		
ICICI @	438.5	295.0	513.4	344.0	+17.1	+16.6
	(10.8)	(10.2)	(9.2)	(10.1)		
IRBI	66.7	38.1	105.9	52.6	+58.8	+38.0
	(1.6)	(1.3)	(1.9)	(1.6)		
UTI	165.8	139.3	357.3	236.2	+115.5	+69.6
	(4.1)	(4.8)	(6.4)	(6.9)		
LIC	166.8	140.9	220.7	161.6	+32.3	+14.7
	(4.1)	(4.9)	(3.9)	(4.7)		
GIC and its subsidiaries	108.5	84.5	144.1	110.5	+32.8	+30.8
	(2.7)	(2.9)	(2.6)	(3.2)		
SFCs	655.1	433.6	715.0	496.1	+9.1	+14.4
	(16.2)	(15.0)	(12.7)	(14.6)		
SIDCs	364.6	236.4	472.9	299.1	+29.7	+26.5
	(9.0)	(8.2)	(8.4)	(8.8)		
Total	**4,054.0**	**2,892.2**	**5,600.5**	**3,408.7**	**+38.1**	**+17.9**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**		

* Provisional

@ Including guarantees.

Note: 1. The data exclude (i) IDBI refinance to SFCs and SIDCs, subscriptions to shares and bonds of financial institutions and seed capital assistance through SFCs and SIDCs/SIICs to avoid double counting; (ii) short-term loans of LIC., (iii) suppliers' credit by ICICI, and (iv) hire purchase/leasing assistance by IRBI and ICICI.

2. Figures in brackets indicate percentage shares of each institution in total.

Source: Industrial Development Bank of India.

Table IX-9: Sector-wise Assistance Sanctioned and Disbursed by Financial Institutions

(Year: April-March) (Rupees crores)

Institutions	Private Sector				Public Sector				Joint Sector				Co-operative Sector			
	1983-84		1984-85 (Provisional)		1983-84		1984-85 (Provisional)		1983-84		1984-85 (Provisional)		1983-84		1984-85 (Provisional)	
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
IDBI*	1,588.4	1,179.1	2,621.4	1,395.5	463.6	434.0	448.4	392.0	261.9	53.4	117.8	63.7	54.3	50.3	46.2	65.0
IFCI@	181.2	125.2	277.6	172.8	34.4	48.9	44.1	28.7	73.3	25.6	75.1	41.8	33.1	25.7	21.2	32.5
ICICI	312.4	235.3	374.9	268.2	8.8	11.9	10.6	4.2	65.2	25.3	84.2	40.4	24.9	22.5	23.2	30.6
IRBI	56.5	29.1	86.9	45.8	8.3	7.6	14.3	4.3	1.2	1.5	4.6	1.9	0.8	—	—	0.6
SFCs	622.0	427.0	728.4	494.3	4.4	2.5	0.3	1.0	8.3	5.1	8.2	3.0	10.2	0.9	1.8	0.3
SIDCS/SIICS	300.4	201.1	413.2	259.2	30.3	17.8	26.8	19.5	31.9	15.9	30.4	19.4	2.1	1.7	2.5	0.9
Total	3,060.9	2,196.8	4,502.4	2,635.8	549.8	522.7	544.5	449.7	441.8	126.8	320.3	170.2	125.4	101.1	94.9	129.9
LIC	148.1	139.0	199.8	167.5	47.1	44.8	30.1	8.8	14.3	4.6	11.0	4.0	—	0.2	—	—
GIC & its subsidiaries	87.1	74.7	113.0	104.4	16.6	6.5	18.1	4.6	4.8	3.3	13.0	1.6	—	—	—	—
Grand Total	3,296.1	2,410.5	4,815.2	2,907.7	613.5	574.0	592.7	463.1	460.9	134.7	344.3	175.8	125.4	101.3	94.9	129.9

* Total Assistance under all schemes of IDBI (excluding guarantees and assistance to financial institutions)
@ Including guarantees.
Source: Respective financial institution.

Soft Loan Scheme for Modernisation

The Soft Loan Scheme which was introduced in November 1976 by IDBI in collaboration with ICICI and IFCI for providing assistance to units in cotton textiles, jute, sugar, cement and engineering industries to enable them to overcome backlog of modernisation/renovation/replacement of plant and equipment, was modified effective January 1, 1984. The modified scheme is called Soft Loan Scheme for Modernisation and covers deserving units in all types of industries. Assistance under the scheme is available to production units for financing modernisation primarily aimed at upgradation of process, technology and product, export orientation, import substitution, energy saving, prevention of pollution, conservation/substitution of scarce raw materials and other inputs including re-cycling/recovery of wastes and by-products, improvement in capacity utilisation through increase in productivity and removal of bottlenecks, and improvements in material handling. During the year under review, certain relaxations were also made in the scheme. The eligibility criterion of age of plant and equipment, viz., 10 years and over, was relaxed in the case of projects aimed at increase in exports, imports substitution, energy-saving,anti-pollution measures, as also in the case of projects with specific advantages for undertaking upgradation of technology through modernisation. Further, although assistance is not normally available for expansion of capacity, it would now be provided for nominal increase in capacity upto 25 per cent within the existing licensed capacity. Besides, in certain industries backward/forward integration is also considered eligible for assistance under the scheme on a case by case basis.

During 1984-85 (July-June), total assistance sanctioned and disbursed under the soft loan scheme amounted to Rs. 333.8 crores and Rs. 72.5 crores, respectively, as against Rs. 139.3 crores and Rs. 68.7 crores, respectively, in the previous year. Cumulative sanctions and disbursements upto end of June 1985 amounted to Rs. 1,497.6 crores and Rs. 715.3 crores, respectively (Table IX-10).

Table IX—10: Progress of Soft Loan Scheme (upto end of June 1985)

Industry	Applications received*		Sanctions		Disbursements	Column (6) as per cent of column (5)
	No. of applications	Amount (Rs. crores)	No. of applications	Amount (Rs. crores)	Amount (Rs. crores)	
1	2	3	4	5	6	7
Textiles	440	926.2	426	725.5	400.1	55.1
	(420)	(845.9)	(400)	(610.8)	(365.7)	(59.8)
Cement	29	263.7	29	182.7	86.9	47.6
	(28)	(253.7)	(26)	(167.2)	(77.2)	(46.2)
Sugar	46	107.5	43	74.5	19.3	25.9
	(46)	(112.3)	(40)	(72.7)	(15.8)	(21.7)
Jute	28	88.7	28	54.2	53.3	98.3
	(28)	(86.6)	(27)	(53.6)	(52.5)	(97.9)
Engineering	163	372.8	156	272.9	142.7	52.3
	(147)	(321.8)	(146)	(258.0)	(131.6)	(51.0)
Others	38	270.7	27	187.8	13.0	6.9
	(6)	(16.3)	(2)	(1.5)	(—)	(—)
TOTAL	**744**	**2,029.6**	**709**	**1,497.6**	**715.3**	**47.8**
	(675)	**(1,636.6)**	**(641)**	**(1,163.8)**	**(642.8)**	**(55.2)**

* After adjusting proposals rejected/withdrawn/closed.

Note: Figures in brackets indicate progress upto end-June 1984.

Source: Industrial Development Bank of India.

Assistance to Small-Scale Industries/Backward Areas

During 1984-85 (April-March), SFCs sanctioned and disbursed assistance of Rs. 539.7 crores and Rs. 368.7 crores, respectively, for projects in small-scale industrial sector compared with Rs. 461.0 crores and Rs. 305.0 crores, respectively, in 1983-84. IDBI's sanctions to small-scale industrial sector (including small road transport operators) under its refinance and bills rediscounting schemes at Rs. 934.7 crores showed a rise of 26.7 per cent over the sanctions in 1983-84 (Table IX—11). Its disbursements to this sector through these schemes at Rs. 727.1 crores were also higher by an almost equivalent proportion.

Table IX—11: Financial Assistance Sanctioned and Disbursed by Term-Lending Institutions to Projects in the Small Scale Industries Sector.

(Year: April-March) (Rupees crores)

Institutions	1983-84		1984-85 (Provisional)	
	Sanctioned	Disbursed	Sanctioned	Disbursed
IDBI*	737.9	578.5	934.7	727.1
IRBI	0.7	0.7	1.3	0.2
SFCs	461.0	305.0	539.7	368.7
SIDCs/SIICs	9.1	5.8	11.1	9.4

*. Comprising assistance under refinance and bills rediscounting schemes and to SSIs and SRTOs.

Source: Respective financial institution.

Assistance by financial institutions to units located in backward districts/areas showed a substantial increase with sanctions rising from Rs. 1,991.8 crores in 1983-84 to Rs. 3,035.0 crores in 1984-85 and disbursements from Rs. 1,387.0 crores to Rs. 1,653.9 crores. (Table IX—12).

Foreign Currency Borrowings

The rupee resources of term-lending institutions were augmented by Government contributions to share capital and loans, RBI assistance, and market borrowings, etc., while their foreign currency resources, the major portion of which was traditionally provided by the World Bank, other development finance agencies and multilateral and bilateral aid, were supplemented by borrowings from international capital markets. During 1984-85 (April-March), IDBI made its second bond issue for Yen 5 billion by way of private placement in the Japanese capital market in October 1984; its first yen bond issue, which was also on private placement basis, was made in June 1984 for Yen 5 billion. IFCI and ICICI also raised Yen 5 billion each by way of private placement of bonds in this market. Besides, IFCI raised a Euro-dollar loan of US $ 20 million from a consortium of foreign banks. ICICI signed during the year syndicated loan agreements for US $40 million, £10 million and ECU 30 million. ICICI is the first Indian financial institution to raise ECUs.

Industrial Development Bank of India

The Industrial Development Bank of India — the apex industrial development bank — recorded further progress in its operations during 1984-85 (July-June). Aggregate assistance sanctioned by it (including guarantees) rose by 42.0 per cent to Rs. 3,616.6 crores and aggregate disbursements made by it rose by 13.5 per cent to Rs. 2,211.9 crores (Table IX—13). The outstanding amount of its assistance as on June 30, 1985 stood at Rs. 7,741.8 crores as against Rs. 6,363.1 crores a year ago.

There was a substantial rise in IDBI's direct assistance to large and medium industries. A larger part of its assistance, however, continued to be channelised through State-level institutions (SFCs and SIDCs) and banks. Sanctions under the two major schemes of refinance and bills rediscounting, through which assistance is basically extended to small and medium enterprises, accounted for 56.5 per cent of total sanctions in 1984-85.

A significant feature of IDBI's operations during the year was that high priority industries

Table IX—12: Assistance Sanctioned and Disbursed by Financial Institutions to Backward Areas and New/Small Entrepreneurs

(Year: April-March) (Rupees crores)

Institutions	Backward Districts/Areas						New/Small Entrepreneurs					
	1982-83		1983-84		1984-85		1982-83		1983-84		1984-85	
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13
IDBI@*	678.7	620.7	959.3	757.9	1,697.5	838.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
IFCI@	114.9	105.2	205.6	126.7	251.6	160.1	0.2	0.1	21.7	13.7	22.1	18.5
ICICI£	142.5	112.6	224.3	127.7	263.5	187.5	53.0	35.7	67.1	40.6	55.2	65.1
IRBI	12.5	9.3	15.7	8.8	28.6	15.2	—	—	—	—	—	—
SFCs	278.7	189.1	322.2	211.6	434.3	255.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
SIDCs/SIICs	169.8**	126.2**	233.3	134.3	317.4	182.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL	1,397.1	1,163.1	1,960.4	1,367.0	2,992.9	1,638.9	—	—	—	—	—	—
LIC@@	22.7	19.7	22.2	12.8	30.7	10.5	44.2	17.7	37.0	17.6	37.6	22.0
GIC and its subsidiaries	1.4	4.9	9.2	7.2	11.4	4.5	—	—	—	—	—	—
Grand Total	**1,421.2**	**1,187.7**	**1,991.8**	**1,387.0**	**3,035.0**	**1,653.9**	—	—	—	—	—	—

n.a.: not available

* IDBI data are for the period July-June and data on assistance to backward areas relate to concessional finance.

@ Including guarantees. @@ : Including short-term loans.

** Data for 1982-83 relate to 24 SIDCs/SIICs.

£ Other than leasing, guarantees etc.

Source: Respective financial institution.

Table IX-13: Summary of Operations of Industrial Development Bank of India

(Year: July-June) (Amount in Rupees crores)

	Type of Assistance	Sanctions						Disbursements			
		1983-84		1984-85		Cumulative sanctions since inception upto end-June 1985		1983-84	1984-85	Cumulative disbursements since inception upto end-June 1985	Assistance outstanding as on June 30, 1985
		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 export)	392	680.0	412	1,107.2	2,953	4,774.3	524.1	510.8	3,216.6	2,759.8
2.	Underwriting of and direct subscription to shares/debentures of industrial concerns	92	92.1	98	117.7	849	513.1	10.6	10.6	147.6	138.7
3.	Refinance of industrial loans	7,506	950.7	79,698	1,387.2	4,53,201	6,227.7	802.4	961.4	4,792.8	2,658.8
4.	Rediscounting of bills	2,376@	740.2	2,116@	655.6	10,019@	3,571.6	559.4	494.6	2,710.6	1,552.9
5.	Seed capital through SFCs/SIDCs	142	11.7	164	13.5	628	43.8	7.6	10.0	26.5	26.5
6.	Subscriptions to shares and bonds of financial institutions	27+	50.4	35+	113.5	39+	549.8	41.4	97.9	518.7	457.3
7.	Guarantees for loans	6	21.2	10	221.9	45	313.1	2.9*	126.6*	153.4*	147.8**
	Total (1 to 7)	**50,541**	**2,546.3**	**82,533**	**3,616.6**	**4,67,734**	**15,993.4**	**1,948.4**	**2,211.9**	**11,566.2**	**7,741.8**

* Guarantees executed

@ Number of purchaser-users.

\+ Number of financial institutions

** Excluding letters of credit issued.

Note: In case of Bills Rediscounting Scheme, sanctions relate to face value of bills rediscounted, while disbursements relate to net cash outgo after deduction of rediscount charges.

Source: Industrial Development Bank of India

accounted for over 85 per cent of total direct finance sanctions. Assistance sanctioned to small sector (including small road transport operators) was close to Rs. 1,000 crore mark and constituted 28 per cent of total sanctions during the year under the three major schemes of direct finance, refinance and bills rediscounting.

Assistance sanctioned to projects in backward areas increased sharply and formed 51.2 per cent of sanctions under the three schemes in 1984-85 as against 41.9 per cent in 1983-84. Assistance sanctioned to industrially backward States accounted for 50.4 per cent of sanctions under the three schemes in 1984-85 as against 40.8 per cent in 1983-84.

The share of private sector in IDBI's aggregate assistance rose from 64.9 per cent in 1983-84 to 83 per cent in 1984-85 owing to sizeable assistance provided to four large projects, one each in fertiliser, iron and steel, cement and electricity generation industries.

A. Direct Industrial Assistance

IDBI's sanctions of direct assistance by way of project loans, underwriting of and direct subscription to industrial securities, soft loans, technical development fund loans and equipment finance loans during the year at Rs. 1,224.9 crores (to 510 applicants) were 58.6 per cent higher compared with Rs. 772.1 crores (to 484 applicants) in 1983-84. The proportion of direct assistance in IDBI's total assistance increased from 31.2 per cent in 1983-84 to 40.0 per cent in 1984-85. This rise was mainly on account of assistance to some large projects which included sanction of over Rs. 400 crores to a fertiliser project under the Project Finance Scheme, and assistance under the Soft Loan Scheme which was extended to all industries since 1984.

Project loans, underwriting and direct subscription and soft loans accounted for 76.5 per cent, 9.6 per cent and 11.7 per cent, respectively, of total direct assistance sanctioned during the year; assistance under the technical development fund and equipment finance schemes together accounted for the balance (2.2 per cent).

Industry-wise, high priority industries such as fertilisers, iron and steel, cement, basic industrial chemicals, electricity generation, textile, paper, sugar, industrial machinery, etc., accounted for over 85 per cent of direct assistance sanctioned during the year. The fertiliser industry accounted for the highest share of sanction of direct assistance (33.2 per cent), followed by iron and steel industry (12.0 per cent); during the year a large fertiliser project and an iron and steel project — both in the private sector — were sanctioned direct assistance of Rs. 439.6 crores and Rs. 147.0 crores, respectively. Other industries which accounted for relatively large shares of direct assistance were cement (9.8 per cent), basic industrial chemicals (other than fertilisers) (9.4 per cent), and electricity generation (5.7 per cent).

IDBI provides direct assistance for projects costing more than Rs. 3 crores under its Project Finance Scheme. Such projects are generally assisted on a consortium basis with other all-India financial institutions and commercial banks. Assistance is extended under the scheme for new projects or expansion and diversification of existing projects by way of term loans (both rupee and foreign currency), underwriting of and subscription to shares and debentures, and financial guarantees (both rupee and foreign currency) for deferred credits and loans raised from other sources. During 1984-85, assistance sanctioned under this scheme crossed the Rs. 1,000 crore mark and reached a level of Rs. 1,276.1 crores, recording a sharp rise of 80 per cent, mainly owing to substantial assistance provided to certain large projects. IDBI's share in total cost of all assisted projects under the scheme rose from 28.5 per cent in 1983-84 to 36.4 per cent in 1984-85. The share of new projects in total project finance assistance increased from 71.3 per cent (Rs. 504.9 crores to 119 projects) in 1983-84 to 78.5 per cent (Rs. 1,001.4 crores to 111 pro-

jects) in 1984-85. Assistance sanctioned for expansion/diversification of existing projects also increased substantially from Rs. 67.4 crores in 1983-84 to Rs. 156.6 crores in 1984-85.

IDBI's sanction of assistance through its Soft Loan Scheme more than doubled from Rs. 68.1 crores in 1983-84 (65 applications) to Rs. 143.7 crores in 1984-85 (51 applications). Since the introduction of the Soft Loan Scheme in November 1976 upto the end of June 1985, assistance sanctioned by IDBI under the scheme aggregated Rs. 645.6 crores in respect of 552 applications and cumulative disbursements amounted to Rs. 411.3 crores. Cumulative sanctions by IDBI, IFCI and ICICI under the Soft Loan Scheme upto the end of June 1985 aggregated Rs. 1,497.6 crores in respect of 709 applications and cumulative disbursements aggregated Rs. 715.3 crores.

B. Indirect Finance

IDBI's indirect assistance is provided basically to tiny, small and medium enterprises mainly by way of refinance of industrial loans granted by SFCs, SIDCs, commercial banks, co-operative banks and RRBs, rediscounting of bills arising out of sale of indigenous machinery on deferred payment basis, and seed capital assistance to new entrepreneurs generally through SFCs and SIDCs. IDBI also extends resources support by way of subscription to shares and bonds of all SFCs, some of the SIDCs and National Small Industries Corporation. Indirect assistance sanctioned and disbursed by IDBI aggregated Rs. 2,056.3 crores and Rs. 1,466.0 crores, respectively, during 1984-85.

(i) Refinance of Industrial Loans

Refinance assistance sanctioned during 1984-85 at Rs. 1,387.2 crores recorded an increase of 45.9 per cent compared with that sanctioned in 1983-84; utilisation of refinance assistance amounted to Rs. 961.4 crores as against Rs. 802.4 crores in 1983-84. The substantial increase in refinance sanctions during 1984-85 was largely due to higher sanctions under the Automatic Refinance Scheme. The bulk of refinance sanctions was in favour of services industries.

In the small sector, small-scale industries (SSIs) were the major beneficiaries; they were sanctioned Rs. 607.0 crores (43.3 per cent of refinance) as against Rs. 415.1 crores (40 per cent) in 1983-84. Assistance to State Road Transport Operators (SRTOs) amounted to Rs. 295.5 crores, which was 53.6 per cent higher than assistance of Rs. 192.4 crores during 1983-84. About 69 per cent of refinance assistance to SSIs was channelised through SFCs while 85 per cent of assistance to SRTOs was through banks. During 1984-85, refinance assistance sanctioned to units in backward areas amounted to Rs. 703.3 crores which constituted 50.7 per cent of aggregate refinance assistance.

(ii) Bills Rediscounting

Indirect assistance by way of bills rediscounting aggregated Rs. 655.6 crores recording a decline of 11.4 per cent over that in 1983-84. The share of units engaged in electricity generation in bills assistance has steadily increased over the past five years from 12 per cent in 1980-81 to around 40 per cent in 1984-85; assistance to State Electricity Boards (SEBs) comprised 39.1 per cent of total bills assistance.

(iii) Resources Support to other Institutions

During 1984-85, IDBI subscribed Rs. 97.9 crores towards bond issues and share capital of State-level (Rs. 25.2 crores) and all-India (Rs. 72.7 crores) institutions. This also includes subscription of Rs. 4 crores to bond issues of National Small Industries Corporation.

C. Policy Changes

New initiatives were taken by IDBI for increasing the pace of industrialisation of

backward areas, particularly the No-Industry Districts (NIDs), liberalising terms of indirect assistance to small and medium scale units, encouraging modernisation through technological upgradation, rehabilitation of sick units and strengthening the institutional structure. IDBI's important policy changes during the year are indicated below.

(a) Development of Backward Areas

The scheme for direct concessional assistance for financing area-specific infrastructure development projects has been made more flexible for quickening the pace of development of NIDs. One-third of area-specific development costs (upto Rs. 6 crores) of one or two growth centres in each NID would be financed by IDBI. In the case of projects in 'A' category districts, interest–free loans will be made available over and above the limit for concessional project finance assistance; the loans will remain interest-free up to the commencement of production. Further, no commitment charge will be levied in respect of loans to units in 'A' category districts with capital cost up to Rs. 50 crores.

(b) Equipment Finance Scheme

With a view to making available foreign currency loans to industrial concerns for import of capital goods and equipment (not related to any specific project as such) through a simplified procedure, IDBI introduced in September 1984 a new scheme called 'Equipment Finance Scheme'.

(c) Equipment Refinance Scheme

Another new scheme known as 'Equipment Refinance Scheme' was introduced on July 1, 1985 for providing quick assistance, under a simplified procedure, for existing healthy small scale and medium scale units for acquisition of indigenous and imported capital goods not related to any specific project as such. Assistance under this new scheme with a ceiling of Rs. 1 crore per unit is routed by way of refinance through SFCs and SIDCs.

(d) Measures for Faster Modernisation

Assistance under the Soft Loan Scheme will now be available for replacement of plant and equipment which have been in use for even less than 10 years in deserving cases, particularly where rate of technological obsolescence is high. Also multi-division companies, having units in different locations and/or producing diverse products, would be eligible for separate division-wise limits of concessional assistance for modernisation under the scheme. Expenditure on rationalisation of labour incidental to modernisation would also be covered under the scheme.

(e) Technical Development Fund

The annual ceiling of Rs. 70 lakhs for loan assistance under the Technical Development Fund Scheme was raised to Rs. 125 lakhs with effect from July 1, 1985. Interest on these loans has also been reduced to 12.5 per cent.

(f) Preferential Treatment for Industries in Punjab

From July 1, 1985 to March 31, 1986, loans up to Rs. 3 crores to new projects to be set up in Punjab would carry concessional interest of 12.5 per cent per annum and underwriting assistance up to Rs. 1.5 crores in respect of such projects would also be charged concessional rate of underwriting commission. Further, institutions would adopt a flexible and liberal approach as regards norms governing promoters' contribution and debt-equity ratio in respect of projects proposed to be set up in the State.

(g) Pollution Control

IDBI will insist on strict adherence to pollution control measures through installation of appropriate equipment in the identified 20 high pollution industries.

(h) Modifications in Refinance Scheme

The ceiling on owned funds (paid-up capital and reserves) of an industrial concern eligible

for refinance assistance was raised from Rs. 2.5 crores to Rs. 5.0 crores in October 1984. Later, this ceiling was altogether removed in respect of all industrial concerns except MRTP/FERA companies and their subsidiaries.

The ceiling on outstanding refinanceable loans has been raised from Rs. 2.0 crores to Rs. 5.0 crores (existing plus proposed) in respect of any industrial concern setting up a new project or undertaking expansion/diversification scheme at the existing site or at a different location. However, for purposes of eligibility of assistance under the Refinance Scheme, the cost of an individual project and the maximum amount of loan per project would continue to remain at Rs. 3.0 crores and Rs. 2.0 crores, respectively.

In view of liberalisation under the Credit Authorisation Scheme of the Reserve Bank, the ceiling of Rs. 50 lakhs by any bank per project for purposes of Refinance Scheme has been raised to Rs. 80 lakhs.

Further relaxations have been effected in the norms relating to repayment period under the Automatic Refinance Scheme to eligible RRBs and State Co-operative Banks which, *inter-alia,* include enhancement of the maximum repayment periods upto 5 years and 8½ years in respect of assistance to SRTOs and SSI units, respectively.

Assistance in respect of loans to SSI/ancilliary units in non-backward areas to the extent of first Rs. 25 lakhs (existing and proposed) would be at the applicable concessional rate (12.5 per cent) and the remaining amount at the normal rate of interest.

Refinance in respect of loans granted for setting up industrial estates would, irrespective of the location of the estates, carry interest at 9 per cent per annum provided primary lending institutions charged interest not exceeding 12.5 per cent per annum.

(i) Bills Rediscounting Scheme

The normal annual purchaser-wise limits in respect of SRTCs and SEBs have been raised to Rs. 3.0 crores and Rs. 5.0 crores, respectively. In respect of others, the ceiling on annual purchaser-wise limit of Rs. 3 crores was removed on July 1, 1985. Further, facilities under the scheme which were restricted to indigenous machinery have now also been made available for imported machinery.

To facilitate larger assistance to tiny and small sector units, central and primary co-operative banks have been brought within the purview of the Bills Rediscounting Scheme.

In view of the abolition of interest tax, the rates under the Bills Rediscounting Scheme have been adjusted in such a way that banks would get an effective margin of 1.25 per cent on bills relating to small-scale units and renewable energy systems, 0.75 per cent in respect of SEBs/SRTCs and 1 per cent in respect of others.

The structure of IDBI's interest rates for direct and indirect lending is indicated in Table IX-14.

Industrial Finance Corporation of India

The Industrial Finance Corporation of India (IFCI) sanctioned and disbursed financial assistance of Rs. 418.0 crores and Rs. 275.7 crores, respectively, during 1984-85 (April-March) (Table IX-15). Sanctions increased by 29.9 per cent and disbursements by 22.3 per cent over the year. IFCI assisted 367 projects compared with 333 projects in the previous year; these included 136 new projects for which assistance of Rs. 264.1 crores was sanctioned. IFCI's cumulative sanctions and disbursements upto end-March 1985 aggregated Rs. 2,397.5 crores and Rs. 1,765.1 crores, respectively.

Sanctions of rupee loans increased by 12.3 per cent to Rs. 285.0 crores and of foreign cur-

Table IX—14: Structure of IDBI's Interest Rates

(Per cent per annum)

Schemes	Interest rate
A. Direct Lending	
(a) Basic lending rate (normal)	14.00
(b) Concessional rates	
(i) Projects in	
'A' category districts (up to Rs. 5 crores)	12.50
'B' category districts (up to Rs. 3 crores)	12.50
'C' category districts (up to Rs. 2 crores)	12.50
(ii) Project-specific infrastructure of new projects costing upto Rs. 50 crores in 'A' category districts during construction period (upto 20% of the project cost with a ceiling of Rs. 5 crores)	Interest free
(iii) Direct assistance for infrastructure development	12.50
(iv) Manufacture and installation of renewable energy system	12.50
(v) Soft loan for modernisation (up to Rs. 4 crores per project)	11.50
(vi) Technical Development Fund	12.50
(vii) Foreign currency loan for Equipment Finance Scheme	Rate of interest on loans depends upon the foreign currency in which payment for capital goods/equipment is to be made and the source of borrowing foreign currency by IDBI

B. Indirect Lending

	IDBI's rate for primary lenders (Banks/ SFCs/SIDCs)	Ceiling on primary lenders' rate
I. Refinance scheme		
(a) Basic lending rate	10.50	14.00
(b) Concessional rates for units in backward areas.		
(i) Small scale units	9.00	12.50
(ii) Other new units	9.00	12.50
(iii) Composite loans to artisans and tiny units (upto Rs. 25,000/-)	6.50	10.00
(c) Concessional rates for units in non-backward areas for—		
(i) Small scale units (up to Rs. 25 lakhs)	10.00	13.50
(ii) Small scale units (above Rs. 25 lakhs)	10.50	14.00
(iii) All units for modernisation	9.00	11.50
(iv) Rehabilitation assistance to small scale units	9.00	10.00
(v) Composite loans to artisans and tiny units (upto Rs. 25,000/- per unit)	8.50	12.00
(vi) Units set up by SC/ST entrepreneurs and physically handicapped persons	6.50	10.00
(vii) Manufacture and installation of renewable energy system	9.00	12.50
(viii) Industrial estates	9.00	12.50
(d) Rates for road transport operators—		
(i) Upto two vehicles	9.00	12.50
(ii) For more than two vehicles but less than six vehicles	11.50	15.00
(e) Foreign Currency Refinance Scheme (applicable to eligible SIDCs/SIICs)	1% over LIBOR	2% over LIBOR
(f) Equipment Refinance	11.00	14.00
II. Bills Rediscounting Scheme unexpired usance of bills/promissory notes—		
(a) Normal —		
(i) 6 months to 36 months	11.00	12.00
(ii) Over 36 months and up to 84 months	10.50	11.50
(b) Small scale sector (seller and/or purchaser)		
(i) 6 months to 36 months	9.75	11.00
(ii) Over 36 months and up to 84 months	9.25	10.50
(c) SEBs/SRTCs (seller and/or purchaser)		
(i) 6 months to 36 months	10.25	11.00
(ii) Over 36 months and up to 84 months	9.75	10.50
(d) SEBs and SRTCs in North Eastern and Himalayan Hill Regions and SEBs in the State of West Bengal for use in hill districts of Darjeeling		
(i) 6 months to 36 months	8.25	9.00
(ii) Over 36 months and up to 84 months	7.75	8.50
(e) Manufacture and installation of renewable energy systems		
(i) 6 months to 36 months	8.25	9.50
(ii) Over 36 months and upto 84 months	7.75	9.00

Source: Industrial Development Bank of India

Table IX—15: Financial Assistance Sanctioned (Net)* and Disbursed by IFCI

(Year: April-March) (Rupees crores)

Type of Assistance	1983-84		1984-85		Cumulative Assistance as at the end of March 1985	
	Sanctions*	Disbursements**	Sanctions*	Disbursements**	Sanctions*	Disbursements**
1	2	3	4	5	6	7
1. Rupee loans	253.7	207.8	285.0	247.1	1,825.4	1,441.8
2. Foreign currency loans	35.9	10.8	73.0	21.4	294.7	202.5
3. Underwriting and direct subscriptions (i + ii)	28.7	5.9	38.8	4.4	188.8	63.5
i) Ordinary & Preference shares	28.7	5.8	38.8	4.3	167.4	51.0
ii) Debentures	—	0.1	—	0.1	21.4	12.5
4. Guarantees	3.6	0.9	21.2	2.8	88.6	57.3
Total (1 to 4)	**321.9**	**225.4**	**418.0**	**275.7**	**2,397.5**	**1,765.1**

* Net of cancellations/withdrawals etc. as on the 31st March, 1985.

** Includes disbursements in respect of the sanctions made in earlier year also.

Note: All foreign currency figures have been converted in rupee equivalent at T.T selling rates of exchange as on 30.6.1984.

Source: Industrial Finance Corporation of India.

rency loans doubled to Rs. 73.0 crores. Disbursements of rupee loans rose by 18.9 per cent to Rs. 247.1 crores while those of foreign currency loans almost doubled to Rs. 21.4 crores. Out of sanction of total loans (both rupee and foreign currency) of Rs. 358.0 crores, Rs. 217.9 crores (or 60.9 per cent) were sanctioned to newly established companies and Rs. 140.1 crores to existing companies; the latter figure included Rs. 111.6 crores sanctioned for expansion of existing capacity/modernisation and Rs. 28.5 crores for new projects.

Sanctions for underwriting of and direct subscription to industrial securities rose from Rs. 28.7 crores to Rs. 38.8 crores, but disbursements declined from Rs. 5.9 crores to Rs. 4.4 crores.

Out of total sanctioned assistance of Rs. 418.0 crores, Rs. 251.6 crores (or 60.2 per cent) was for 190 projects in notified backward districts. Industry-wise, over 50 per cent of total assistance was sanctioned for major industries such as sugar, cotton textiles, fertilisers, cement, power generation, paper, industrial machinery, etc. IFCI sanctioned guarantees amounting to Rs. 21.2 crores and executed guarantees of Rs. 2.8 crores during the year.

As on March 31, 1985, IFCI had provided assistance of Rs. 244.9 crores for 385 projects under the Soft Loan Scheme/Soft Loan Scheme for Modernisation.

IFCI sponsored Risk Capital Foundation (RCF), which extends assistance by way of interest free personal loans to entrepreneurs (including non-resident Indians) to enable them to meet a part of the promoters' contribution to equity capital of companies for setting up medium scale projects, sanctioned Rs. 2.1 crores to 32 promoters of 19 projects. Cumulative assistance sanctioned by RCF upto March 31, 1985 amounted to Rs. 7.4 crores to 131 promoters for 80 projects.

The fourth technical consultancy organisation under the lead of IFCI, viz., North India Technical Consultancy Organisation Ltd., commenced business at Chandigarh on September 17, 1984. During the year, IFCI started a new scheme of assistance for development of

technology through in-house research and development efforts; this is one of IFCI's seven promotional schemes.

During 1984-85, IFCI raised funds amounting to Rs. 197.0 crores by issue of bonds in two tranches — in June 1984 for Rs. 121.0 crores and in December 1984 for Rs. 76.0 crores. The total outstanding amount of its bonds as on March 31, 1985 stood at Rs. 935.6 crores.

IFCI was granted a further loan of DM 25 million from Kreditanstalt-fur-Wiederaufbau (KfW) being the 23rd line of credit; with this allocation, total credit to IFCI from KfW amounted to DM 302.5 million as on March 31, 1985. During 1983-84 assistance sanctioned by IFCI from KfW lines of credit amounted to DM 33.6 million and disbursements to DM 29.4 million. IFCI raised during 1984-85 a Euro-dollar loan of US $20 million from a consortium of foreign banks and borrowed Yen 5 billion by way of private placement of bonds in Japanese yen market. Letters of credit opened and disbursements made from the Euro-dollar loan amounted to US $8.2 million and US $3.4 million, respectively, and from yen currency loan to Yen 2,120.5 million and Yen 953.8 million, respectively, upto March 31, 1985.

Industrial Credit and Investment Corporation of India Ltd.

The Industrial Credit and Investment Corporation of India Ltd. (ICICI) sanctioned and disbursed total assistance of Rs. 620.7 crores and Rs. 392.7 crores, respectively, during 1984-85 (April-March) showing a rise of 22.3 per cent in sanctions and 17.5 per cent in disbursements over the year (Table IX—16).

Sanctions of rupee loans rose by 40.7 per cent to Rs. 283.2 crores and disbursements by 32.6 per cent to Rs. 220.8 crores in 1984-85. However, both sanctions and disbursements of foreign currency loans declined by 8.5 per cent and 4.4 per cent, respectively, during the year. Sanction of assistance by way of underwriting and direct subscription to shares and debentures rose by Rs. 14.6 crores to Rs. 48.4 crores but disbursements declined marginally by Rs. 0.7 crore to Rs. 11.9 crores during the year. There

Table IX—16: Financial Assistance Sanctioned and Disbursed by ICICI

(Year: April-March) (Rupees crores)

Type of Assistance	1983-84		1984-85		Cumulative Assistance as at the end of March 1985	
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5	6	7
1. Rupee Loans	201.3	166.5	283.2	220.8	1,378.9	1,082.9
2. Foreign currency loans	176.2	115.9	161.2	110.8	1,401.4	1,110.5
3. Underwriting and direct subscriptions (a + b)	33.8	12.6	48.4	11.9	290.0	135.5
a) Ordinary and Preference shares	29.4	6.1	42.0	7.4	214.1	81.3
b) Debentures	4.4	6.5	6.4	4.5	75.9	54.2
Total (1 + 2 + 3)	**411.3**	**295.0**	**492.8**	**343.5**	**3,070.3**	**2,328.9**
4. Guarantees	27.2	—	20.6	0.5	96.8	1.0
5. Suppliers' credit	49.7	34.2	85.7	34.4	243.9	134.5
6. Equipment leasing	19.4	5.0	21.6	14.3	39.4	19.4
Total (1 to 6)	**507.6**	**334.2**	**620.7**	**392.7**	**3,450.4**	**2,483.8**

Source: Industrial Credit and Investment Corporation of India Ltd.

was a sharp rise in ICICI's sanction of suppliers' credit from Rs. 49.7 crores in 1983-84 to Rs. 85.7 crores in 1984-85; the amount disbursed was, however, about the same as in the previous year (Rs. 34 crores). ICICI's leasing operations, which commenced in 1983, showed further progress during the year: amount sanctioned increased from Rs. 19.4 crores to Rs. 21.6 crores in 1984-85 while disbursements rose sharply from Rs. 5.0 crores to Rs. 14.3 crores. The equipment leased covered a wide range such as earth moving equipment, machine tools, computers, and certain types of equipment used in textile industry and for modernisation of plant and balancing facilities.

There was a significant rise in the assistance sanctioned and disbursed by ICICI for projects located in backward districts from Rs. 224.3 crores and Rs. 127.7 crores, respectively, in 1983-84 to Rs. 263.5 crores and Rs. 187.5 crores, respectively, in 1984-85. Loan assistance sanctioned to newly established companies increased from Rs. 157.9 crores in 1983-84 to Rs. 195.7 crores in 1984-85 and constituted 44.0 per cent of total loan assistance in 1984-85 compared with 41.8 per cent in the previous year.

Total resources (net of cancellation and repayments) of ICICI at the end of March 1985 amounted to Rs. 2,025.1 crores and comprised rupee resources of Rs. 1,252.7 crores (61.9 per cent) and foreign currency resources equivalent to Rs. 772.4 crores (38.1 per cent). To augment rupee resources, ICICI made two bond issues aggregating Rs. 175.0 crores, in July 1984 for Rs. 93.5 crores and in January 1985 for Rs. 81.5 crores. During the year, ICICI made a rights issue of equity shares amounting to Rs. 6.75 crores, raised deposits of Rs. 5.0 crores from Army Group Insurance Fund and Rs. 10.0 crores from UTI, and loan of Rs. 0.6 crore from LIC and Rs. 2.5 crores from HDFC. It borrowed during the year Rs. 25.0 crores from IDBI and signed an agreement with Government of India for rupee counterpart funds in respect of allocation of £5 million made under UK/India ICICI Grant 1984. In May 1984, the Corporation entered into an agreement with KfW, for DM 20 million as the 23rd line of credit. It also entered into agreements for (i) syndicated loan of US $30 million equivalent with Chase Manhatten Asia Ltd. and others in May 1984, (ii) Japanese Yen Bond issue of Japanese Yen 5 billion with Daiwa Securities Co. Ltd. and others in August 1984 and (iii) syndicated loan of US $50 million equivalent with Midland Bank, National Westminister Bank and others.

Housing Development Finance Corporation Ltd.

The Housing Development Finance Corporation Ltd. (HDFC), a private sector company, provides financial assistance to individuals, co-operative societies and companies for new residential housing.

During 1984-85 (April-March), HDFC sanctioned total housing loans amounting to Rs. 125.2 crores for over 26,150 units and disbursed during the year a sum of Rs. 91.4 crores. HDFC's sanctions and disbursements both recorded a rise of over 40 per cent over the previous year. HDFC sanctioned during the year loans for dwelling units in 55 additional towns, raising the total number of towns and cities covered by it to 355. Its cumulative sanctions as at the end of March 1985 aggregated Rs. 379.5 crores in respect of over 1 lakh units while its cumulative disbursements as on that date amounted to Rs. 251.8 crores.

HDFC raised during the year, a sum of Rs. 2.7 crores by way of term loans from commercial banks in terms of the Reserve Bank guidelines, besides mobilising deposits through its various schemes to the tune of Rs. 42.6 crores. The outstanding amount of term loans and deposits as at the end of March 1985 stood at Rs. 87.2 crores and Rs. 145.4 crores, respectively.

During the year, HDFC entered into a new agreement with the United States Agency for International Development (USAID) for a borrowing programme of US $20 million in US

capital market as the first phase of a US $60 million programme approved by the Government of India. The agreement specifies the terms and conditions under which the U.S. Government, through its Housing Guaranty Program, will provide a guarantee for HDFC's borrowing in the U.S. Under a recent swap arrangement with IDBI, HDFC will handover US $20 million to IDBI which will make available rupee counterpart funds to HDFC. HDFC had raised US $30 million in the US under an earlier programme with USAID. Beneficiaries of USAID programme are low income households situated in developing regions, small towns, plantations, as well as urban areas. The new programme will enable HDFC to continue to expand its lending programme to lower income people throughout the country.

Life Insurance Corporation of India

Financial assistance sanctioned by Life Insurance Corporation of India during 1984-85 (April-March) increased to Rs. 240.9 crores; assistance disbursed by it, however, declined marginally during the year (Table IX—17).

Term loans sanctioned at Rs. 89.7 crores were a shade higher than in 1983-84. Both sanctions and disbursements under underwriting and direct subscriptions to shares and debentures rose sharply: sanctions rose by 65.0 per cent to Rs. 131.0 crores and disbursements by 40.7 per cent to Rs. 103.0 crores; the major portion of this rise was on account of debentures.

Table IX—17: Assistance Sanctioned and Disbursed by LIC

(Year: April-March) (Rupees crores)

Type of Assistance	1983-84		1984-85		Amount outstanding as on March 31, 1985
	Sanctions	Disbursements	Sanctions	Disbursements	
1	2	3	4	5	6
1. Loans (i + ii)	130.1	115.4	109.9	77.4	444.8
i) Term loans	87.4	67.7	89.7	58.6	361.0
a) Public sector	6.5	4.7	16.4	7.2	n.a.
b) Private sector (including Joint sector)	80.9	62.8	73.3	51.4	n.a.
c) Co-operative sector	—	0.2	—	—	—
ii) Short-term loans	42.7	47.7	20.2	18.8	83.8
a) Public sector	25.5	25.1	—	—	—
b) Private sector (including Joint sector)	17.2	22.6	20.2	18.8	—
2. Underwriting and direct subscriptions(i + ii)	79.4	73.2	131.0	103.0	564.2@
i) Ordinary and Preference shares	1.4	2.5	7.7	3.0	254.2
ii) Debentures	78.0	70.7	123.3	100.0	310.0
Total (1 + 2)	**209.5**	**188.6**	**240.9**	**180.4**	**1,009.0**

n.a. : not available.
@ : This includes market purchases also.

Source : Life Insurance Corporation of India.

Table IX—18: Investments by LIC

(Rupees crores)

Sector	As at the end of March		Net during April-March	
	1984@	1985@	1983-84	1984-85
1	2	3	4	5
1. Public sector	7,020.8	7,919.5	831.1	898.7
2. Private sector	891.4	1,010.6	104.0	119.2
3. Joint sector	40.1	51.2	7.4	11.1
4. Co-operative sector	905.3	972.9	80.1	67.6
Total (1 to 4)	**8,857.6**	**9,954.2**	**1,022.6**	**1,096.6**

@ Provisional
Source: Life Insurance Corporation of India.

Investments by LIC

LIC's investments increased by 12.4 per cent from Rs. 8,857.6 crores at the end of March 1984 to Rs. 9,954.2 crores at the end of March 1985 (Table IX—18). Sector-wise, public sector accounted for Rs. 7,919.5 crores (79.6 per cent) and private sector for Rs. 1,010.6 crores (10.1 per cent) of LIC's investments as at the end March 1985; the joint and co-operative sectors together accounted for the rest, i.e. 10.3 per cent.

General Insurance Corporation of India and its subsidiaries

The General Insurance Corporation of India (GIC) and its subsidiaries* provide assistance to industries by grant of loans and underwriting and direct subscriptions to shares and debentures. During 1984-85 (April-March) assistance sanctioned by them rose to Rs. 144.1 crores from Rs. 108.5 crores in 1983-84 recording a rise of 32.8 per cent (Table IX—19). Disbursements of assistance during the year amounted to Rs. 110.5 crores as against Rs. 84.5 crores in 1983-84. Loans sanctioned rose to Rs. 48.2 crores from Rs. 42.8 crores in 1983-84. Sanctions for underwriting and direct subscriptions to shares and debentures rose to Rs. 95.9 crores.

Sector-wise, assistance sanctioned to private sector constituted 78.4 per cent of total sanctions; public sector and joint sector accounted for 12.6 per cent and 9.0 per cent, respectively.

Projects in areas classified as backward accounted for 7.9 per cent of total assistance sanctioned and 4.1 per cent of total disbursements.

There was no change in the rate of interest charged by GIC and its subsidiaries for term loans under project finance schemes of public financial institutions.

Investments by GIC and its subsidaries

Investments by GIC and its subsidiaries increased to Rs. 1,864.1 crores at the end of December 1984 from Rs. 1,627.7 crores at the end of December 1983 (Table IX-20).

* The United India Insurance Co. Ltd., Oriental Fire and General Insurance Co. Ltd., National Insurance Co. Ltd., and New India Assurance Co. Ltd.

Table IX—19: Assistance Sanctioned and Disbursed by GIC and its subsidiaries

(Year: April-March) (Rupees crores)

	1983-84		1984-85	
	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5
A. Sector-wise Assistance				
1. Public sector	16.6	6.5	18.1	4.5
2. Private sector	87.1	74.7	113.0	104.4
3. Joint sector	4.8	3.3	13.0	1.6
Total	**108.5**	**84.5**	**144.1**	**110.5**
of which: for projects in Backward Areas	9.2	7.2	11.4	4.5
B. Type of Assistance				
1. Loans	42.8	16.5	48.2	29.7
2. Underwriting and direct subscriptions (i + ii)	65.7	68.0	95.9	80.8
i) Ordinary & Preference shares	2.8	4.7	3.3	3.4
ii) Debentures	62.9	63.3	92.6	77.4
Total	**108.5**	**84.5**	**144.1**	**110.5**

Source: General Insurance Corporation of India.

Sector-wise, at the end of December 1984 investments in public sector at Rs. 1,175.1 crores accounted for 63.0 per cent of total investments. Investments in private sector at Rs. 668.8 crores accounted for 35.9 per cent while those in joint and co-operative sectors together at Rs. 20.2 crores accounted for the rest (1.1 per cent).

Unit Trust of India

The Unit Trust of India (UTI) achieved new records in its operations during 1984-85 (July-June). Gross sale of units during the year under its various schemes at Rs. 756.2 crores, (the highest since inception of the Trust) recorded an increase of 129.0 per cent on top of the increase of 97.8 per cent in the previous year (Table IX—21). The number of unit holding accounts went up from 15 lakhs to 17 lakhs in 1984-85. During the year, the Trust's investible resources increased by 75.2 per cent to Rs. 2,209.6 crores and its income by 80 per cent to Rs. 257.1 crores. The phenomenal growth in sale of units is mainly attributed to the stepping up of the dividend rate successively for the fifth year in 1983-84, intensive marketing efforts and innovative sales promotional activities, reintroduction of Monthly Income Unit Scheme and introduction of Income Unit Scheme 1985 (cumulative and non-cumulative).

Sales of units under the Trust's main scheme, viz., Unit Scheme 1964, increased from Rs. 161.2 crores to Rs. 381.6 crores or by 136.7 per cent on top of an increase of 112 per cent in the previous year. With repurchases increasing only marginally, unit capital under the scheme rose to Rs. 1,016.3 crores from Rs. 647.1 crores last year. Sales of units under the Unit Scheme 1971 (Unit Linked Insurance Plan) increased by Rs. 5.8 crores to Rs. 31.5 crores recording a rise of 22.6 per cent. Sales under the Charitable and Religious Trusts and Registered Societies Scheme 1981 increased from Rs. 6.3 crores in

Table IX—20: Investments by GIC and its subsidiaries

(Rupees crores)

Sector	As at the end of December		Net during January-December	
	1983	1984	1983	1984
1	2	3	4	5
1. Public sector	1,013.1	1,175.1	222.9	162.0
2. Private sector	597.4	668.8	100.0	71.5
i) Equity shares	241.1	274.4	32.1	33.3
ii) Preference shares	47.2	47.5	2.0	0.3
iii) Debentures	127.2	191.1	51.9	63.9
iv) Loans	166.5	142.9	19.8	−23.6
v) Others	15.4	12.9	−5.8	−2.4
3. Joint sector	14.3	19.0	3.8	4.6
i) Shares & Debentures	8.4	11.0	3.3	2.5
ii) Loans	5.9	7.8	3.3	1.9
iii) Others	—	0.2	−2.8	0.2
4. Co-operative sector	2.9	1.2	2.8	−1.7
Total	**1,627.7**	**1,864.1**	**329.5**	**236.4**

Source: General Insurance Corporation of India.

the previous year to Rs. 10.1 crores in 1984-85. Sales under the Capital Gains Unit Scheme (CGS-1983), introduced in December 1983 to enable assessees to claim capital gains tax exemptions, almost doubled to Rs. 205.2 crores. In response to repeated requests from the investing public, the Monthly Income Unit Scheme (MIS) which had been introduced on tap in 1983 for eligible people such as those above 55 years of age, widows, physically and mentally handicapped, was reintroduced twice during the year and the eligibility criterion of age was reduced in the case of members of the defence forces from 55 years to 50 years. Sales under MIS 1984 and MIS 1985 amounted to Rs. 41.9 crores and Rs. 30.7 crores, respectively.

An Income Unit Scheme (cumulative and non-cumulative) was introduced during the year, which was open on tap for two months; this is a 5-year close-ended scheme which envisages growing rate of return-12 per cent for the first year, 12.5 per cent for the next two years and 13 per cent for the remaining period — and provides for two options-half-yearly dividend payment (non-cumulative) or automatic dividend reinvestment (cumulative). The scheme was open to resident individuals, minors and eligible instituitons i.e. charitable or religious trusts or endowments and registered societies engaged in welfare of old people, widows and physically and mentally handicapped persons, and sales under the scheme amounted to Rs. 55.2 crores.

During 1984-85 (July-June), repurchases of units under all the schemes at Rs. 20.2 crores were higher by 28.7 per cent than in the previous year; repurchases under Unit Scheme 1964 and Unit Scheme 1971 accounted for Rs. 12.3 crores (60.9 per cent) and Rs. 5.4 crores (26.7 per cent), respectively, of total repurchases. At the end of June 1985, the outstanding amount of units under all the schemes aggregated Rs. 1,757.3 crores as against Rs. 1,021.3 crores a year ago. Dividends

Table IX—21: Sales and Repurchases of Units by Unit Trust of India.

(Year: July-June) (Rupees crores)

Schemes	Sales		Repurchases		Outstanding as on June 30		Dividend Rate for 1984-85 (Per cent)
	1983-84	1984-85*	1983-84	1984-85*	1984	1985*	
1	2	3	4	5	6	7	8
Unit Scheme 1964	161.2	381.6	10.5	12.3	647.1	1,016.3	14.25
Unit Scheme 1971 (ULIP)	25.7**	31.5**	4.8	5.4	85.4	111.5	12.00
CRTS 1981	6.3	10.1	..@@	0.5	22.6	32.1	13.25
Income Unit Scheme 1982	$	—	..@@	0.6	57.1	66.6	12.50
Monthly Income Unit Schemes ££							
(1, 2, 3 & 4)	34.1$$	72.6+	0.3@@	0.9@@	82.8	154.6 £	12.00
Growth and Income Unit Scheme 1983	—	@	0.1	0.2	13.4	13.2	10.00
Capital Gains Unit Scheme 1983	102.9	205.2	—	0.3@@	102.9	307.8	8.25
Income Unit Scheme 1985	—	55.2	—	—	—	55.2	12.00
Total	**330.2**	**756.2**	**15.7**	**20.2**	**1,021.3**	**1,757.3**	

* Provisional
.. Amount less than Rs. five lakhs.
@@ Premature withdrawals.
** Represents sales from contributions from new members, renewal contributions from existing members and dividend payable to existing members.
$ Sales effected during 1983-84 on clearance of objections for Rs. 0.12 lakh.
$$ Sales effected during 1983-84 on clearance of objections.
@ Sales effected during 1984-85 on clearance of objections for Rs. 0.03 lakh.
+ Sales effected during 1984-85 on clearance of objections for Rs. 0.15 lakh.
£ Includes Rs. 0.10 lakh capitalised on clearance of objections during 1984-85.
†† Monthly Income Unit Scheme 1,2 refers to year 1983 and 3,4 refers to 1984 and 1985, respectively.
Source: Unit Trust of India.

were stepped up for the sixth year in succession in 1984-85 under Unit Scheme 1964 and Unit Scheme 1971 (ULIP) from 14.00 per cent and 11.50 per cent to 14.25 per cent and 12.00 per cent, respectively. Under CRTS 1981 dividend was raised for the third year in succession from 13.00 per cent to 13.25 per cent. Dividend on CGS 1983 was raised from 8.00 per cent to 8.25 per cent. In the case of close-ended schemes, the dividend ranged between 10 per cent and 12.5 per cent.

Financial assistance provided by the Trust to the corporate sector increased substantially. The Trust's sanctions and disbursements towards underwriting of and direct subscriptions to public issues (including rights issues) of shares and debentures and subscriptions to privately placed debentures during 1984-85 (April-March) amounted to Rs. 357.3 crores and Rs. 236.2 crores, respectively, as against Rs. 165.8 crores and Rs. 139.3 crores, respectively, in 1983-84 (Table IX—22). Sanctions

Table IX-22: Financial Assistance Sanctioned and Disbursed by Unit Trust of India

(Year: April—March) (Rupees crores)

	Type of Assistance	1983-84		1984-85		Cumulative Assistance as at the end of March 1985	
		Sanctions	Disburse-ments	Sanctions	Disburse-ments	Sanctions	Disburse-ments
	1	2	3	4	5	6	7
1.	Subscriptions to privately placed debentures	62.5	47.2	119.0	49.4	411.3	314.8
2.	Underwriting and direct subscriptions (a + b)	103.3	92.1	238.3	186.8	610.4	435.2
a)	Ordinary and Preference shares	2.3	2.0	2.7	1.5	62.4	47.2
b)	Debentures	101.0	90.1	235.6	185.3	548.0	388.0
	Total	**165.8**	**139.3**	**357.3**	**236.2**	**1,021.7**	**750.0**

Source: Unit Trust of India.

for direct subscriptions to public issues of shares and debentures more than doubled from Rs. 103.3 crores to Rs. 238.3 crores and disbursements increased substantially from Rs. 92.1 crores to Rs. 186.8 crores in 1984-85. Sanctions for subscription to privately placed debentures at Rs. 119.0 crores were much higher than in 1983-84 (Rs. 62.5 crores). During the year, the Turst placed additional short-term deposits of Rs. 37.2 crores with a number of companies.

Total investible funds of the Trust as on June 30, 1985 at Rs. 2,209.6 crores showed a spectacular rise of 75.2 per cent over the level of such funds a year earlier (Rs. 1,261.3 crores). Out of the Trust's total investments (of Rs. 2,209.6 crores as on June 30, 1985) an amount of Rs. 1,583.0 crores or 71.7 per cent was invested in the corporate sector (Table IX—23). As on that date, the Trust had invested Rs. 279.1 crores (12.6 per cent) in equity shares, Rs. 10.3 crores (0.5 per cent) in preference shares, and Rs. 830.9 crores (37.6 per cent) in debentures. Advance deposits against the Trust's investment commitments amounted to Rs. 247.1 crores (11.2 per cent) and unsecured deposits with companies to Rs. 170.7 crores (7.7 per cent).

Other investments of the Trust comprised mainly of deposits and other investments with banks (Rs. 471.5 crores or 21.3 per cent) and Government securities (Rs. 155.1 crores or 7.0 per cent). Out of total funds of Rs. 471.5 crores with banks, an amount of Rs. 432.4 crores (19.6 per cent) represented outstanding commitments under all the unit schemes. The sharp increase in investments in Government securities over the year was mainly on account of investment of funds received under the Capital Gains Unit Scheme (launched in December 1983) in such securities.

Industrial Reconstruction Bank of India

Reference was made in the last year's Report to a Bill passed by Parliament in August 1984 to convert the Industrial Reconstruction Corporation of India (IRCI) into the Industrial Reconstruction Bank of India (IRBI). Following a notification issued by Government of India, IRBI was established on March 20, 1985 under the IRBI Act, 1984. According to the provisions of the Act, the erstwhile IRCI was vested and transferred to IRBI on that date.

IRBI has to function as the principal all-India credit and reconstruction agency for in-

Table IX-23: Investments by Unit Trust of India

(Rupees crores)

Type of Investment	As on June 30, 1984	As on June 30, 1985
A. Total investments in Corporate Sector (1 to 7)	989.52* (78.4)	1,583.03* (71.7)
of which:		
1. Equity shares	214.80 (17.0)	279.09 (12.6)
2. Preference shares	11.82 (0.9)	10.30 (0.5)
3. Debentures	487.86+ (38.7)	830.86+ (37.6)
4. Advance deposits against investment commitments	117.81 (9.4)	247.05 (11.2)
5. Unsecured short-term deposits	133.53 (10.6)	170.72 (7.7)
6. Bridge finance	6.84 (0.5)	10.44 (0.5)
7. Application money	16.76 (1.3)	34.47 (1.6)
B. Other investments (8 and 9)	271.81 (21.6)	626.58 ((28.3)
Of which:		
8. Deposits and other investments with banks	221.75 (17.6)	471.46 (21.3)
9. Government securities	50.06 (4.0)	155.12 (7.0)
C. Total Investible Funds (A + B)	**1,261.33 (100.00)**	**2,209.61 (100.0)**

* Includes Rs. 10 lakhs towards advance call deposits

\+ Inclusive of funded interest amounting to Rs. 1.11 crores under Unit Scheme 1964 and Rs. 0.09 crore under Unit Scheme 1971 which was included under other current assets in the balance sheet

Note: Figures in brackets indicate percentage to total.

Source: Unit Trust of India

dustrial revival, assisting and promoting industrial development and rehabilitating industrial concerns. It has also to co-ordinate similar work of other institutions engaged in this field.

Total assistance sanctioned and disbursed by IRBI during 1984-85 (April-March) amounted to Rs. 110.8 crores and Rs. 54.8 crores, respectively (Table IX—24). Bulk of the sanctioned assistance (Rs. 105.9 crores) was provided in the form of term loans. The other forms of assistance included lines of credit, equipment leasing, hire purchase, etc. Term loans were sanctioned for modernisation, diversification, expansion, renovation as also for meeting supplementary needs such as bridging liquidity gap and providing margin for working capital.

IRBI extends assistance to sick small-scale units under its line of credit scheme which is operated through various State level agencies. Under this scheme, it sanctioned Rs. 1.5 crores during 1984-85 and disbursed Rs. 1.2 crores.

IRBI also provided consultancy services to banks and financial institutions on a selective basis and merchant banking services for amalgamation/merger and reconstruction.

Export-Import Bank of India

During 1984, the Working Group consisting of the Export-Import Bank of India (Exim Bank), Reserve Bank of India, ECGC, Central Government and exporters' bankers approved 232 export bids (for supply, construction and turnkey projects) valued at Rs. 4,490 crores. The Exim Bank made during 1984 commitments—in-principle amounting to Rs. 427.0 crores of funded assistance and Rs. 443.0 crores of non-funded assistance for export bids and on-going projects after pre-bid clearance by the Working Group. The bank sanctioned assistance for 42 new projects for which in-principle commitments had been made by it in 1984 and earlier years; the value of such new export projects was estimated at Rs. 165.3 crores, comprising construction projects of Rs. 32.6 crores, turnkey projects of Rs. 100.0 crores and supply contracts of Rs. 32.7 crores.

In addition to sanctioning assistance for projects which required pre-bid clearance, Exim Bank also extends financial assistance for Indian exports through its various facilities such as lines of credit, relending, export bills rediscounting, overseas investment finance, finance for 'deemed' exports, hundred per cent export oriented units and units in free trade zones.

Table IX-24: Financial Assistance Sanctioned and Disbursed by Industrial Reconstruction Bank of India

(Year: April-March) (Rupees crores)

Type of Assistance	1983-84		1984-85	
	Sanctioned	Disbursed	Sanctioned	Disbursed
1	2	3	4	5
1. Total Assistance (Term Loan)	66.7 (59)	38.1	105.9 (105)	52.6
2. Textile Processing Corporation of India Ltd. (TPCI)	0.4	0.6	0.3	0.4
3. Equipment leasing scheme	1.1	1.8	2.2	0.4
4. Hire-purchase	—	—	0.9	0.2
5. Line of credit scheme for assisting sick small scale units through various State Level agencies	1.2	0.8	1.5	1.2
Grand Total	**69.4**	**41.3**	**110.8**	**54.8**

Note: 1. Figures for 1984-85 are provisional.
2. Figures within brackets indicate number of fresh cases sanctioned during the year.
Source: Industrial Reconstruction Bank of India.

The financing programme to support deemed exports in India was introduced by Exim Bank in 1984 under which it extends deferred credit, at an internationally competitive rate, for eligible deemed exports either through suppliers or directly to buyers. It also offers its other funded and non-funded facilities for deemed exports. Deemed exports occur in case of specified transactions within India, which result in foreign exchange earnings or foreign exchange savings. For instance, transactions such as supplies made by Indian manufacturers to units in free trade zones and hundred per cent export units and to projects in India (financed by external agencies) which procure their requirements through international competitive bidding qualify as deemed exports. The programme to extend term finance for export oriented units, was also introduced in 1984; under this programme export oriented units set up in free trade zones and units recognised by Government as hundred per cent export oriented units are eligible for financial assistance. Assistance under the scheme was extended during the year through a consortium for establishing a hundred per cent export unit in the ceramics industry and a rupee term loan of Rs. 0.6 crore and deferred payment guarantee of Rs. 1.2 crores was sanctioned for import of plant and machinery.

Exim Bank sanctioned Rs. 429.6 crores under various programmes of funded assistance which showed a rise of 50 per cent over sanctions in 1983 (Table IX-25). Utilisation of funded assistance at Rs. 353.0 crores was higher by 72 per cent compared with that in 1983. Exim Bank extends non-funded assistance in the form of guarantees. During 1984, the bank sanctioned guarantees worth Rs. 57.2 crores and issued guarantees valued at Rs. 57.4 crores which shows a decline of 24 per cent and 19 per cent respectively, in guarantees sanctioned and issued as compared to last year.

The outstanding amount of funded and non-funded assistance at the end of December 1984 stood at Rs. 414.7 crores and Rs. 510.2 crores, respectively, as compared with Rs. 293.0 crores and Rs. 451.5 crores, respectively, at the end of December 1983. Construction projects accounted for two-thirds of the assistance sanctioned under funded programmes*. Power generation and distribution equipment, commercial vehicles, transport equipment, and textile machinery were other important pro-

* In the industry-wise and region-wise analysis data on export bills rediscounting are excluded from sanctions and utilisations and data on relending facility are excluded from sanctions because of conceptual and data-related reasons.

Table IX-25: Operations of Export Import Bank of India

(Rupees crores)

Lending Programmes	January-December 1983			January-December 1984		
	Sanctions	Utilisations	Outstandings	Sanctions	Utilisations	Outstandings
1	2	3	4	5	6	7
Funded Programmes	**287.2**	**205.7**	**293.0**	**429.6**	**353.0**	**414.7**
Buyer's Credit	8.9	13.5	26.9	16.4	34.6	59.7
Direct Financial Assistance	54.5	36.4	105.1	77.2*	81.1*	158.9
Export Bills Rediscounting	124.4	124.4	45.9	193.5	193.5	50.0
Export Credit Refinance	17.5	7.0	24.1	33.6	29.1	44.4
Lines of Credit	44.0	22.5	81.4	72.0	12.4	92.6
Overseas Investment Finance	2.9	1.9	9.6	0.9	0.7	8.2
Pre-shipment Credit	—	—	—	0.7	0.7	—
Relending facility	35.0	—	—	34.7	0.9	0.9
Other funded programmes	—	—	—	0.6**	—	—
Non-funded Programmes* **	**75.3**	**71.2*** ***	**451.5**	**57.2**	**57.4*** ***	**510.2**

* Includes Rs. 0.42 crore sanctioned and Rs. 0.28 crore utilised for consultancy jobs.

** Assistance sanctioned for establishing a hundred per cent export oriented unit.

*** Non-funded assistance is given in the form of guarantees. **** Guarantees issued

Note: All sanctions, utilisations and outstanding amounts in foreign currency have been converted into rupees (in this and subsequent tables) using the exchange rate prevailing at the time of sanction or utilisation or at the end of year (in the case of outstanding). Dollar rupee exchange rate (average of RBI buying and selling rate) on 31st December 1984 was 1 $ = Rs. 12.3609

Source: Export-Import Bank of India

jects/products for which assistance was sanctioned. Construction projects accounted for 46 per cent and cement plant machinery, and commercial vehicles/transport equipment each accounted for 15 per cent of utilisation of funded assistance (Table IX—26). Sugar plant machinery, power generation/distribution equipment and textile machinery were other important recipient industries/products groups of Exim Bank's funded assistance. Non-funded assistance was provided mainly for construction projects which accounted for over 83 per cent of guarantees sanctioned and issued. Other recipients of non-funded assistance included power generation and distribution projects.

Region-wise, the largest share of funded assistance sanctioned by the bank was accounted for by assistance for exports to West Asia (44 per cent), followed by Africa (24 per cent), Americas (17 per cent) and South/South East Asia (15 per cent) (Table IX-27). The largest share of utilisation of funded assistance was also accounted for by West Asia (47 per cent), followed by South/South East Asia (27 per cent) and Africa (24 per cent). Over 90 per cent of non-funded assistance was sanctioned and issued for projects in West Asia.

As a step towards diversifying its foreign currency resources, which had so far been only in the form of US dollars, Exim Bank entered the Japanese commercial Yen market in 1984 and signed a loan agreement for raising Yen 1 billion. The loan is for eight years with a fixed rate of interest for the entire period of the loan. Exim Bank utilises foreign currency resources for lending to Indian project exporters to meet needs of bridge finance while executing overseas projects.

Table IX-26: Operations of Exim Bank—Industry-wise
(January-December 1984)

(Rupees crores)

Lending Programmes	Cement Plant Machinery		Chemical Processing Plants		Construction goods and Services		Power generation & distribution equipment		Sugar plants		Textile Machinery		Vehicles and Transport Equipment		Others	
	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Funded Programmes	—	**23.69**	—	**0.76**	**87.03**	**73.86**	**1.57**	**5.25**	—	**7.22**	**3.04**	**6.54**	**4.19**	**23.63**	**33.57** *	**18.61**
Buyer's Credit	—	23.51	—	—	—	0.28	—	—	—	6.90	—	—	—	—	16.35	3.90
Direct Financial Assistance	—	—	—	0.11	61.42	51.54	1.57	4.72	—	—	1.55	2.43	4.19	19.45	8.44	2.86
Export Credit Refinance	—	0.18	—	—	25.61	22.04	—	0.02	—	—	0.74	3.25	—	—	7.26	3.65
Lines of Credit	—	—	—	—	—	—	—	0.51	—	0.32	—	0.10	—	4.18	—	7.33
Overseas Investment Finance	—	—	—	0.25	—	—	—	—	—	—	—	0.01	—	—	0.94	0.41
Pre-shipment Credit	—	—	—	—	—	—	—	—	—	—	0.75	0.75	—	—	—	—
Re-lending facility	—	—	—	0.40	—	—	—	—	—	—	—	—	—	—	—	0.46
Non-funded Programmes	—	—	—	—	**47.70**	**48.92@**	**3.94**	**3.76@**	—	—	—	—	—	—	**5.52**	**4.76@**

S—sanctions U—utilisations @—Guarantees issued

* Includes Rs. 0.58 crore sanctioned for establishing a hundred per cent export unit.

Note: Other industries include machine tools, containers, water supply, sewerage and sanitary equipment, glass making machinery, railway rolling stock, bicycle parts, consultancy services, mining machinery, oil mill machinery, industrial boilers, coir-manufacturing machinery, rope-ways and miscellaneous agricultural and industrial machinery exports.

Source: Export-Import Bank of India.

Table IX-27: Operations of Exim Bank—Region-wise
(January-December 1984)

(Rupees crores)

Lending Programmes	Africa*		Americas		Europe		South East Asia, Far East and Pacific		West Asia	
	S	U	S	U	S	U	S	U	S	U
1	2	3	4	5	6	7	8	9	10	11
Funded Programmes	47.25	38.91	34.28	2.58	0.75	1.06	30.77	42.72	87.77	74.29
Buyer's Credit	16.35	0.28	—	—	—	—	—	34.31	—	—
Direct Financial Assistance	15.56	23.11	4.68	2.58	—	—	1.01	4.71	55.92	50.71
Export Credit Refinance	1.70	4.35	0.23	—	—	—	2.33	1.95	29.35	22.84
Lines of Credit	12.80	11.17	29.37	—	—	0.31	27.33	0.96	2.50	—
Overseas Investment Finance	0.84	—	—	—	—	—	0.10	0.67	—	—
Pre-shipment Credit	—	—	—	—	0.75	0.75	—	—	—	—
Re-Lending facility	—	—	—	—	—	—	—	0.12	—	0.74
Non-funded programmes	**3.15**	**0.67$**	—	--	—	—	**1.68**	**3.52$**	**51.17**	**53.25$**

* Includes North Africa and Sub-Saharan Africa
$ Guarantees issued
S = Sanctions U = Utilisations
Note: Guarantee sanctions exclude Rs. 116 lakhs guarantees which can not be categorised according to region, for conceptual reasons.
Source: Export-Import Bank of India

Operations of State Financial Corporations

State Financial Corporations (SFCs) mainly provide term finance to small and medium scale industries. They play an important role particularly in financing small-scale industries. At present, there are 18 SFCs of which 5 have jurisdiction over neighbouring States/Union territories also.

During 1984-85 (April-March), aggregate assistance sanctioned by the 18 SFCs (including the Tamil Nadu Industrial Investment Corporation Ltd.) amounted to Rs. 715.0 crores which was higher by 9.1 per cent than in 1983-84 (Rs. 655.1 crores) (Table IX-28). Total assistance disbursed by them at Rs. 496.1 crores was higher by 14.4 per cent compared with that in the preceding year. Although both sanctions and disbursements of the 18 SFCs taken together thus showed improvement, sanctions of SFCs in Andhra Pradesh, Assam, Haryana, Maharashtra, Punjab, Rajasthan and West Bengal and disbursements of SFCs in Maharashtra and Punjab recorded declines during the year compared with those in 1983-84. Total loans outstanding of all SFCs as on March 31, 1985 stood higher at Rs. 1,940.6 crores as against Rs. 1,824.2 crores at the end of March 1984. About 72 per cent of total assistance sanctioned and disbursed by all SFCs during the year was provided to small-scale industries. During the year, an amount of Rs. 405.8 crores was sanctioned for projects in backward areas as against Rs. 322.2 crores in 1983-84; disbursements for such projects amounted to Rs. 255.2 crores as against Rs. 211.6 crores in the previous year.

Table IX-28: Operations of State Financial Corporations

(April-March)	(Rupees crores)	
	1983-84	1984-85*
Assistance sanctioned	655.1	715.0
Assistance disbursed	433.6	496.1
Loans oustanding as at end of March	1,824.2	1,940.6

* Provisional

Source: Industrial Development Bank of India

National Small Industries Corporation Ltd. (NSIC)

The National Small Industries Corporation Limited (NSIC) supplied to small-scale units machines worth Rs. 10.3 crores under its hire-purchase scheme during the year compared with Rs. 13.3 crores in 1983-84 (Table IX—29); the decline was attributed to inadequate availability (Rs. 4.0 crores as against the requirement of the order of Rs. 15.0 crores) of financial inputs. Almost one-third of the total hire-purchase assistance was provided to backward areas and weaker sections of the society. A scheme for supply of machines to riot affected units on concessional terms was introduced during the year. NSIC's assistance in the field of marketing to small units registered significant progress during the year from Rs. 6.3 crores to Rs. 16.4 crores. Under the Central Government Stores Purchase Programme, 1,866 new units were registered under Single Point Registration Scheme with NSIC during 1984-85, raising the total number of units registered under this programme to 10,741. These units secured orders worth Rs. 350.0 crores from DGS&D, other Government departments, and other public sector undertakings during 1984-85 compared with Rs. 262.0 crores in 1983-84, thus registering an increase of 34 per cent over the previous year.

During the year NSIC participated in a number of exhibitions in India and abroad with a view to promoting the products of small-scale units and ensuring for them wider national and inter-national markets.

Equipment Leasing

During the last three/four years, a large number of private sector companies were established to undertake the business of equipment leasing which is a relatively new field in India. Couple of all India term-lending institutions, viz., ICICI and IRBI, have also recently diversified their activities into equipment leasing. Consolidated data on operations of private sector equipment leasing companies are not

Table IX-29: Business Turnover of National Small Industries Corporation Ltd.

	Type of Activities	1983-84 (April-March)	1984-85 (April-March) (Provisional)
1.	Value of machines supplied under hire-purchase scheme to small-scale units (Rupees crores)	13.3	10.3
2.	Marketing activity (Rupees crores)	6.3	16.4
3.	Number of small-scale units listed with NSIC for executing government contracts	1,837	1,866
4.	Value of contracts secured under Central Govt. Store Purchase Programme (Rupees crores)	262.0	350.0
5.	Number of trainees of various PDT centres	759	935

Source: National Small Industries Corporation Ltd.

available. Assistance sanctioned under equipment leasing by ICICI rose from Rs. 19.4 crores in 1983-84 to Rs. 21.6 crores in 1984-85 and by IRBI from Rs. 1.1 crores to Rs. 2.2 crores.

The statutory framework (Banking Laws (Amendment) Act, 1983) enables banks also to carry on equipment leasing business and set up subsidiaries for carrying on such business. However, the Reserve Bank, after careful consideration, directed all scheduled commercial banks on August 18, 1984 that they should not themsleves undertake directly (i.e. departmentally) such business but may set up, with its prior approval, subsidiaries for this purpose. In terms of the guidelines issued in this connection by the Reserve Bank, a subsidiary company promoted by a bank in which the bank holds not less than 51 per cent of the shares may undertake equipment leasing business and such other activities as are incidental thereto but the bank itself should not engage in financing of other companies or concerns engaged in equipment leasing. Further, such a subsidiary should not transact hire-purchase business and a bank's investment in shares of such subsidiary together with its investment in shares of other companies carrying on equipment leasing business should not exceed 10 per cent of the paid-up capital and reserves of the bank. While banks may, with the Reserve Bank's prior approval, invest in shares of other equipment leasing companies, within specified limits, they cannot act as promoters of such companies.

Chapter X

Developments in India's Foreign Trade

1. TRENDS IN INDIA'S FOREIGN TRADE DURING 1984-85 (APRIL-MARCH)

Overall Trends

According to partially revised data released by the Directorate General of Commercial Intelligence and Statistics (DGCI&S) while exports picked up sharply, the rate of growth of imports decelerated. As a result, the merchandise trade deficit which had widened to Rs. 5,914 crores in 1983-84 contracted to Rs. 5,196 crores in 1984-85. However, the deficit has remained above Rs. 5,000 crores for the last five years.

Table X-1: India's Trade Balance

(Rupees crores)

	Imports	Exports	Balance
1984-85	16,592	11,396	-5,196
	(+7.9)	(+20.4)	
1983-84	15,382	9,468	-5,914
	(+9.1)	(+8.1)	
1982-83	14,103	8,758	-5,345

Note : Data are partially revised. Figures in brackets indicate percentage variations over the preceding year.

Sources : DGCI & S

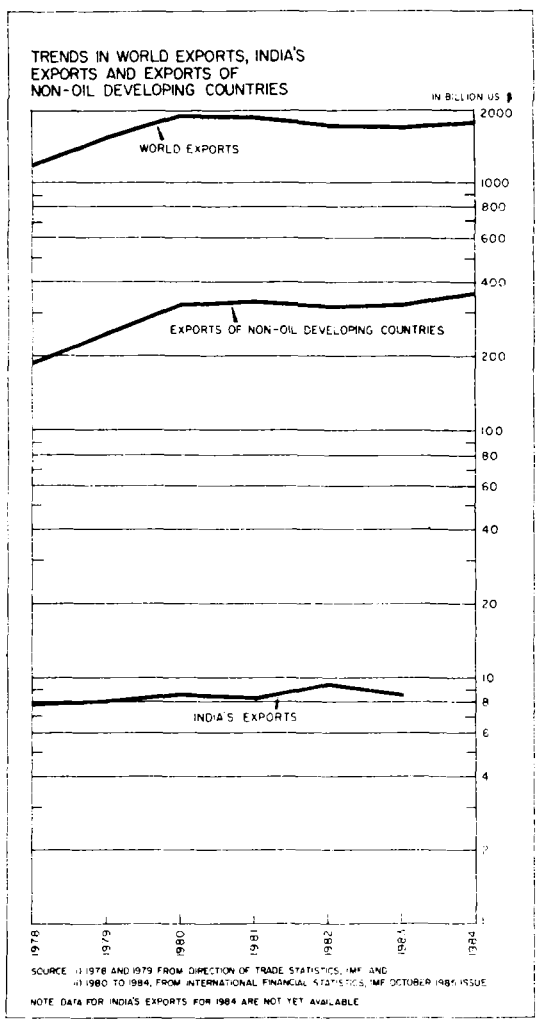
Exports

India's export performance has to be viewed against the background of international economic developments in 1984.

Though the world economy was out of the serious recession of the preceding 3-4 years, the recovery was uneven. Further, though the volume of world trade expanded by 8.8 per cent, the high level of unemployment and the widening imbalance in the current accounts position of major industrial countries caused protectionist tendencies to not only continue, but, in fact they got strengthened. Moreover, the pick up in world trade was largely influenced by the great upsurge in demand for imports into the U.S. which, to a very large extent, was met by exports from industrial countries themselves and a few developing countries. A great majority of the developing countries did not benefit much from the upsurge in demand. Another factor that slowed down the rise in export earnings of non-oil developing countries was the sharp deceleration in the rate of growth of market prices (in U.S. $ terms) of non-oil primary commodities of export interest to them from 7.8 per cent in 1983 to 2.6 per cent in 1984; oil prices continued to decline. However, mainly on account of fortuitous factors, India realised substantially higher unit values, in terms of Indian rupee, in respect of some of the commodities of export interest to her, viz., tea, jute manufactures, spices, cashew kernels,etc. The cut back on their imports forced on many developing countries, including OPEC, by balance of payments considerations also adversely affected exports of developing countries.

The not-so-congenial trading environment notwithstanding, total Indian exports (including re-exports) increased by 20.4 per cent during 1984-85, as compared with 8.1 per cent in 1983-84. A part of the increase was nominal reflecting weakness of the rupee in relation to some major currencies. In US dollar terms, the increase in exports during the year works out to 4.7 per cent though even this was a big improve-

ment over the 1.1 per cent increase recorded in the preceding year. This performance was, however, less satisfactory in relation to growth in world exports and that of non-oil developing countries. Global exports in U.S. dollar terms increased by 6.3 per cent in 1984 as against a fall of 2.6 per cent in 1983 while those of non-oil developing countries expanded by 9.2 per cent in relation to 2.5 per cent in the preceding year.



As during the last year, exports of oil and oil products played an important role in total exports from India. The oil exports increased by Rs. 350 crores or nearly one-fourth to Rs 1,818 crores in 1984-85 and formed 16 per cent of total exports during the year. Exports of non-oil commodities also recorded an impressive rise of 19.7 per cent during 1984-85 as compared with that of just 5.2 per cent last year.

Details of exports of non-oil commodities are set out in Table X-2. Data for 1984-85 are provisional and, therefore, subject to revision, at times considerably. It may be observed that significant increases were recorded by tea and mate, readymade garments, leather and leather manufactures, cotton fabrics, chemicals and allied products, jute manufactures including twist and yarn, spices, iron ore and machinery and transport equipments. These were partly off-set by a marked decline in exports of sugar and sugar preparations, pearls and precious/semi-precious stones and raw cotton.

Data on quantity of exports are available in respect of 13 of the enumerated items in Table X-2. Of these, during 1984-85, the export volume of tea and mate, iron ore, fish and fish preparations, cotton fabrics, and spices increased while that of coffee and coffee substitutes, jute manufactures, raw cotton, cashew kernels, sugar and sugar preparations and oil cakes declined.

Export performance of major items during 1984-85 are reviewed below.

Exports of *tea and mate* showed a sharp increase of 41 per cent to Rs. 707 crores in 1984-85 over exports in 1983-84. In percentage terms, tea and mate accounted for 6.2 per cent in comparison with 5.1 per cent in 1983-84 of India's total exports in 1984-85. The volume of exports increased by 9 per cent from 198 million kgs. to 216 million kgs. but the rise in unit value realisation of 29.4 per cent from Rs. 25.30 per kg. to Rs. 32.73 per kg. contributed more to the upsurge in export earnings. Global tea prices had gone up substantially since 1983 on account of a shortfall in world tea output and the resulting depletion of stocks in the London market, the chief auction centre. The rising trend in prices continued in 1984. It may be recalled that the Government of India had imposed a ban on exports of CTC tea on December 25, 1983, with a view of making adequate quantities of tea available to domestic consumers and prevent a rise in prices in India. This ban was lifted on May 12,1984, with the arrival of fresh crop.

Table X-2: India's Exports of Principal Commodities

(Value in Rupees crores)

Sr. No.	Commodities	Unit of Quantity	1982-83 (Partially revised) Quantity	1982-83 (Partially revised) Value	1983-84 (Partially revised) Quantity	1983-84 (Partially revised) Value	Increase (+)/ Decrease (−) Absolute (6 over 4)	1984-85 (Provisional) Quantity	1984-85 (Provisional) Value	Increase (+)/ Decrease (−) Absolute	Increase (+)/ Decrease (−) Percentage (9 over 6)
	1	2	3	4	5	6	7	8	9	10	11
1.	Pearls, precious and semi-precious stones etc.	Value	—	825	—	1214	+389	—	1063	−151	−12.4
2.	Tea and mate	Million Kgs.	192	368	198	501	+133	216	707	+206	+41.1
3.	Machinery including transport equipment	Value	—	585	—	494	−91	—	537	+43	+8.7
4.	Readymade garments	Value	—	528	—	607	+79	—	837	+230	+37.9
5.	Iron ore	Million Tonnes	21	374	21	385	+11	24	447	+62	+16.1
6.	Fish crustaceans and molluses and preparations thereof	'000 Tonnes	95	349	82	327	−22	90	336	+9	+2.8
7.	Leather & leather manufactures (except footwear)	Value	—	346	—	350	+4	—	422	+72	+20.6
8.	Cotton fabrics	Million Sq. Mts.	323	266	305	277	+11	438	412	+135	+48.7
9.	Chemicals and allied products	Value	—	308	—	278	−30	—	365	+87	+31.3
10.	Coffee & coffee substitutes	Million Kgs	75	184	74	183	−1	68	198	+15	+8.2
11.	Metal manufactures except iron and steel	Value	—	202	—	194	−8	—	181	−13	−6.7
12.	Carpets handmade	Value	—	169	—	194	+25	—	227	+33	+17.0
13.	Jute manufactures including twist and yarn	Lakh Tonnes	3.3	203	3.0	165	−38	2.9	334	+169	+102.4
14.	Cotton raw	'000 Tonnes	76	101	125	149	+48	30	57	−92	−61.7
15.	Cashew kernel	'000 Tonnes	31	134	40	157	+23	32	174	+17	+10.8
16.	Tobacco unmanufactured and tobacco refuse	'000 Tonnes	98	209	76	150	−59	75	147	−3	−2.0
17.	Sugar & sugar preparations	'000 Tonnes	213	62	240	140	+78	106	22	−118	−84.3
18.	Vegetables and fruits excluding cashew kernels	Value	—	159	—	155	−4	—	159	+4	+2.6
19.	Mineral fuel, lubricants and related products*	Value	—	1235	—	1593	+358	—	1777	+184	+11.6
20.	Oil cakes	'000 Tonnes	1051	149	952	146	−3	789	131	−15	−10.3
21.	Works of art (handicrafts)	Value	—	110	—	117	+7	—	134	+17	+14.5
22.	Crude vegetable materials	Value	—	81	—	97	+16	—	136	+39	+40.2
23.	Spices	'000 Tonnes	76	89	86	109	+20	90	172	+63	+57.8
24.	Jewellery	Value	—	69	—	75	+6	—	66	−9	−12.0
25.	Made-up articles, wholly or chiefly of cotton n.e.s.	Value	—	97	—	76	−21	—	91	+15	+19.7
26.	Rice	'000 Tonnes	435	200	246	147	−53	181	122	−25	−17.0
27.	Meat and meat preparations	Value	—	81	—	68	−13	—	75	+7	+10.3
28.	Iron and steel	Value	—	56	—	46	−10	—	62	+16	+34.8
29.	Rubber and rubber manufactures	Value	—	45	—	42	−3	—	70	+28	+66.7
30.	Silk fabrics	Value	—	32	—	41	+9	—	45	+4	+9.8
	A. Total of above items			**7,616**	—	**8,477**	**+861**	—	**9,506**	**+1,029**	**+12.1**
	B. Others			**1,292**	—	**1,388**	**+96**	—	**1,890**	**+502**	**+36.2**
	C. Grand Total			**8,909**	—	**9,865**	**+957**	—	**11,396**	**+1,531**	**+15.5**

Note: Statistics for 1982-83, 1983-84 are partially revised and for 1984-85 provisional and subject to considerable revisions on receipt of late/supplementary returns from various customs houses. Grand Totals—item C differ from those given in table X–1 as they are based on Annual Report of the Ministry of Commerce–1984-85 (for 1982-83 and 1983-84 data) and for 1984-85 on April 1985 press note of DGCI&S. 1984-85 commodity wise details are based on Monthly Statistics of the Foreign Trade of India, D.G.C.I. & S. March 1985.

* According to Ministry of Petroleum figures for 1982-83 and 1983-84 for crude oil are Rs.1,063 crores and Rs. 1,231 crores and petroleum products Rs. 134 crores and Rs. 357 crores, respectively.
For 1984-85 figures of crude oil amounted to Rs. 1,563 crores and products are estimated to be Rs. 254 crores.

However, the uptrend in domestic prices of tea continued on account of export buying. The government, therefore, imposed a ceiling of 215 million kgs. on tea exports during the calendar year 1984 in order to contain rise in the prices of domestic tea.

Exports of *readymade garments* registered a rise of Rs 230 crores (38 per cent) to Rs 837 crores during the year 1984-85 from Rs 607 crores in the previous year and accounted for 7.3 per cent of aggregate exports of the country in 1984-85 as compared with 6.2 per cent in 1983-84. The increase in export earnings from this item was due largely to higher unit value realisation while the quantum rise was modest. In September 1984, the United States enlarged the list of restricted quota items in garments but withdrew some of the restrictions in the following month. There was also an improvement in India's quota utilisation with respect to the US and the EEC as compared with the previous year.

Exports of *leather and leather manufactures* (excluding footwear) rose sharply by Rs.72 crores (21 per cent) to Rs. 422 crores during 1984-85 as compared with Rs. 350 crores in the last year. Finished leather accounted for a substantial increase in exports. The revival of demand in industrialised countries contributed to larger export earnings.

Revival of demand in the U.S. and the EEC contributed to better export performance of *cotton fabrics* which at Rs. 412 crores showed a rise of Rs. 135 crores (48 per cent) during 1984-85 over 1983-84. The spurt in exports of cotton fabrics was due to volume growth of 44 per cent from 305 million sq. metres to 438 million sq. metres. The unit value had also gone up from Rs. 9.08 to Rs. 9.40 per sq. metre.

Exports of *chemicals and allied products* amounted to Rs. 365 crores during 1984-85 as compared with Rs. 278 crores during 1983-84. The spurt in exports of 31 per cent was due to substantial increase in exports of drugs, pharmaceuticals and fine chemicals as well as crude drugs in the group; however, exports of glycerine, soaps, detergents and toiletries (mainly exported to the USSR) reported declines.

Exports of *jute manufactures* expanded by Rs. 169 crores (102 per cent) to Rs. 334 crores during 1984-85 due mainly to a sharp rise in unit value realisation which had more than doubled rising from Rs. 5,500 per tonne in 1983-84 to Rs. 11,517 per tonne in 1984-85. This sharp rise in unit value was due to acute shortage of jute fibre in the world markets following crop failures in the major producing countries viz. India and Bangladesh.

Exports of *spices* during 1984-85 amounted to Rs. 172 crores, showing an increase of Rs. 63 crores (58 per cent) over the 1983-84 exports of Rs. 109 crores, due mainly to higher unit value realisation though there was some improvement in quantity exported. Pepper and cardamom in the main, contributed substantially for the rise in export earnings under this group. Prices of Indian pepper ruled firm due to shortage in world supply. It was reported that Malabar pepper known for high quality realised a unit value of Rs. 3,700 per quintal which was an all-time high, and was almost double the price of Rs. 1,900 per quintal obtained in the same period of 1983-84. The unit value of cardamom went up by 53 per cent from Rs. 193.84 per kg. to Rs. 316.39 per kg. during the period, particularly in April-November 1984. Prices of other items such as chillies, ginger and turmeric also moved up.

Exports of *machinery including transport equipment* increased by 9 per cent to Rs. 537 crores. However, its share in total exports fell to 4.7 per cent during the year 1984-85 from 5.0 per cent in 1983-84. A substantial increase was noticed under auto parts, diesel engines and parts, air compressors and software, storage batteries etc. Among capital goods, items like textile, jute and sugar machineries and complete vehicles reported increases.

Exports of *iron ore* recorded a rise from Rs. 385 crores to Rs. 447 crores mainly due to a rise in unit value realisation by about 2 per cent from Rs. 183 per tonne to Rs. 186 per tonne. The international market for iron ore remained depressed due to recession in world steel industry leading to stiff competition among the major world producers of iron ore. India succeeded in retaining the Japanese market and in

tapping new markets in the Republic of Korea, China, and the Middle East.

The export performance of items which showed declines during 1984-85 as compared with 1983-84 is discussed below:

Export earnings from *sugar and sugar preparations* fell sharply by Rs. 118 crores (84 per cent) to Rs. 22 crores during 1984-85 from Rs. 140 crores during 1983-84 which was due mainly to a substantial decline in production. As a result, the Government suspended sugar exports and arranged for large quantities of imports to ensure adequate availability in the domestic market at reasonable price. The international markets were flooded with supplies resulting in world sugar prices touching the bottom during the period. This also reduced earnings from whatever quantity was exported.

Exports of *pearls, precious and semi-precious stones, etc.* declined from Rs. 1214 crores in 1983-84 to Rs. 1063 crores in 1984-85, its share in total exports falling from 12.3 per cent to 9.3 per cent. India is specialised in processing of small-sized diamonds. World demand for diamonds was shifted from small-sized to big-sized diamonds. The Diamond Trading Company of London raised the prices of smaller-sized 'roughs' purchased by India for processing and reduced the prices of 'bigger-sized' roughs processed by advanced countries; this adversely affected the Indian diamond industry.

Exports of *raw cotton* were lower at Rs. 57 crores during the year 1984-85 as against Rs. 149 crores during 1983-84. Exports of raw cotton had been banned in January 1984 due to damage to the crop during the cotton season of 1983-84 and the consequent sharp rise in its price. The unit value realisation, however, improved by 59 per cent from Rs. 11,920 per tonne to Rs. 19,000 per tonne.

Commodities, the exports of which showed only moderate increases were cashew kernels, coffee and coffee substitutes, vegetables and fruits (excluding cashew kernels) and fish and fish preparations. Trends in exports of these commodities are reviewed below.

Exports of *cashew kernels* improved from Rs. 157 crores in 1983-84 to Rs. 174 crores in 1984-85 due to a 38 per cent higher unit value realisation from Rs. 39.25 per kg. to Rs. 54.38 per kg. Quantity exported, however, showed a decline from 40 thousand tonnes to 32 thousand tonnes, due to the withdrawal of the USSR from the market, although it was compensated to some extent by the increased off-take by the USA and other countries.

Exports of *coffee and coffee substitutes* increased from Rs. 183 crores in 1983-84 to Rs. 198 crores in 1984-85 due mainly to higher unit value realisation, although quantity exported dropped from 74 million kgs. to 68 million kgs.

Exports of *vegetables and fruits excluding cashew kernels* showed a marginal rise of Rs. 4 crores to Rs. 159 crores during the period under review.

Exports of *fish and fish preparations,* which have emerged as a major foreign exchange earner for the country in recent years, showed an increase of Rs 9 crores to Rs. 336 crores in 1984-85, due mainly to the rise in quantity exported. Unit value realised, however, showed a decline of about 7 per cent from Rs. 39,878 per tonne to Rs. 37,333 per tonne. Quantity exported increased by 10 per cent to 90 thousand tonnes. The major item exported is shrimp which contributed substantially to export earnings as in the past. But in recent years, exports have suffered a setback due to reduced shrimp landings.

Commodities, which showed moderate declines were *tobacco unmanufactured and tobacco refuse, metal manufactures, jewellery and oil cakes.* Trends in the exports of these items are discussed below.

Exports of *tobacco unmanufactured and tobacco refuse* showed a modest decline from Rs. 150 crores in 1983-84 to Rs. 147 crores in 1984-85. The volume of exports also was somewhat lower at 75 thousand tonnes as compared to 76 thousand tonnes in the previous year.

Exports of *metal manufactures except iron and steel* contracted by Rs.13 crores to Rs.181 crores during the period under review.

Export earnings from *jewellery declined by* Rs.9 crores to Rs.66 crores during the year 1984-85.

Exports of *oil cakes* declined by Rs. 15 crores to Rs.131 crores. The presence of aflatoxin in Indian oil cakes has made the European buyers to look for other sources of supply and in the result, Indian exports are adversely affected. The decline in oil cakes exports was the combined result of 17 per cent decline in quantity exported (789,000 tonnes) and a rise in unit value realisation (of 7 per cent to Rs. 1,660 per tonne).

Imports

From a peak increase of 37.3 per cent in 1980-81, the rate of growth in imports had slumped to 8.4 per cent in 1981-82 and further to 5.5 per cent in 1982-83. In 1983-84, however, a modest rise to 9.8 per cent was noticed. According to partially revised data of DGCI&S, imports during 1984-85 amounted to Rs. 16,592 crores showing a rise of 7.9 per cent over imports of Rs. 15,382 crores during 1983-84. This is due to a rise in the international prices of major items like edible oils and fertilisers and the appreciation of the U.S. dollar against the Indian Rupee. Imports of POL, vegetable oils, fertilisers and chemicals increased substantially. On the other hand, imports of wheat, iron and steel, non-metallic mineral manufactures and machinery and transport equipment declined appreciably.

As in the case of exports, the commodity-wise classification of imports during the year 1984-85 is available only on a provisional basis. These are presented in Table X-3 together with data on imports for the years 1982-83 and 1983-84. Items enumerated in Table X-3 are only 21 which together account for 82 per cent of aggregate imports of the country. Imports of the 21 enumerated items declined by 0.7 per cent in 1984-85 while the residual items together showed a rise of 45.0 per cent.

As against an increase of 24.9 per cent in non-oil imports in 1983-84, imports expanded at a much lower rate of 4.6 per cent in 1984-85. Imports of most of the commodities declined during 1984-85. However, in comparison with the changes in 1983-84, the commodity-wise shifts exhibited a mixed trend. Imports of edible oils moved up sharply further, imports of organic and inorganic chemicals and crude fertilisers increased moderately. Imports of iron and steel, metalliferous ores and scrap and synthetic and regenerated fibres declined further in 1984-85. On the other hand, imports of pearls, precious and semi-precious stones, non-ferrous metals, artificial resins and plastic materials, medicinal and pharmaceutical products and chemical materials and products which recorded increases in 1983-84 declined in 1984-85. In the case of POL and manufactured fertilisers, the decline in imports noticed in 1983-84 was reversed in 1984-85.

Unit values of imports (in terms of rupees) during 1984-85, were higher than those in 1983-84 except in the case of wheat. Unit value of fertilisers (manufactured) recorded a sharp increase of 45.9 per cent followed by edible oils (30.3 per cent) and crude rubber (15.3 per cent) Increases in unit values of imports of petroleum, rice and iron and steel were also substantial.

Developments in imports of selected items are discussed below:

During 1983-84 imports of *petroleum, petroleum products and related materials* at Rs. 4,830 crores accounted for 30.6 per cent of the total imports of the country. In 1984-85, their share increased to 31.1 per cent, aggregate value of oil imports was placed at Rs. 5,161 crores showing a rise of 6.9 per cent over those in the year 1983-84. However, quantity wise, they were placed at 19.1 million tonnes, slightly less than that in the year 1983-84. The increase in the import bill of petroleum was thus mainly the result of appreciation in the US dollar against all other currencies including Indian Rupee.

Imports of *fertilisers* (manufactured) were low in 1983-84 in view of the drought situation

Table X—3: India's Principal Imports

(Value in Rupees crores)

Commodities	Unit of Quantity	1982-83 (Partially Revised)		1983-84 (Partially Revised)		Increase/Decrease- in 1983-84 over 1982-83(in Value)		1984-85 (Provisional)		Increase/Decrease- in 1984-85 over 1983-84 (in value)	
		Quantity	Value	Quantity	Value	Absolute	Percentage	Quantity	Value	Absolute	Percentage
1	2	3	4	5	6	7	8	9	10	11	12
1. Petroleum, petroleum products and related materials	Million Tonnes	22.0	5605	20.3	4830	-775	-13.8	19.1	5161	331	6.9
2. Machinery and transport equipment	Value	—	2232	—	2834	602	27.0	—	2580	-254	-9.0
3. Iron and Steel	000' T	2758.5	1146	2195.7	963	-183	-16.0	1529.0	733	-230	-23.9
4. Pearls, precious & semi-precious stones	Value	—	677	—	1082	405	59.8	—	1028	-54	-5.0
5. Cereals and cereal preparations	000' T	1342.2	306	2531.5	612	306	100.0	564.9	144	-468	-76.5
Of which:											
a) Wheat	-do-	1300.7	292	2142.3	507	515	73.6	360.0	85	-422	-83.2
b) Rice	-do-	11.4	3	328.1	80	77	2566.7	184.4	50	-30	-37.5
6. Organic & inorganic chemicals	Value	—	387	—	610	223	57.6	—	729	119	19.5
7. Vegetable oils fixed (edible oils)	000'T	495.3	226	1001.3	541	315	139.4	1176.4	828	287	53.0
8. Non-ferrous metals	Value	—	279	—	369	90	32.3	—	344	-25	-6.8
9. Professional, scientific, controlling instruments, photographic, optical goods	-do-	—	190	—	281	91	47.9	—	234	-47	-16.7
10. Paper, paper boards and manufactures thereof	000' T	208.7	147	243.5	173	26	17.7	230.7	169	-4	-2.3
11. Artificial resins, plastic materials etc.	Value	—	126	—	189	63	50.0	—	164	-25	-13.1
12. Manufacture of metals	-do-	—	136	—	148	12	8.8	—	126	-22	-14.9
13. Metalliferous ores and metal scrap etc.	-do-	—	152	—	145	-7	-4.6	—	112	-33	-22.8
14. Textile yarn, fabrics and made-up articles etc.	-do-	—	113	—	125	12	10.6	—	81	-44	-35.2
15. Medicinal and pharmaceutical products	-do-	—	81	—	132	51	63.0	—	127	-5	-3.8
16. Non-metallic mineral manufactures (excl. Cement, Pearls, etc.)	-do-	—	141	—	175	34	24.1	—	55	-120	-68.6
17. Chemical materials and products	-do-	—	73	—	123	50	68.5	—	106	-17	-13.8
18. Synthetic and regenerated fibre	000' T	79.8	125	67.3	102	-23	-18.4	28.8	46	-56	-54.9
19. Fertiliser, crude	-do-	688.1	56	952.4	81	25	44.6	1225.0	107	26	32.1
20. Fertiliser, manufactured	-do-	939.7	146	718.8	112	-34	-23.3	2956.4	672	560	500.0
21. Crude rubber (incl. synthetic and reclaimed)	-do-	50.2	54	69.0	81	27	50.0	49.5	67	-14	-17.3
A. Total of the above items			**12398**		**13708**	**1310**	**10.6**		**13613**	**-95**	**-0.7**
B. Others			**1958**		**2055**	**97**	**5.0**		**2979**	**924**	**45.0**
C. Grand Total			**14356**		**15763**	**1407**	**9.8**		**16592**	**829**	**5.3**

Note: Commodity-wise data in respect of 1982-83 and 1983-84 are partially revised while 1984-85 are provisional and subject to further revisions. Grand Total — item 'C' differ from those given in table X-1 as they are based on the Annual Report of the Ministry of Commerce-1984-85. Total imports for 1984-85have been revised from Rs 16,485 crores as reported in the monthly statistics of Foreign Trade of India, March 1985 brochure to Rs 16,592 crores as per the April 1985 press note. As the break-up of revised figures, viz, Rs 107 crores is not available this amount is included under 'B' others.

Source: 1. Data for 1982-83 and 1983-84 are from the Annual Report of the Ministry of Commerce 1984-85.

2. Data for 1984-85 are from the Monthly Statistics of the Foreign Trade of India, DGCI & S, March 1985.

of 1982-83 as also the availability from the carry-over stocks of previous imports. The demand for fertilisers, however, picked up subsequently during the years 1983-84 and 1984-85 in the wake of favourable weather conditions. The consumption of fertilisers at 77.2 lakh tonnes in 1983-84 registered a record growth of 20.8 per cent over the year. As the 1984-85 *kharif* season was also favourable, consumption of fertilisers in the year is estimated to exceed the target of 84.0 lakh tonnes and reach 88.8 lakh tonnes showing a rise of 15.0 per cent. As against this, the indigenous production of fertilisers which amounted to 45.3 lakh tonnes in 1983-84 is estimated to be around 52.3 lakh tonnes in 1984-85. Imports of manufactured fertilisers during 1984-85 touched a peak of 29.6 lakh tonnes valued at Rs. 672 crores compared with 7.2 lakh tonnes valued at Rs. 112 crores in the last year. The rise in prices added to the fertiliser import bill. The rise in these imports accounted for two-thirds of the increase in total imports of 1984-85. Imports of crude fertilisers also increased.

Although oilseeds production increased from 87.4 lakh tonnes in 1979-80 to 128.1 lakh tonnes in 1983-84, the domestic availability of edible oils has not kept pace with the rising demand estimated around 45 lakh tonnes in 1983-84. In recent years, therefore, *edible oils* have become one of the growing items of imports. While the large scale import in 1982-83 and 1983-84 exercised a moderating influence on domestic prices, the easy availability of the commodity contributed to a rise in demand as these oils meet the bulk of fat requirements of a large population which cannot afford other expensive fats. Imports of edible oils to the tune of 11.8 lakh tonnes during 1984-85 were higher by 1.8 lakh tonnes than those in 1983-84. Also due to the rise in international prices, value of imports during 1984-85 at Rs. 828 crores was higher by 53.0 per cent over that in the last year. The increase in imports of edible oils of Rs. 287 crores in 1984-85 accounted for 34.6 per cent of the increase in total imports.

Pearls, precious and semi-precious stones are imported by the gems and jewellery industry for processing and re-exporting. Reflecting the growth in this industry and the demand abroad, their imports increased by 59.8 per cent to Rs. 1,082 crores in 1983-84. However, during the year 1984-85, these imports at Rs. 1,028 crores showed a decline of 5 per cent following a subdued exports performance.

Organic and inorganic chemicals, chemical materials and products and medicinal and pharmaceutical products constitute the major components of imports related to chemicals. All these three product groups had registered increase in imports in 1983-84. While imports of organic and inorganic chemicals continued to rise in 1984-85 the other two items showed marginal declines. The imports of organic and inorganic chemicals rose substantially by 19.5 per cent to Rs.729 crores in 1984-85 on top of a sharp increase of 57.6 per cent in 1983-84.

The declining trend in *iron and steel* imports witnessed during the years 1982-83 and 1983-84 continued in the year 1984-85. Imports of iron and and steel in 1984-85 at Rs. 733 crores were lower by 23.9 per cent than that during last year. The quantity of imports declined by about one-third to 1.5 million tonnes in the period under review. The unit value, however, increased somewhat.

Imports of *machinery* and *transport equipments* which increased by 27.0 per cent in 1983-84 declined by 9.0 per cent to Rs. 2,580 crores during 1984-85. The fall in imports was partly due to lower imports of transport equipment in view of the improvement in capacity utilisation and partly due to increase in the number of domestic sick engineering units. During the period under review imports of transport equipment at Rs. 283 crores were lower by 38 per cent over their imports during 1983-84.

The bulk of imports under *cereals* and *cereal preparations* comprise wheat and rice. Consequent upon the 1983-84 foodgrains output touching a record level of 151.5 million tonnes, domestic supply position improved considerably. As a result, imports of cereals and cereal preparations declined to 5.6 lakh tonnes

valued at Rs. 144 crores during 1984-85 as against 25 lakh tonnes worth Rs. 612 crores in 1983-84. While the international price of wheat declined during the period that of rice went up.

Direction of Foreign Trade

Data on direction of India's foreign trade for the years 1982-83 to 1984-85 are presented in Table X–4. As compared to data published in the last year's Report, exports have been revised upwards by Rs. 74 crores and imports downwards by Rs. 4 crores for the year 1982-83 while for 1983-84, exports have been revised upwards by Rs. 145 crores and imports by Rs. 175 crores. It may be mentioned here that the unclassified group includes exports/imports for which country-wise classification is not available. This group includes data on exports of crude petroleum and petroleum products of Rs. 1,156 crores in 1982-83, Rs. 1,429 crores in 1983-84 and Rs. 1,777 crores in 1984-85.

Regional Pattern of Exports — 1983-84

During 1983-84, India's exports rose by Rs. 957 crores (or by 10.7 per cent) to Rs. 9865 crores. The increase was due largely to higher exports to North America (Rs. 480 crores), Western Europe (Rs. 266 crores) and Other Asia (Rs. 166 crores); unclassified exports which included mainly crude and petroleum products showed a rise of Rs. 260 crores. While the share of North America in total exports went up from 11.3 per cent in 1982-83 to 15.0 per cent in 1983-84, the share of Western Europe rose moderately from 19.0 per cent to 19.9 per cent and that of 'Other Asia' from 9.9 per cent to 10.6 per cent. The share of West Asia remained unchanged at 10.2 per cent. Though exports to Japan rose by Rs. 31 crores, its share fell by 0.5 per cent to 8.4 per cent in 1983-84.

On the other hand, exports to Eastern Europe fell sharply by Rs. 297 crores (or by 15.6 per cent) reducing its share in total exports from 21.4 per cent to 16.3 per cent in 1983-84. Exports to Africa, Oceania and Other Developing Countries showed small declines in absolute amounts in 1983-84

Country-wise trends during 1983-84 revealed that major increases in exports in absolute terms were accounted for by the USA (Rs. 445 crores), the UK (Rs. 98 crores), the Netherlands (Rs. 80 crores) and the Republic of China (Rs. 54 crores). Major declines in exports were noticed in the case of exports to the USSR (Rs. 253 crores) and Rumania (Rs. 54 crores).

Nine countries accounted for 54.3 per cent of the total exports in 1983-84. Of these,the USA led with a share of 14.1 per cent followed by the USSR (13.2 per cent), Japan (8.4 per cent), the U K (5.6 per cent), and the Federal Republic of Germany (3.8 per cent). Other important importers were Belgium, Hong Kong, Saudi Arabia and the United Arab Emirates.

Regional Pattern of Exports–1984–85

During 1984-85, India's exports at Rs. 11,396 crores registered an increase of Rs. 1,524 crores (or 15.4 per cent) over the corresponding period of 1983-84. The increase was largely accounted for by larger exports to North America (Rs. 399 crores), Eastern Europe (Rs. 352 crores), Western Europe (Rs. 242 crores), Japan (Rs. 223 crores) and Oceania (Rs. 52 crores).Unclassified category which included mainly exports of crude petroleum, showed a rise of Rs. 238 crores. The share of North America in total exports rose from 15.1 per cent in 1983-84 to 16.6 per cent in 1984-85 and so also of Japan, Eastern Europe and Oceania. However, the share of Western Europe and West Asia declined.

Further,small declines were seen in exports to Other Asia (Rs. 37 crores), Africa (Rs. 13 crores) and Other Developing Countries (Rs. 5 crores) which were reflected in their shares in total exports.

Major increases in exports during 1984-85, country-wise,were as follows: USA (Rs. 357 crores), the USSR (Rs. 330 crores), Japan (Rs. 223 crores), the U.K. (Rs. 107 crores) and the Federal Republic of Germany (Rs. 81 crores). Major declines in exports were noticed in respect of Hong Kong (Rs. 52 crores) and Republic of China (Rs. 47 crores). Five countries accounted for 48.7 per cent of total Indian exports during 1984-85. The USA led with 15.4

TABLE X—4: REGIONAL PATTERN OF INDIA'S TRADE

(Rupees crores)

Region	1982-83 (Revised)			1983-84 (Partially Revised)			1984-85 (Provisional)		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1	2	3	4	5	6	7	8	9	10
North America	1006	1622	−616	1486	2133	−647	1885	2045	−160
	(11.3)	(11.3)		(15.1)	(13.5)		(16.6)	(12.3)	
Western Europe	1694	3658	−1964	1960	4377	−2417	2202	4661	−2459
	(19.0)	(25.5)		(19.9)	(27.8)		(19.3)	(28.1)	
Eastern Europe	1907	1826	+81	1610	1964	−354	1962	2089	−127
	(21.4)	(12.7)		(16.3)	(12.5)		(17.2)	(12.6)	
West Asia*	905	4023	−3118	1003	3352	−2349	1070	3698	−2628
	(10.2)	(28.0)		(10.2)	(21.3)		(9.4)	(22.3)	
Japan	795	1070	−275	826	1456	−630	1049	1202	−153
	(8.9)	(7.5)		(8.4)	(9.2)		(9.2)	(7.3)	
Other Asia*	877	1014	−137	1043	1272	−229	1006	1761	−755
	(9.9)	(7.1)		(10.6)	(8.1)		(8.8)	(10.6)	
Africa	390	160	+230	363	310	+53	350	381	−31
	(4.4)	(1.1)		(3.7)	(2.0)		(3.1)	(2.3)	
Other Developing Countries*	22	238	−216	19	354	−335	14	386	−372
	(0.2)	(1.7)		(0.2)	(2.2)		(0.1)	(2.3)	
Oceania*	126	279	−153	116	145	−29	168	216	−48
	(1.4)	(1.9)		(1.2)	(0.9)		(1.5)	(1.3)	
Unclassified*	1186	466	+720	1439	400	+1039	1690	153	+1537
	(13.3)	(3.2)		(14.6)	(2.5)		(14.8)	(0.9)	
Total	**8908**	**14356**	**−5448**	**9865**	**15763**	−5898	**11396**	**16592**	**−5196**

* West Asia Group includes Bahrain, Iran, Iraq, Jordon, Kuwait, Qatar, Saudi Arabia, United Arab Emirates, Oman, Israel, Syrian Arab Republic, Lebanon, Yemen Arab Republic and Yemen P. Dem. Republic.
Other Asia Group includes Afghanistan, Bangladesh, Burma, Nepal, Pakistan, Sri Lanka, Indonesia, Malaysia, Philippines, Singapore, Thailand, Hong Kong, China P. Republic (Mainland), China Republic (Formerly Formosa), Korean Republic, Socialist Republic of Vietnam and Korean Democratic P. Republic.

Other Developing Countries Group includes Argentina, Bolivia, Brazil, Chile, Colombia, Paragway, Peru, Urugway, Venezuela, Bahamas, Barbados, Guatemala, Mexico, Panama Republic, Netherlands Antilles, Nicaragua, Trinidad and Tobago, and Guyana.

Oceania Group includes Australia, New Zealand and Fiji.
Unclassified Group consists of countries not included elsewhere and also includes data on POL.

Notes: 1. For 1983-84, exports data are revised from Rs. 9865 crores given in the Ministry of Commerce Report 1984-85 to Rs. 9872 crores as per April 1985 press note and total exports and imports for 1984-85 are as per April 1985 press note. These data are subject to further revision.

2. Exports of crude petroleum are included in the group 'unclassified' and Grand Total but not in the region-wise break-up. The crude petroleum exports amounted to Rs. 1063 crores in 1982-83, Rs. 1231 crores in 1983-84 and Rs. 1563 crores in 1984-85.

3. Exports of petroleum products amounting to Rs. 93 crores in 1982-83, Rs. 198 crores in 1983-84 and Rs. 214 crores in 1984-85 are not included in the regional details. These are included under 'unclassified' as well as in Grand Total.

4. Figures in brackets represent percentages to totals.

Source: 1. Data for 1982-83 and 1983-84—Ministry of Commerce, Annual Report for 1984-85.

2. Data for 1984-85 from D.G.C.I. & S., monthly statistics of the Foreign Trade of India for March 1985.

per cent share, followed by the USSR (14.3 per cent), Japan (9.2 per cent), the U.K. (5.8 per cent) and the Federal Republic of Germany (4.0 per cent). Other major importing countries were United Arab Emirates, France, Italy and Australia. During 1983-84, 45.9 per cent of total Indian exports was accounted for by 5 countries—with the USA leading with 14.1 per cent, followed by the USSR (13.2 per cent), Japan (8.4 per cent), the U.K. (5.6 per cent) and Federal Republic of Germany (3.8 per cent).

Regional Pattern of Imports—1983-84

During the preceding year (1983-84) India's imports went up by Rs. 1,407 crores (or by 9.8 per cent) to Rs. 15,763 crores. This increase was accounted for by Western Europe (Rs. 719 crores), North America (Rs. 511 crores), Japan (Rs. 386 crores), Other Asian Countries (Rs. 258 crores), Africa (Rs. 150 crores), Eastern Europe (Rs. 138 crores) and Other Developing Countries (Rs. 116 crores). The share of Western Europe in Indian imports increased from 25.5 per cent to 27.8 per cent, that of North America from 11.3 per cent to 13.5 per cent, Japan from 7.5 per cent to 9.2 per cent and Other Asia from 7.1 per cent to 8.1 per cent. Despite the increase in imports from Eastern Europe in absolute terms, its share in India's imports fell from 12.7 per cent to 12.5 per cent.

The increase in imports from the above regions, however, was partially offset by declines in imports from West Asia (Rs. 671 crores) and Oceania (Rs. 134 crores). The share of West Asia in total Indian imports slumped from 28.0 per cent to 21.3 per cent and that of Oceania declined from 1.9 per cent to 0.9 per cent.

Pattern of imports, country-wise, during 1983-84 showed that major increases were due to imports from the USA (Rs. 420 crores), Japan (Rs. 384 crores), the Federal Republic of Germany (Rs. 319 crores), the UK (Rs. 257 crores), the USSR (Rs. 146 crores), Brazil (Rs. 103 crores) and Canada (Rs. 91 crores). Major declines in imports were on account of Saudi Arabia (Rs. 418 crores), Australia (Rs. 134 crores),France (Rs. 106 crores), Iraq (Rs. 93 crores) and the UAE (Rs. 90 crores).

The following eight countries together accounted for nearly 61.6 per cent of total Indian imports. The USA led with a share of 11.4 per cent followed by the USSR (10.5 per cent), Japan (9.2 per cent), the UK (7.3 per cent), the Federal Republic of Germany (7.1 per cent), Saudi Arabia (6.8 per cent), Iraq (5.0 per cent) and Belgium (4.3 per cent). Other important exporters to India were Canada, Singapore, Malaysia and France.

Regional Pattern of Imports—1984-85

During 1984-85, India's imports at Rs.16,592 crores showed a rise of Rs. 829 crores (or 5.3 per cent) over those in the preceding year. The increase was mainly due to a rise in imports from Other Asia (Rs. 489 crores), West Asia (Rs. 346 crores), Western Europe (Rs. 284 crores), Eastern Europe (Rs. 125 crores), Africa (Rs. 71 crores), Oceania (Rs. 71 crores) and Other Developing Countries (Rs. 32 crores). The share of Western Europe rose from 27.8 per cent to 28.1 per cent, that of West Asia from 21.3 per cent to 22.3 per cent and of Other Asia from 8.1 per cent to 10.6 per cent. The share of Eastern Europe rose slightly. Imports from Japan fell by Rs. 254 crores. As a result, Japan's share in total Indian imports declined from 9.2 per cent to 7.3 per cent. Imports from North America also fell by Rs. 88 crores, as a result of which North America's share in total Indian imports fell from 13.5 per cent to 12.3 per cent.

Country-wise trends during 1984-85 revealed that major increases in India's imports were due to higher imports from Malaysia (Rs. 190 crores), S. Arabia (Rs. 170 crores), Oman (Rs. 168 crores), Bahrain (Rs. 159 crores), Canada (Rs. 151 crores), F.R. Germany (Rs. 142 crores), Singapore (Rs. 125 crores) and Belgium (Rs. 107 crores).

On the other hand, major declines in imports were witnessed in the case of imports from Iran (Rs. 284 crores), Japan (Rs. 254 crores) and the USA (Rs. 239 crores). The following eight countries together accounted for nearly 56.9 per cent

of total imports in 1984-85 compared with 61.6 per cent during 1983-84. The USSR led with a share of 10.5 per cent followed by the USA (9.4 per cent), Federal Republic of Germany (7.6 per cent, Saudi Arabia (7.5 per cent), Japan (7.2 per cent), the U.K. (6.0 per cent), Belgium (4.7 per cent) and Iraq (4.0 per cent). In the preceding year the USA led with a share of 11.4 per cent followed by the USSR (10.5 per cent), Japan (9.2 per cent), the U.K. (7.3 per cent), the Federal Republic of Germany (7.1 per cent), Iraq (5.0 per cent) and Belgium (4.3 per cent).

Trade Balance—1983–84

During 1983-84 India's trade deficit was larger at Rs. 5,898 crores as compared with that of Rs. 5,448 crores in 1982-83. Excepting Africa with whom India had a small surplus of Rs. 53 crores, all other regions showed large trade deficits. Trade with Western Europe showed the largest deficit of Rs. 2,417 crores, closely followed by West Asia (Rs. 2,349 crores). Trade deficits with North America (Rs. 647 crores), Japan (Rs. 630 crores), Eastern Europe (Rs. 354 crores), Other Developing Countries (Rs. 335 crores) and Other Asian Countries (Rs. 229 crores) were relatively small in magnitude. Unclassified group (which mainly included exports of crude and POL) showed a surplus of Rs. 1,039crores. Over the year, there were wide variations in trade balances. The surplus of Rs. 81 crores with Eastern Europe in 1982-83 was turned into a deficit of Rs. 354 crores in 1983-84. Trade deficits with Western Europe, Japan, Other Developing Countries, Other Asian Countries and North America increased by Rs. 453 crores, Rs. 355 crores, Rs. 119 crores, Rs. 92 crores and Rs. 31 crores, respectively. Trade deficits with West Asia and Oceania declined by Rs. 769 crores and Rs. 124 crores, respectively. Country-wise, trade deficit with 10 countries namely, Saudi Arabia (Rs. 833 crores), the Federal Republic of Germany (Rs. 747 crores), Iraq (Rs. 736 crores), Iran (Rs. 662 crores), Japan (Rs. 630 crores), the U K (Rs. 588 crores), the U S A (Rs. 396 crores), the USSR (Rs. 353 crores), Malaysia (Rs. 294 crores) and Canada (Rs. 251 crores) accounted for the major part of the total trade deficit (Rs. 5,898 crores) during 1983-84. While the surplus with the USSR in 1982-83 had dramatically changed to a deficit of Rs. 353 crores in 1983-84, the deficits with Saudi Arabia, Australia, France and Iraq were reduced by Rs. 435 crores, Rs. 126 crores, Rs. 114 crores and Rs. 91 crores, respectively. Major increases in deficit were witnessed in the case of trade with Japan (Rs. 355 crores), the Federal Republic of Germany (Rs. 289 crores), the UK (Rs. 160 crores) and Malaysia (Rs. 141 crores).

Trade Balance—1984-85

During 1984-85, deficit in India's overall trade was slightly lower at Rs. 5,196 crores as compared with that of Rs. 5,898 crores in 1983-84. All regions (excluding 'Unclassified' which includes exports of crude and petroleum products) shared the deficit. The largest deficit was with West Asia (Rs. 2,628 crores) followed by Western Europe (Rs. 2,459 crores), Other Asia (Rs. 755 crores), Other Developing Countries (Rs. 372 crores), North America (Rs. 160 crores), Japan (Rs. 153 crores) and Eastern Europe (Rs. 127 crores). Africa and Oceania showed small deficits.

Compared with 1983-84, trade deficits in 1984-85 increased with Other Asia, West Asia, Western Europe and Other Developing Countries by Rs. 526 crores, Rs. 279 crores, Rs. 42 crores and Rs. 37 crores, respectively. Trade deficits with North America, Japan and Eastern Europe declined by Rs. 487 crores, Rs. 477 crores and Rs. 227 crores, respectively.

Country-wise, large trade deficits were noticed in respect of 15 countries namely, Saudi Arabia (Rs. 1,004 crores), the Federal Republic of Germany (Rs. 807 crores), Iraq (Rs. 623 crores) Belgium (Rs. 597 crores), Malaysia (Rs. 480 crores), Iran (Rs. 364 crores), Canada (Rs. 360 crores), Singapore (Rs. 352 crores), the U.K. (Rs. 340 crores), Brazil (Rs. 258 crores), Bahrain (Rs. 209 crores), Netherlands, (Rs. 159 crores), the U.A.E. (Rs. 129 crores), Oman (Rs. 112 crores) and the USSR (Rs. 105 crores). The trade deficit with these countries totalled Rs. 5,899 crores.

Total deficit declined over the previous year with Japan (Rs. 477 crores), Iran (Rs. 298 crores) and the USSR (Rs. 243 crores) during 1984-85. Increase in deficit of over Rs. 100 crores took place in the case of Malaysia (Rs.186 crores), S. Arabia (Rs. 171 crores), Bahrain (Rs. 164 crores), Singapore (Rs. 143 crores). Belgium (Rs. 133 crores) and Canada (Rs. 109 crores).

IMPORT LICENCES

Data on sector-wise and category-wise distribution of import licences issued during the recent period are presented in Table X—5. For the year 1984-85 these details are available for the first three months i.e. April to June 1984 only. The interpretation of these data is subject to the following limitations.

1) Generally a licence for import of capital goods/heavy electrical plants is valid for two years while the currency of other import licences is eighteen months. (2) Some times the licences issued are revalidated, their period extended or value thereof raised due to price rise. Subject to these limitations the changes in the value of licences from year to year would reflect variations in volume of permitted imports and unit price thereof and additional items brought under the licensing system or deleted therefrom.

Though there is no direct relation between the value of licences issued during a year and the value of imports during the year, a broad indication of the relative importance of licencing in import trade can be had from the movement in this ratio. The ratio of value of licences issued and the value of total imports during the year declined to 44.6 per cent in 1983-84, from 50.1 per cent in 1982-83, reflecting the corresponding growth in open general licences (OGL) imports in the year 1983-84.

The declining trend in the value of licences issued continued during 1983-84. The value of import licences issued in 1983-84 at Rs. 7,030 crores was lower by Rs. 136 crores than that in 1982-83. Despite such a decline, the unit value per licence increased slightly to Rs. 8.6 lakhs in 1983-84 from Rs. 8.3 lakhs in 1982-83.

The value of licences issued to three categories viz. actual users (both industrial and non-industrial) and DGTD units for imports of raw materials fell significantly in the year 1983-84, their share in the total value of licences coming down from 47.2 per cent in 1982-83 to 31.5 per cent in the year 1983-84. On the other hand, the value of import licences issued under two categories viz., capital goods/heavy electrical plants and registered exporters went up recording an increase of 26.8 per cent in 1983-84 over 1982-83. Their share in the total value of import licences rose accordingly from 45.8 per cent in 1982-83 to 59.2 per cent in 1983-84.

In the first quarter of 1984-85 (April-June 1984) the total value of import licences fell sharply by Rs. 570 crores or 30.3 per cent when compared with the value of licences issued in the corresponding quarter of 1983-84. The value of licences under all categories except to registered exporters and State Trading Agencies declined, and the fall under capital goods /heavy electrical plants being as much as 50.0 per cent.

The value of import licences issued to the Government Sector in 1983-84 showed an increase of Rs. 139 crores (or 3.9 per cent) over their value in 1982-83. The average value per licence also increased from Rs. 9.04 lakhs in 1982-83 to Rs. 9.34 lakhs in 1983-84. The value of licences issued to the Private Sector on the other hand fell sharply by Rs. 275 crores (or 7.7 per cent) to Rs. 3,293 crores in 1983-84, together with a decline in the number of licences issued from 83 thousands in 1982-83 to 77 thousands in 1983-84. The average value per licence however, remained more or less the same at Rs. 43 thousands in 1983-84. Consequently, the share of the Private Sector in the total value of import licences issued came down from 49.8 per cent in 1982-83 to 46.8 per cent in 1983-84 while that of the Government Sector went up correspondingly from 50.2 per cent to 53.2 per cent.

In the first quarter of 1984-85, however, the relative weightage of the two sectors reversed in comparison with that in the corresponding quarter of the last year. Thus, the share of the

Table X-5: Value of Import Licences Issued Classified by Major Categories and Sectors, 1982-83 to 1983-84 and thereafter.

(Rupees crores)

		GOVERNMENT SECTOR				PRIVATE SECTOR				TOTAL			
				April-June				April-June				April-June	
	Category	1982-83	1983-84	1983	1984	1982-83	1983-84	1983	1984	1982-83	1983-84	1983	1984
	1	2	3	4	5	6	7	8	9	10	11	12	13
1.	Actual Users	1,804	981	303	23	90	95	4	5	1,894	1,076	307	28
	(Industrial)	(50.1)	(26.2)	(26.2)	(6.1)	(2.5)	(2.9)	(0.6)	(0.5)	(26.4)	(15.3)	(16.3)	(2.1)
2.	Actual Users	302	136	14	10	11	7	1	2	313	143	15	12
	(Non-industrial)	(8.4)	(3.6)	(1.2)	(2.7)	(0.3)	(0.2)	(0.1)	(0.2)	(4.4)	(2.0)	(0.8)	(0.9)
3.	Raw Materials	467	437	76	27	708	562	73	78	1,175	999	149	105
	(DGTD Units)	(13.0)	(11.7)	(6.6)	(7.2)	(19.8)	(17.1)	(10.1)	(8.4)	(16.4)	(14.2)	(7.9)	(8.0)
4.	Small Scale Industries	—	—	—	—	252	216	41	51	252	216	41	51
						(7.1)	(6.6)	(5.7)	(5.5)	(3.5)	(3.1)	(2.2)	(3.9)
5.	Registered Exporters	55	410	55	16	1,908	1,885	499	647	1,963	2,295	554	663
		(1.5)	(11.0)	(4.7)	(4.2)	(53.5)	(57.2)	(69.1)	(69.3)	(27.4)	(32.6)	(29.5)	(50.6)
6.	Capital Goods/Heavy	843	1,452	540	183	477	415	86	130	1,320	1,867	626	313
	Electrical Plants	(23.4)	(38.8)	(46.6)	(48.5)	(13.4)	(12.6)	(11.9)	(13.9)	(18.4)	(26.6)	(33.3)	(23.9)
7.	State Trading Agencies	93	129	28	103	—	—	—	—	93	129	28	103
		(2.6)	(3.5)	(2.4)	(27.3)					(1.3)	(1.8)	(1.5)	(7.9)
8.	Others*	34	193	142	15	122	113	18	20	156	306	160	35
		(0.9)	(5.2)	(12.3)	(4.0)	(3.4)	(3.4)	(2.5)	(2.1)	(2.2)	(4.4)	(8.5)	(2.7)
	Total	3,598	3,737	1,158	377	3,568	3,293	722	933	7,166	7,030	1,880	1,310
		[3,981]	[4,000]	[732]	[740]	[82,583]	[77,496]	[14,188]	[14,303]	[86,564]	[81,496]	[14,920]	[15,043]

* Include the categories 'Ad-hoc licences', 'Customs Clearance Permits', 'Director General of Supplies and Disposals Contracts', 'Government and against Government Contracts', 'Replacement Licences' and 'Co-operative Societies'.

Note: 1. Square brackets indicate number of the Licences issued.

2. Figures in parenthesis are percentages of the value of total licences issued to each category in the Sector, during the year.

Source: Chief Controller of Imports and Exports.

Government Sector in the total value of licences issued during the first quarter of 1984-85 dropped to 28.8 per cent from 61.6 per cent, in the same quarter of 1983-84 while that of the Private Sector went up to 71.2 per cent from 38.4 per cent.

Within the Government Sector, a marked increase of Rs. 609 crores in the value of licences issued under capital goods/heavy electrical plants category was recorded in 1983-84; its share in the total value under the Government Sec -tor rose from 23.4 per cent in 1982-83 to 38.8 per cent in 1983-84. In the first quarter of 1984-85, it increased further to 48.5 per cent. The value of import licences issued to actual users (both industrial and non-industrial) which declined in 1983-84, was a meagre Rs. 33 crores in the first quarter of 1984-85 accounting for only 8.8 per cent of the total value of licences to the Government Sector. The state trading agencies have assumed greater importance over recent years as is reflected in the increasing value of licences issued to this category, from Rs. 93 crores in 1982-83 to Rs. 129 crores in 1983-84; during the first quarter of 1984-85, the value of such licences was Rs. 103 crores accounting for 27.3 per cent of the total value of licences issued to the Government Sector.

In the Private Sector, the value of licences issued to all categories except to actual users (industrial) declined in 1983-84, the fall being quite sharp in the category—'raw-materials' (DGTD Units). This downward trend continued in the first quarter of 1984-85. The category of registered exporters which accounts for over one-half of the value of licences issued to the Private Sector indicated a nominal fall of Rs. 23 crores in 1983-84 over 1982-83. However, in the first quarter of 1984-85, this downtrend was reversed with the value of licences showing an increase of Rs. 148 crores to Rs. 647 crores over that for the corresponding quarter of 1983-84.

II. DEVELOPMENTS IN FOREIGN TRADE POLICY

Export promotion continued to be an important facet of the foreign trade policy. Some details of the major policy measures adopted during the year in this area are set out below. The last year's Report described the salient features of the Import Export Policy for 1984-85. The 1984-85 policy carried a step further the progressive liberalisation in policy, witnessed since 1979-80.

In July 1984, a High Powered Committee under the chairmanship of Shri Abid Hussain the then Secretary, Ministry of Commerce, was appointed by the Government of India, to review the structure of export-import policies and to examine the effectiveness of export promotion measures in terms of their impact on actual export performance. The Committee submitted its Report on December 31, 1984. The Report gave a new perspective to the various facets of trade policy changes since the beginning of 1985. The Government has accepted this Report and has already implemented a few of its recommendations. Both the Union Budget 1985-86 and the Import Export Policy (1985-1988) bear the impression of the Government's new economic philosophy, namely, liberalisation, updating/upgrading of the technology to high world level and exposing the Indian industry to international competition.

Major developments in import/export controls during the year 1984-85, subsequent to the main policy announcement in April 1984 as well as changes in import/export duties are indicated in Appendices I & II. The more important of these are briefly enumerated below.

Export Controls

From time to time, notifications were issued allowing exports, within specified ceilings of gold, jewellery, peacock tail feathers and articles thereof, live buffaloes, maize, seedlac, pearl barley, samples of drug formulations, potato & onion seeds, writing and printing paper of all sorts, vanaspati ghee, meat-cum-bone meal, cotton linters, HPS groundnuts, ferro-manganese and ferro-chrome, magnesite, raw wool, frog-legs, polyester filament texturised yarn, de-oiled rice bran, de-oiled groundnut cake and pure milk ghee. Minimum export prices (MEPs) were stipulated for export of tea, protein isolate and edible groundnut flour, bleached and roasted pea-nuts, viscose staple fibre spun yarn, wheat and wheat products,

rayon filament yarn, hatching eggs, and bajra. Exports of semi-precious stones, other than crystalline quartz, were de-controlled in May 1984. Export of ferro-titanium was considered on merits while export of ferro-silicon was banned. Exports of sugar-cane and sugar preparations were banned with effect from October 5, 1984 and those of all varieties of wood and timber from January 16, 1985. Exports of jowar and ragi was canalised through the National Agricultural Co-operative Marketing Federation (NAFED). Private parties were also allowed to export but only as associates of NAFED.

The ban imposed on exports of CTC tea on December 25, 1983, to protect the Indian consumer from the effect of international pressure on tea prices was continued until May 12, 1984. As the pressure on international tea prices continued, restrictions were imposed after August 31, 1984, on exports of tea to limit exports to a target of 215 million kgs. in 1984 (Target for 1985 is fixed at 220 million kgs). It was decided to regulate tea exports throughout the year on the basis of Tea Marketing Plan to ensure steady domestic prices while maximising foreign exchange earnings. The Tea Exports (Regulation of Licensing) Order 1984 was introduced to regulate exports on the basis of private sales, with the objective of monitoring export commitments as well as curbing possible malpractices. Minimum Export Prices (MEPs) for tea were imposed in November 1984 to ensure optimal export realisation. Exports of tea were allowed subject to MEPs of Rs. 35 and Rs. 36 per kg., respectively, for auction and direct sales in respect of North Indian tea and of Rs. 33 and Rs. 34 per kg, respectively, in respect of South Indian tea. With falling international prices, MEPs for tea were reduced to Rs. 31 per kg. for auction sale and Rs. 31.50 per kg. for direct exports regardless of place of origin, with effect from March 11, 1985. MEP for all varieties of tea was again reduced to Rs. 26 per kg. at end April, 1985. It was further reduced to Rs. 22 and Rs. 18 per kg., respectively, for North Indian and South Indian varieties at end July 1985. Finally on August 10, 1985, the Government abolished MEP for tea in view of the rapidly declining tea prices in the international market.

Import Controls

Among the items, imports of which were permitted under Open General Licences (OGL) during the year 1984-85 were pig iron with phosphorous contents of 0.1 per cent or less, liquid nitrogen plants of capacity upto 10 litres per hour, smoke metres, heat set printing ink for printing industry, cartridges and Bosch types and exhaust gas analysers, pearl drilling machines and pearl processing machines, artificial electronic larynx instruments, portable intermittant traction machines, oil well cement for ONGC and Oil India Ltd. and plate/float glass and filter self rescuer for mines. *Jaiphal* (nutmeg) and *Javetri* (Mace) were removed from the OGL list.

The value limit in respect of import of gifts (including electronic items upto Rs. 500) was reduced from Rs. 5,000 to Rs. 1,250. Similarly, the value limit on the import of measuring instruments by actual users (industrial) was slashed from Rs. 20,000 to Rs. 1,000. The import replenishment percentage for import of steel pipes and tubes by Registered Exporters was raised from 70 per cent to 80 per cent and the import of zinc by them, within the overall replenishment was raised from 10 per cent of the f.o.b. value to 20 per cent.

The Indian Oil Corporation, the State Trading Corporation and the Steel Authority of India were designated canalising agencies for the import of crude spiked with LPG, cement including clinker but excluding oil well cement and pig iron, all grades except pig iron containing phosphorous of 0.1 per cent or less, respectively. A new public sector undertaking known as the Gas Authority of India Ltd. (GAIL), was established to cater to the requirements of imported materials, other than consumer goods, of the gas industry.

During the first quarter of 1985-86 the Open General Licences (OGL) list was expanded by including imports of items that were earlier either banned or restricted. Some of these items now included in the OGL list are: operating system soft-ware with main memory of not less than one megabyte and aggregate of disc/ memory capacity of not less than 300 megabyte

for computer/computer based systems costing Rs. 10 lakhs or less per consignment, cam and cam shaft measuring machines manually operated with digital readout/automatically operated with computer control as capital goods, synthetic rubber except Butyl, Silicon, neoprene chloroprene, viton, bromobutyl chlorobutyle, PTFE and EPDM varieties, low voltage audio amplifier IC's type Nos. 552, 505 as components of hearing aid, Cathode Ray tubes with or without deflection yoke, diodes, transistors and integrated circuits in SOD/SOT/SO packages and unsaturated alcohols (C-16 to C-18).

The items that were deleted from the OGL list include potentio-meters and switches, rubber blankets for printing industry and terephthalic acid (T.P.A.) and sheets/ strips/ coils hot rolled/cold rolled in all grade of alloy steel (excluding stainless steel/heat resisting/high speed steel).

While the list of limited permissible items was expanded by including plasticizer alcohols (C-6 to C-12) (excluding straight chain) and saturated fatty alcohols (C-8 to C-18) terephthalic acid (TPA), nickel cadium batteries and components and parts thereof, cryolits (including technical) aluminium fluoride/sodium aluminium fluroide, nylon/polyester fibre tips and synthetic filter for sketchpens straight chain plasticizer alcohols and ISO propyl anti-pyrine were removed from this list.

The list of banned items was enlarged with the inclusion of particular types of colour TV picture tubes (other than those permitted for imports under OGL). The ban on import of semi-conductor lead frame/heater handling equipment/attachments and laminating press for manufacture of multi-layer printed circuit boards, was lifted.

Changes in Export Duties—1984-85

Export duty is employed to mop up a part of the windfall profits accruing to exporters. With changes in overseas market conditions, modifications in the rates of export duties are effected in a flexible manner having regard to competitive position of India's exports in world market. Changes effected in export duties during 1984-85 are indicated in Appendix I-B. The export duty on coffee was raised from Rs. 530 per quintal to Rs. 640 on May 7, 1984. It was further raised to Rs. 720 on October 9, 1984. Subsequently, the duty was scaled down to Rs. 570 from April 4, 1985, to Rs. 415, from June 10, 1985 and to Rs. 300 from August 2, 1985.

Changes in Import Duties—1984-85

During 1984-85, in line with other import liberalisation measures, import duties on a number of items were either reduced or withdrawn. These changes are shown in Appendix II-B. The more important changes effected were as follows: Basic, auxiliary and countervailing duties on aluminium were reduced in May 1984. Basic duty on raw materials, components and assemblies used in the manufacture of television sets was reduced from 100 per cent to 25 per cent and auxiliary and countervailing duties were withdrawn from May 1984. Basic import duty on viscose staple fibre was reduced from 40 per cent to 25 per cent in July 1984, but the cut did not apply to improved varieties of viscose fibre like polynosic fibre and high performance staple fibre. However, in January 1985, basic duty on viscose staple fibre was raised from 25 per cent to 35 per cent while auxiliary duty was reduced from 10 per cent to 5 per cent and countervailing duty was withdrawn (This did not apply to higher density/high weight fibre). In August 1984, the basic duty on components used in the manufacture of two wheelers was reduced from 100 per cent to 25 per cent and auxiliary duty from 40 per cent to 15 per cent. In January 1985, the basic duty on components for heavy/medium/light commercial vehicles or tractors was reduced from 100 per cent to 25 per cent and countervailing duty was withdrawn. In November 1984, the basic duty on specific computers was reduced from 100 per cent to 60 per cent and countervailing duty of 12 per cent was withdrawn. From March 1985, both basic and auxiliary duties on specific computers were withdrawn.

In January 1985, the basic duty on specified machinery and equipment of gems and jewellery was reduced from 45 per cent to 15 per cent and auxiliary duty of 25 per cent was withdrawn. This list was expanded in March 1985.

In February 1985, (a) the basic duty on sugar was reduced from 60 per cent to 35 per cent, auxiliary duty from 40 per cent to 30 per cent and the countervailing duty was withdrawn; (b) the basic duty on 97 specified items of garments and hosiery making machines was reduced from 40 per cent to 25 per cent and auxiliary duty from 15 per cent to 10 per cent and (c) the basic duty on natural raw rubber was reduced from 40 per cent to 20 per cent.

Import duties on a large number of items like components of wrist watches, soda ash, telecommunication equipments, accessories, components and subassemblies, anti-TB and anti-leprosy drugs etc. were reduced. Basic duty on crude petroleum was imposed at 10 per cent while auxiliary duty was raised from Rs. 100 per tonne to Rs. 300 per tonne in March 1985.

Export Promotion Measures

The scheme for payment of Cash Compensatory Support was extended to December 31, 1985.*

The scope of the Duty Exemption Scheme has been enlarged by including additional new items and by enlarging the list of goods entitled for duty free REP import. The scheme of duty exemption under the advance licences has been extended to special imprest licences also.

Several improvements were made in the Duty Drawback Scheme. The time limit for submission of data from the date of first shipment has been extended from 60 days to 120 days. All industry rates schedule was further rationalised effective from June 1, 1984. The provision of deemed imported items has been extended for another year.

The Internal Container Depots (ICD) have started functioning at Bangalore, Delhi, Coimbatore and Guntur. Efforts are being made to set up ICDs at Ludhiana, Guwahati and Ahmedabad.

Hundred per cent export oriented units which were allowed to sell 25 per cent of their output in the domestic market against valid import licences and subject to payment of customs duty were allowed to sell further 5 per cent permissible rejects in the domestic market subject to payment of duties. The IDBI issued instructions to financial institutions to allow a rebate of 1.5 per cent in the applicable rate of interest on loans to approved 100 per cent EOUs for the first five years depending upon their actual performance in meeting the obligation/projected level of exports in the individual year.

The existing scheme of Market Development Assistance (MDA) was liberalised on the basis of the recommendations of the Task Force to review the working of the various Export Promotion Councils. To encourage more delegations and sales teams, enhanced assistance at the rate of 30 per cent (instead of 25 per cent) is given to Export Promotion Councils sponsoring exporters from large scale category. Increased assistance has been extended to consultancy organisations for opening foreign offices.

A separate export promotion council, viz., the 'Overseas Construction Council of India', has been formed to deal with overseas construction and civil engineering projects. A separate electronics and electronic software export promotion body, a spices board and an agricultural products export development authority were proposed to be set up during the year. A footwear design and development institute was also proposed to be set up in Delhi.

To increase the share of value added teas in our exports, Government has announced a number of measures including CCS, assistance for brand promotion and warehousing abroad. To boost exports of value added coffee like instant coffee, in addition to cash compensatory support of 8 per cent, import replenishment at the rate of 6 per cent on exports of instant coffee is also offered. A cash compensatory support of 10 per cent is provided on ex-

* August 10, 1985 announcement of the Ministry of Commerce, Govt. of India.

ports of cardamom in consumer packs of upto 2 kgs. To increase the competitiveness of cardamom *(Badi elayachi),* rules and regulations regarding auctions were tightened. To improve exports of pickles and *chutnis,* emphasis is being laid on packaging. Those exporting in packs approved by the Indian Institute of Packaging would be entitled to a higher rate of CCS.

Some of the provisions of Export (Quality Control and Inspection) Act 1963 were amended from July 2, 1984 empowering the Export Inspection Agencies to suspend/cancel any certificate of inspection issued or obtained fraudulently. A well built laboratory mainly to provide sophisticated testing facilities for Marine Product exports is proposed to be set up at Cochin.

The Union budget for 1985-86 abolished export duties on twelve items, viz., iron ore, manganese ore, raw cotton, chromite ore and concentrate, cotton waste, animal feed, manganese diomide, sillimonite, deoiled groundnut oilcake, raw wool, kyanite and bridge mica. With this abolition, coffee, hides and skins, mica other than bridge mica and unmanufactured tobacco remained the only items attracting export duty

Exporters are now allowed a maximum deduction of 50 per cent of export profits which is allowed to be carried to a reserve account for being used in their business which would fully qualify for tax exemption.

For promotion of exports of leather products, customs duty on specified machinery used for leather processing, footwear and other leather goods manufacturing industries was reduced to 35 per cent. Raw hides & skins, crust leather and finished cattle leather was fully exempted from import duty. Import duty on wattle extract was reduced to 40 per cent and the exemption granted on wet blue leather was extended on a long term basis. To boost exports of gems and jewellery, duty concessions have been further extended to more components of gems and jewellery machinery and to some essential tools for operating them. Import duty on raw wool has been reduced in addition to the abolition of export duty on this item.

Foreign Trade Policy —1985-88

In order to impart continuity and stability to the foreign trade policy, the Government of India announced Import-Export Policy for three years ending March 1988, instead of one year as had been the practice in the past. (The licensing, however, continues to be on annual basis). It may be mentioned here that the Import-Export Policy for the period of three years was recommended by both the Alexander Committee and the Abid Hussain Committee. The main objectives of the new Import-Export Policy announced on April 12, 1985 are (i) to facilitate increased production, through easier and quicker access to inputs to be imported, (ii) to strengthen the base of export production and strive for a major thrust in exports, (iii) to make all possible savings in imports to support indigenous production and to promote efficient import substitution, (iv) to facilitate technological upgradation and modernisation in production and (v) to reduce licensing, to streamline procedures and to decentralise decision making. These policy objectives are aimed at attaining 'growth-led exports' rather than 'export-led growth' as recommended in the Abid Hussain Committee Report, by striking a balance between export promotion and import substitution with marginal preference and replacement of quotas by tariffs.

Canalisation policy has been reviewed and the procedure for supply of material by the canalising agency has been streamlined. Imports of 53 items are decanalised. Of these, 17 items are placed on the OGL, 20 items on the limited permissible list and 16 items on the restricted list. In deference to the principle that a manufacturing firm should not be the canalising agency for importing the item it produces, the MMTC has been designated as the canalising agency for iron and steel items in place of the SAIL, and in place of Rashtriya Chemicals and Fertilisers Ltd., the STC has been made the canalising agency for all types of methanol.

Besides decentralisation and simplification, licensing has been reduced considerably. The category of 'automatic' licences (relating to imported inputs) has been abolished after placing

467 of these items on the Open General Licences (OGL) list and the remaining 60 items on the limited permissible list. It obviates the need to obtain certificates of past consumption and to apply for an import licence. This measure would particularly benefit the small sector. Government departments have been allowed to import their requirements under the OGL instead of having to obtain an import licence.

A new facility known as 'Import-Export Pass Book' as recommended in the Abid Hussain Committee Report, has been introduced from October 1, 1985 for registered manufacturer-exporters regularly exporting for at least three years for duty-free import of inputs required for export production, subject to 'Actual User' condition. This will eliminate the need for repeated applications for Advance/Imprest and REP licences. As the validity period of the Policy is now three years, it facilitates the use of the REP entitlements together in bulk over a period of 3 years to effect equipment imports of a large value. Thus the pass-book will serve as a single all purpose duty-free import licence. A suitable export obligation will be imposed for each such licence. The pass-book will be valid for 18 months for effecting imports and for 27 months for exports. However, exporters not availing this facility will continue to get normal benefits under the policy.

Validity period of licences for import of emergency spares has been enhanced from six months to one year and of customs clearance permits from six months to nine months. Validity of other licences continues at the existing levels. Import of capital goods as emergency spares is, however, not permitted.

As regards the liberalisation of imports, as many as 201 items of industrial machinery are placed on the OGL list to cater to the need of machinery for modernisation and export production; major sectors to benefit are automobiles, oil field services, leather, electronics, jute manufactures, garments/hosiery/made-ups, pen manufacturing, canning etc.

On the other hand, some import controls have been tightened, in order to encourage import substitution and cut down wasteful imports. Imports of 4 items of capital goods, namely, magnetic rotameters, testing jigs for colour T.V. production, photo composing/type setting machines and systems and ancilliaries such as key boards, editing terminals, film/paper processors, line printers and gear hoppers for watch industry have been taken out of the OGL list. Imports of 67 items of raw materials and components have been transferred from the OGL/automatic permissible list to the limited permissible list. Imports of 7 items have been transferred from limited permissible list to the restricted list. Animal rennet has been added to the 'banned' list of imports.

For the import of computer/computer-based systems, a two-tier policy has been adopted. Imports of these costing less than Rs. 10 lakhs (cif) will be allowed by all for their own use under OGL. Imports made after prior clearance of the Department of Electronics will be subject to payment of import duty at a lower rate. However, for imports under OGL, it would be necessary to import minimum specified configuration.

The value for the import of permissible computer spares, tools and test equipments per year has been raised from 3 per cent to 5 per cent on the cif value of the imported computer systems under OGL for the actual users and the Computer Maintenance Corporation. It is also proposed to allow import of computer spares in the case of other designated public sector agencies. In respect of indigenously manufactured computer systems maintained by the CMC, or in-house by the users or by the indigenous manufacturers as a part of their services to the users, the existing limit of 1 per cent import of permissible computer spares under OGL has been raised to 2 per cent. The facility for import of spares for after-sales service has also been extended to consumer electronics industry.

Restaurants (independent of Hotels) approved by the Department of Tourism have been allowed the facility of import of permissible spares under OGL. The policy for import of spares has been liberalised for warranty spares for after-sales service, earth-moving equipment, Government departments, banks, public sector enterprises, etc. The scope of the Computer

Software Export Scheme has been extended to cover satellite communication also.

Turnkey project exporters/project contractors have been allowed to import construction equipment, machinery, spares, tools and accessories and office equipments which were in use for their projects abroad on OGL. The facility regarding re-import of items after repairs abroad under OGL has been further extended to cover cases involving payment.

The Policy takes a liberalised view of the import of technology. The per unit value limit for import of equipment having impact on quality and/or quantity of output, technical know-how, foreign consultancy etc. under the Technical Development Fund has been enhanced from US $5 lakhs to US $ equivalent to Rs. 100 lakhs. Also, Trading Houses and Export Houses with minimum exports of Rs. 1 crore in the previous year have been allowed to import technical designs, drawings and other documentation required for their supporting manufacturers to the extent of Rs. 25 lakhs and Rs. 10 lakhs respectively, against their own REP/Additional Licences.

In the case of SSI units and the consortia of SSI units, the minimum threshold of qualifying exports for recognition as Export Houses has been enhanced from Rs. 50 lakhs for select products to Rs. 75 lakhs and from Rs. 2 crores for non-select products to Rs. 3 crores. The annual average growth rate for eligibility for renewal of Export House/Trading House Certificate continues to be 20 per cent. However, the basis for the calculation has now been changed. It will be calculated on the basis of the net foreign exchange realisation in the prescribed base period as compared with the preceding three years from the pre-base period. The conditions to be fulfilled for the renewal of Export House/Trading House certificate have been relaxed.

Several other incentives have been granted for Export/Trading Houses. Under the ITC Permit Scheme, the RBI allows Export/Trading Houses to utilise foreign exchange upto 2.5 per cent of the f.o.b. value of their total exports in the preceding year for promotional activities, subject to the prescribed maximum limits, (in addition to the REP entitlement). These maximum limits were enhanced from Rs. 7.5 lakhs to Rs. 10 lakhs for Export Houses for non-select products and from Rs. 15 lakhs to Rs. 20 lakhs for Export Houses who exported 'select' products worth at least Rs. 5 crores in the preceding year and from Rs. 50 lakhs to Rs. 60 lakhs for Trading Houses. The facility for import of an electronic telephone exchange has been extended to Trading/Export Houses with minimum export of Rs. 5 crores for select products and Rs. 10 crores for non-select products against their REP/Additional licences. The concept of eligibility for additional licences based on the net realisation of foreign exchange (introduced last year) has been extended to the growth rate prescribed for the renewal of Export/Trading House certificate. This will specially benefit those Export/Trading Houses which are diversifying and increasingly exporting products with higher net foreign exchange earnings.

The value limit for import of capital goods against REP licences has been enhanced from Rs. 1 lakh to Rs. 2 lakhs in the case of registered exporters, irrespective of their export performance. In the case of Registered Exporters whose export performance in any of the two previous years has been less than the minimum prescribed 10 per cent of their production but more than Rs. 1 crore in value have been allowed the import of capital goods against REP licences upto a value of Rs. 5 lakhs in the case of SSI units and Rs. 20 lakhs in the case of Non-SSI units. Manufacturer-exporters of moulded wooden products have also been allowed a similar facility of import of machinery as allowed to manufacturer-exporter of wooden furniture.

The list of office equipment which can be imported by exporters, Government departments, banks, public sector undertakings has been enlarged. Three star hotels have now been allowed to import one vehicle under 10 per cent incentive quota on the recommendation of Director-General, Tourism.

The general framework of the policy has been maintained by continuing the following

existing facilities for (1) import of raw materials, components and consumables, etc. for the requirement of Actual Users, on OGL, supplementary licences (including repeat operations) supplies by canalising agencies and replenishment licences, (2) import of components by DGTD units/Textile machinery manufacturing units, (3) import of second hand capital goods not more than 7 years old and with a minimum of residual life of 5 years, (4) import of agricultural machinery and spares through State Agro-Industries Corporation for distribution to Actual Users (introduced last year), (5) import of machinery for green houses and other items not domestically available for agricultural development, (6) import of diesel generating sets, (7) import of capital goods by National Small Industries Corporation and approved State Small Industries Corporations for stock and sale to actual users in the small scale industries (introduced last year), (8) special facilities for import to non-resident Indians/persons of Indian origin, returning to India for permanent settlement for setting up industries in India, including amusement parks (9) import of fresh fruits through NAFED within the allotted limits of foreign exchange, (10) import under OGL of the life saving drugs and medicines, dental items, life saving equipments, medical X-ray films, books and teaching aids and certain spices, etc. (11) advance licences under Duty Exemption Scheme for imports of inputs required for manufacture of export products and intermediates, (12) special imprest licences for imports of inputs for manufacture and supply of goods in India to IDA/IBRD projects and projects financed by external assistance and (13) the existing thresholds for the purposes of grant of recognition as Export Houses (other than SSI) and as trading houses.

The following are the important changes introduced in the 1985-88 Export Control Policy: (1) Exports to Pakistan have been brought on par with exports to other permissible destinations, (2) Exports of silk wastes (other than non-mulberry silk waste), acetone, phenol and acetic anhydride, monochloro acetic acid and acetic acid, camels for breeding purposes only and some equinine breeds will be considered on merits, (3) Exports of tassar, erimuga & mulberry pierced cocoons (other than non-mulberry silk wastes), Kathiawari, Marwari and Manipur breeds of horses will not be allowed, (4) Exports of (i) manufactured products of common, Hill and Red Fox skins as well as Desert, Civet and Jungle cat skins and jackal skins (ii) Paddy (iii) seeds of all oilseeds and pulses (iv) charcoal of all types (excepting activated charcoal/carbon) will not be normally allowed, (5) Exports of Rayon Filament yarn and Wollastonite will be allowed within a limited ceiling, (6) Export of sodium chloride IP/BP/GR/EPC grade will be allowed under OGL-3 (7) minimum export prices prescribed have been raised for table eggs from Rs. 40 to Rs. 45 per 100, for hatching eggs from Rs. 125 to Rs. 150 per 100, for roasted grams (whole) from Rs. 7 to Rs. 10 and from Rs. 10 to Rs. 12 per kg. in respect of fried and salted channa dal and moong dal, respectively, and for Basmati rice from Rs. 6000 to Rs. 6500 per tonne. Minimum export price for woollen knitwear has been reduced from Rs. 165 to Rs. 155 per kg.

III. SPECIALISED FOREIGN TRADE AGENCIES

State Trading Corporation of India (STC)

The State Trading Corporation of India (STC), which is a major canalising agency for imports and exports, plays a vital role in promoting exports of both canalised and non-canalised items. Its total turnover* at Rs. 2,798 crores during 1984-85 registered an increase of 26 per cent over that of Rs. 2,215 crores during 1983-84. However, its exports at Rs. 676 crores during the year declined by 15 per cent over the level of Rs. 796 crores during 1983-84 due mainly to lower export of sugar and decanalisation of shellac/seedlac. In contrast, its imports at Rs. 2,096 crores rose sharply by 49 per cent over the imports of Rs. 1,403 crores in the previous year. During the year under review, the STC entered into a new area of operation—the off-shore trading—in international trade, by virtue of its knowledge about foreign markets and supplier contacts. Its sales in this field are estimated at Rs. 15 crores during 1984-85.

* Inclusive of domestic trade to the tune of Rs. 25 crores in 1984-85 and Rs. 16 crores in 1983-84.

Exports

Exports of canalised items declined during 1984-85 by 52 per cent to Rs. 175 crores from Rs. 362 crores in 1983-84. Exports of sugar, molasses and salt were lower as compared with last year, but those of semi-processed leather, castor oil, opium etc. showed improvement. Export of sugar in 1984-85 was Rs. 37 crores as compared to Rs. 211 crores in 1983-84 (Table X-6).

Table X—6: Exports and Imports by STC

Major Items

(Rupees crores)

A.	Exports	1983-84 (Actual)	1984-85 (Provisional)
I.	**Canalised**		
	Sugar	211	37
	Semi-processed Leather	48	51
	Castor oil	21	31
	Molasses	27	12
	Opium	20	26
	Seedlac/Shellac	16	*
	Salt	8	3
	Others (including SBO and Tallow re-export)	11	15
	Total I	**362**	**175**
II.	**Non-canalised**		
	Coffee	57	47
	Tobacco	65	65
	Tea	38	42
	Footwear and Footwear Components	27	34
	RMG/Cotton Textiles/ Fabrics	57	57
	Jute goods	31	31
	Finished Leather	33	33
	Engineering products and Construction material	18	22
	Drugs & Chemicals	16	17
	Processed foods & Fruits	15	20
	Spices	8	23
	Live Stock, Dry fish, Meat and Marine products	14	14
	Instant Coffee	11	10
	Groundnut extractions/ other extractions	9	12
	Others	35	59
	Total II	**434**	**486**
	Total (I + II)	**796**	**661**
	Special Trading Arrangement (Off-shore Trading)	—	**15**
	Grand Total	**796**	**676**

* Decanalised

(contd.)

Table X-6: Exports and Imports by STC
Major Items *(Concld.)*

(Rupees crores)

B.	Imports	1983-84 (Actual)	1984-85 (Provisional)
I.	**Canalised**		
	Edible oils	1081	1498
	Newsprint	124	142
	Chemicals	100	133
	Rubber	49	55
	Cement	21	27
	Drugs & Pharmaceuticals	13	21
	Fatty Acid	2	54
	Tallow	8	—
	Printing paper	2	—
	Sugar	—	144
	Others	2	—
	Total I	**1402**	**2074**
II.	**Total non-canalised**	**1**	**22**
	Total (I + II)	**1403**	**2096**

Exports of castor oil canalised to Rupee payment area on the other hand, increased from Rs. 21 crores in 1983-84 to Rs. 31 crores in 1984-85.

Exports of non-canalised items at Rs. 486 crores during 1984-85 registered a 12 per cent increase over those of Rs. 434 crores during 1983-84 mainly due to higher exports of spices, footwear and footwear components, processed foods, engineering products and construction materials and miscellaneous items. Export of tea at Rs. 42 crores was marginally higher compared with Rs. 38 crores in 1983-84. Export of spices at Rs. 23 crores in 1984-85 increased substantially against Rs. 8 crores in 1983-84. Export of footwear and footwear components stood at Rs. 34 crores as against Rs. 27 crores, processed foods at Rs. 20 crores as against Rs. 15 crores, engineering products and construction materials at Rs. 22 crores as against Rs. 18 crores last year. Coffee exports declined by around 18 per cent to Rs. 47 crores in 1984-85.

The STC continued its efforts to diversify its markets and introduce new products. The new products exported include sandal wood oil to France, leather clothes to Uganda, dyes and diamonds to Finland, wire ropes to China, streptomycin sulphate to Hong Kong etc. The new markets explored were Nepal for tobacco; Iran for cardamom and steel pipes; China for bulk pharmaceuticals; Kuwait for cashewnuts, coffee, sugar, teak wood; Greece and Japan for marine products; USSR for ladies fashion garments and handloom towels and Ireland for leather and leather goods etc.

Mention may also be made about its export-oriented projects and joint ventures. The shoe uppers unit at Noida has executed job orders for 7 lakh pairs of shoe uppers for leading manufacturers and exporters during the last two years and in March 1985 it received the first direct export order worth Rs. 12 lakhs from the German Democratic Republic (GDR). The Indo-Pirin Gloves Pvt. Ltd., the joint venture company promoted by the STC in collaboration with an Indian entrepreneur and a Bulgarian organisation is scheduled to commence production of fashion leather gloves by end of this year. Further, the National Food Processors Ltd., a joint venture of the STC and Gujarat Agro Foods Ltd. (GAF) is also due for commissioning by end December 1985.

The STC has also made a beginning in the field of project exports with an offer of salt iodisation plant of 8 MT/hour capacity to Tanzania on a turnkey basis. The STC is also con-

sidering joint farming ventures with Tanzania, Kenya, Vietnam, etc. which involve supply of Indian know-how in the field of scientific farming.

Imports

Among the items imported through STC in 1984-85, major increases were noticed under edible oils and sugar. Imports of edible oils rose to 15.5 lakh MT valued at Rs. 1,498 crores in 1984-85 as against 14 lakh MT valued at Rs. 1,081 crores in the previous year (Table X-6), and accounted for more than two-thirds of its total imports during 1984-85. This was in consonance with the Government's policy to make available sufficient quantities of edible oils to the vanaspati industry and for Public Distribution System (PDS). Imports of newsprint, chemicals, rubber, cement and fatty acid were also higher compared with the previous year. Further, for the first time in recent years sugar valued at Rs. 144 crores was imported during 1984-85. Imports of fatty acids increased substantially from Rs. 2 crores in 1983-84 to Rs. 54 crores in 1984-85 with a view to meeting the needs of export-oriented cosmetic units.

Cashew Corporation of India (CCI)

The export turnover of the Cashew Corporation of India during the year ended March 1985 at Rs. 4.2 crores was marginally lower than that of Rs. 4.3 crores during 1983-84. However the unit value realisation in 1984-85 was much higher than the previous year. In addition to cashew, mixed nuts and peanuts were also exported by CCI as part of its diversification programmes. Efforts are being made to export value added items viz., spices, edible nuts, etc., during 1985-86.

Handicrafts and Handloom Export Corporation of India (HHEC)

Exports of canalised item (woollen knitwear) through the HHEC at Rs. 32 crores during 1984-85 were higher by Rs. 5 crores or 18.5 per cent over the preceding year. However, its exports of non-canalised items at Rs. 97 crores were lower by 4 per cent due mainly to fall in exports of gold jewellery to Rs. 79 crores (9 per cent). In spite of reduced exports of silk, its exports of handlooms during 1984-85 were marginally higher at Rs. 6.52 crores as against Rs. 5.65 crores in 1983-84.

Projects and Equipment Corporation of India (PEC)

The total turnover of Projects and Equipment Corporation of India (PEC) at Rs. 102 crores during 1984-85 was the highest since its inception. This represented an increase of 11 per cent over that of the previous year. This was mainly due to rise in exports of canalised items from Rs. 10 crores to Rs. 18 crores. Exports of non-canalised items increased marginally by Rs. 2 crores to Rs. 83 crores in 1984-85. Exports comprised mainly of mechanical equipment, railway rolling stock and sales under turnkey projects.

Minerals and Metals Trading Corporation of India (MMTC)

The Minerals and Metals Trading Corporation of India which is the canalising agency for imports of non-ferrous metals and exports of major minerals, handled foreign trade worth Rs. 2,765 crores during the year ended March 1985 as compared with Rs. 1,306 crores in 1983-84. Its exports during 1984-85 at Rs. 376 crores were higher by 37 per cent over exports of Rs. 274 crores in 1983-84 (Table X—7) mainly because of rise in iron ore exports to Rs. 305 crores (or 24 per cent). Japan absorbed over 55 per cent of iron ore exports from India both in value and quantity terms, followed by South Korea and Rumania. Exports of manganese and chrome ores also showed substantial increases. Fertilisers continued to be the major import item and accounted for the substantial rise in MMTC's total trade. Imports of fertilisers rose sharply from Rs. 540 crores in 1983-84 to Rs. 1,660 crores in 1984-85 to meet the increased demand for fertilisers in the country arising from favourable weather conditions (Table X—8). Imports of non-ferrous metals also increased substantially by 52 per cent from Rs. 431 crores in 1983-84 to Rs. 655 crores in

1984-85; significant rise in imports of nickel, aluminium, copper and zinc contributed to this increase. Imports of industrial raw materials were higher by Rs. 2 crores to Rs. 45 crores during 1984-85. Imports of diamonds almost doubled to Rs. 16 crores, while those of stainless steel increased marginally to Rs. 9 crores as compared to Rs. 7 crores last year.

Table X—7: Exports through MMTC *

(Quantity in lakh tonnes, Value in Rupees crores)

	1983-84 (Actuals)		1984-85 (Actuals)	
	Quantity	Value	Quantity	Value
Iron Ore	125.22	245.88	153.75	304.82
Manganese Ore	4.05	14.62	6.46	25.93
Chrome Ore	1.22	8.05	2.73	22.21
Coal	0.30	1.42	0.50	2.96
Other Minerals	0.05	0.28	0.99	4.44
Finished goods and Steel Utensils	—	4.18	—	15.68
Total	—	**274.43**	—	**376.04**

Table X—8: Imports Through MMTC *

(Rupees crores)

	1983-84 (Actuals)	1984-85 (Actuals)
Non-ferrous metals	431.6	654.59
Of which:		
Nickel	42	112
Aluminium	37	102
Copper	158	187
Zinc	107	141
Stainless Steel	6.64	8.80
Fertilisers	540.35	1659.69
Industrial raw materials	43.17	44.71
Diamonds	7.91	15.59
Others	1.60	5.92
Total	**1031.13**	**2389.30**

* The data presented in Tables X-7 and X-8 would differ from the commodity-wise exports and imports data presented in Tables X-2 and X-3 which are based on DGCI & S data, on account of difference with regard to timing and valuation. Moreover, DGCI & S data are provisional as mentioned earlier and subject to revisions.

Trade Development Authority

The Trade Development Authority of India (TDA) continued to play an active role during the year ended March 1985 for promoting exports through its multidimensional services. During the year membership of TDA rose to 1134 firms with the addition of merchant exporters to its list, recording a substantial increase of 28 per cent over 1983-84. Accordingly, its services were made available to an increasing number of manufacturers/exporters. In addition to the existing services such as organisation of trade fairs, seminars, participation in international trade fairs, organising buyer/seller meets, identification of new markets and addition of new products to its export basket, TDA evolved certain new schemes for export promotion to penetrate in the foreign markets. The details of some of the new schemes are given below.

During the year under review, it introduced a new scheme of assistance for non-exporting units. Under this scheme, 39 such units enrolled as clients of TDA will be provided with special facilities in preparing letter heads, product catalogues, participation in trade fairs etc. with a view to equipping them for the highly competitive foreign markets.

The TDA under its new export promotion technique called 'Business Intensification Programme' has taken up a study for the marketing of electronic components and computer software, autoancillaries and forgings in the Southern parts of the U.S.A. This programme which is being financed by Commonwealth Fund for Technical Co-operation, (CFTC) involves incountry studies to assess supply capacity in India, a demand survey in Southern States of U.S.A., and a sales and marketing mission consisting of indudstry representatives.

The TDA provided a new thrust to its activities through action-oriented marketing strategy for development of exports in selected markets for selected products. In addition to 29 selected product groups for development, the new products to be added to the list include dyes and chemicals, paints and varnishes, ceramic manufactures and granite stone. The new markets to be explored are Kenya, Uganda, Malawi, Cameroon, Zimbabwe, Egypt and Algeria. It concentrated its export efforts in specific markets for specific products as follows:

Market	Items
Japan	Readymade garments, home furnishings and do-it-yourself items.
West Germany	Automobile parts, home furnishings, readymade garments, costume jewellery and giftware.
France	Women's wear.
Italy	Carpets and home furnishings.
South East-Asia	Scientific instruments.
West Africa	Bicycles and bicycle components and diesel engines and parts.

Further, it created a Technology Cell for transfer of technology, setting up of joint ventures and upgradation of quality etc. In order to upgrade Indian industry, it decided to promote export-oriented joint ventures with Indian and foreign collaborators for the following products—autoancillaries, electronic components, electrical equipments, machine tools, instruments, furnishings, garments, leather goods, diesel engines, etc. At the end of March 1985,it received 67 proposals for joint ventures, of which, 42 were from Indian companies and 25 were from overseas firms.

During 1984-85, the TDA organised three Buyer-Seller Meets (BSM); two were at Osaka (Japan) for readymade garments, home furnishings and general merchandise, and the third one was in Italy for home furnishings.

Seven Contact Promotion Programmes (CPP) were undertaken by the TDA for bicycles and components to Senegal and Ivory Coast in West Africa; for home furnishings and carpets in Australia; for scientific instruments in South-East Asia; for machine tools and accessories in Japan; electronic components in U.S.A; diesel engines in West Africa; builders' hardware in Federal Republic of Germany and United Kingdom. These programmes generated export

orders worth Rs 1 crore and enquiries worth Rs. 18.23 crores during the period. Further, one CPP for handtools in Iran was planned to be undertaken some time in October/November 1985.

With the assistance of the EEC, the TDA organised a diesel engine workshop in Bombay on January 21, 1985, where 12 big European business executives representing the diesel engine industry participated. India's capabilities in this field were manifested by a mini-exhibition of diesel engines, parts and components etc.

The TDA also hosted a conference of 17 Purchase Directors of the International Group of Department Stores (IGDS) from seven developed countries viz. West Germany, France, Japan, Belgium, Switzerland, Austria and the U.K. As a part of this conference the TDA organised a merchandise display in which 120 Indian companies participated. Further, TDA organised India promotion with selected Department Stores in Europe viz. 20 branches of Karstadt Department Store of West Germany and 3-suisses (cogedac), a Mail Order House in Paris.

The TDA also carried out a number of feasibility studies viz. setting up an export processing zone at Karnataka and identifying a set of products for promotion in the EPZ at NOIDA. Another study also commissioned by U.P. Export Corporation for identifying exportable items, evolving a strategy for export marketing and creating the awareness among entrepreneurs in U.P., is in progress. The TDA has also prepared a project document on expansion of infrastructure for accelerating the pace of exports of electronic equipments and components and computer software through upgradation of quality and product development and increased access to marketing channels.

The TDA with the assistance of C.F.T.C. conducted a market survey for eight engineering goods in Brazil where good potential was found to exist for electronic components, bicycle and bicycle components and textile machinery.

The TDA has also enhanced its activities in the area of information build-up which included displays of foreign product catalogues (2000 foreign catalogues), seminars and a monthly Market Intelligence Bulletin.

Free Trade Zones

Kandla Free Trade Zone (KFTZ)

The Kandla Free Trade Zone, the pioneer multi-product free trade zone in the country recorded an impressive progress during the year ended March 1985. It surpassed its export target of Rs. 150 crores set for the year as a whole, and in the first eight months itself its exports are expected to reach Rs. 236 crores during 1984-85, thereby registering a growth of 120 per cent over those in the previous year (Rs. 107 crores).

The KFTZ attracted quite a few high technology industries including a fourth generation antibiotic manufacturing plant, high temperature electrical insulation films etc. The improved record of the KFTZ could be attributed to the revamping of its administrative set up and ensuring certain infrastructural facilities in the zone, such as construction of 32 new industrial sheds, automatic telephone exchange for some units, better co-ordination, provision of efficient and quicker consultancy services etc. The total number of working units increased from 95 to 105 with the commissioning of 10 units during 1984-85.

Santacruz Electronics Export Processing Zone(SEEPZ)

The SEEPZ was established in 1973 exclusively for production, processing and export of electronic products. Its share in total exports of electronics rose from 39 per cent in 1980 to 67 per cent in 1984. The bulk of its export comprise computer components and peripherals. The number of units operating in the zone was 54 at end March 1985.

Exports from the SEEPZ in 1984-85 at Rs. 95 crores registered a growth of 7 per cent as against 63 per cent increase in 1983-84. Destination-wise, its exports to Far East Coun-

tries declined marginally bringing down its share in the SEEPZ's total exports by 4 percentage points to 48 per cent. Similarly, its exports to the U.S.A. and Canada declined by 2 percentage points to 33 per cent. On the other hand, SEEPZ's exports to West Europe, East Europe, the U.K. and the U.S.S.R. have shown sizeable increase in 1984-85 with their share in total exports rising from 10 per cent to 17 per cent.

As mentioned in the 1983-84 Report, the Government has undertaken to establish four more Free Trade Zones *viz.*, (1) NOIDA (U.P.), (2) FALTA (W.B.), (3) Madras (T.N.) and (4) THRIKKAKARA (Cochin—Kerala). The preliminary work in these zones has already started. The progress of these zones is reviewed below.

Noida Export Processing Zone (NEPZ)

Preliminary work relating to the setting up of Noida Export Processsing Zone (U.P.) has commenced. An area measuring 82 acres of land has been acquired by the acting Development Commissioner. The zone is scheduled to go into production by the end of the current financial year. Three projects involving foreign technology have been cleared.

FALTA Export Processing Zone

The work relating to Falta Export Processing Zone is progressing fast and is expected to start commercial production by early 1986. About 11 proposals involving an investment of Rs. 15.25 crores have already been approved by the authorities. The power sub-station for 1 M.W. has been installed. Construction of a warehouse by the Central Warehousing Corporation is in progress.

Madras Export Processing Zone

The office of the Development Commissioner, Madras Export Processing Zone started functioning on May 1, 1984. An area of 100 acres has been developed for setting up units in the first phase. An additional area of 300 acres will be acquired in the second phase. Thus, the zone will have about 400 acres of land and will accommodate altogether 350 units. Work on infrastructural facilities such as roads, water supply, telecommunications, warehouses, etc. are underway.

A sum of Rs. 227 lakhs has been spent so far, for acquisition of land, for civil works and towards deposit to the Madras Telephones. The anticipated expenditure in the current year (1985-86) is around Rs. 652 lakhs, including Rs. 200 lakhs for additional land.

The Board of Approvals has cleared 63 applications involving a total investment of Rs. 42.41 crores. Of the 63 approved cases, foreign collaboration is involved in 12 cases. Further, in 15 cases (including 9 cases in which foreign collaboration is involved) foreign equity amounting to Rs. 3.22 crores has been proposed. The prominent amongst these are for readymade garments, electronics and electricals, engineering goods, drugs and pharmaceuticals and gems and gold jewellery. Fourteen non-resident Indians figured among the 63 approved cases.

A gem and jewellery complex will be accommodated in the zone with adequate and special security arrangements. It is expected to accommodate about 25 such units and so far three applications have been cleared.

Cochin Export Processing Zone (CEPZ)

The Cochin Export Processing Zone will be a multi-product zone and is expected to be ready for partial commissioning in April 1986. This is the only zone where 100 per cent foreign participation or collaboration is allowed. Recently, the CEPZ authorities have called for applications to set up 100 units in the zone. It is expected that the zone will generate exports worth Rs. 105 crores per annum.

100 per cent Export-Oriented Units

The scheme of 100 per cent Export-Oriented Units was introduced on December 31, 1980, to boost exports. Such units are required to undertake a bond that they will manufacture and ex-

port for a period of 10 years in normal cases and 5 years in the case of high technology products. Various facilities are being extended to these units viz., duty free capital equipment, raw materials, interest free warehousing facilities, exemption from FERA Act, permission to repatriate dividends, royalties, know-how fees, etc. for foreign collaborators, locational freedom, etc. Besides, they are allowed to market 25 per cent of their production in domestic tariff areas against valid import licences and subject to payment of customs duty. Under this scheme, about 450 units have been granted licence for production and 74 such units have already gone into stream. All these units have exported goods worth Rs. 206 crores from their establishment till end March 1985.

IV. TRADE AGREEMENTS AND ECONOMIC AND TECHNICAL CO-OPERATION AGREEMENTS

Trade agreements and economic and technical co-operation agreements are important instruments for the Government to develop and diversify foreign trade and in general, to improve economic relations with other countries. They are indicative in nature, without any binding commitments on either side. Negotiations and periodic reviews of the working of trade agreements help to remove hurdles and reduce bottlenecks. Annual Trade Protocols which indicate Trade Plans for the ensuing year are signed under the long term trade agreements. Often Trade Protocols are signed without a full-fledged Trade Agreement.

India's trade agreements with the USSR, Rumania, the German Democratic Republic, Poland and Czechoslovakia are accompanied by rupee payments agreements and annual trade protocols for 1985 have already been concluded with them. These envisage balanced bilateral trade in non-convertible rupees, which help India to conserve free foreign exchange and diversifying export markets.

The Indo-USSR Trade Protocol for 1985, envisaged an increase of 20 per cent in total trade turnover to Rs. 4,620 crores, consisting of India's exports of Rs. 2,500 crores and imports of Rs. 2,120 crores, implying a surplus of Rs. 380 crores. A significant breakthrough in many sectors of India's exports to the USSR, particularly in chemicals and allied products, textiles and engineering goods is expected. It also provides for larger exports of packaged tea, cashew kernels, cigarettes, fruit juices and fresh canned fruits, pesticides and herbicides, polypropylene ropes, shoe-uppers, bed linen, ready made garments, cotton hosiery, woollen knitwear, automatic storage batteries, xerographic equipment, steam boilers, handicrafts and sports goods. New items added to India's export list are veterinary preparations, medical equipment and instruments and Mohair products. In addition to crude oil and petroleum products, machinery and equipment, raw materials, non-ferrous metals, fertilisers and newsprint, India is expected to import, for the first time, synthetic rubber and several chemicals from the USSR.

Under Trade Protocols for 1985, trade plans envisage India's trade turnover as follows: Rumania — Rs 500 crores, the German Democratic Republic — Rs. 362 crores, Poland — US $ 200 million, Czechoslovakia — Rs. 441.2 crores and Bulgaria — US $ 74 million.

In July 1984, India renewed its trade agreements of October 1980 with Bangladesh for a period of three years. In order to double the trade turnover during this year, expeditious utilisation of Indian credit of Rs. 60 crores to Bangladesh was discussed.

After a gap of 30 years, India entered into a three-year trade agreement with people's Republic of China, in August 1984. It can be automatically extended for a subsequent period of three years. It accords Most-Favoured-Nation (MFN) treatment to each other. All payments for trade are to be made in freely convertible currencies. A list of goods for export/import is also recommended.

In September 1984, India entered into a new trade and payments agreement for 1985-89 with Czechoslovakia, substantially on the same pattern of the earlier agreement. New fields of economic co-operation, development of

resources, mutual production facilities in both countries and joint marketing in third countries will be identified. In February 1985, India and Czechoslovakia signed a long-term trade protocol for 1986-89.

As regards Indo-Zimbabwean trade, an understanding has been reached between MMTC of India and MMC of Zimbabwe whereby India will import 9000 m.t. of asbestos fibre from Zimbabwe; 38.9 per cent of the import payment will be in the form of supply of engineering goods from India to Zimbabwe.

During the year, India signed trade protocols with France, the Netherlands, and Libya. India held trade talks to solve trade problems with various countries like Iran, Burma, Maldives, Japan, Republic of Korea, Democratic People's Republic of Korea, Philippines and Thailand.

V. INTERNATIONAL TRADE NEGOTIATIONS

GATT

1. Textiles

The Multi-Fibre Arrangement (MFA) which governs a large portion of world trade in textiles and clothing is scheduled to expire in July 1986, before which a decision has to be taken on either modification or scrapping the arrangement. A Working Party was set up in May 1984 to examine the modalities of further trade liberalisation in textiles and clothing including the possibility of bringing about the full application of GATT provisions in this sector. In July 1984 a report by the GATT secretariat argued that the textiles and clothing industries could no longer be considered special cases worthy of protection from ordinary trading rules. The report of the Textiles Surveillance Body (TSB) for a review of the MFA, pointed out that restraints under the MFA have been very extensive and restrictive and that they have been applied exclusively on the developing countries. The Report added that while the MFA facilitated some improvement in export earnings, it has not helped much in the reduction of trade barriers and liberalisation of world trade. At the meeting of the Textile Committee in July 1985, the developing countries pointed out that the MFA had failed both in facilitating structural adjustment in the textile and clothing industries of importing countries as well as liberalising world trade. It was observed that with the easing on the economic front in the U.S. and the EEC it was time to consider whether continued protection for the textile industries in the developed countries which discriminated against the developing countries was necessary. While the U.S. and the EEC strongly favour continuation of the MFA, the developing countries are opposed to the extension of the arrangement and support the view that the textile trade should be governed by a free regime under the GATT rules.

2. Agriculture

The GATT Committee which was set up to liberalise trade in agriculture completed the first stage of its work in the early part of 1984. This involved an examination of the policies and practices of 41 countries and the European Community. The Committee examined, *inter alia*, trade measures affecting market access and supplies including measures maintained under exceptions or derogations, the operation of the General Agreement with respect to subsidies affecting trade in agriculture including export subsidies and other forms of export assistance. On the basis of these findings the Committee adopted many recommendations. These included bringing all agricultural measures under GATT rules and discipline, particularly improving market access, and regulating export competition through reinforcing linkages under Article XI (quantitative restrictions) and Article XVI (subsidies) between national policies and trade measures in a manner which more clearly defines the limits to the impact of domestic agricultural policies on trade and to more effectively implementing in relation to trade in agriculture, the GATT provisions providing for differential and more favourable treatment for developing countries . The recommendations also included specific approaches to trade measures like quantitative restrictions, subsidies and technical barriers to trade like sanitary regulations.

3. Other developments

The trading policies of the European Community, the U.S., Japan and a group of Latin American countries were examined by the GATT for their consistency with Part IV of GATT which relates to the special needs of developing countries. The enabling clause which facilitates framing preferential trade schemes like the GSP benefiting the developing countries was reviewed. With regard to trade in tropical products, the developing countries put forward many requests but failed to secure any effective action. The working group set up in 1983 to review quantitative restrictions and non-tariff trade barriers (NTBs), submitted its report to the 1984 GATT session. The group has *inter alia*, suggested that the contracting parties should submit in writing proposals aimed at eliminating or liberalising the NTBs or at least bring them into conformity with GATT rules. The group also reviewed GATT rules which are quoted in support of quantitative restricitions and other NTBs. Attempts to safeguard violation of GATT rules in the form of measures like 'voluntary export restraints' continued in 1984; however, there was no commitment from many countries over this in the absence of a comprehensive understanding.

The U.S. and a few industrialised countries continued their efforts to initiate a new round of global multilateral trade negotiations and to bring the services sector within the scope of GATT. However, several developing countries including India are not in favour of the new round of multilateral trade negotiations as they fear that such a step would distract the attention from the implementation of the trade liberalisation programme already agreed. Further, as the negotiations would be a long drawn out process they also fear that neither the existing promises would be fulfilled nor any additional benefits could be quickly secured by developing countries On the issue of services sector, apart from the technical question that the existing GATT Charter does not cover this area, a large number of developing countries are considerably weak in services in relation to industrial countries. Therefore the developing countries would be placed in a much disadvantageous situation by extending the GATT coverage to services. The majority of the members of the GATT have supported the U.S. demand for a special meeting of the senior officials of the contracting parties with a view to expediting the preparatory work for holding the new round of talks in 1986.

The Committee appointed by the Director General of GATT on the international trading system under the Chairmanship of Fritz Leutwiler submitted its report in March 1985. The group has made 15 wide ranging suggestions to resolve the crisis facing the multilateral trading system. The major suggestions are:(1) trade policies should be liberalised, discriminatory trade rules should be brought in line with GATT rules and procedures and time schedule for the purpose should be fixed, (2) agricultural trade should be brought under fair and clear rules with no special treatment for particular countries or commodities, (3) the Multi-Fibre Arrangement should be phased out and textile trade should be brought under GATT rules, (4) developing countries should concentrate on integrating themselves into the world trading system rather than ask for preferential treatment, and (5) trade in services needs to be expanded and the possibility of bringing this sector under multilateral rules should be explored.

4. Multilateral Trade Negotiations (MTNs)

On January 1, 1985, the contracting parties made further tariff cuts under the Tokyo-Round which had covered trade amounting to around $300 billion (1981 estimate) of both industrial and agricultural goods. For those countries which kept to the original schedule, this was the sixth of eight cuts negotiated in the Tokyo-Round. Austria, Finland, Norway, Sweden and Switzerland implemented accelerated tariff cuts as on January 1, 1985 and among these Sweden and Norway became the first two countries to have implemented all remaining instalments. The European Community advanced cuts on various items of export interest to the developing countries and stated that other accelerated cuts would be made if their major trading partners agreed to do so. On April 1, 1985 Japan lowered customs duties on 119 agricultural and 1,212 non-agricultural products..

UNCTAD

The scheme of Global System of Trade Preferences (GSTP) to promote mutual trade co-operation among developing countries made significant progress. The Ministers of Group of 77 met in New Delhi from July 25 to 26, 1985, at the instance of the Government of India to review the progress, to take decisions and provide the impetus to negotiations on GSTP. The Ministers agreed that besides the traditional product by product approach the following aspects also shall be taken into account for elaborating the techniques and modalities for the first round of negotiations. These include: (1) an across the board tariff-reduction through a preference margin of 10 per cent, (2) abstaining from imposing new trade barriers on products for which concessions have been negotiated while removing existing ones, (3) giving special attention to sectors of special interest to the participant countries like agricultural products, non-textile handicrafts, and processed tropical products, (4) promotion of processing, distribution and marketing through joint ventures, long-term contracts and joint initiatives in marketing having regard to the work being done in international organisations and commodity agreements. The Ministers also fixed up a time-bound programme in this regard which is as follows: (a) elaboration by the negotiating committee of a framework agreement incorporating the ground rules by October 31, 1985, (b) elaboration by the negotiating committee of techniques and modalities by December 31, 1985 for the first round of negotiations, and (c) drawing up a negotiating plan by February 28, 1986.

Conference on instability in commodity export earnings

In June 1985, the UNCTAD Secretariate and the German Foundation for International Development organised a conference in Bonn to devise ways to help the developing countries to overcome the imbalances created through instability in commodity export earnings. It was recognised that schemes like the Compensatory Financing Facility (CFF) of the IMF only render short-term assistance during balance of payments difficulties and such assistance does not help to tackle the problem from the supply side. The delegates agreed that financial assistance to specific projects should be made available through a system of predetermined rules to the needy countries. The Bonn Government suggested the establishment of a revolving fund of $ 3 billion to extend concessional aid for 8 to 10 year period. Among the other proposals was a commodity specific facility that linked the uses of compensatory finance to supply adjustment with a view to reducing the instability in supply in specific commodity sectors consistent with national and international policies. While all primary commodities would be eligible for this facility, the capital structure of the facility would depend to an extent on institutional arrangements and governmental contributions.

The International Sugar Agreement

The International Sugar Agreement, 1977 which had a mechanism for stabilising sugar prices through a system of export quotas, supplemented by provisions for national stock holding expired at the end of 1984. The Conference held under the UNCTAD, was not able to arrive at a new agreement for national stock holdings and export quotas. However, the International Sugar Agreement (1984) became operational on January 1, 1985 but it did not incorporate any market intervention provisions. It mainly provided for a platform for discussion and to keep alive the issue of the agreement with market intervention provisions. The sugar exporting countries, particularly the developing countries, will be adversely affected due to absence of a price-stabilising mechanism in the event of decline in sugar prices well below the cost of production.

The International Cocoa Agreement

The International Cocoa Agreement which expired in September 1984 relied entirely on a buffer stock for price stabilisation. The U.N. Conference on cocoa met between May 7 and May 25, 1984 for negotiating a new agreement which was attended by 70 countries including the Ivory Coast, which is the leading Cocoa exporting country and the U.S., the leading importing country, neither of which, however, is a party to the present agreement. During the negotiations, the Cocoa producing countries proposed that

export quotas should play a supplementary role for existing buffer stock for stabilisation purposes. The EEC countries made a related proposal which included, *inter alia*, a "system of withdrawal of Cocoa from the market". In July 1985, another round of talks was held in London which was attended by 40 Cocoa producing and consuming countries. It was resolved at this meeting to extend the present four year old agreement by another 12 months.

Chapter XI

Balance of Payments and International Monetary Developments

I. Balance of Payments Trends

India's balance of payments statistics for the fiscal year 1984-85 are not yet available. However, available indicators point out to a significant improvement in the overall balance of payments situation during the year, as evident from a sizeable increase in foreign exchange reserves. India's foreign exchange reserves (foreign currency assets of the Reserve Bank of India, gold and SDR holdings) during 1984-85 showed an increase of Rs. 1,271 crores as compared with that of Rs. 1,190 crores during 1983-84. Excluding net drawings of Rs. 70 crores from the I.M.F., these rose by Rs. 1,201 crores as against a fall of Rs. 157 crores (excluding net drawals of Rs. 1,347 crores from the I.M.F.) during 1983-84.

The DGCI&S data on merchandise trade, presented in Chapter X of this Report, show that the trade deficit narrowed down considerably from Rs. 5,914 crores in 1983-84 to Rs. 5,196 crores in 1984-85. The reduction in the trade deficit was due to an expansion of 20 per cent in exports and a slowdown in the rate of growth in imports (by 8 per cent).

On invisible account (excluding official grants), there was a net surplus of Rs. 3,353 crores during 1983-84. Judged from available indicators, net invisible receipts during 1984-85 may be somewhat lower than in the previous year. The number of foreign tourists arriving declined by 11 per cent during 1984-85 as against an increase of 5 per cent during the previous year. Receipts on account of private transfers, representing mainly inward remittances from non-resident Indians do not appear to have shown much improvement. Net interest payments on foreign loans would have shown an increase during the year. On the capital account, net inflows under Non-Resident (external) Rupee Accounts (excluding the estimated interest element) were somewhat smaller at Rs. 354 crores in 1984-85 than in the previous year (Rs. 378 crores). The net inflows under Foreign Currency Non-Resident Accounts (FCNRA) scheme were also lower at Rs. 275 crores as compared with those of Rs. 331 crores in 1983-84. On the other hand, net inflows under external assistance were slightly higher than that of the previous year.

The foreign currency assets of the Reserve Bank increased by Rs. 1,319 crores during 1984-85 as compared with an increase of Rs. 1,233 crores in 1983-84. If the drawals of Rs. 45 crores and repurchases of Rs. 118 crores from the IMF are excluded, the rise in these assets during 1984-85 would be higher at Rs. 1,392 crores as against an increase of Rs. 36 crores (excluding drawals of Rs. 1,197 crores from the IMF) during 1983-84.

The SDR holdings declined during 1984-85 by SDR 69.9 million to SDR 146.5 million; during 1983-84 these had fallen by SDR 53.8 million. During 1984-85 drawings in SDR from the IMF under EFF amounted to SDR 160 million and repurchases from the IMF in SDR amounted to SDR 33.2 million. The charges

paid to the Fund during 1984-85 amounted to SDR 443.4 million, while receipts from the Fund by way of remuneration and interest on SDR holdings amounted to SDR 21.8 million and SDR 24.9 million, respectively. During 1983-84, drawings from the Fund in SDRs amounted to SDR 200 million and the repurchases in SDRs amounted to SDR 66.5 million. The charges paid to the Fund were SDR 364.2 million. Receipts by way of interest and remuneration were SDR 39.7 million and SDR 16.7 million, respectively.

Gold holdings increased during 1984-85 by Rs. 20 crores to Rs. 245.8 crores due to acquisition of gold by the Reserve Bank from Government of India.

During the first quarter of 1985-86 (i.e. April-June 1985), foreign currency assets of the Reserve Bank declined by Rs. 137.0 crores as against an increase of Rs. 214.3 crores during the corresponding period of 1984-85. Excluding the acquisition of SDR equivalent of Rs. 310.3 crores through foreign currency assets, the foreign currency assets of the Bank would show an increase of Rs. 173.3 crores as against an increase of Rs. 207.4 crores (excluding the drawals of Rs. 45.4 crores and repurchases of Rs. 38.5 crores from the IMF) in April-June 1984. SDR holdings registered an increase of SDR 157.2 million during April-June 1985 to SDR 303.7 million, due mainly to acquisition of SDR 250 million referred to earlier partly offset by repurchases of SDR 52 million from the IMF and payment of charges amounting to SDR 48.6 million on the use of Fund resources and SDR. In April-June 1984, SDR holdings had risen by SDR 114.4 million. Gold holdings of the RBI increased during the quarter by Rs. 0.9 crore to Rs. 246.7 crores. Thus, during the first quarter of 1985-86, India's foreign exchange reserves (RBI's foreign currency assets, gold and SDR holdings) increased by Rs. 125 crores, as against a rise of Rs. 158 crores during the corresponding quarter of 1984-85, excluding capital transactions with the IMF.

II. Foreign Investment: Policy and Developments

During the past few years, facilities for portfolio and direct investment by non-resident Indians or foreign nationals of Indian origin or by overseas bodies of non-residents of Indian nationality or origin were liberalised to encourage their investments in India. In the Budget for 1985-86, the Government of India abolished the Estate Duty which was considered as one of the major hurdles in the way of inward remittances to India by non-residents of Indian nationality or origin. Further, the abolition of surcharge on income-tax introduced in the Budget for 1985-86 resulting in an effective reduction in the flat rate of income-tax from 22.5 to 20 per cent is expected to attract investments in debentures and shares of Indian companies and company deposits by non-resident Indians.

Data on the amount of foreign investment in India during 1984-85 are not as yet available. Data on approvals granted for such investment have registered an increase during the year. Thus, the number of approvals granted by the Reserve Bank for direct investment with full repatriation rights to non-residents of Indian nationality/origin rose from 162 in 1983-84 to 211 in 1984-85. The amount of investment involved also went up during the same period from Rs. 65 crores to Rs. 81 crores. The bulk of the investments approved, as in the past, was under the 40 per cent Scheme which amounted to Rs. 75 crores or 93 per cent of the total approvals. However, approvals under the 74 per cent Scheme declined from Rs. 13 crores (21 per cent) to Rs. 6 crores (7 per cent). The approvals for direct investment on non-repatriation basis showed an increase from Rs. 17 crores in 1983-84 to Rs. 26 crores in 1984-85. In regard to portfolio investment on repatriation basis, the number of applications approved, however, declined from 274 in 1983-84 to 241 in 1984-85, and so also the amount invested by banks on behalf of their non-resident Indian constituents through stock exchange fell

from Rs. 18 crores in 1983-84 to Rs. 10 crores in 1984-85.

In the sphere of foreign collaboration in Indian industry, the number of approvals went up by nearly 25 per cent from 654 in 1983-84 to 810 in 1984-85. Of the approvals granted during 1984-85, 514 were for technical collaboration, 174 for financial collaboration and 122 for designs and drawings. The larger number of approvals granted for technical collaborations is expected to contribute to improved efficiency and productivity of Indian industries which would give a competitive edge to our products in the world markets as also achieve a reduction in the import bill in the long-run.

During 1984-85, 7 more companies complied with the directives issued under the FERA 1973 for Indianisation/dilution of foreign equity holding, raising the number of foreign companies complying with such directives to 353 as at the end of March 1985. The remaining 29 companies to whom final orders have been issued for Indianisation/dilution of foreign equity were at various stages of compliance such as issue/transfer of shares, winding up, etc. Thus, as at the end of March 1985, out of 898 applications received, only 4 remained to be disposed of, including 2 companies to whom letters of intent have already been issued.

The value of consents for capital issues granted to non-Government companies by the Controller of Capital Issues almost doubled during 1984-85. The total value of consents granted to these companies increased from Rs. 1,086 crores in 1983-84 to Rs. 2,009 crores in 1984-85. The number of consents issued to these companies for raising capital from non-residents totalled 133 during 1984-85, as against 105 in the previous year; the total amount involved was substantially higher at Rs. 314 crores than that of Rs. 88 crores in 1983-84. Consequently, the share of issues to non-residents in the value of total consents nearly doubled from 8.1 per cent in 1983-84 to 15.6 per cent in 1984-85 (Table XI-1).

Out of the rise in consents granted for raising capital from non-residents through various types of issues, those for raising loans accounted for the bulk of the increase. Approvals for raising loans from non-residents more than quadrupled from Rs. 43.1 crores in 1983-84 to Rs. 192.5 crores in 1984-85. As a result, the share of non-residents in the total value of loans consented to be raised increased from 69.3 per cent in 1983-84 to 86.6 per cent in 1984-85. The rise in respect of consents for initial issues to non-residents from Rs. 8.3 crores in 1983-84 to Rs. 95.4 crores in 1984-85 was highly impressive and reflected *inter alia,* the effect of liberalised investment schemes to attract investments from non-resident Indians which were introduced in 1982-83. The share of non-resident issues in the overall initial issues rose remarkably from 4 per cent in 1983-84 to 17 per cent in 1984-85. Consents for further issues as well as bonus share issues to non-residents, however, witnessed a set-back during 1984-85. Approvals for debenture issues to non-residents during 1984-85 were marginally higher than in the previous year, but amounts consented to be raised from these issues continued to be negligible.

A number of Indian companies have established joint ventures abroad, particularly in Asia and Africa. The number of Indian joint ventures in operation abroad increased marginally from 154 at the end of December 1983 to 157 as at the end of December 1984. Besides, 79 joint ventures were under various stages of implementation. Indian investments in ventures abroad have been mainly by way of export of capital equipment and technical know-how. The equity investments in Indian ventures abroad went up significantly from Rs. 62.6 crores as at the end of December 1983 to Rs. 85.3 crores by end-December 1984. At the same time, the approved Indian equity in Indian joint ventures under implementation, declined from Rs. 59.6 crores at the end of December 1983 to Rs. 35.2 crores by the end of December 1984. Remittances received in India from joint ventures abroad as at the end of December 1984 amounted to Rs. 7.7 crores, by

Table XI-1: Consents for Capital Issues @ Aggregate and by non-Residents (N.R.) 1982-83 to 1984-85

(Rupees crores)

Year	Initital Issues			Further Issues			Bonus Issues			Debenture Issues			Loans etc.			Total		
April to March	Total	N.R.	2 as % of 1	Total	N.R.	5 as % of 4	Total	N.R.	8 as % of 7	Total	N.R.	11 as % of 10	Total	N.R.	14 as % of 13	Total	N.R.	17 as% of 16
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1982-83	160.4	8.3	5.2	94.4	2.5	2.6	107.3	21.8	20.3	531.3	4.8	0.9	148.9	83.5	56.1	1042.3	120.9	11.6
1983-84	192.1	8.3	4.3	127.4	11.1	8.7	94.6	24.4	25.8	609.4	0.8	0.1	62.2	43.1	69.3	1085.7	87.7	8.1
1984-85	557.3	95.4	17.1	222.2	6.8	3.1	88.4	17.1	19.3	918.5	2.3	0.3	222.4	192.5	86.6	2008.8	314.1	15.6

@ By Non-Government Companies.

way of dividends and Rs. 25.4 crores by way of fees for technical know-how, engineering services, consultancy management etc.

III. External Assistance*

The fresh authorisations of external assistance to India which had shown a downward trend in 1982-83 and 1983-84, improved significantly during 1984-85. Authorisations increased by Rs. 1,274 crores from Rs. 1,829 crores in 1983-84 to Rs. 3,103 crores in 1984-85 (Table XI-2) at the pre-December 1971 IMF parity rates (at the current exchange rates, authorisations almost doubled from Rs. 2,331 crores to Rs. 4,768 crores). This increase in authorisations during the year was due mainly to larger loan authorisations (by Rs. 1,122 crores), and particularly by the World Bank Group. Authorisations of grants were also higher by Rs. 152 crores. The utilisation of external assistance at Rs. 1,633 crores during 1984-85 was marginally higher by Rs. 1 crore over the previous year. During 1984-85, while loan utilisations were lower by Rs. 96 crores, grants increased by Rs. 97 crores. Debt service payments, on a provisional basis, were higher by Rs. 10 crores at Rs. 785 crores during the year. As a result, the net inflow of foreign aid at Rs. 848 crores was lower by Rs. 9 crores or by 1 per cent than in the previous year.

Authorisations

External loan assistance authorised during the year increased by Rs. 1,092 crores to Rs. 2,595 crores due mainly to a sharp rise in authorisations by IBRD/IDA of Rs. 1,213 crores to Rs. 2,024 crores during 1984-85. The World Bank Group accounted for nearly 80 per cent of the total loan authorisations during the year. Loan authorisations by Japan were higher during the year by Rs. 142 crores, by Canada by Rs. 120 crores and by West Germany by Rs. 51 crores. As against these, the loan authorisations from France and the USA were lower by Rs. 145 crores and Rs. 49 crores, respectively. However, no fresh commitments were there by the OPEC Group and the USSR during the year.

Of the total loans authorised during 1984-85, project loans constituted Rs. 2,530 crores and were higher by Rs. 1,202 crores (90 per cent) over the year due mainly to larger authorisations by IBRD/IDA. As a result, the share of project loans in the total loan authorisations went up from 90 per cent in 1983-84 to 97 per cent in 1984-85.

The non-project loan authorisations, on the other hand, declined sizeably from Rs. 145 crores in 1983-84 to Rs. 65 crores in 1984-85 thereby reducing their share in total loan authorisations to 3 per cent in 1984-85 as against 10 per cent in 1983-84. Such assistance by the USA was significantly lower during the year than in the previous year, whereas that from the Netherlands and Denmark was somewhat higher. There were no fresh authorisations of non-project assistance by Canada and West Germany during the year.

During 1984-85, authorisations of grants amounted to Rs. 508 crores which were higher by Rs. 152 crores or 43 per cent than those of Rs. 356 crores in the previous year. The bulk of the increase was due to UK which provided assistance of Rs. 314 crores showing a rise of Rs. 137 crores. Grant assistance from EEC countries also increased over the year by Rs. 103 crores to Rs. 133 crores. As against these, that from the USA, Sweden, Japan and Switzerland was somewhat lower.

Debt Relief

The debt relief assistance during 1984-85 at Rs. 237 crores was substantially higher than that of Rs. 69 crores during 1983-84 which came entirely from the U. K. This is reflected in the grant assistance from the U.K. mentioned earlier.

Trends in Utilisation

As at the end of March 1984, aid amount undisbursed amounted to Rs. 7,619 crores (revised). Taking into account fresh authorisations of Rs. 3,103 crores during 1984-85, the

* The discussion in this section is in terms of values arrived at on the basis of pre-December 1971 IMF parity rates unless otherwise stated.

Table XI-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	**1,604**	**86**	**108**	**1,798**
2. Amount undisbursed as at the end of March 1969	**1,601**	**25**	**123**	**1,749**
3. Authorisations during 1969-74	**3,793**	**188**	**32**	**4,013**
4. Authorisations during 1974-79	**6,593**	**1,611**	**—**	**8,204**
	(7,860)	**(1,703)**		**(9,563)**
5. Authorisations during:				
(a) 1979-80	780	432	—	1,212
	(964)	(484)		(1,448)
(b) 1980-81	2,896	125	—	3,021
	(3,174)	(160)		(3,334)
(c) 1981-82	2,160	218	—	2,378
	(2,731)	(258)		(2,989)
(d) 1982-83	1,878	322	—	2,200
	(2,509)	(321)		(2,830)
(e) 1983-84	**1,475**	356	—	1,829
	(1,928)	(403)		(2,331)
(f) 1984-85	2,595	508	—	3,103
	(4,204)	(564)		(4,768)
6. Utilisation during 1969-74	**3,510**	**158**	**155**	**3,823**
7. Utilisation during 1974-79	**4,607**	**1,215**	**—**	**5,822**
	(5,615)	**(1,321)**		**(6,936)**
8. Utilisation during:				
(a) 1979-80	850	289	—	1,139
	(1,058)	(307)		(1,365)
(b) 1980-81	1,020	331	—	1,351
	(1,226)	(388)		(1,614)
(c) 1981-82	1,188	330	—	1,518
	(1,502)	(355)		(1,857)
(d) 1982-83	1,428	274	—	1,702
	(1,905)	(285)		(2,190)
(e) 1983-84	1,395	237	—	1,632
	(1,956)	(256)		(2,212)
(f) 1984-85	1,299	334	—	1,633
	(1,961)	(356)		(2,317)
9. Amount undisbursed as at the end of March 1985	**8,472**	**617**	**—**	**9,089**
	(13,745)	**(733)**		**(14,478)**

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 1985 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 1985' (item 9) represent rupee values, calculated at the rates prevalent at end March 1985.

Table XI-3: Loans Authorised and Utilised during 1983-84 and 1984-85
(Fiscal Years)

(Rupees crores)

Country/ Institution	Authorisations								Utilisation							
	1983-84				1984-85				1983-84				1984-85			
	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	811	—	—	811	2,024	—	—	2,024	1,003	—	—	1,003	843	—	—	843
	(1,118)			(1,118)	(3,208)			(3,208)	(1,383)			(1,383)	(1,336)			(1,336)
2. IFAD	26	—	—	26	—	—	—	—	13	—	—	13	12	—	—	12
	(36)			(36)					(18)			(18)	(19)			(19)
3. Canada	—	30	—	30	150	—	—	150	24	1	—	25	33	4	—	37
		(36)		(36)	(195)			(195)	(29)	(1)		(30)	(43)	(5)		(48)
4. Denmark	—	20	—	20	—	24	—	24	—	10	—	10	—	15	—	15
		(22)		(22)		(26)		(26)		(11)		(11)		(17)		(17)
5. France	179	—	—	179	34	—	—	34	42	9	—	51	99	7	—	106
	(172)			(172)	(33)			(33)	(40)	(9)		(49)	(95)	(7)		(102)
6. W. Germany	45	13	—	58	109	—	—	109	40	20	—	60	61	4	—	65
	(87)	(25)		(112)	(212)			(212)	(77)	(38)		(115)	(119)	(8)		(127)
7. Italy	32	—	—	32	2	—	—	2	—	—	—	—	5	—	—	5
	(17)			(17)	(1)			(1)					(3)			(3)
8. Japan	—	—	—	—	142	—	—	142	62	—	—	62	22	—	—	22
					(332)			(332)	(130)			(130)	(51)			(51)
9. Netherlands	—	18	—	18	—	32	—	32	—	24	—	24	—	10	—	10
		(30)		(30)		(55)		(55)		(41)		(41)		(17)		(17)
10. Switzerland	—	—	—	—	18	—	—	18	—	—	—	—	—	—	—	—
					(47)			(47)								
11. U.S.A.	52	56	—	108	50	9	—	59	48	—	—	48	21	1	—	22
	(72)	(77)		(149)	(79)	(14)		(93)	(66)			(66)	(33)	(2)		(35)
12. OPEC*	65	—	—	65	—	—	—	—	17	—	—	17	48	—	—	48
	(105)			(105)					(28)			(28)	(89)			(89)
13. U.S.S.R.	117	—	—	117	—	—	—	—	75	—	—	75	108	—	—	108
	(117)			(117)					(75)			(75)	(108)			(108)
14. Others	1	8	—	9	1	—	—	1	1	6	—	7	1	5	—	6
	(1)	(13)		(14)	(2)			(2)	(1)	(9)		(10)	(2)	(7)		(9)
Total	**1,328**	**145**	**—**	**1,473**	**2,530**	**65**	**—**	**2,595**	**1,325**	**70**	**—**	**1,395**	**1,253**	**46**	**—**	**1,299**
	(1,725)	**(203)**		**(1,928)**	**(4,109)**	**(95)**		**(4,204)**	**(1,847)**	**(109)**		**(1,956)**	**(1,898)**	**(63)**		**(1,961)**

* Comprises Iran, Iraq, Kuwait, Abu Dhabi, Saudi Arabia and OPEC Special Fund.

Note: Figures in brackets indicate the rupee value at the average annual rates of exchange prevalent during respective years.

Table XI-4: Grants@ Authorised and Utilised during 1983-84 and 1984-85
(Fiscal Years)

(Rupees crores)

Country/Institution	Authorisations		Utilisation	
	1983-84	1984-85	1983-84	1984-85
1	2	3	4	5
1. Canada	—	1	—	—
		(1)		
2. Denmark	9	15	8	13
	(10)	(17)	(9)	(14)
3. West Germany	—	3	—	1
		(6)		(2)
4. Japan	9	7	5	6
	(19)	(16)	(11)	(14)
5. Netherlands	43	Neg.	19	30
	(72)		(32)	(51)
6. Sweden	49	12	30	14
	(45)	(11)	(27)	(13)
7. Switzerland	8	7	8	5
	(21)	(18)	(21)	(13)
8. U.K.	177	314	142	227
	(152)	(259)	(122)	(188)
9. U.S.A. other than P.L. 480/P.L. 665	31	16	1	6
	(43)	(25)	(1)	(10)
10. E.E.C.	30	133	24	32
	(41)	(211)	(33)	(51)
Total	**356**	**508**	**237**	**334**
	(403)	**(564)**	**(256)**	**(356)**

@ Including Debt Relief
Note: Figures in brackets indicate the rupee values at the average annual rates of exchange prevalent during respective years.

total amount available for utilisation during the year stood at Rs. 10,722 crores. The utilisation of loans amounted to Rs. 1,299 crores during the year and formed only 13 per cent of the total amount of loans available for utilisation. The utilisation of both project and non-project loans showed a decline, by Rs. 72 crores, and Rs. 24 crores, respectively. Source-wise, as in the case of authorisations, utilisation of loans authorised by IBRD/IDA, continued to account for the major portion of utilisation. The utilisation of loan assistance from Canada, Denmark, France, West Germany, OPEC and the USSR also showed an improvement. As against these, the utilisation of assistance from Japan, the Netherlands and the USA was lower during the year.

The utilisation of grant assistance which had shown a decline during 1981-82, 1982-83 and 1983-84, improved by Rs. 97 crores to Rs. 334 crores during 1984-85. Country-wise, the U.K. continued to account for the bulk of the grant assistance utilised, accounting for 68 per cent of the total in 1984-85 as against 60 per cent in 1983-84 (Table XI-3 and XI-4).

Debt Servicing

Debt service payments increased from Rs. 775 crores during 1983-84 to Rs. 785 crores during 1984-85. Consequently, debt service payments as a proportion of gross aid utilisation rose from 47 per cent in 1983-84 to 48 per cent during 1984-85.

Table XI-5: Debt Relief Assistance

(Fiscal Years)

(Rupees crores)

Country	Authorisations		Utilisation	
	1983-84	1984-85	1983-84	1984-85
1	2	3	4	5
A. By way of Grants				
1. U.K.	69.2	236.7	91.0	38.7
2. Japan	—	—	—	—
Total 'A'	69.2	236.7	91.0	38.7
B. By way of reduction of interest payments				
Netherlands	0.2	—	0.2	—
Grand Total	**69.4**	**236.7**	**91.2**	**38.7**

Cumulative Assistance

The cumulative external assistance authorised to India since Independence upto the end of March 1985 aggregated Rs. 37,058 crores. Of this, loans amounted to Rs. 30,349 crores or 82 per cent of the total, and grants Rs. 4,544 crores or 12 per cent of the aggregate assistance. PL 480/665 assistance, accounted for the balance of Rs. 2,165 crores (6 per cent). Assistance utilised upto end-March 1985 amounted to Rs. 28,082 crores or about 76 per cent of total amount authorised. Of the total aid utilised, loans accounted for Rs. 21,878 crores (78 per cent) and grants Rs. 3,927 crores (14 per cent) and the balance of Rs. 2,277 crores (8 per cent) was accounted for by PL 480/665 assistance.

As at the end of March 1985, the share of the World Bank Group in total authorisations was about 40 per cent, which was slightly higher than the share as at the end of March 1984 viz. 38 per cent. The total authorisations by the IBRD and the IDA increased from Rs. 12,717 crores as at the end of March 1984 to Rs. 14,741 crores as at the end of March 1985. The utilisation of loan assistance extended by these institutions increased from Rs. 8,113 crores to Rs. 8,956 crores over the year and constituted 32 per cent of the aid utilised at the end of March 1985 as compared with 30 per cent, a year ago.

The U.S.A. continued to be the second largest source of foreign aid, both in terms of authorisations and utilisation. Other major donors were the U.K., the U.S.S.R., West Germany, Japan and the OPEC Group. These together accounted for 46 per cent of the total authorisations and 53 per cent of utilisation as at the end of March 1985.

As at the end of March 1985, total aid available in the pipeline at the current exchange rates was Rs. 14,478 crores, higher by Rs. 4,538 crores than that at the end of March 1984. Out of this, project loans accounted for Rs. 13,307 crores or 92 per cent and non-project loans Rs. 438 crores and grant aid Rs. 733 crores.

IV. India's Financial Assistance to Other Countries

During 1984-85, the Government of India sanctioned financial assistance to four developing countries for an aggregate amount of Rs. 104 crores which was of the same order as in the previous year(Table XI-9). The grant aid declined by Rs. 11 crores and assistance by way of loans increased by an equivalent amount with the result that the share of grants to total aid dropped from 72 per cent in 1983-84 to 61 per cent during 1984-85. Country-wise, Bhutan continued to account for over 70 per cent of

Table XI-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	331	181	512	456
	(1,087)	(368)	(201)	(569)	(518)
1975-76	1,436	335	174	509	927
	(1,739)	(427)	(224)	(651)	(1,088)
1976-77	1,248	383	187	570	678
	(1,529)	(471)	(242)	(713)	(816)
1977-78	1,076	464	203	667	409
	(1,249)	(561)	(260)	(821)	(428)
1978-79	1,094	479	218	697	397
	(1,332)	(600)	(286)	(886)	(446)
1979-80	1,139	440	238	678	461
	(1,365)	(570)	(301)	(871)	(494)
1980-81	1,351	448	239	687	664
	(1,614)	(569)	(281)	(850)	(764)
1981-82	1,518	477	260	737	781
	(1,857)	(588)	(323)	(911)	(946)
1982-83	1,702	474	292	766	936
	(2,190)	(585)	(360)	(945)	(1,245)
1983-84	1,632	492	283	775	857
	(2,212)	(658)	(424)	(1,082)	(1,130)
1984-85	1,633	457	328†	785	848
	(2,317)	(647)	(528)	(1,175)	(1,142)

Notes: 1. Gross aid utilisation includes debt relief provided in the form of refinancing credits and grants. Debt service payments in these cases are covered in columns (3) and (4).

2. Figures in brackets indicate the rupee values at the average annual rates of exchange prevalent during respective years.

3. Both amortisation and interest payments exclude payments which are either postponed or rescheduled as under:

(Rupees crores)

Country/ Institution	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78 through 1984-85
1	2	3	4	5	6	7	8	9
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)**	—

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Table XI-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	5,950	617	1,511	8,078
2. Upto March 1974	11,975	972	2,165	15,112
3. Upto March 1979	18,567	2,583	2,165@	23,315
4. Authorisations during:				
(a) 1979-80	780	432	—	1,212
(b) 1980-81	2,896	125	—	3,021
(c) 1981-82	2,160	218	—	2,378
(d) 1982-83	1,878	322	—	2,200
(e) 1983-84	1,473	356	—	1,829
(f) 1984-85	2,595	508	—	3,103
Total upto March 1985	**30,349**	**4,544**	**2,165@**	**37,058**
Utilisation from August 15, 1947				
1. Upto March 1966	4,346	531	1,403	6,280
2. Upto March 1974	10,091	917	2,277	13,285
3. Upto March 1979	14,698	2,132	2,277@	19,107
4. Utilisation during:				
(a) 1979-80	850	289	—	1,139
(b) 1980-81	1,020	331	—	1,351
(c) 1981-82	1,188	330	—	1,518
(d) 1982-83	1,428	274	—	1,702
(e) 1983-84	1,395	237	—	1,632
(f) 1984-85	1,299	334	—	1,633
Total upto March 1985	**21,878**	**3,927**	**2,277@**	**28,082**

@ P.L.480 authorisations were fully utilised by the end of 1971-72. The difference between rupee values of total authorisations and total utilisation is attributable to the devaluation of rupee on June 6, 1966.

Note: Refer to notes to table

total aid authorised, followed by Nepal and Vietnam which together accounted for nearly one-fourth of total authorisations during 1984-85.

Utilisation

The utilisation of aid increased marginally from Rs. 112 crores in 1983-84 to Rs. 117 crores during 1984-85. The grant assistance authorised during the year was fully utilised as in last year. The utilisation of loan assistance during 1984-85 was higher due to drawals on loans unutilised as at the end of the previous year. Country-wise, Bhutan and Nepal together accounted for utilisation of Rs. 87 crores or 75 per cent of the total, Vietnam for Rs. 13 crores or 11 per cent and ITEC programme beneficiaries Rs. 6 crores (4 per cent). Other recipients of aid were Ghana, Tanzania, Zambia, Mozambique, Seychelles, Republic of Yemen, Sri Lanka, Bangladesh, Uganda and

Table XI-7: Aggregate External Assistance-Source-wise
(Upto end-March 1985)

(Rupees crores)

Country/Institution	Authorisations				Utilisation			
	Loans	Grants	PL 480/ 665 Aid and Third Country Currency Assistance	Total (2+3+4)	Loans	Grants	PL 480/ 665 Aid and Third Country Currency Assistance	Total (6+7+8)
1	2	3	4	5	6	7	8	9
IBRD/IDA	14,741	—	—	14,741 (39.8)	8,956	—	—	8,956 (31.9)
United Nations	—	44	—	44 (0.1)	—	44	—	44 (0.2)
EEC	40@	523	—	563 (1.5)	40@	389	—	429 (1.5)
IFAD	135	—	—	135 (0.3)	53	—	—	53 (0.2)
U.S.A.	4,138	359	2,165	6,662 (18.0)	3,921	284	2,277	6,482 (23.1)
U.S.S.R.	1,981	11	—	1,992 (5.4)	1,334	11	—	1,345 (4.8)
U.K.	1,419	2,131	—	3,550 (9.6)	1,408	1,793	—	3,201 (11.4)
West Germany	1,873	45	—	1,918 (5.2)	1,729	43	—	1,772 (6.3)
Japan	1,133	59	—	1,192 (3.2)	880	50	—	930 (3.3)
OPEC*	1,600	—	—	1,600 (4.3)	1,128	—	—	1,128 (4.0)
Others	3,289	1,372	—	4,661 (12.6)	2,429	1,313	—	3,742 (13.3)
Total	**30,349**	**4,544**	**2,165**	**37,058 (100.0)**	**21,878**	**3,927**	**2,277**	**28,082 (100.0)**

@ Relates to Special Action Credit
* Comprises Iran, Iraq, Kuwait, Abu Dhabi, Saudi Arabia and OPEC Special Fund
Notes: 1. Please refer to Notes to Table XI-2.
2. Figures in brackets represent percentage to the total.

Zimbabwe which together accounted for Rs. 8 crores or 7 per cent of the total utilisation.

Cumulative Assistance Extended by India

Total aid authorised upto the end of March 1985 amounted to Rs. 1,387 crores, of which 61 per cent was by way of grants and the balance, loan assistance (Table XI-10). The major beneficiaries are Bhutan (Rs. 512 crores), Nepal (Rs. 275 crores), Bangladesh (Rs. 263 crores) and Vietnam (Rs. 108 crores).

Table XI-9: Assistance Extended by India to Other Countries
(Fiscal Years)

(Rupees crores)

Country/ Programme	Authorisations						Utilisation					
	1983-84			1984-85			1983-84			1984-85		
	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	—	0.3	0.3	—	0.2	0.2		0.3	0.3
2. Bhutan	18.2	56.3	74.5	30.3	43.3	73.6	18.2	56.3	74.5	30.3	43.3	73.6
3. Ghana	—	—	—	—	—	—	—	—	—	3.3	—	3.3
4. Mauritius	5.0	—	5.0	—	—	—	—	—	—	—	—	—
5. Mozambique	—	—	—	—	—	—	3.8	—	3.8	0.7	—	0.7
6. Nepal	5.1	14.5	19.6	—	13.8	13.8	5.1	14.5	19.6	—	13.8	13.8
7. Peoples' Democratic Republic of Yemen	—	—	—	—	—	—	0.3	—	0.3	0.6	—	0.6
8. Seychelles	—	—	—	—	—	—	1.2	—	1.2	0.7	—	0.7
9. Sri Lanka	—	—	—	—	—	—	1.8	—	1.8	0.5	—	0.5
10. Tanzania	—	—	—	—	—	—	4.1	—	4.1	2.9	—	2.9
11. Vietnam	—	—	—	10.0	—	10.0	1.0	—	1.0	13.0	—	13.0
12. Uganda	—	—	—	—	—	—	0.2	—	0.2	0.2	—	0.2
13. Zambia	—	—	—	—	—	—	0.4	—	0.4	1.4	—	1.4
14. Zimbabwe	—	—	—	—	—	—	0.8	—	0.8	0.1	—	0.1
15. Assistance under ITEC Programme	—	3.6	3.6	—	6.1	6.1	—	3.6	3.6	—	6.1	6.1
Total	**28.3**	**74.6**	**102.9**	**40.3**	**63.5**	**103.8**	**36.9**	**74.6**	**111.5**	**53.7**	**63.5**	**117.2**

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.

These four countries together accounted for over 83 per cent of total authorisations. Aid utilised at end-March 1985 was Rs. 1,285 crores or 93 per cent of aid authorised. Of the total utilisation Bhutan, Nepal, Bangladesh and Vietnam accounted for about 85 per cent of the total.

With the authorisations of aid remaining unchanged during 1984-85 and utilisation marginally higher, the amount of undisbursed aid came down from Rs. 116 crores at end-March 1984 to Rs. 102 crores by end-March 1985.

Table XI-10: Aggregate Assistance Extended by India to Other Countries

(Upto end-March 1985)

(Rupees crores)

Country/Programme	Authorisations			Utilisation			Amount undisbursed as at the end ofMarch 1985		
	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	146.9	263.2	92.5	132.0	224.5	23.8	14.9	38.7
3. Bhutan	98.3	413.3	511.6	98.3	413.0	511.3	—	0.3	0.3
4. Burma	20.0	—	20.0	20.0	—	20.0	—	—	—
5. Ghana	5.0	—	5.0	3.3	—	3.3	1.7	—	1.7
6. Kenya	5.0	—	5.0	—	—	—	5.0	—	5.0
7. Indonesia	10.0	—	10.0	10.0	—	10.0	—	—	—
8. Mauritius	19.5	—	19.5	14.5	—	14.5	5.0	—	5.0
9. Mozambique	9.0	—	9.0	7.0	—	7.0	2.0	—	2.0
10. Nepal	26.6	248.0	274.6	26.6	226.2	252.8	—	21.8	21.8
11.Peoples' Democratic Republic of Yemen	1.0	—	1.0	0.9	—	0.9	0.1	—	0.1
12. Seychelles	2.5	—	2.5	1.9	—	1.9	0.6	—	0.6
13. Sri Lanka	69.3	—	69.3	61.6	—	61.6	7.7	—	7.7
14. Tanzania	17.4	—	17.4	14.0	—	14.0	3.4	—	3.4
15. Vietnam	107.6	—	107.6	101.8	—	101.8	5.8	—	5.8
16. Uganda	6.5	—	6.5	2.3	—	2.3	4.2	—	4.2
17. Zambia	10.0	—	10.0	5.8	—	5.8	4.2	—	4.2
18. Zimbabwe	5.0	—	5.0	3.1	—	3.1	1.9	—	1.9
19. Assistance under ITEC Programme	—	43.3	43.3	—	43.3	43.3	—	—	—
Total	**535.4**	**851.5**	**1,386.9**	**470.0**	**814.5**	**1.284.5**	**65.4**	**37.0**	**102.4**

Notes: 1. Refer to Notes to Table XI-9.

2. Aid to Bangladesh does not cover the relief goods of the value of Rs.17 crores supplied to that country in 1971-72.

V. Exchange Rate Developments

The exchange value of the rupee continued to be linked to a weighted basket of currencies of India's major trading partners, with the pound sterling as the intervention currency. The increased volatility in exchange markets necessitated periodical changes in the rupee-pound parity. These parity changes were 151 during 1984-85 as against 126 changes during the previous year. The number of exchange rate adjustments during April-June 1985 at 41 were also substantially higher than in the corresponding quarter last year. Whereas in the month of January 1985, revisions in parity changes were the maximum at 16, followed by 15 each in August 1984 and March 1985 and 14 each in July, October and November 1984, the lowest number of revisions was 8 in June 1984.

Table XI-11 gives annual average exchange rates of the rupee *vis-a-vis* the SDR and four major international currencies.

The trend of depreciation of the rupee against the SDR, U.S. dollar and Japanese yen and its appreciation against the pound sterling noticed since 1981-82 continued during the year. However, in relation to the DM, the rupee which firmed up

somewhat in 1983-84, ruled easy during 1984-85.

In relation to the SDR, the rupee depreciated sharply during 1984-85 by 8.3 per cent to Rs. 11.93 per SDR. The rate of depreciation was more than double that of 3.5 per cent in the previous year and was the highest during the last four years. In terms of the U.S. dollar, there was an acceleration in the rate of depreciation of the rupee from 6.5 per cent in 1983-84 to 13.0 per cent or to Rs. 11.89 per U.S. dollar in 1984-85. Again this was the highest rate of depreciation against the U.S. dollar in recent years. The depreciation of the rupee against the Japanese yen also accelerated from 8.9 per cent during the previous year to 10.1 per cent in 1984-85 (Re. 0.0487 per Japanese yen). The rupee registered a depreciation of 1.3 per cent to Rs.3.99 per DM during 1984-85 as against a marginal appreciation of 0.5 per cent in 1983-84. The appreciation of the rupee against the pound sterling slowed down from 4.7 per cent in 1983-84 to 3.7 per cent or Rs. 14.87 per pound during the year; the rate of appreciation has decelerated over the last four years. Data on monthly average exchange rates of the rupee are given in Table XI-12.

In relation to the SDR, the rupee ruled easy throughout the year. The magnitude of depreciation was nominal in April-May 1984, but steadily increased thereafter, except for some slow down in December 1984 and March 1985. During the quarter April-June 1985, the rupee exhibited some firmness in April but weakened somewhat thereafter.

The U.S. dollar continued to rule firm against major world currencies upto February 1985. This was also reflected in the monthly average exchange rate of the rupee which eased continuously upto February 1985, with some recovery in March. The rate of depreciation exceeded more than 2 per cent in each of the four months of July, September, January and February, and between 1.0 to 2.0 per cent in the months of May, August, October and December. In March 1985, the rupee appreciated against the U.S. dollar by 0.7 per cent. The uptrend witnessed in March 1985 continued in April when the rupee appreciated sharply by 3.1 per cent. Thereafter it was broadly stable.

The rupee remained firm *vis-a-vis* the pound sterling during the greater part of the year, except in August and November 1984 and March 1985. In April-June 1985, the rupee depreciated sharply against the pound sterling by 10.1 per cent, a large part of which (6.5 per cent) occurred in April 1985, thereby offsetting the gain recorded in 1984-85.

Against the Deutsche Mark, the rupee ruled firm during the first two months of the fiscal year, but turned weak in June 1984. In July, it recovered the lost ground and thereafter moved both ways upto January 1985. During the last two months of the year, the rupee firmed up somewhat. During April 1985, the rupee depreciated sharply by 3.3 per cent, improved somewhat in May before losing ground in June 1985.

In relation to the Japanese yen, the rupee ruled easy throughout the year except during May-July 1984. The appreciation of the rupee by 0.8 per cent in April 1985 was nullified during the following two months.

During 1984-85, the Rupee-Rouble rate was changed thrice, i.e. on July 29, 1984, October 25, 1984 and February 15, 1985. The exchange rate of the rupee per rouble as at the end of March 1985 was Rs. 11.34 reflecting depreciation of 8.9 per cent over end-March 1984 level.

VI. International Monetary Developments

The moderate recovery in the world economy noticed during 1983 strengthened appreciably in 1984 with output increasing by nearly 4.5 per cent and volume of trade by 8.8 per cent, the highest rise since 1976. The performance was, however, characterised by much the same areas of light and shadow as in 1983. Thus, while output and world trade expanded remarkably and inflation eased somewhat, policy-makers continued to confront the problems arising from imbalance in current account position among industrial countries, exchange rate vola-

Table XI-11: Exchange Rate of the Indian Rupee (Annual Average *)

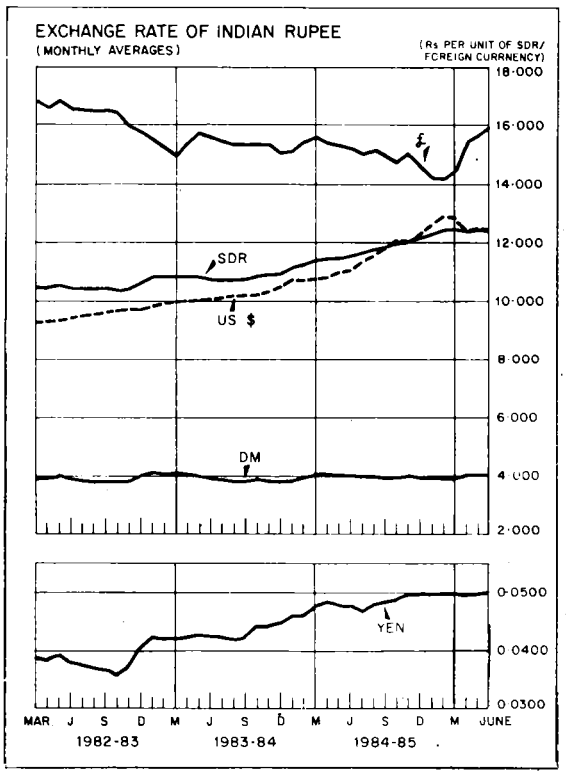
(Rs.per unit of SDR/foreign currency)

April-March	SDR	US $	£	DM	Yen
1979-80	10·5353	8·10	17·66	4·47	0·0400
1980-81	10·1777	7·91	18·50	4·19	0·0364
	(+3·5)	(+2·4)	(−4·5)	(+6·7)	(+9·9)
1981-82	10·3354	8·97	17·11	3·86	0·0394
	(−1·5)	(−11·8)	(+8·1)	(+8·5)	(−7·6)
1982-83	10·5628	9·67	16·14	3·96	0·0399
	(−2·2)	(−7·2)	(+6·0)	(−2·5)	(−1·3)
1983-84	10·9405	10·34	15·42	3·94	0.0438
	(−3·5)	(−6·5)	(+4·7)	(+0·5)	(−8.9)
1984-85	11.9328	11.89	14.87	3.99	0.0487
	(−8.3)	(−13.0)	(+3.7)	(−1.3)	(−10.1)

* Based on monthly averages.

Notes: 1. The SDR rate is as given in the IMF Survey. For the pound sterling, it is the middle rate of the RBI quotations. For other currencies, the rates are the middle rates on the London market as crossed with the RBI middle rates for the pound sterling.

2. Figures in brackets indicate percentage appreciation (+)/depreciation (−) of the rupee in terms of the SDR/currency concerned over the previous fiscal year.



BALANCE OF PAYMENTS AND INTERNATIONAL MONETARY DEVELOPMENTS

Table XI-12 : Exchange Rate of the Indian Rupee (Monthly Average)

(Rs. per unit of SDR/Foreign Currency)

	SDR	US $	£	DM	YEN
March 1983	10.8582	10.0108	14.9151	4.1557	0.0420
1983-84					
April	10·8333	10·0025	15·3929	4·0977	0·0421
May	10·8530	10·0325	15·7691	4·0682	0·0427
June	10·7905	10·1093	15·6593	3·9662	0·0421
July	10·7542	10·1216	15·4648	3·9100	0·0421
August	10·7210	10·2071	15·3372	3·8187	0·0418
September	10·7411	10·2203	15·3203	3·8322	0·0422
October	10·8961	10·2538	15·3612	3·9439	0·0441
November	10·9193	10·3856	15·3428	3·8704	0·0442
December	10·9578	10·5185	15·0857	3·8261	0·0449
January	11·1338	10·7477	15·1543	3·8302	0·0460
February	11·2504	10·7328	15·4681	3·9785	0·0460
March	11·4369	10·7478	15·6531	4·1404	0·0477
	(−5·1)	(−6·9)	(−4·7)	(+0·4)	(−11·9)
1984-85					
April	11.4598	10.8402	15.4212	4.1016	0.0481
May	11.4805	11.0203	15.3193	4.0115	0.0478
June	11.5311	11.0953	15.2805	4.0508	0.0475
July	11.6008	11.3662	15.0148	3.9924	0.0468
August	11.7594	11.5642	15.1953	4.0099	0.0478
September	11.8678	11.8660	14.9405	3.9265	0.0484
October	11.9842	12.0461	14.7059	3.9279	0.0489
November	12.1136	12.0864	15.0040	4.0373	0.0496
December	12.1602	12.3070	14.6060	3.9681	0.0497
January	12.3075	12.6378	14.2491	3.9872	0.0497
February	12.4422	12.9646	14.1768	3.9301	0.0498
March	12.4861	12.8693	14.4883	3.9093	0.0500
	(−8.4)	(−16.5)	(+ 8.0)	(+ 5.9)	(−4.6)
1985-86					
April	12.3762	12.4767	15.4873	4.0437	0.0496
May	12.4205	12.5067	15.6534	4.0321	0.0497
June	12.4236	12.4564	15.9591	4.0684	0.0501

Note : Figures in brackets indicate percentage appreciation (+)/depreciation (−) of the rupee in terms of the SDR/currency concerned over the month of March of the previous year.

tility and huge international debt owed by developing countries.

Led by a strong recovery in the US and Japan, industrial countries as a group achieved a growth rate of 4.9 per cent during 1984 as against 2.6 per cent in the preceding year. However, unemployment situation eased only marginally. On the price front also, the improvement was marginal. Short-term interest rates, both nominal and real which had risen fairly sharply in the US from mid-1983 to mid-1984, declined subsequently to around their levels of early 1983. In most other countries, short-term interest rates remained relatively stable and long-term rates followed a modest downward trend. There was a further sharp increase in the US deficit. This was only partially offset by a substantial increase in the surplus of Japan. As a result, the current account imbalances increased with the near balance in 1983 turning into a large deficit of 34.2 billion in 1984. The exchange rate variability increased despite considerably lower variability of interest rate differentials. Protectionist pressures continued to increase.

A bright feature of the developments in developing countries was the noteworthy improvement both in their balance of payments position and in the domestic output. The growth of real GDP in these countries rose from 1.5 per cent in 1983 to 3.7 per cent in 1984 and their external position strengthened further with the reduction in their current account deficit for the second year in succession to $ 44 bn. Most regions with the notable exception of Africa, achieved increases in per capita incomes. The improvement in the external payments position of the group was led by a strong rebound in exports which was facilitated by the rapid growth in imports of industrial country trading partners, particularly the US. The reduction in their current account deficit was roughly matched by lower borrowings from market sources. The deceleration in the rate of growth of debt accompanied by improved maturity of the debt through large rescheduling operations provided some relief to the developing countries, though their debt service burden remains high. Another disquieting feature was the price situation which for the group as a whole worsened somewhat.

Domestic Activity

The recovery gathered further momentum in 1984 with the growth rate of world output rising to 4.5 per cent, from 2.6 per cent in 1983. Though the pick up was mainly due to industrial countries, particularly the U. S. and Japan, the contribution of the developing countries was not insignificant. The 3.7 per cent growth in the group of developing countries in 1984 was more than double that in 1983 and signalled the reversal of the decelerating trend witnessed since 1978. It was, however, still much far lower than the average rate of 6.0 per cent achieved during 1967-76.

The industrial countries as a group recorded a growth of 4.9 per cent in 1984 as against 2.6 per cent in 1983, and well above the average of 3.7 per cent during 1967-76 or in subsequent years. Among them, the step up in growth rate in the US from 3.7 per cent to 6.8 per cent was remarkable. The pick up in activity in Japan from 3.4 per cent to 5.8 per cent and in Italy from a fall of 0.4 per cent to an increase of 2.6 per cent was also significant. The rate of improvement in West Germany, Canada and France was relatively modest. Keeping pace with the major industrial countries, the growth rate in other industrial countries also doubled to 3.2 per cent. The UK was the only major industrial country where the growth rate declined from 3.2 per cent in 1983 to 2.4 per cent in 1984.

As in the preceding year, the pick up in output in industrial countries during 1984 was led by an expansion of domestic demand. In seven major industrial countries, the real domestic demand increased by 5.6 per cent, outstripping the 5.1 per cent growth in their output. Consumer expenditure expanded by 3.4 per cent, at the same rate as in 1983, but inventory build up and gross fixed investment improved substantially with the former rising by 1.2 per cent in 1984 compared with 0.2 per cent in 1983 and the latter improving by as much as 10.2 per cent or more than double the rate of 4.5 per cent in 1983.

With much of the previously existing slack in physical capacity taken up in some countries and with less pent up demand remaining to be satisfied, the IMF expects the weighted average growth rate of the industrial countries to fall in 1985 to just over 3 per cent. Substantially large downward adjustments are expected to occur in the US and some other countries that experienced fast expansion in 1984, as their economies move towards a more sustainable growth path consistent with the underlying increase in productive potential. While in the case of the US, a slowdown in the pace of growth may be understandable in view of rapid growth experienced by the country during the past two years, for majority of industrial countries it implies that the remaining slack in labour market will be taken up only very slowly.

The strong recovery in output in industrial countries improved the employment situation in these countries in general, with more than half the major industrial countries recording gains in employment of almost 2 per cent in 1984. The decline in the unemployment rate in the industrial countries as a group, however, averaged only one-half percentage point; this was more than accounted for by a drop of 2 percentage points in the United States. In the seven major industrial countries, employment grew by 2.1 per cent in 1984 (up from 0.6 per cent in 1983) and the unemployment rate came down to 7.6 per cent (from 8.3 per cent in 1983) but was still 2.6 percentage points higher than the lowest rate achieved since 1977. For industrial countries as a group, unemployment is expected to stabilise at about 8.2 per cent in 1985.

Another welcome feature of the continued economic recovery in industrial countries was the comparative price stability. The consumer price index which had risen by 4.9 per cent in 1983 rose by only 4.7 per cent in 1984. Much of the improvement stemmed from reduction in inflation rates in some of the high inflation countries, notably France and Italy. While the inflation rate escalated somewhat in the US, Japan and the UK,there was a slowdown in the upward movement of the index in Canada, France, West Germany and Italy. A number of factors contributed to the generally improved performance in the industrial countries. Governments repeatedly emphasised the importance of greater price stability and in most cases formulated monetary, fiscal and incomes policies with this goal in view. The most important aspect of these policies has been the consistency with which these have been pursued and which, in turn, not only helped lowering actual price rises in the short-term but much more in dampening the inflationary expectations that had been built up over a long period. The continued decline in oil prices, and a slowdown in the increase of non-oil primary commodity prices during 1984, seem to have also helped the price situation in industrial countries. The IMF expects the process to continue, with inflation for the group as a whole falling to around 4 per cent in 1985.

In contrast to the substantial shifts in monetary conditions that characterised the period 1979-83, there was a relatively more stable monetary environment in 1984. In the countries with specified monetary targets, monetary growth was either within or relatively close to the target ranges. Changes in the income velocity of the targetted aggregates were also for the most part closer to their historical trend changes than in recent years. As a result, rates of growth of narrow and broad money, in the seven major industrial countries, which had been sustained at about 9–10 per cent per annum in 1982 and 1983, declined in 1984 to around 7 per cent. Excepting Japan and the UK, the former having experienced a rise in broad money and the latter in narrow money, all the leading industrial countries recorded a lower growth in monetary aggregate during 1984 than in 1983.

Since the late 1970s, a central aim of governments in most industrial countries has been to limit the increase in government expenditure and reduce fiscal deficits in order to lower interest rates and increase the share of saving available to finance private investment. As a result, the combined fiscal deficit of the seven major industrial countries declined somewhat in 1984,

the first such decline since 1979. However, differences in fiscal tendencies between the US and most of the other major industrial countries continued. The fiscal impulse in the US remained expansionary while it was restrictive or at least neutral in the other six countries taken together. In absolute terms, budgetary deficit in the US alone amounted to $ 203 bn. in 1984, as against $ 175 bn. in 1983. However, as a percentage of GNP, the deficit declined by 0.8 percentage point in 1984 to 5.0 per cent. Deficit to GNP ratio fell also in Japan (from 5.8 per cent to 5.6 per cent), West Germany (from 2 per cent to 1.6 per cent), Italy (from 16.4 per cent to 15.4 per cent) and the UK (from 4.8 per cent to 3.3 per cent). In Canada and France, the ratio, however, increased marginally.

Interest rates during 1984 remained high but, outside the US and the UK, they tended to fluctuate less than in earlier years.

In the US, with the economy decelerating in the second half of 1984 and in the early part of 1985, interest rates tended to decline. By May 1985, the short-term interest rate (market yields on Treasury bills) had fallen to 7.37 per cent and long-term to 11.9 per cent as compared to the 1984 high of 11.06 per cent (in August) and 13.54 per cent (in June) respectively. The Federal Reserve Board also cut its discount rates from 8 per cent to 7.5 per cent in May 1985, its lowest level in nearly seven years. In the UK, on the other hand, there was a pronounced rise in interest rates in the early months of 1985 as authorities, responding to a temporary weakening of the pound sterling, raised the base lending rate to 14 per cent in January 1985. However, there has been a steady fall in interest rates in the UK since April 1985; the base lending rate was also lowered to 12 per cent in July 1985. In Japan and most major European countries, short-term interest rates generally ruled steady through 1984 and the first half of 1985 while long-term interest rates followed a modest downward trend. In the Euro-dollar market, the LIBOR lending rate which had risen to 12.4 per cent in June 1984 from 10.1 per cent in January 1984, came down to 9.5 per cent at the end of the year and further to 8.5 per cent in May 1985.

The robust growth in leading industrial countries also facilitated recovery in developing countries. The pace of output growth in developing countries quickened in 1984 after a long spell of deceleration. The growth of domestic output in these countries rose from 1.5 per cent in 1983 to 3.7 per cent in 1984. In the historical perspective, the improvement in economic performance of 1984 can be termed modest as it has done little to recoup the decline in living standards of the past several years.

Growth was not evenly spread among developing countries. Thus, while output growth in the non-oil developing countries was relatively high at 4.2 per cent, it was lower at 2 per cent in oil exporting countries, largely as a result of the continuing weakness of world demand for their principal exports. Region-wise, the developing countries of Asia maintained their high growth rate, though at 6.4 per cent in 1984 it was fractionally lower than that of 7 per cent in 1983. The growth of output in other regions, though better than in 1983 ranged only between 2.2 per cent and 2.5 per cent.

The recovery in developing countries was helped by a strong rebound in exports. Export growth was particularly marked among non-oil exporting countries, increasing by 12 per cent in volume terms in 1984 over a rise of 6 per cent in 1983. The upswing in exports of developing countries is attributable mainly to the rapid growth in the imports of industrial country-trading partners, especially the US. Adjustment measures including exchange rate changes, undertaken by developing countries over the past several years also seem to have contributed to the upsurge in exports.

The IMF has projected a marginal acceleration in output growth of developing countries to about 4 per cent in 1985. The pattern of growth, how-

ever, is likely to be more balanced, with countries that have thus far benefited rather little from recovery, experiencing somewhat rapid growth. There was some acceleration in the rate of inflation in developing countries. As measured by the weighted average of consumer prices, the inflation rate in 1984 moved to 37.7 per cent as against 33 per cent in 1983. The median rate of inflation, however, has stabilised at about 10 per cent since 1982. Among geographical areas, the rise in weighted average inflation rate was the highest at 119.8 per cent (up from 100.5 per cent in 1983) for the Western Hemisphere. Countries of African region experienced some slowdown in inflation to 17.8 per cent as compared to 19 per cent in 1983 while in the Asian region the inflation rate was the lowest at 6.9 per cent though slightly higher than in 1983. Thus, the trend in inflation in the developing countries as a group is largely attributable to some atypical developments in a few countries.

Uses of Fund Resources

The improvement in the external payments position of developing countries noticed in 1984 was reflected in a considerable reduction in the aggregate use of Fund (International Monetary Fund) resources which at SDR 7.3 bn. in 1984 was lower by 42 per cent in contrast to the 70 per cent increase to SDR 12.6 bn. recorded in 1983. Drawings under reserve tranche also declined by about 45 per cent from SDR 1.5 bn. in 1983 to SDR 0.8 bn. in 1984. With repurchases rising from SDR 2.0 bn. in 1983 to SDR 2.3 bn. in 1984, net purchases amounted to only SDR 5.0 bn., less than half of SDR 10.6 bn. in 1983 (Table XI-13).

The pattern of usage of the Fund resources during 1984 was not much different from that during 1983. Thus, drawings under conditional facilities like credit tranche (primarily, under stand-by arrangements) and the EFF accounted for the major portion (88%) of the aggregate drawings. Drawings under CFF stood at SDR 0.8 bn. in 1984, showing a fall of SDR 2.0 bn. from the level reached in 1983. Drawings under the BSFF continued to be negligible. While the persisting higher share of drawings under conditional facilities is indicative of the continuance of the process of strenuous adjustment efforts undertaken by the member countries, a sharp fall in drawings under the CFF followed a strong rebound in the growth of exports of debtor countries.

Table XI–13 : Fund Purchases and Repurchases

(Billion SDRs)

	1983	1984	January-June 1984	January-June 1985
1. **Total Purchases**[1]	12.6	7.3	4.4	1.9
Of which:				
Credit Tranche [2]	4.9	3.1	1.7	1.0
Extended Fund Facility	4.6	3.3	2.0	0.3
Compensatory Financing Facility	2.8	0.8	0.7	0.6
Buffer Stock Financing Facility	0.3	..	..	–
2. **Total Repurchases**	2.0	2.3	1.0	1.7
3. **Net Purchases**	10.6	5.0	3.4	0.2

1 Excludes purchases under the reserve tranche.
2 Includes purchases under stand-by arrangements.
– Nil.
.. Less than SDR 50 million.

There has been a further decline in the use of Fund facilities during the first half of 1985. During this period, total drawings (excluding reserve tranche) amounted to SDR 1.9 bn. as compared to SDR 4.4 bn. during the corresponding period of 1984. With total repurchases amounting to SDR 1.7 bn., net purchases during the first half of 1985 amounted to SDR 0.2 bn. only—significantly lower than SDR 3.4 bn. in the corresponding period of 1984.

The countries which made purchases under the credit tranche facility of more than SDR 100 million in 1984 were Chile, Ghana, Hungary, Kenya, Korea, Morocco, Panama, Portugal, Rumania, Turkey, Yugoslavia and Zaire and so far during 1985 were Argentina, Ghana and Yugoslavia. Those availing of CFF of more than SDR 100 million were Brazil and Korea in 1984 and Argentina in 1985.

The rate of charge on the use of the Fund's ordinary resources which was set at 7% per annum for the Fund's financial year beginning May 1, 1984 remained unchanged during the period under review. The rate of charge on drawings outstanding under the Supplementary Financing Facility (SFF) for less than 3½ years which was at 12.575% per annum for the first half of 1984 and 12.45% per annum for the second half was further lowered to 11.075% per annum for the first half of 1985. Like-wise, the rate of charge on drawings outstanding under the SFF for more than 3½ years was lowered from 12.575% per annum in the second half of 1984 to 11.20% per annum for the first half of 1985. The rate of charge on drawings under the Policy on Enlarged Access to Fund's Resources, which was raised from 10.67% per annum during the first half of 1984 to 10.97% for the second half of 1984 was lowered to 10.16% per annum for the first half of 1985.

Policy on Enlarged Access to Fund Resources and Limits to Special Facilities

The amount of financial assistance which members could obtain from the Fund is determined by guidelines adopted from time to time. The latest such review of guidelines regulating members' access to Fund resources under the policy on Enlarged Access was undertaken by the Interim Committee in September 1984, and it was decided that a member's potential access to the Fund's resources under the policy should be further reduced. Simultaneously, the Interim Committee also decided to restrict a member's access to total Fund resources in 1985. Accordingly, access to Fund's resources by members during 1985 is subject to annual limits of 95 or 115 per cent of quota (as against the previous limits of 102 or 125 per cent) three year limits of 280 or 345 per cent of quota (as against the previous limits of 306 or 375 per cent of quota) and cumulative limits of 408 or 450 per cent of quota net of scheduled repurchases (as against the previous of 500 per cent of quota) depending upon the seriousness of the member's balance of payments needs and the strength of the adjustment efforts. As before, all these limits are not regarded as targets or entitlements, and within these limits, the amount of access in individual cases may vary according to the circumstances of the member.

As regards special facilities, for 1985, a member's access under each of the two components of CFF—one relating to shortfalls in receipt from exports and the other relating to excess in the cost of cereal imports—has been retained at the 1984 level *viz.*, 83 per cent of quota for each component or 105 per cent of the quota for the two components together. A member's access to BSFF has also been retained at the 1984 level, *viz.*, 45 per cent of the quota. The guidelines will be reviewed before the end of 1985 and annually thereafter, in the light of all relevant factors, including the magnitude of a member's payments problems and developments in the Fund's liquidity position.

SDR Allocation and SDR Interest Rate

The question of an SDR allocation in the current basic period was discussed by the Interim

Committee in the April 1985 but, as in the two earlier meetings, the requisite support for a fresh SDR allocation was lacking. Though most members of the Committee emphasised the need for an allocation, a few members were not convinced. It was decided to continue the deliberations at its next meeting in October 1985.

The Group of 24 (G–24), representing the developing countries, however, at its meeting held in April 1985, reiterated their earlier stand that an annual allocation of SDR 15 billion in the fourth basic period was warranted and that it would be in conformity with the requirements of the Fund's Articles of Agreement also. The Group wanted the allocation plan to be approved immediately and to be continued beyond 1986, since three out of five years of the fourth basic period had already elapsed. They also reiterated the need for the establishment of a link between SDR allocation and development finance.

The issue of fresh allocation of SDRs was also discussed by the Group of Ten (G–10) Deputies in their Report on the Functioning of the International Monetary System submitted to G-10 at their meeting held in Tokyo in June 1985. The Deputies reported that, because of difference of opinion among themselves, they have not been able to reach a consensus on the issue.

The interest rate to be paid to holders of SDRs, and charges payable by the participants on cumulative allocation of SDRs, continued to be set at 100 per cent of the weighted-average interest rate of the chosen short-term instruments of the five countries whose currencies comprise the SDR valuation basket. The rate of remuneration to be paid by the Fund on a member's remunerated position with the Fund in the General Resources Account was set at 88.33 per cent of the rate of interest on holdings of SDRs for the period May 1, 1984 to January 31, 1985, at 90.00 per cent for the period February 1, 1985 to April 30, 1985 and at 91.66 per cent for the period May 1, 1985 to June 30, 1985. These changes were made in accordance with the decision taken in January 1984.

Period	Rate of remuneration (in terms of percentage of the rate of interest on holdings of SDRs)
1. May 1, 1984–January 31,1985	88.33 per cent
2. February 1, 1985–April 30, 1985	90.00 per cent
3. May 1, 1985–June 30,1985	91.66 per cent

The quarterly rates of interest of SDR and rate of remuneration for some recent quarters are presented in Table XI-14. With the decline in international rates, both the series showed a falling trend for the quarter ending December 1984 onwards.

International Reserves

The international non-gold reserves (foreign exchange, SDRs and reserve position in the Fund) increased further during 1984 with official holdings of reserve assets of all the Fund members and Switzerland at SDR 403.0 billion in 1984 showing a rise of 11.8 per cent as against 10.1 per cent in 1983. A major part of the increase (SDR 37.6 bn. or 89.5 per cent of the total) was in the form of foreign exchange. The balance was in the holdings of Fund related reserve assets (reserve position in the Fund and SDRs). As a result, the share of foreign exchange in non-gold reserves increased by one percentage point to 86 per cent at the end of 1984.

Significantly, a major portion of the increase in non-gold reserves in 1984 (SDR 22.6 bn. or 54 per cent) was grossed by developing countries as against SDR 19.6 bn. or 46 per cent being accounted for by industrial countries. In 1983, bulk of the total increase (62 per cent) in such reserves had accrued to industrial countries. Further, while the growth rate of reserves in respect of industrial countries fell from 11.1 per cent in 1983 to 9.7 per cent in 1984, that for developing countries rose from 8.9 per cent

to 14.5 per cent. Among the developing countries, however, there was a wide variation in the distribution of increased reserves. While developing countries in the Western Hemisphere, Asia and Europe as a group registered increases of 50.2 per cent, 13.9 per cent and 20.3 per cent, respectively, those in Africa and the Middle East as a group experienced contraction in reserves of 1.5 per cent and 4.8 per cent, respectively.

Component-wise, the industrial countries accounted for SDR 16 bn. or nearly 43 per cent of the increase of SDR 37.6 bn.in foreign exchange reserves, and the developing countires SDR 21.5 bn. or 57 per cent of the increase. Despite fresh accretion of foreign exchange reserves to the developing countries, their share in the total foreign exchange reserves in 1984 was 46.7 per cent as against 53.3 per cent of industrial countries. However, as compared to the position obtaining a decade ago, there was a definite improvement in the share of holdings of foreign exchange reserves of developing countries. In 1973, the ratio of holdings of foreign exchange reserves between developing and developed countries was 1:2 in 1984, it was nearly half-half.

Table XI–14 : SDR Interest and Remuneration Rates@

(Per cent per annum)

For the quarter ended	SDR interest rate	Rate of remuneration
June 1984	9.02	7.89
September 1984	9.44	8.33
December 1984	8.49	7.50
March 1985	8.33	7.46
June 1985	7.95	7.24

@ Effective August 1, 1983, both SDR interest rate and remuneration rate are being set on a weekly basis. The figures given above are averages of weekly rates.

As regards the developing countries, the relatively large expansion in foreign exchange reserves is associated mainly with the improvements in their current account positions and, to some extent, to their continued access to international financial markets. However, the experience of the various regions in the group was not uniform. While the group of countries in Western Hemisphere reported an increase in their holding of foreign exchange reserves of SDR 14 bn. (out of a total increase of SDR 21.5 billion for developing countries) and Asian countries of SDR 10 billion, Middle Eastern countries reported a decline in their holdings by SDR 4.2 bn. Changes in foreign exchange reserves holdings in other regions were significantly smaller.

In 1984, Fund-related reserve assets increased by SDR 4.5 bn. to SDR 58 bn. This increase was almost equally divided between the reserve position in the Fund (SDR 2.5 bn.) and holdings of SDRs (2.1 bn.). Increased holdings of Fund-related reserve assets was reported by both industrial and developing countries. Industrial countries increased their holdings by SDR 3.5 bn., with the United States experiencing the largest individual accumulation of SDR 1.9 bn. Developing countries increased their holdings by SDR 0.9 bn. This expansion largely reflected an increase in Saudi Arabia's reserve position in the Fund resulting from additional Fund borrowings from that country. As a result of these changes, industrial countries held 70 per cent of total Fund-related reserve assets at the end of 1984, while developing countries held the remaining 30 per cent.

The increase in reserves witnessed during 1984 was halted and as on June 30, 1985, non-gold reserves of all countries amounted to SDR 403.3 bn., almost the same level as at the end of December 1984. Country-group wise, while the non-gold reserves of industrial countries had shown a rise of 1.3 per cent, those of developing countries had shown a fall of 2.8 per cent.

International Trade and Payments

The improvement in world trade noticed in 1983 continued through 1984 with volume of trade increasing by 9.0 per cent, as compared to growth of only 2.1 per cent in 1983. This rate of increase in 1984 was the highest in the last eight years and higher by 1.1 percentage point than the average for 1967-76. Though growth in the volume of trade was widely spread, almost one-half of the increase, according to GATT estimates, is attributed to increased imports into the US.

The increase in the volume of trade was partly neutralised by the fall in the unit value in US dollars, resulting from the continued appreciation of the US dollar. As a result, the increase in the value was only 6.5 per cent in 1984.

Practically all major commodity groups contributed to the overall increase in the volume of world trade. Exports of manufactures registered the highest growth of 12 per cent and those of minerals and agricultural products increased by 5 per cent each. Among manufactures, exports of electronic products expanded by nearly 25 per cent. While exports of textiles and clothing by the industrial countries increased by less than 5 per cent, those of the developing countries rose by about 25 per cent. Imports of clothing into the USA which absorbs about one-half of clothing exports from developing countries increased by nearly 40 per cent.

Country-group-wise, both industrial and developing countries recorded striking increases in their volume of exports of 9.9 per cent and 8.0 per cent, respectively. The recovery in industrial countries, particularly in the US, was responsible for the sharp increase in exports of developing countries as well. However, the pattern of growth varied in developing countries. While exports of fuel exporting countries increased by 2.5 per cent in 1984 against a decline of 5.7 per cent in 1983, that of non-fuel exporting countries improved by 12.0 per cent on top of an increase of 6.2 per cent in 1983.

Mainly as a result of the vigorous recovery in the US, the volume of imports of industrial countries increased by 12.2 per cent in 1984, roughly three times the rate of increase in 1983. Increase in the volume of imports of developing countries, at 2.5 per cent was relatively much smaller. As between the fuel and non-fuel exporting countries, imports of the former declined further by 4.9 per cent in 1984 over and above a contraction of 12.9 per cent in 1983, reflecting sluggishness in their economies, whereas imports of the latter increased by 5.9 per cent signifying strong growth in their economies.

Despite the buoyancy of trade, its unit value, in terms of US dollar declined for the fourth successive year, reflecting mainly the continued appreciation of the US dollar. The decline was, however, limited to manufactures and oil; the unit value of non-oil primary commodities in fact rose by 2.5 per cent on a year-over-year basis. However, both the fall in prices of manufactures and oil and the increase in the prices of primary commodities were at a slower pace than in 1983. While prices of manufactures and oil declined by 3.0 per cent and 1.9 per cent in 1984 as compared to 4.1 per cent and 12.3 per cent in 1983, respectively, the increase in prices of primary commodities was just one-third o the rise of 7.8 per cent noticed in 1983.

The price movements affected the terms of trade of various country groups differently. The terms of trade of industrial countries deteriorated marginally by 0.2 per cent during 1984 after improving during the preceding two years but those of developing countries improved marginally by 0.3 per cent after weakening during preceding two years. Among developing countries, the terms of trade of non-fuel exporting countries as a group improved for the second year in succession, though the improvement was much too modest when compared with the deteriorations recorded since 1978.

As a result of the high rate of growth in imports relative to exports, the current account deficits (including official transfers) of the in-

dustrial countries as a group, which had declined marginally to $19.4 billion in 1983, shot up to $58.3 billion in 1984.

This, in the main, is attributable to the current account deficit of the US which worsened by about $60 billion to $101.6 billion in 1984; this was partly offset by the $14 billion increase in the surplus recorded by Japan. Changes in the external payments position of other major industrial countries were relatively small. Among them, Germany increased its surplus from $4.1 billion in 1983 to $6.3 billion in 1984, while in the UK the surplus contracted for the third year in succession, this time from $3.5 billion to $0.3 billion. On present indications, the current account deficit of industrial countries as a group is projected to increase further to $73.5 billion in 1985. The deficit in the US is projected to grow by another $23 billion to around $124.0 billion; this will be partially offset by the likely increase in surpluses of over $4.5 billion projected for both Japan and Germany.

The developing countries were able to further improve their external position due partly to continuation of recovery in the industrial countries and partly to their own sustained adjustment efforts. Their combined current account deficit on account of goods and services and private transfers, which had contracted from about $100 billion in 1982 to $71 billion in 1983, declined to $43.9 billion in 1984. It is projected to increase to $44.2 billion in 1985. The improvement in current account position was shared by practically all groups of developing countries, whether classified by regions or analytical criteria. By analytical groups, the fuel exporting countries were able to cut down their combined current account deficits from $17.0 billion in 1983 to $5.7 billion in 1984 mainly by demand management in respect of imports. The deficit of these countries is expected to increase to $8.9 billion in 1985 in view of the projected increase in volume of their imports by 2.5 per cent as against a decline of 4.9 per cent in 1984 and slow down in the rate of growth of exports.

The combined current account deficit of the non-fuel exporting countries declined much more substantially, from $53.6 billion in 1983 to $38.2 billion in 1984 reflecting a strong pick up in their exports. In view of the projected sharper growth of exports relative to imports, the combined deficit of these countries is expected to decline further to $35.3 billion in 1985. The combined deficits of market borrowers declined substantially from $29.8 billion in 1983 to $8.4 billion in 1984, while that of official borrowers increased marginally from $15.4 billion in 1983 to $16.8 billion in 1984.

As a result of substantial increase in exports of developing countries and their adjustment efforts, the ratio of the weighted average of their current account deficits to exports of goods and services declined from 10.7 per cent in 1983 to 6.3 per cent in 1984. The improvement was shared by both the fuel and non-fuel exporting countries. While the ratio in the case of the former dropped from 6.4 per cent in 1983 to 2.1 per cent in 1984, in case of the latter it declined from 13.6 per cent to 8.9 per cent. However, if countries are classified by financial criterion, while the ratio declined substantially from 8.3 per cent in 1983 to 2.1 per cent in 1984 in the case of market borrowers, the ratio increased from 44.1 per cent to 46.3 per cent in the case of official borrowers. The relatively better performance of market borrowers was due to the fact that these countries are exporters of manufactures which benefited most from the recovery in the world trade. In the case of official borrowers, on the other hand, some countries recorded a fall in output which affected adversely the availability of export surpluses.

Along with the sharp decline in the current account deficit of the indebted developing countries, there has been significant change in the pattern of financing it. The non-debt creating flows of indebted developing countries showed a marginal decline from $22.9 billion in 1983 to $22.7 billion in 1984. While the amount of official transfers increased from $12.9 billion in 1983 to $13.1 billion in 1984, direct

investment declined from $9.9 billion to $9.1 billion. The non-oil indebted developing countries observed restraint in financing their current account deficit by drawing down their foreign reserves. Their use of Fund's credit also became less important, declining from $10.6 billion in 1983 to $5.3 billion in 1984.

Non-oil indebted developing countries reduced their net external borrowings from $58.1 billion in 1983 to $45.3 billion in 1984. They were also able to reduce their dependence on Fund-credit from $10.6 billion in 1983 to $5.3 billion in 1984. However, their overall dependence on official transfers increased from $12.8 billion to $13.0 billion. As a result, the share of official transfers in overall financing increased from 24.6 per cent in 1983 to 34.3 per cent in 1984. On the other hand, direct investment flows decreased from $9.1 billion in 1983 to $8.6 billion in 1984. An important development in financing the current account deficits by non-oil indebted developing countries was the substantial decline in credit from banks. The flow from banks declined by more than $19.0 billion, from $41.2 billion in 1983 to $21.8 billion in 1984.

The current account deficits of indebted low-income countries increased from $8.6 billion in 1983 to $10.8 billion in 1984 for the financing of which they depended almost entirely on official creditors. The long term borrowings from official creditors increased from $7.1 billion in 1983 to $9.9 billion in 1984.

On the basis of available indicators the current account deficits of indebted developing countries may increase slightly to $38.2 billion in 1985. The financial flows from banks are also expected to rise to more than $31.0 billion. The role of Fund-credit for financing current account deficits of indebted developing countries, however, may decline further in 1985.

Resource Flows

The flow of total external resources (at 1983 prices and exchange rates) to the developing countries, which had declined by $10.7 billion to $96 billion in 1982, increased to $105 billion in 1983. The rise in 1983 was entirely due to an increase in non-concessional flows of about $9 billion to $69.1 billion. As a result, its share in total external flows increased from 62.5 per cent in 1982 to 65.7 per cent in 1983, with a corresponding fall in Official Development Assistance (ODA), and the share of grants by private voluntary agencies remaining around 2 per cent.

The increase of $9 billion in non-concessional flows in 1983 was entirely accounted for by bank lendings which increased by $15 billion to $41 billion in 1983. As a result, its share in total flows rose sharply from 26.9 per cent in 1982 to 39.0 per cent in 1983. This was partly offset by declines of $2 billion and $4 billion in export credits, particularly private export credits from Development Assistance Committee (DAC) and direct investment, respectively. The total assistance under ODA in 1983 of $33.8 billion was almost the same as in 1982, the flows from multilateral agencies and bilateral sources being maintained at around $7.5 billion and $26.2 billion, respectively.

Country-group wise, net disbursement of ODA by DAC at $27.5 billion in 1983 was maintained more or less at the 1982 year level ($27.6 billion). There was, however, marginal decline in net ODA disbursements from OPEC countries from $5.8 billion in 1982 to $5.4 billion in 1983 mainly because of a fall in assistance from Saudi Arabia.

In contrast to an increase of $9 billion in 1983, preliminary data indicate a fall in total net flows of external resources of $10 billion to $95 billion in 1984, thus bringing the overall flows to more or less at the 1982 level. The decline in aid flows was accounted for mainly by non-concessional flows, with ODA and grants by private voluntary agencies showing some increases. The net effect of changes in the com-

position of assistance was that the share of non-concessional flows declined from 65.7 per cent in 1983 to 59.8 per cent in 1984 while that of ODA increased from 32.1 per cent to 37.5 per cent. The decline in non-concessional flows was mainly due to a steep cut back of 39 per cent in bank lendings which declined by $16 billion to $25 billion. The drop in bank lendings reflects high level of interest rates, on the one hand, and the fact that the creditworthiness of the borrowers had suffered in the eyes of the banks, stemming as it was from the debt problems in the developing world. Direct investment and export credits increased by $1.7 billion and $1.9 billion, respectively.

The total flows of ODA, as stated earlier, increased from $33.8 billion in 1983 to $35.7 billion in 1984. However, the level of flows was still lower than $36.2 billion in 1981. The increase in ODA in 1984 was mainly from DAC countries resulting from the aid expansion plans of some DAC countries, and also from emergency efforts for drought stricken countries in Africa. Though ODA flows from DAC countries showed an increase in 1984 in absolute terms, in relation to GNP, it was static at 0.36 per cent — the level reached in 1981-82 (average). While the contribution of U.S.A. — the main donor — remained unchanged at 0.24 per cent of its GNP, that of Japan — the second largest donor — increased from 0.32 per cent in 1983 to 0.35 per cent in 1984 (Table XI-15).

As regards flow of resources from OPEC countries, there was a further curtailment, both in absolute terms and in relation to GNP. While net disbursements in 1984 were lower at $4.5 billion when compared with $5.4 billion in 1983, as a proportion of their combined GNP, these came down from 1.04 per cent in 1983 to 0.86 per cent in 1984. This was the fourth successive year when the resource flows by OPEC countries have been curtailed. In fact, in 1984, the flow of resources from OPEC countries was not even half of what it was in 1980. Resource flows from Saudi Arabia, the fourth largest source of resource flows to developing countries after the US, Japan and France, declined from $3.7 billion in 1983 to $3.3 billion in 1984, but in relation to GNP it was at 3.3 per cent — the same level as in 1983. Kuwait maintained its net disbursements in 1984 at the 1983 level of $1 billion.

Table XI–15 : ODA Performance of Donor Countries

Countries showing an increase of ODA as % of GNP			Countries showing decrease of ODA as % of GNP		
	1983	1984		1983	1984
Austria	0.23	0.28	Australia	0.49	0.45
Canada	0.45	0.50	Belgium	0.60	0.56
Denmark	0.73	0.85	Germany	0.48	0.45
Finland	0.32	0.36	New Zealand	0.28	0.27
France (Incl/DOM/TOM)	0.74	0.77	Norway	1.09	0.99
France (Excl/DOM/TOM)	0.48	0.52	Sweden	0.84	0.80
Italy	0.24	0.32	Switzerland	0.31	0.30
Japan	0.32	0.35	U.K.	0.35	0.33
Netherlands	0.91	1.02	Kuwait	3.86	3.81
			USSR	0.19	0.18
Countries showing no change					
Saudi Arabia	3.29	3.29			
USA	0.24	0.24			

Source : OECD Press Release.

Developments in Exchange Rates of Major Currencies

The international exchange markets depicted greater instability during 1984-85, and in the following quarter. Some efforts at concerted interventions by major industrial powers to smoothen wide fluctuations in exchange rates over certain periods had limited impact. The US dollar continued to strengthen and much more strongly in relation to major international currencies, almost till the end of February 1985. The long expected decline in the US dollar was clearly in evidence during March and April 1985. After a period of narrow movements in May and June, the US dollar slid again in July 1985. The Deutsche mark (DM), the pound sterling and the French franc appreciated markedly against the US dollar from end February 1985 onwards, from the very low levels reached in that month. The appreciation of the Japanese yen, however, was less spectacular.

The continued strength of the US dollar remained the dominant factor in exchange markets during 1984 and the early part of 1985 although by mid-1985 the dollar had fallen back somewhat from its earlier heights. Its appreciation in 1983 and 1984 took place despite growing US current account and budget deficit, and stemmed mainly from high real interest rates, a decline in inflation, strong US economic recovery and above all a perception of the US as a 'safe haven' for funds. The US followed a tight monetary policy and an easy fiscal policy which resulted in high nominal and real interest rates which, in turn, attracted large capital inflows. Other factors which contributed to the strength of US dollar were: (i) increased borrowings abroad by the US corporations and banks, (ii) a shift in the banks' international lending away from new credits to developing countries to credits to the US economy, (iii) liberalisation and internationalisation of Japanese financial markets leading to an upsurge of capital flows from Japan to the US, and (iv) the abolition of the US withholding tax on interest earned by non-resident investors in Government and Corporate securities which became effective from July 1984. The weakness of economic recovery in Western Europe, and the relatively low interest rates, particularly in Germany, also encouraged outflow of funds at a time when there was strong demand for resources in the USA.

On a monthly average basis, the US dollar gained during the year to March 1985 over 30 per cent against the pound sterling (as against a gain of 2.4 per cent in 1983-84), over 26 per cent against the French franc (14 per cent), nearly 28 per cent against the DM (7.8 per cent) and 15 per cent against the Japanese yen (while it depreciated by 5 per cent in 1983-84). In nominal effective terms, the US dollar gained 21 per cent during the year.

The slide down in the US dollar which began in late February 1985 reflected the weakness in the US economic activity and the resultant decline in domestic interest rates. The large fiscal deficit and further deterioration in current account deficit seem to have unnerved some investors. The higher interest rates available on pound sterling investments might have also diverted some funds to the UK. In the result, during the three month period April-June 1985, the US dollar eased by 13 per cent against the pound sterling, by nearly 8 per cent against the French franc, by 7 per cent against the DM, and by 4 per cent against the yen.

The Japanese yen which had started depreciating against the US dollar in May 1984 continued its downward march during the period under review. It would be recalled that on May 30, 1984, Japan and the US had agreed on a set of measures under which Japan was to deregulate its interest rates, liberalise its domestic capital market and allow foreign institutions greater access to Japanese financial markets. These measures seem to have contributed to a considerable upsurge of capital exports from Japan to the US boosting the dollar and depressing the yen exchange rate. However, the Japanese yen continued to move up against the

major continental currencies. On a monthly average basis, the Japanese yen gained nearly 14 per cent against the pound sterling (as against 8 per cent in 1983-84), over 10 per cent against the French franc (21 per cent) and 11 per cent against the DM (14 per cent) over the year ended March 1985. The strength of the yen during the period may be attributed to: (1) a high rate of economic growth, (ii) a low inflation rate, (iii) increased trade and current account surpluses and sustained domestic consolidation measures. During the three month period ending June 1985, the trend in the movement of exchange rate of yen against the major currencies got reversed. While the yen appreciated against the US dollar by 4 per cent, it depreciated against the pound sterling by 9 per cent and against the DM and the French franc by 4 per cent each.

The Deutsche mark (DM) generally remained weak during 1984-85 against major international currencies, except the pound sterling. In fact, in the month of March 1985, DM touched 13-year low of 3.3092 marks per US dollar. Over the year, it eased nearly 22 per cent against the US dollar (7 per cent in 1983-84), by 10 per cent against the Japanese yen (12 per cent) and one per cent against the French franc (as against appreciation of 6 per cent in 1983-84). It, however, appreciated by over 2 per cent against the pound sterling (while it depreciated by 5 per cent in 1983-84). In nominal effective terms the DM declined by 7 per cent over the year. The dominant factor which contributed to a fall in the value of DM was the adverse interest rates differential particularly in relation to the rates in the US and many EMS countries. The interest rates were kept low to stimulate the economy but these encouraged outflow of funds and put pressure on the DM. Over April-June 1985 quarter, the DM evinced a mixed trend against major currencies. It appreciated by 8 per cent against the US dollar and by 4 per cent against the Japanese yen. It, however, depreciated against the pound sterling by 6 per cent due to rise in interest rates in UK, since January 1985.

During 1984-85, the pound sterling eased in relation to all major international currencies. In fact, the pound sterling fell to a record low of US $1.0961 per pound sterling in the month of February 1985. During the 12 months to March 1985, it lost 23 per cent against the US dollar (2 per cent in 1983-84), 12 per cent against the yen (8 per cent), 2 per cent against the DM (appreciation of 5 per cent) and 3 per cent against the French franc (appreciation of 12 per cent). In nominal effective terms it dropped by 9 per cent. The UK Government's intention to keep interest rates low for domestic economic reason was the decisive factor for the downward pressure on pound during 1984-85. Other factors which pushed the pound sterling down were: (i) weakness in oil prices, (ii) prolonged miners' strike, (iii) strong US dollar, and (iv) the perception in exchange markets that financial policies were being relaxed in the UK.

During the three months to June 1985, the pound sterling rebounded strongly and gained 14 per cent against the US dollar, 10 per cent against the yen, 6 per cent each against the French franc and the DM. The interest rate differential in favour of the pound sterling as a result of a rise in domestic rates and a decline in interest rates in some major countries attracted funds to the UK. The weakness of the US dollar from March 1985 also helped the pound sterling as operators shifted the funds into pound sterling.

The French franc evinced a mixed trend during the period under review. While it eased sharply by 21 per cent against the US dollar (12 per cent in 1983-84) and moderately by 9 per cent against the yen (17 per cent), it appreciated by 3 per cent against the pound sterling (had depreciated by 10 per cent) and marginally by 1 per cent in relation to the DM (had depreciated by 6 per cent). In the next three months ended June 1985, the French franc recovered some of the lost ground against the US dollar and the yen but had depreciated against the pound sterling. Thus, during this quarter, while the French franc gained over 8 per cent against the US dollar and 4 per cent

against the yen, it lost 6 per cent against the pound sterling.

Gold in International Markets

The downward pressure on gold prices noticed during the previous year continued during the year under review, except for spells of recovery occuring during May 1984, August 1984 and March 1985. The overall attitude of speculators and investors was subdued mainly by the continued strength of the US dollar. The market sentiment was also influenced by the persistence of allied factors like the higher interest rates in the US, weakening of oil market, moderate inflation in industrial countries and a higher level of gold production during the year.

Prices of gold in the London market declined from $388.50 per fine ounce as at end March 1984 to $375.80 per fine ounce at end April 1984 and after rising to $384.25 by end May 1984, following escalation of war between Iran and Iraq, started sliding down from June 1984 onwards to reach a low of $287.75 in February 1985 representing an overall decline of $100. Though prices rose sharply by $41 to $329.25 in March 1985 following a fall in the value of US dollar against other currencies, they again slided back to $317.75 in June 1985. Over the year ending June 1985 gold prices in the London market showed a decline of $55 or of 15 per cent.

The movements in the price of gold in international markets are discussed in detail in Chapter VI of the Report.

External Debt of the Developing Countries

The deceleration in the rate of growth of external debt of developing countries noticed in 1983 continued during 1984. Their outstanding external debt (excluding debt owed to the Fund) rose by nearly 5 per cent or by $37 billion to $828 billion in 1984 as compared to a rise of 6 per cent or $44 billion to $791 billion in 1983 and of 13 per cent in 1982. The ratio of debt outstanding to exports of goods and services also declined despite the adverse impact of the dollar's appreciation on current receipts. The fall in debt/export ratio from 158 per cent in 1983 to 151 per cent in 1984, the first decline since 1980, is mainly attributed to slow growth of net borrowings, coupled with increase in export earnings. As a proportion of GDP, however, external debt increased from 35.6 per cent in 1983 to 36.3 per cent in 1984. Though their external debt outstanding is projected to be around $865 billion (an increase of 4.5 per cent) in 1985, as a ratio of exports, it may slidedown further to 148.5 per cent in 1985.

The declining trend in the rate of growth of debt may be attributed to the sharp decline in the financing requirements reflecting, in the main, the reduction in current account deficits on the one hand, and the increase in cost of borrowing from international markets on the other; erosion in the confidence of banking sector in the repayment capacity of indebted countries also acted as a dampner.

The slowdown in the growth of external debt of developing countries notwithstanding, attention remained focussed on restructuring and rescheduling of debt in order to reduce the debt service payments. During 1983 and 1984, 33 agreements were negotiated involving 25 countries; a further 9 countries were in the process of negotiating the agreements in early 1985. In addition, 23 countries obtained 29 official debt reschedulings mostly through the Paris Club mechanism compared with 15 countries and 21 debt reschedulings during the period 1975-82. In 1983 and 1984, 32 countries rescheduled a total of $168 billion of their external debt owed to commercial banks and official agencies. A significant development was the softening in terms of reschedulings. The spreads of borrowing rates over LIBOR on rescheduled debt which ranged from 1.9 to 2.5 per centage points in 1982 and 1983, contracted to 1.5 and 2.0 percentage points in 1984. In addition, rescheduling fees were reduced in 1984 and maturity and grace periods were lengthened.

As a result of reschedulings, amortisation

payments were lower by $17.5 billion in 1983 and $ 23 billion in 1984 than what they would otherwise have been. It is expected that these payments would be further reduced by $29 billion in 1985. Despite the substantial relief provided by restructuring operations, the debt service burden of developing countries in absolute terms remained high in 1984. In fact, the debt service payments increased by $12 billion to $123 billion in 1984 as against a decline of $13 billion recorded in 1983. The debt-service ratio which had declined from 24.6 per cent in 1982 to 22.2 per cent in 1983 also increased again to 22.5 per cent in 1984, reflecting primarily the beginning of sizeable principal repayments of heavy borrowings in 1980-82. The debt-service ratio is expected to increase further to 23 per cent in 1985.

VII. Developments in Exchange Control

Expert Committee on Exports and Imports

Reference was made in the last year's Report about the Report of the Expert Committee on Exports and Imports appointed by the Bank under the Chairmanship of Shri M.S. Patwardhan. In pursuance of recommendations of this Committee, following major relaxations were introduced from September 1984.

A. Exports on normal or 'cash' terms

i) The methods prescribed for realisation of export proceeds have been relaxed in respect of exporters of semi-precious stones, non-gold jewellery, handicrafts artware, etc. They are now permitted to receive payment by means of bankers' cheques/drafts or pay orders issued by overseas banks upto a value of U.S.$ 10,000 or its equivalent.

ii) Exporters holding blanket permits issued under the RBI Scheme for exports or the Import Trade Control Scheme have been permitted to accept demands of their overseas importers for reduction in the value of any export shipment upto 10 per cent of its invoice value or Rs.10,000/- whichever is less, subject to compliance with prescribed conditions and a report to Reserve Bank of India through the authorised dealer concerned.

iii) Powers have been delegated to authorised dealers to remit agency commission or to allow its deduction from the invoice value of a shipment in respect of export transactions handled by them, upto a ceiling of Rs.25,000/- in respect of items included in the 'non-select' list of export products and upto Rs.50,000/- in respect of items included in the 'select' list of export products, provided that the rate of commission paid is within the ceilings prescribed by RBI for different items of exports.

iv) In case of exporters holding blanket permits under the ITC Scheme authorised dealers have been permitted to remit on behalf of their exporter customers, amounts towards quality claims upto 10 per cent of the invoice value of an export shipment or Rs.20,000/- whichever is less, subject to compliance with prescribed conditions.

B. Export of engineering goods on deferred payment terms, turnkey contracts and civil construction contracts

i) Till October 1984, authorised dealers were permitted to grant pre-bid clearance for proposals for export of engineering goods on deferred payment terms, turnkey projects and civil construction projects provided the value of the bid or offer did not exceed Rs.1 crore. With effect from November 1, 1984, this limit has been raised to Rs.2 crores.

ii) Having regard to the Export Import Bank of India's (EXIM Bank) role and responsibility in the area of 'project

exports', powers have been delegated to the EXIM Bank to grant pre-bid clearance for export proposals upto the value of Rs.5 crores, subject to compliance with terms and conditions prescribed by RBI.

iii) Since large value service contracts for erection or installation of heavy equipment/machinery/plants are found to require a variety of fund-based as well as non-fund-based facilities from the Indian financial institutions and banking system, it was decided that with effect from November 1, 1984 all offers for undertaking export of managerial, technical and contracting services from India should be submitted to the inter-institutional Working Group for prior clearance. Overseas service contracts undertaken by Indian Contractors which do not need any export credit or guarantee facilities from the Indian banking system would not, however, need such pre-bid clearance.

C. Imports into India

i) As from September 1, 1984 authorised dealers are permitted to remit in advance, where necessary, the full value of any commercial import upto US.$1,000/- or its equivalent subject to Import Trade Control regulations. In the case of imports by post and import of books, the monetary limit for advance remittances has also been enhanced from US $1,000/- to US $2,000/- per parcel.

ii) In respect of private imports, the regulations have been liberalised to allow authorised dealers to effect remittances towards the cost of import of complete instruments and gadgets where they are required for bonafide personal use of the importers, provided such imports are permitted under the prevailing ITC regulations.

iii) The work relating to follow-up of documentary evidence in support of import of goods into India which was hitherto substantially monitored by Reserve Bank has been delegated to authorised dealers with effect from September 1, 1984. Under the revised procedure, documentary evidence in the form of customs certified exchange control copies of bills of entry and post parcel wrappers are not required to be forwarded to Reserve Bank. Authorised dealers have, however, to scrutinise them and report periodically to Reserve Bank, in the form of a prescribed statement, where the importers have failed to submit the required documentary evidence in spite of usual follow up by the bankers, Reserve Bank has to follow up these cases with the defaulting importers and initiate suitable corrective action in respect of persistant defaulters.

Working Group on Exchange Control and Committee on Non-resident Indian Investment

Reserve Bank has constituted, with the concurrence of Government of India, a Working Group to review the Exchange Control policies and regulations and to suggest such changes as might be considered necessary to meet the changing requirements and to give a fillip to the country's drive in key areas like exports and investment by non-resident Indians. The Working Group is headed by the Deputy Governor; the other members of the Group are from the Reserve Bank and the Government of India.

Reserve Bank has also constituted, with the concurrence of the Government of India, a broad-based Committee headed by the Executive Director in charge of the Exchange Control Department to review the existing procedures relating to various facilities available to non-residents of Indian nationality or origin for investment in India and to suggest measures for further simplification of the procedure followed by Reserve Bank and authorised dealers.

Exchange Rate Changes

Following fluctuations in the exchange rates of major international currencies, the exchange rate between the Indian Rupee and Pound Sterling, which is the intervention currency, was changed 164 times during the period July 1984 to June 1985. The highest middle rate per Pound was Rs.16.15 on 19th June 1985 and the lowest middle rate per Pound was Rs.13.90 on 27th February 1985.

Rouble-Rupee Exchange Rate

In terms of the protocol of November 25, 1978 between India and the U.S.S.R., the Rouble-Rupee exchange rate in respect of credit agreement and commercial transactions was revised to Rouble 1=Rs.10.9934 effective October 25, 1984 from Rouble 1=Rs.10.6728 which was in force from July 29, 1984. The rate was revised to Rouble 1=Rs.11.3442 effective February 15, 1985 and further revised to Rouble 1=Rs.10.9917 with effect from July 13, 1985. Simultaneously, the Rouble-Rupee rate for contracts concluded under the Deferred Payments protocol of April 30, 1981 between India and the U.S.S.R. relating to deliveries of machinery and equipment from the U.S.S.R. to India was revised to Rs.11.6192 per Rouble with effect from October 25, 1984 from Rs.11.2803 per Rouble (effective July 29, 1984) and to Rs.11.9900 per Rouble with effect from February 15, 1985 and further revised to Rs.11.6174 with effect from July 13, 1985.

Scheme for Composite Allocation of Foreign Exchange (CAFEX Scheme)

In order to obviate the need for certain categories of companies/firms which do not satisfy the principal criterion for issue of blanket exchange permits but nevertheless have to regularly depute their representatives abroad in connection with their normal business activities to apply to Reserve Bank on individual occasions for release of exchange for undertaking business visits abroad, Reserve Bank has introduced, with effect from February 1, 1985, a new scheme known as "Composite Allocation of Foreign Exchange (CAFEX) Scheme" under which block allocations of foreign exchange valid for one year are made in favour of eligible companies/firms which are not eligible for blanket permit facility but have been released foreign exchange for minimum of Rs.1 lakh against *ad hoc* exchange permits during the calendar year immediately preceding the date of application for meeting expenditure on business travel abroad.

Maintenance of 'Nostro' Accounts and positions in European Currency Unit (ECU) by authorised dealers

As the ECU comprises currencies most of which fall under the group of 20 'permitted' currencies approved by Reserve Bank of India for Exchange Control purposes and is freely convertible into any one of them, Reserve Bank has allowed authorised dealers since January 21, 1985 to maintain balances and positions abroad in ECU. The ECU can also be used by Indian importers and exporters for the purpose of contracting with their overseas counterparts and settlement of transactions.

Export of semi-precious stones when inlaid in handicraft items

With a view to encouraging export of handicraft items studded or inlaid with semi-precious stones, Reserve Bank has granted general permission to take or send out of India semi-precious stones when inlaid in a handicraft item, provided the value of such semi-precious stones does not exceed ten per cent of the f.o.b. value of the handicraft item in question. Export of semi-precious stones in excess of 10 per cent of the f.o.b. value of the handicraft items inlaid with the stones requires prior approval of Reserve Bank.

Sundry Remittances

Powers have been delegated to authorised dealers to make remittances for specified purposes on behalf of residents, upto monetary

ceilings prescribed by the Reserve Bank. The monetary ceilings in respect of certain items have been enhanced as under with effect from July 16, 1984.

Purpose	Previous limit (in US $ or its equivalent)	Enhanced limit (in US $ or its equivalent)
i) Admission fees (for educational purposes)	50	100
ii) Arbitration fees	50	200
iii) Correspondence course fees	100	300
iv) Examination fees (for educational purposes)	100	200
v) Export information	50	200
vi) Membership fees for scientific and technical institutions abroad on account of individuals	200	300
vii) Patent/Trade Mark fees	100	1000
viii) Publication charges (for printing and publication of scientific/technical articles in foreign journals)	100	200
ix) Purchase of copyright materials and newspictures	50	100

Permission to SCBs and UCBs to open Non-Resident Rupee Accounts

Following requests from State Co-operative Banks and Urban Co-operative Banks, which do not hold licences under the Foreign Exchange Regulation Act to deal in foreign exchange Reserve Bank has decided to allow them to open and maintain Non-Resident (External) Accounts and Ordinary Non-Resident Accounts in Rupees on behalf of non-residents of Indian nationality or origin as well as overseas corporate bodies owned to the extent of at least 60 per cent by such non-residents. While all State Co-operative Banks are covered by the Scheme, only those Urban Co-operative Banks which have a minimum working capital of Rs.10 crores as per their latest balance sheets plus an 'A' audit classification conferred by the Registrars of Co-operative Societies for at least two consecutive years prior to the date of application are eligible to apply to Reserve Bank for grant of an authorisation to maintain the non-resident rupee accounts.

Opening of liaison offices in India by overseas companies

Under the existing policy, overseas companies which are engaged in export-import trade with India are allowed to open liaison/representative offices in India for carrying on purely liaison activities, subject to certain conditions. During the year ended June 30, 1985, 41 companies incorporated abroad have been allowed to open new liaison/representative offices in India.

Sale of Foreign Currency notes and coins to Outgoing Travellers

The facility of sale of foreign currency notes and coins to outgoing travellers at airports/docks upto a limit of US $20 or its equivalent per person to travellers proceeding outside India, other than those proceeding to Bangladesh, Bhutan and Nepal has been relaxed and with effect from January 15, 1985, such travellers are given the option of obtaining foreign currency notes/coins equivalent of US $20/- from any branch/office of an authorised dealer or full-fledged money changers functioning within the city/town area.

Sundry Remittances

Authorised dealers, at present, are authorised to allow remittances upto US $3,000 per annum towards advertisement abroad through any media, other than radio, to foreign publishers of trade directories, newspapers, periodicals or advertising agencies, provided the advertisements are aimed at promoting exports. This facility is now extended to Indian companies/firms, which desire to insert their names and addresses/telex numbers in international telex directories for improving their prospects in the export markets. Authorised Dealers may now allow remittances towards the cost of insertion of names/addresses/telex numbers in reputed

international telex directories by certain categories of advertisers. However, such remittances should be within the annual limit of US $3,000 towards advertisement abroad as mentioned above.

Sale of Foreign Currency Notes/coins

With effect from May 23, 1985, the limit of US $500 or equivalent applicable to sales of foreign exchange by authorised dealers and authorised money changers to travellers in the form of foreign currency notes and coins within the overall allotment under any single Reserve Bank permit/authorisation should be reduced to US $100. The revised limit of US $100 or equivalent will also apply to passengers travelling under FTS. In the case of passengers travelling under NTS, the sale of exchange in the form of foreign currency notes and coins is restricted to US $50.

Exchange Rates for purchase and sale of U.S. Dollar notes

It has been decided that the maximum spread between the buying and selling rates for U.S. dollar notes should be raised from 40 paise to 50 paise, i.e., 25 paise on either side of the base rate, namely, the Reserve Bank's U.S. dollar (spot) buying rate for the previous day.

Asian Clearing Union

With effect from July 15, 1985, all oil payments between India and other member countries (except Nepal) shall be compulsorily settled throgh the Asian Clearing Union (ACU) mechanism.

ANNEXURE:

R.B.I's Spot Rate for Purchases and Sales of Pound Sterling

Date	Buying Rate		Selling Rate		Middle Rate
	£ per Rs. 100/-	Rupees per £ 1	£ per Rs. 100/-	Rupees per £ 1	Rupees per £ 1
1	2	3	4	5	6
March 27, 1984	6.4475	15.51	6.4144	15.59	15.55
April 2, 1984	6.4683	15.46	6.4350	15.54	15.50
April 3, 1984	6.5104	15.36	6.4767	15.44	15.40
April 4, 1984	6.4893	15.41	6.4558	15.49	15.45
April 6, 1984	6.5317	15.31	6.4977	15.39	15.35
April 9, 1984	6.4893	15.41	6.4558	15.49	15.45
April 11, 1984	6.4683	15.46	6.4350	15.54	15.50
April 16, 1984	6.4893	15.41	6.4558	15.49	15.45
April 19, 1984	6.5104	15.36	6.4767	15.44	15.40
April 25, 1984	6.5317	15.31	6.4977	15.39	15.35
April 26, 1984	6.5104	15.36	6.4767	15.44	15.40
April 27, 1984	6.5531	15.26	6.5189	15.34	15.30
May 3, 1984	6.5317	15.31	6.4977	15.39	15.35
May 4, 1984	6.4893	15.41	6.4558	15.49	15.45
May 7, 1984	6.5531	15.26	6.5189	15.34	15.30
May 8, 1984	6.5746	15.21	6.5402	15.29	15.25
May 15, 1984	6.5317	15.31	6.4977	15.39	15.35
May 17, 1984	6.5104	15.36	6.4767	15.44	15.40
May 23, 1984	6.5317	15.31	6.4977	15.39	15.35
May 24, 1984	6.5746	15.21	6.5402	15.29	15.25
May 25, 1984	6.5531	15.26	6.5189	15.34	15.30
June 4, 1984	6.5104	15.36	6.4767	15.44	15.40
June 6,1984	6.5317	15.31	6.4977	15.39	15.35
June 13, 1984	6.5531	15.26	6.5189	15.34	15.30
June 21, 1984	6.5746	15.21	6.5402	15.29	15.25
June 25, 1984	6.5963	15.16	6.5617	15.24	15.20
June 26, 1984	6.6181	15.11	6.5833	15.19	15.15
June 28, 1984	6.6401	15.06	6.6050	15.14	15.10
June 29, 1984	6.6181	15.11	6.5833	15.19	15.15
July 4, 1984	6.6622	15.01	6.6269	15.09	15.05
July 6, 1984	6.7295	14.86	6.6934	14.94	14.90
July 9, 1984	6.7522	14.81	6.7159	14.89	14.85
July 11, 1984	6.7981	14.71	6.7613	14.79	14.75
July 12, 1984	6.7751	14.76	6.7385	14.84	14.80
July 13, 1984	6.7295	14.86	6.6934	14.94	14.90
July 16, 1984	6.7069	14.91	6.6711	14.99	14.95
July 17, 1984	6.6622	15.01	6.6269	15.09	15.05
July 18, 1984	6.6845	14.96	6.6489	15.04	15.00
July 20, 1984	6.6401	15.06	6.6050	15.14	15.10
July 25, 1984	6.6181	15.11	6.5833	15.19	15.15
July 26, 1984	6.5746	15.21	6.5402	15.29	15.25
July 27, 1984	6.6401	15.06	6.6050	15.14	15.10

R.B.I's Spot Rate for Purchases and Sales of Pound Sterling

Date	Buying Rate		Selling Rate		Middle Rate
	£ per Rs. 100/-	Rupees per £1	£ per Rs. 100/-	Rupees per £1	Rupees per £1
1	2	3	4	5	6
July 30, 1984	6.6622	15.01	6.6269	15.09	15.05
August 1, 1984	6.6845	14.96	6.6489	15.04	15.00
August 2, 1984	6.6401	15.06	6.6050	15.14	15.10
August 3, 1984	6.6181	15.11	6.5833	15.19	15.15
August 6, 1984	6.5531	15.26	6.5189	15.34	15.30
August 7, 1984	6.5963	15.16	6.5617	15.24	15.20
August 8, 1984	6.6401	15.06	6.6050	15.14	15.10
August 9, 1984	6.5963	15.16	6.5617	15.24	15.20
August 13, 1984	6.6401	15.06	6.6050	15.14	15.10
August 14, 1984	6.5963	15.16	6.5617	15.24	15.20
August 16, 1984	6.5531	15.26	6.5189	15.34	15.30
August 21, 1984	6.5746	15.21	6.5402	15.29	15.25
August 22, 1984	6.5963	15.16	6.5617	15.24	15.20
August 27, 1984	6.6181	15.11	6.5833	15.19	15.15
August 29, 1984	6.5963	15.16	6.5617	15.24	15.20
August 30, 1984	6.5746	15.21	6.5402	15.29	15.25
September 3, 1984	6.5963	15.16	6.5617	15.24	15.20
September 5, 1984	6.6401	15.06	6.6050	15.14	15.10
September 10, 1984	6.6845	14.96	6.6489	15.04	15.00
September 11, 1984	6.6622	15.01	6.6269	15.09	15.05
September 12, 1984	6.6401	15.06	6.6050	15.14	15.10
September 13, 1984	6.6622	15.01	6.6269	15.09	15.05
September 17, 1984	6.7069	14.91	6.6711	14.99	14.95
September 18, 1984	6.7751	14.76	6.7385	14.84	14.80
September 19, 1984	6.7981	14.71	6.7613	14.79	14.75
September 21, 1984	6.8681	14.56	6.8306	14.64	14.60
September 24, 1984	6.7751	14.76	6.7385	14.84	14.80
September 26, 1984	6.7981	14.71	6.7613	14.79	14.75
September 27, 1984	6.7522	14.81	6.7159	14.89	14.85
October 1, 1984	6.7981	14.71	6.7613	14.79	14.75
October 3, 1984	6.7295	14.86	6.6934	14.94	14.90
October 8, 1984	6.7522	14.81	6.7159	14.89	14.85
October 10, 1984	6.7981	14.71	6.7613	14.79	14.75
October 15, 1984	6.8213	14.66	6.7843	14.74	14.70
October 16, 1984	6.8681	14.56	6.8306	14.64	14.60
October 17, 1984	6.9156	14.46	6.8776	14.54	14.50
October 19, 1984	6.9396	14.41	6.9013	14.49	14.45
October 22, 1984	6.8918	14.51	6.8540	14.59	14.55
October 24, 1984	6.7981	14.71	6.7613	14.79	14.75
October 25, 1984	6.7751	14.76	6.7385	14.84	14.80
October 29, 1984	6.7981	14.71	6.7613	14.79	14.75
October 30, 1984	6.8446	14.61	6.8074	14.69	14.65

R.B.I.'s Spot Rates for Purchases and Sales of Pound Sterling

Date	Buying Rate		Selling Rate		Middle Rate
	£ per Rs. 100/-	Rupees per £1	£ per Rs. 100/-	Rupees per £1	Rupees per £1
1	2	3	4	5	6
October 31, 1984	6.7981	14.71	6.7613	14.79	14.75
November 2, 1984	6.7295	14.86	6.6934	14.94	14.90
November 5, 1984	6.6622	15.01	6.6269	15.09	15.05
November 6, 1984	6.5963	15.16	6.5617	15.24	15.20
November 8, 1984	6.5746	15.21	6.5402	15.29	15.25
November 9, 1984	6.5963	15.16	6.5617	15.24	15.20
November 12, 1984	6.6181	15.11	6.5833	15.19	15.15
November 13, 1984	6.5746	15.21	6.5402	15.29	15.25
November 14, 1984	6.5963	15.16	6.5617	15.24	15.20
November 16, 1984	6.6181	15.11	6.5833	15.19	15.15
November 19, 1984	6.6401	15.06	6.6050	15.14	15.10
November 21, 1984	6.6845	14.96	6.6489	15.04	15.00
November 23, 1984	6.7295	14.86	6.6934	14.94	14.90
November 26, 1984	6.7981	14.71	6.7613	14.79	14.75
November 27, 1984	6.8213	14.66	6.7843	14.74	14.70
December 3, 1984	6.8446	14.61	6.8074	14.69	14.65
December 4, 1984	6.8213	14.66	6.7843	14.74	14.70
December 5, 1984	6.7751	14.76	6.7385	14.84	14.80
December 6, 1984	6.7981	14.71	6.7613	14.79	14.75
December 7, 1984	6.7751	14.76	6.7385	14.84	14.80
December 10, 1984	6.7981	14.71	6.7613	14.79	14.75
December 12, 1984	6.8213	14.66	6.7843	14.74	14.70
December 14, 1984	6.8446	14.61	6.8074	14.69	14.65
December 18, 1984	6.8681	14.56	6.8306	14.64	14.60
December 20, 1984	6.9396	14.41	6.9013	14.49	14.45
December 28, 1984	6.9638	14.36	6.9252	14.44	14.40
January 3, 1985	7.0126	14.26	6.9735	14.34	14.30
January 4, 1985	6.9638	14.36	6.9252	14.44	14.40
January 7, 1985	6.9881	14.31	6.9493	14.39	14.35
January 8, 1985	6.9396	14.41	6.9013	14.49	14.45
January 9, 1985	6.9881	14.31	6.9493	14.39	14.35
January 10, 1985	6.9638	14.36	6.9252	14.44	14.40
January 11, 1985	7.0373	14.21	6.9979	14.29	14.25
January 14, 1985	7.1378	14.01	7.0972	14.09	14.05
January 15, 1985	7.0872	14.11	7.0472	14.19	14.15
January 17, 1985	7.0621	14.16	7.0225	14.24	14.20
January 18, 1985	7.0373	14.21	6.9979	14.29	14.25
January 22, 1985	7.0621	14.16	7.0225	14.24	14.20
January 24, 1985	7.0872	14.11	7.0472	14.19	14.15
January 28, 1985	7.1124	14.06	7.0721	14.14	14.10
January 29, 1985	7.0872	14.11	7.0472	14.19	14.15

R.B.I.'s Spot Rates for Purchases and Sales of Pound Sterling

Date	Buying Rate		Selling Rate		Middle Rate
	£ per Rs. 100/-	Rupees per £1	£ per Rs. 100/-	Rupees per £1	Rupees per £1
1	2	3	4	5	6
January 31, 1985	7.0126	14.26	6.9735	14.34	14.30
February 4, 1985	7.0373	14.21	6.9979	14.29	14.25
February 8, 1985	7.0126	14.26	6.9735	14.34	14.30
February 11, 1985	7.0621	14.16	7.0225	14.24	14.20
February 13, 1985	7.0872	14.11	7.0472	14.19	14.15
February 18, 1985	7.0373	14.21	6.9979	14.29	14.25
February 19, 1985	7.0621	14.16	7.0225	14.24	14.20
February 22, 1985	7.0872	14.11	7.0472	14.19	14.15
February 25, 1985	7.1124	14.06	7.0721	14.14	14.10
February 26, 1985	7.1891	13.91	7.1480	13.99	13.95
February 27, 1985	7.2150	13.86	7.1736	13.94	13.90
February 28, 1985	7.0872	14.11	7.0472	14.19	14.15
March 1, 1985	7,1633	13.96	7.1225	14.04	14.00
March 4, 1985	7.0621	14.16	7.0225	14.24	14.20
March 5, 1985	7.1633	13.96	7.1225	14.04	14.00
March 6, 1985	7.1891	13.91	7.1480	13.99	13.95
March 7, 1985	7.1378	14.01	7.0972	14.09	14.05
March 12, 1985	7.0373	14.21	6.9979	14.29	14.25
March 15, 1985	7.0621	14.16	7.0225	14.24	14.20
March 18, 1985	7.0373	14.21	6.9979	14.29	14.25
March 19, 1985	6.9396	14.41	6.9013	14.49	14.45
March 20, 1985	6.7981	14.71	6.7613	14.79	14.75
March 22, 1985	6.6622	15.01	6.6269	15.09	15.05
March 25, 1985	6.6845	14.96	6.6489	15.04	15.00
March 27, 1985	6.6181	15.11	6.5833	15.19	15.15
March 28, 1985	6.4683	15.46	6.4350	15.54	15.50
March 29, 1985	6.4893	15.41	6.4558	15.49	15.45
April 2, 1985	6.5531	15.26	6.5189	15.34	15.30
April 8, 1985	6.6181	15.11	6.5833	15.19	15.15
April 9, 1985	6.5104	15.36	6.4767	15.44	15.40
April 10, 1985	6.5531	15.26	6.5189	15.34	15.30
April 11, 1985	6.5317	15.31	6.4977	15.39	15.35
April 12, 1985	6.4267	15.56	6.3939	15.64	15.60
April 15, 1985	6.4475	15.51	6.4144	15.59	15.55
April 16, 1985	6.3857	15.66	6.3532	15.74	15.70
April 17, 1985	6.3452	15.76	6.3131	15.84	15.80
April 18, 1985	6.3654	15.71	6.3331	15.79	15.75
April 19, 1985	6.3251	15.81	6.2933	15.89	15.85
April 23, 1985	6.3857	15.66	6.3532	15.74	15.70
April 24, 1985	6.4475	15.51	6.4144	15.59	15.55
April 25, 1985	6.5317	15.31	6.4977	15.39	15.35

R.B.I.'s Spot Rates for Purchases and Sales of Pound Sterling

Date	Buying Rate		Selling Rate		Middle Rate
	£ per Rs. 100/-	Rupees per £ 1	£ per Rs. 100/-	Rupees per £1	Rupees per £1
1	2	3	4	5	6
April 26, 1985	6.5963	15.16	6.5617	15.24	15.20
April 29, 1985	6.5531	15.26	6.5189	15.34	15.30
April 30, 1985	6.4475	15.51	6.4144	15.59	15.55
May 1, 1985	6.4683	15.46	6.4350	15.54	15.50
May 3, 1985	6.4893	15.41	6.4558	15.49	15.45
May 6, 1985	6.5746	15.21	6.5402	15.29	15.25
May 7, 1985	6.6181	15.11	6.5833	15.19	15.15
May 8, 1985	6.5104	15.36	6.4767	15.44	15.40
May 9, 1985	6.4893	15.41	6.4558	15.49	15.45
May 13, 1985	6.4061	15.61	6.3735	15.69	15.65
May 14, 1985	6.3857	15.66	6.3532	15.74	15.70
May 15, 1985	6.3452	15.76	6.3131	15.84	15.80
May 20, 1985	6.3251	15.81	6.2933	15.89	15.85
May 23, 1985	6.3654	15.71	6.3331	15.79	15.75
May 24, 1985	6.3452	15.76	6.3131	15.84	15.80
May 27, 1985	6.3654	15.71	6.3331	15.79	15.75
May 30, 1985	6.3052	15.86	6.2735	15.94	15.90
May 31, 1985	6.2854	15.91	6.2539	15.99	15.95
June 3, 1985	6.2461	16.01	6.2150	16.09	16.05
June 4, 1985	6.2657	15.96	6.2344	16.04	16.00
June 5, 1985	6.3251	15.81	6.2933	15.89	15.85
June 17, 1985	6.2854	15.91	6.2539	15.99	15.95
June 18, 1985	6.2657	15.96	6.2344	16.04	16.00
June 19, 1985	6.2073	16.11	6.1767	16.19	16.15
June 21, 1985	6.2854	15.91	6.2539	15.99	15.95
June 25, 1985	6.2657	15.96	6.2344	16.04	16.00
June 27, 1985	6.2267	16.06	6.1958	16.14	16.10
July 1, 1985	6.1881	16.16	6.1576	16.24	16.20
July 4, 1985	6.1690	16.21	6.1387	16.29	16.25
July 5, 1985	6.1501	16.26	6.1200	16.34	16.30
July 8, 1985	6.1125	16.36	6.0827	16.44	16.40
July 9, 1985	6.0938	16.41	6.0643	16.49	16.45
July 10, 1985	6.0386	16.56	6.0096	16.64	16.60
July 11, 1985	5.9844	16.71	5.9559	16.79	16.75
July 12, 1985	6.0205	16.61	5.9916	16.69	16.65
July 18, 1985	5.9844	16.71	5.9559	16.79	16.75

APPENDIX - I

IMPORTANT EXPORT CONTROL/PROMOTION ANNOUNCEMENTS APRIL 1984 - JUNE 1985

A. CHANGES IN EXPORT CONTROL

Sr. No.	Item	Month(s) of Announcement	Details
1	2	3	4
1.	Gold Jewellery	April 1984	Export was permitted by endorsement on shipping bills by the concerned port licensing authorities in accordance with the provisions of the Gold Jewellery Export Promotion and Replenishment Scheme.
2.	De-oiled Rice Bran (Rice bran extraction)	April 1984	Export was allowed within a limited ceiling on "first-come, first-served" basis against registration of contracts with the Solvent Extractors Association of India, Bombay.
3.	De-oiled Groundnut Cake (Extraction)	April 1984	Export was allowed within a limited ceiling on "first-come, first-served" basis against registration of contracts with the Groundnut Extractions Export Development Association, Bombay.
4.	Pure Milk Ghee	April 1984	Export was allowed within a ceiling on "first-come, first-served" basis. State Trading Corporation of India was permitted to export Pure Milk Ghee.
5.	Polyester Filament Texturised Yarn	April 1984	Export was allowed within a limited ceiling on "first-come, first-served" basis.
6.	Peacock Tail Feathers and articles/Handicrafts made of Peacock Tail Feathers	May 1984	Export was allowed by all categories of exporters within specific quota against valid irrevocable letter of credit. Export of crest feathers or any other part of peacock was not allowed. Other Public Sector or Co-operative Agencies were also allowed to export within a limited ceiling of two lakhs numbers of Peacock Tail Feathers during 1984-85.
7.	Live Buffaloes	May 1984	Export was allowed within an overall ceiling by making endorsements on shipping bills on "first-come, first-served" basis subject to MEP of Rs.6 per Kg. F.O.B. of live weight of the animal and certain other conditions.
8.	Maize	May 1984	Export of Maize was allowed within a limited ceiling on "first-come, first-served" basis by issue of export licences against 100 per cent confirmed irrevocable letter of credit.
9.	Seedlac	May 1984	Export of seedlac was allowed by the exporters of shellac to the extent of 10 per cent of the quantity of shellac shipped during the year April 1984 - March 1985.
10.	CTC Tea*	May 1984	The ban on the exports of CTC (cut, tear and curl) tea was imposed in December 1983 but lifted in May 1984.
		November 1984	Minimum Export Prices were imposed as Rs. 35/- and Rs. 36/- per kg. respectively, for auction and direct sales for North Indian tea and Rs. 33/- and Rs. 34/- per kg respectively, in respect of South Indian tea.
		March 1985	Minimum Export Prices were further reduced to Rs. 31/- and Rs. 31.50 per kg. for all tea irrespective of place of origin for auction and direct sales respectively.
		April 1985	Minimum export prices were again reduced to Rs. 22/- and Rs. 18/- per kg. for auction and direct sales respectively.

* Minimum Export Price was abolished on tea in August 1985. The ceiling of 220 million kgs for export for the year 1985 was also removed.

1	2	3	4
11.	Semi-precious stones	May 1984	Export of semi-precious stones other than crystalline quartz was allowed on decontrolled basis.
12.	Crushed Bones and Steamed crushed bones	June 1984	Ceiling was released and export allowed on "first-come, first-served" basis by all categories of exporters to all permissible destinations against firm sale contracts backed by 100% irrevocable letter of credit.
13.	Samples of drug formulations	June 1984	Established exporters of pharmaceutical products were allowed to export samples of drug formulations and literature to their medical representatives posted abroad,independently of the drug formulations with the prior permission of the Reserve Bank of India,subject to the condition that it must not exceed 10 per cent of the F.O.B. value during the preceding financial year.
14.	Rajagaro Powder	July 1984	Ceiling for export during 1984-85 was released on "first-come, first served" basis.
15.	Pearl Barley	July 1984	Export was allowed within a ceiling on "first-come, first-served" basis by all categories of exporters to all permissible destinations on production of a firm sale contract or cable offer and acceptance.
16.	Samo seeds & Kodari Seeds	July 1984	Export was allowed within a limited ceiling on "first-come, first-served" basis during the licensing period April 1984 - March 1985 by issue of an export licence.
17.	Potato Seeds & Onion Seeds	July 1984	Export of Potato Seeds (certified variety) and Onion Seeds (Certified and Uncertified varieties) were allowed within a limited ceiling (port-wise) on "first-come, first-served" basis against (a) Quality Control Certificate; and (b) Certificate that the seeds are not Foundation and Breeder Seeds, from recognised State Certificate Agency including National Seeds Corporation.
18.	Kirilac and Molamma	July 1984	The limited quantity of Kirilac and Molamma allowed to be exported was administered by the Joint Chief Controller of Imports and Exports, Calcutta, instead of State Trading Corporation of India Ltd. The Joint Chief Controller of Imports and Exports was empowered to authorise export by endorsing relevant shipping bills on "first-come, first-served" basis subject to the production of (i) export price scrutiny slip and (ii) quality certificate issued by the Shellac Export Promotion Council, Calcutta.
19.	Writing and printing Paper all sorts including Airmail Tissue Paper below 34 GSM.	July 1984	Export of Airmail Tissue Paper below 34 GSM was allowed during 1984-85 within a ceiling which was placed at the disposal of Joint Chief Controller of Imports and Exports, Calcutta. Export of Writing and Printing Paper all sorts (excluding handmade paper) was also allowed within a limited ceiling on "first-come, first-served" basis.
20.	Protein Isolate and Edible Groundnut Flour	July 1984	Export of Protein Isolate and Edible Groundnut Flour was allowed against the balance ceiling released vide Export Trade Notice No. 22/82 dated 5.3.82, by carry forward of the balance quota during 1984-85 subject to Minimum Export Price of Rs. 25,000/- per tonne and Rs. 6,000/- per tonne respectively.
21.	Blanched and Roasted Peanuts	July 1984	Export was allowed within a limited ceiling on "first-come, first-served" basis, subject to minimum export price of Rs. 11,000/- per tonne FOB.
22.	Hydrogenated Oil (Vanaspati Ghee)	July 1984	Export was allowed within a limited ceiling on "first-come, first-served" basis.

1	2	3	4
23.	Meat-cum-bone Meal	July 1984	Export was allowed within a limited ceiling on "first-come, first-served" basis.
24.	Cotton Linters	July 1984	Export was allowed on "first-come, first-served" basis within a limited ceiling.
25.	HPS Groundnuts	July 1984	In addition to export by NAFED and private trade, the Gujarat Co-operative Oil Seeds Growers Federation was also allowed to export HPS Groundnuts within the overall ceiling as associates of NAFED in their own name against registration of contracts with NAFED.
26.	Iron and steel & Ferro Alloys	July 1984	Export of Steel produced by integrated steel plants, alloy steel plants, mini steel plants, secondary producers and re-rollers was canalised under OGL-4 through Steel Authority of India Ltd. (SAIL). It was also decided to allow export of Ferro Manganese and Ferro Chrome as specified within limited ceiling on "first-come, first-served" basis. Export of Ferro Manganese slags was allowed on "Licensed Freely" basis, while requests for export of Ferro Titanium was considered "On Merits". Export of Ferro Silicon was not allowed.
27.	Viscose staple Fibre Spun Yarn	July 1984	Export was allowed within the limited ceiling with minimum export price of Rs. 18.00 per kg. on "fist-come, first-served" basis.
28.	Magnesite	August 1984	Export of calcined Magnesite with silica content 6.5% and above was allowed within a limited ceiling on "first-come, first-served" basis. Calcined Magnesite with silica content below 6.5% and dead burnt Magnesite with silica content below 2% were not allowed for export.
29.	Raw Wool (Indigenous) Except Angora Goat Hair or Mohair	August 1984	Export of Raw Wool (Indigenous) upto 36s quality except Angora Goat hair or Mohair was allowed within a ceiling on "first-come, first-served" basis.
30.	Froglegs	August 1984	Export of froglegs was allowed within a ceiling on "first-come, first served" basis.
31.	Live Buffaloes and Live Sheep and Goat (adult)	September 1984	Export was allowed on "first-come, first-served" basis after undertaking quarantine and vaccination formalities except goats (adult) which would be subjected to general veterinary inspection and certification as hitherto.
32.	Shed Antlers (whole) of Chital and Sambhar	September 1984	Export was allowed within a limited ceiling on "first-come, first served"basis.
33.	Live Birds - Munia (Spotted, Red, Black headed, White headed and white throated)	September 1984	Export of Munia was allowed on "first-come, first-served" basis within a limited ceiling.
34.	Corrundum (other than Saphires & Rubies)	September 1984	Export was allowed on "first-come, first-served" basis within a limited ceiling.
35.	Sugar cane, Palmyrah Sugar Candy, Khandasari Sugar and Jaggery (Gur)	October 1984	Export was banned with effect from 5th October 1984.
36.	Iron Ore Pellets	December 1984	Export of Iron Ore Pellets manufactured by Kudremukh Iron Ore Co. Ltd. (KIOCL) out of concentrates produced by it was canalised through KIOCL under OGL-4.
37.	Pyrophyllite	December 1984	Export was allowed on "first-come, first-served" basis within a limited ceiling.
38.	Wood and Timber	January 1985	Export of all varieties of Blanks was banned with effect from 16.1.1985.

1	2	3	4
39.	Jowar and Ragi	January 1985	Export was canalised through NAFED and private parties were also allowed to export Jowar and Ragi as Associates of NAFED but in their own names against the quotas ear-marked for them.
40.	Wheat and Wheat products	April 1985	Export of wheat and wheat products, viz. maida, Suji and wholemeal Atta were allowed within a limited ceiling on "first-come, first-served" basis subject to minimum export prices as mentioned below :- a) Wheat - Rs. 1600 per M.T. F.O.B. in bulk b) Wholemeal Atta - Rs. 1750 per M.T. F.O.B. c) Maida, Suji - Rs. 2050 per M.T. F.O.B.
41.	Rayon Filament Yarn	May 1985	Export of Rayon Filament yarn was allowed within a limited ceiling on "first-come, first-served" basis subject to the MEP of :- 1) Rs. 31.50 per Kg. for 75 deniers. 2) Rs. 26.00 per Kg. for 120 deniers. 3) Rs. 20.00 per kg. for 150 deniers.
42.	Viscose Staple Fibre Spun Yarn	May 1985	Export was allowed within a limited ceiling with MEP of Rs. 18 per kg. F.O.B. on "first-come, first-served" basis.
43.	Hatching Eggs.	May 1985	Export was allowed within a limited ceiling on "first-come, first-served" basis by all categories of exporters to all permissible destinations against firm sale contracts subject to MEP of Rs. 150 per 100 Nos. f.o.b.
44.	Cotton seed expeller cakes	May 1985	Ceiling was released and export allowed on "first-come, first-served" basis against registration of contracts with the All India Cotton Seed Crushers Association, Bombay.
45.	Bajra	May 1985	Ceiling was released and export allowed subject to MEP of Rs. 2000 per M.T.F.O.B.Private trade was permitted to export Bajra during the licensing year (1985-86) as associates of NAFED in their own names against the ceiling ear-marked for them subject to registration of contracts with NAFED backed by 100% irrevocable letter of credit on "first-come, first-served" basis.

APPENDIX I *(Contd.)*

B. CHANGES IN EXPORT DUTIES (APRIL 1984 TO MARCH 1985)

Sr. No.	Item	Effective Date of Announcement	Type of Duty		Present Position	Previous Position
			Export Duty	Cess		
1.	Barytes	26.04.84	Export Duty		Exempted	Rs. 50/- per tonne.
2.	Goods of Bhutanese/Indian origin exported to Bhutan	15.05.84	Export Duty		Exempted	
3.	Coffee	a) 19.05.84	Export Duty		Rs 640/-P.Q.	Rs. 530/- per quintal.
		b) 09.10.84	Export Duty		Rs 720/-P.Q.	Rs. 640/- per quintal.
4.	Fodder and hay (conditional)	11.07.84	Export Duty		Exempted	Rs. 125/- per tonne.
5.	Calcined mica blocks and mica scrap calcined	12.10.84	Export Duty		Exempted	Different rates for different grade numbers (for mica blocks). Mica Scrap–40% *ad valorem*.
6.	Bridge mica	17.03.85	Export Duty		Exempted	20% *ad valorem*.
7.	De-oiled groundnut oil cake	17.03.85	Export Duty		Exempted	Rs. 125/- per tonne.
8.	Sillimanite	17.03.85	Export Duty		Exempted	20% *ad valorem*.
9.	Kyanite	17.03.85	Export Duty		Exempted	Rs. 40/- per tonne.
10.	Manganese ore	17.03.85	Export Duty	Cess	Exempted	Rate varied with content of manganese. Manganese content less than 10%, Rs.7/- per tonne. Manganese content not more than 48%, Rs. 12.5 per tonne. Manganese content more than 48%, Rs. 20 per tonne. Re. 1/- per tonne (Cess).
11.	Manganese dioxide	17.03.85	Export Duty		Exempted	20% *ad valorem*.
12.	Raw cotton	17.03.85	Export Duty		Exempted	Assam Commilla Cotton Yellow Pickings & Zoda Cotton Picking and Sweepings–Rs. 550/- per tonne. Bengal Deshi–Rs. 2500/- per tonne other varieties below 24.5 mm staple length Rs. 1000/- per tonne.
13.	Cotton waste	17.03.85	Export Duty		Exempted	Soft waste–12.5% *ad valorem*. Cotton waste (others) 40% *ad valorem*.
14.	Raw wool	17.03.85	Export Duty		Exempted	25% *ad valorem* (FOB).
15.	Iron ore	17.03.85	Export Duty	Cess	Exempted	Lumpy variety Rs. 4/- to 6/- per tonne. Fine variety Rs. 3/- to 4/- per tonne and cess on both types.
16.	Animal feed	17.03.85	Export Duty		Exempted	Rs. 125/- per tonne.
17.	Chromite ore and concentrates	17.03.85	Export Duty	Cess	Exempted	10% *ad valorem* + Rs. 3/- per tonne. (Cess)

Source : Customs Notifications, Department of Revenue, Ministry of Finance, Govt. of India.

APPENDIX - II

A-IMPORTANT ANNOUNCEMENTS WITH REGARD TO IMPORT CONTROL POLICY APRIL 1984-MARCH 1985

Sr. No.	Item	Month of Announcement	Details
1	2	3	4
1.	Open General Licence No. 1 *@	April 1984	Permission was granted for the import of raw materials, components, and consumables other than instruments and items in the limited permissible, banned, restricted or canalised lists by actual users (Industrial) for their own use subject to the conditions that; i) in the case of a proposed unit the items would be imported on its behalf by the State Industrial Development Corporation/State Financial Corporation or it should have furnished a bond with a bank guarantee equal in value to 25 per cent of the c.i.f. value of the goods imported. ii) for the import of man-made fibre, tow, yarn, raw wool/greasy wool/scoured wool not carded or combed angore goat hair (mohair),woollen rags/synthetic rags/shoddy wool, the import contracts were registered with the Textile Commissioner in advance. iii) man-made fibres, tow and yarns were to be imported by the State Trading Corporation of India for distribution to actual users (Industrial). iv) import contracts in respect of imports of IMA/TPA were registered with the Department of Petroleum (Ministry of Energy). v) for the import of Soda ash, P.V.C. resin, wood pulp, caustic soda and synthetic rubber of the varieties covered under OGL and copper scrap/copper mill scale, the contracts were registered with the D.G.T.D. vi) import contracts for the imports of components by the D.G.T.D. units and textile machinery were subject to registration with the D.G.T.D. and Textile Commissioner and the imports were in accordance with the List Attestation Procedure and followed the "phased manufacturing programme" condition. vii) import of woollen rags/shoddy wool/synthetic rags would be allowed only if the goods were completely mutilated. viii) import of raw cashewnuts by Cashew Corporation of India for distribution to actual users (processing units) and in the case of imports of raw cashewnuts by others, half the quantity imported is offered to the CCI for distribution to actual users (processing units) and their import contracts were registered with the CCI within seven days of its execution. ix) in the case of import of carbon steel items the contracts were registered with the Iron and Steel Controller within 15 days of entering into the contract. x) import of iron and steel items by oil refineries, subject to prescribed conditions. xi) in the case of import of insecticides, including pesticides and weedicides, the importer intimated to the Plant Protection Division, Department of Agriculture, within 7 days of the clearance of each consignment, the quantity, the description of the item and the c.i.f. value thereof.

1	2	3	4
			xii) brass/copper pipes and tubes if imported as scrap would be of the size of 15 cms in length unless they were imported as scrap in hydraulically pressed briquettes. xiii) the import contracts in respect of imports of polysilicon, single crystal silicon ignots/bars/rods, other than metallurgical grade dices and chips, were registered with the Department of Electronics, before opening the letters of credit. xiv) import of unmanufactured ivory was subject to inspection by the Regional Deputy Director, Wild Life Preservation, Department of Environment and regulations of Convention on International Trade in Endangered Species of Wild fauna and flora (CITES). xv) Greases and lubricating oils were permitted on the production of a no objection certificate issued by the Indian Oil Corporation and xvi) 100 items of raw materials, components and consumables were allowed for imports by actual users(Industrial) only under open general licences, while 62 items were allowed for imports by actual users (Industrial), export/trading houses against REP/Additional Licences and 32 items by actual users and others for the purpose of stock and sale; these items are specified in the schedule attached to this notification.
2.	Open General Licence No.2 @	April 1984	Permission was granted for the import of capital goods, as specified in Appendix-1 Part B, of the Import and Export Policy, 1984-85, by industrial and non-industrial actual users for their own use, provided that : i) by import of these goods, production of the unit would not exceed the licensed/authorised capacity, ii) in the case of import of second hand or re-conditioned items they were not more than 7 years old and their residual life was atleast 5 years and certificate by a professional independent Chartered Engineer / equivalent institute of the country from which imports were made giving the name and year of the machine manufactured,present condition remaining life and the c.i.f. value of equivalent capital goods, any reconditioning or repairing done to machinery and the opinion regarding the price asked by the supplier and the basis for such opinion if purchased new, is produced at the time of customs clearance.
3.	Open General Licence No. 3	April 1984	Industrial and non-industrial actual users were allowed to import for their own use, permissible Spares (i.e., other than those in the limited permissible, non-permissible or banned lists of items), for maintenance of capital goods, including accessories, ancillary equipment, control and laboratory equipment and safety appliances,installed or in use on or after April 1, 1984. Import of permissible spare parts for computer will be allowed at 3 per cent of the c.i.f. value of the imported computers or 1 per cent per year of the purchase price of the indigenously manufactured computer systems or 5 per cent of computers which are inter-part of the photo composing machine; the c.i.f. value or the purchase price of the imported item to be certified by a Chartered/Cost Accountant or the sponsoring authority. Further, half yearly returns giving the total c.i.f. value of the imported item together with the description of the item whose total c.i.f. value exceeds Rs. 2 lakhs, were to be submitted to the concerned sponsoring/licensing authority.
4.	Open General Licence No. 4	April 1984	Permission was granted for the import of the following items : i) re-import of item after repair free of charge on c.i.f. basis provided the custom Authority is satisfied that the item is same, which was sent abroad for repair. ii) Free gift of trade catalogues and circulars upto a value of Rs. 2,000 iii) blue prints and drawings (including micro-

1	2	3	4
			films) relating to machinery and plant sites, work and building, research data supplied free of charge and having no commercial value, iv) bonafide technical and trade samples supplied free of charge below Rs. 20,000 in c.i.f. value in one consignment, other than vegetable seeds, bees, tea, and new drugs, v) bonafide advertising material supplied free of charge, not above Rs. 2,000 in c.i.f. value in one consignment, vi) goods supplied free of charge by foreign suppliers or imported against an insurance (marine) or marine cum erection insurance claim or in replacement of goods found defective, damaged or otherwise unfit for use, vii) drugs and medicines supplied free of charge for clinical trials, on approval and subject to conditions laid down by the Drugs Controller, viii) bonafide trade samples of drugs and medicines supplied free of charge to the sole agents in India of the foreign suppliers, not exceeding a value of Rs. 10,000 in c.i.f., on recommendations from the Drugs Controller, ix) Human Vaccines and Sera, including animal and poultry Vaccines supplied free of charge or against payment, on written recommendation from the Drugs Controller or the State Director/Commissioner of Animal Husbandry, and x) technical and trade samples of insecticides (including pesticides and weedicides) of specified quantity and supplied free of charge, on the basis of the registration issued by the Registration Committee under the Insecticides Act, 1968.
5.	Open General Licence No. 5	April 1984	Recognised research and development units, research laboratories, hospitals and institutions of higher education, were allowed to import raw materials, components, consumables, machinery equipment, instruments, accessories and spares (but not accessories, goods and office machines) provided; i) they fulfilled the 'actual user' condition, ii) particulars of its recognition by the Central/State Government are declared, iii) R&D units declare that the imported items are required for R&D purposes, iv) that R&D units obtained the prior approval of the Animal Husbandry Commissioner for import of live and attentuated micro organism, v) in respect of import of computer systems and their spares, a clearance by the Department of Electronics is produced, and vi) importer shall furnish to the competent authorities, within 30 days of clearance of the goods by the customs, particluars of goods so imported having a value of over Rs. 1 lakh.
6.	Open General Licence No. 6	April 1984	Designated public sector (canalising) agencies were allowed to import specified goods as listed in Appendix 5 of the Import Export Policy for 1984-85 against the foreign exchange released by the government for the purpose and the imported items are distributed by the canalising agency in accordance with the policy and procedure laid down.
7.	Open General Licence No.7	April 1984	Actual users (Industrial) registered with the DGTD or the concerned State Director of Industries, were permitted to import for their own use, jigs, fixtures, dies and patterns, moulds (including moulds for die-casting) and press tools (except those in the non-permissible, limited permissible or banned lists) and parts thereof. In respect of import of second-hand or reconditoned items, the item is not more than 7 years old and that its remaining life is atleast 5 years. The importer shall produce a certificate giving the name, year and the c.i.f. value of the machine issued by an independent professional chartered engineer/any equivalent institute of the country from where the imports are made, nature of reconditioning/repairs done and the date of such repairs and opinion regarding the price asked by suppliers with the basis for that, is produced at the time of customs clearance.
8.	Open General Licence No.8	April 1984	Oil and Natural Gas Commission, Oil India Limited, and M/s. Bharat Coal Mines Limited, were allowed to import all items of raw materials,

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			components, consumables, machinery, equipment, instruments, accessories, tools and spares (except consumer goods), subject to the conditions that i) prior clearance was obtained from the DGTD, New Delhi and in the case of electronic items of Rs. 5 lakhs and above and marine electronic equipment and parts irrespective of value, prior clearance of the Department of Electronics was obtained and ii) the 'actual user' condition was satisfied. Import of tools, instruments/equipment not involving any payment would be allowed under this licence, provided that ONGC/Mazagaon Docks Limited/other concerned public sector agency undertake to re-export them on completion of the work in case such imports are made by foreign engineers/contractors/specialists for execution of the work when they have been awarded a service contract or their services have been engaged by the ONGC/Mazagaon Docks Limited/other concerned public sector agency.
9.	Open General Licence No.9	April 1984	Air India, Indian Airlines, members of IATA, Companies operating air-craft or engaged in the aerial spraying of crops and other specified categories were permitted to import spares, consumables (excluding consumer goods and greases and lubricants which are canalised), air-craft tyres and tubes, manuals, technical drawings, illustrations and technical literature etc., for their own use and required for maintenance and operation of fleet of air-craft and associate test and training equipment. Companies/owners of public or private sector air-crafts could import spares (other than those in the banned or restricted, limited permissible, scientific and measuring instruments lists) for maintenance of their air-crafts/executive air-crafts.
10.	Open General Licence No.10	April 1984	Eligible actual users were allowed to import, within the value ceiling, drugs and medicines, medical (including surgical, optical and dental) instruments, apparatus, appliances, replacement parts and accessories thereof and dental materials, sutures and needles for surgical purposes, x-ray intensifying screens, scientific and measuring instruments and chemicals, testing equipments and instruments, spare parts of motor vehicles and agricultural tractors, amateur radio communication equipment within specified frequency ranges and power limits.
11.	Open General Licence No.11	April 1984	Actual users engaged in ship repairing work and registered with the Director General, Shipping, were permitted to import capital goods, raw materials, components, consumables and spares provided that; i) the goods were imported in custom bonded premises, ii) the imported goods were used for repairs of ocean-going vessels (Indian or foreign), in the custom bonded premises, iii) transit bond procedure is followed together with other procedures applicable to custom bonding, and iv) the importer furnished details of the items imported and their c.i.f. value and used in the repair work and foreign exchange earned in ship repairs, duly certified by the bank, to the Director General, Shipping and the concerned licensing authority annually.
12.	Open General Licence No.12	April 1984	Permission was granted for imports by Government Departments (central/state) or for projects owned or controlled by them, any goods, for which no payment was involved and were in accordance with the provisions made in relevant agreements entered into by the Government of India and foreign government. Under this OGL, personal effects of foreign specialists/experts coming into India for the execution of a project work, were also allowed to be imported if the project authorities certified that the imports were in accordance with the concerned agreements and that the imports (except consumables) would be re-exported when the foreign expert left India.
13.	Open General Licence	April 1984	Registered Exporters of Gems and Jewellery, co-operative societies

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	No.13		of gold smiths and artisans and Gem and Jewellery Export Promotion Council for use in institutes set up by the Council and regional training institutions connected with gem and jewellery industry, were permitted to import machinery, equipment, tools and implements and testing appparatus subject to their fulfilling the 'actual user' condition. Import of second hand or reconditioned machinery was allowed provided a certificate to the effect that it is not more than seven years old and its balance life is atleast five years, is produced at the time of customs clearance, issued by a chartered engineer of the country from which the items are imported. The regional training; institutions were also required to produce the 'recognition' certificate to the customs authorities.
14.	Open General Licence No.14	April 1984	1) Departmentally run government industrial undertakings and railways were permitted to import, against foreign exchange released for the purpose by the Government, capital goods, raw materials, components, consumables and spares provided a clearance from the DGTD was produced, in respect of import of items whose imports are banned or restricted – scientific and measuring instruments lists and lists of equipment / machinery whose import, allowed as spares on a restricted basis and of the Department of Electronics in the case of electronic items whose c.i.f. value is over Rs.5 lakhs and marine electronic equipment and parts, irrespective of value and communication equipments for a value exceeding Rs. 1 lakh is involved. In the case of capital goods, the items should be the ones permitted under OGL (as specified in Appendix-1, Part B of Import and Export Policy of 1984-85, Vol. 1) and may include jigs, fixtures, moulds (including moulds for die-casting), dies and patterns and press tools (other than those in the restricted, banned and limited permissible lists), and parts thereof. 2) State Electricity Boards/Projects/Undertakings in the public sector, and the Director General, Doordarshan and All-India Radio were permitted to import spares under this licence against foreign exchange released for the purpose by the Government provided that in the case of spares under Appendices-2 Part-B 3, Part-A 8 or 10 of Import and Export Policy, 1984-85, clearance certificate from the DGTD and in respect of the electronic items with c.i.f. value of over Rs. 5 lakhs or communication equipment for a value exceeding Rs. 1 lakh, a clearance from Department of Electronics was obtained. 3) Public sector industrial undertakings under the Ministry of Defence were allowed to import raw materials, components, consumables and spares as allowed under OGL. R & D. units under the Defence Ministry were permitted to import raw materials, components, consumables, machinery, equipment, instruments, accessories, tools and spares (except office machines). Import of capital goods as listed in Appendix-1 Part B of Import and Export Policy 1984-85, jigs, fixtures, moulds (including moulds for die-casting) dies and patterns, and press tools (other than those banned/restricted) were allowed. Computer spares also were allowed for imports at the rate of 3 per cent per year, of the c.i.f. value of imported computer systems. The value of imports were limited to the foreign exchange allocated by the Defence Ministry during 1984-85.
15.	Open General Licence No.15	April 1984	General permission was granted for the import of the following items subject to fulfilling the conditions laid down for each item. The items are teaching aids, life saving equipment (appearing in list No. 3 of Appendix-6 of Import Export Policy of 1984-85), family welfare equipment/instruments and appliances, finished drug preparations and anti-cancer drugs, homeopathic medicines, crude drugs for Ayurvedic/unani medicines, pulses (for which import contracts are

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			registered with the National Agricultural Co-operative Marketing Federation of India (NAFED), spices,dates (wet or dry), rock salt, X-ray films (medical), lubricating oils for watches, clocks and house servicing meters, fishing hooks, non-fictional educational and instructional short films, photographic films (colour), Photographic colour papers, photographic films (black and white) in sizes other than 120 and 620 size rolls, records for learning languages, rudraksha beads,cinematographic films (6 mm colour and 8 mm black and white negative), dental items, items of opthalmic use as per lists 6 and 9 of Appendix 6 of Import Export Policy,1984-85 and ozone generating sets, energy saving/conservation equipment including systems and devices working on/used for the renewable and alternative sources of energy, spares (except those in Appendices 2, 3-Part A, 4 - Part A, 8 and 10 of the Import Export Policy, 1984-85) of printing machinery, machine tools, cinematographic equipment and trawlers. Importers of energy saving/conservation equipment including systems and devices working on/used for the renewable and alternative sources of energy were required to furnish to the Department of Non-conventional Energy Sources within 15 days of the customs clearance, the description of the equipment, country of its origin, the c.i.f. value and the amount of customs duty paid.
16.	Open General Licence No. 16 @	April 1984	Permission was granted for the import of i) poultry vaccines (all types) by farms/hatcheries, approved by the Ministry of Agriculture, ii) medical gas cylinders of 10.2 litre water capacity and below, iii) gibberellic acid, iv) grape guard paper and v) photographic chemicals - developers, fixers, intensifiers, reducers, toners and cleaning agents, provided the importers satisfied the following conditons, viz., i) the importer of poultry vaccines is an 'actual user' and furnishes to the customs authorities a certificate issued by the Director of Agriculture or the State Director of Animal Husbandry/Veterinary services, to the effect that the material imported (in terms of description/quantity/value) is essential, ii) the importer of medical gas cylinders is an 'actual user' for manufacture of medical gas (oxygen) and nitrous oxide for compressing and supplying medical gas (industrial) with the import contracts registered under the Drugs and Cosmetics Act 1940. It should be used for medical purposes, cylinders and valves fitted there to be imported must be of a type as approved by the Chief Controller of Explosives and accepted for use under the Gas Cylinder Rules 1981 iii) in respect of imports of gibberallic acid and grape guard paper, the importer is the agriculture development corporation of Central/State Governments/Union Territories, co-operative societies of farmers and recognised associations of farmers and the imported material is for distribution to grape growers only, and iv) import of photographic chemicals are made by 'actual users' registered with local laws governing shops and establishments and film studios/processing/testing laboratories.
17.	Open General Licence No. 17 @	April 1984	Government approved hundred per cent export oriented units, satisfying the 'actual user' conditon were allowed to import for manufacture in custom bonded factory, capital goods (new or second hand), prototypes and technical samples (2 in each type) for production, diversification and development or evaluation, diesel generating sets, raw materials, consumables and intermediates, components, packing materials, material handling equipment such as fork lifts, over head cranes and building construction materials, and spares, provided : i) they exported the entire production (except rejects upto 5 per cent or the percentage as fixed by the Government), ii) a minimum value added of 20 per cent is necessary for production; domestically procured raw material is treated as imports for computation of minimum

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			value, iii) an annual return, at the end of each financial year, giving details of the items imported, their c.i.f. value and the products exported,together with their f.o.b. value is furnished to the concerned licensing authorities. Units fulfilling the above conditions were qualified for customs duty exemption on imported material while exports made under this provision did not qualify for import replenishment (REP) licences. Imports of second hand capital goods were subject to the condition that the details of the name and year of their manufacture, present condition together with its residual life, the c.i.f. value (if purchased new), nature of reconditioning/repairs done, if any, and dates of the same, opinion regarding price asked for and the basis for such opinion, certified by an independent professional chartered engineer/equivalent institute of the country from which imported. Further, units were allowed to import for their own use/production, prototypes and technical samples (other than the specified ones), drawings, blue prints, charts, technical data (including microfilms) and office equipment, spares and consumables thereof, upon recommendations of the Export Commissioner, CCI&E office. The provisions of this licence are also applicable to industrial units exporting 100 percent production during the three preceding financial years, but not approved by the Government as such, to import capital goods (new or second hand) on payment of customs duty as may be leviable and on production of a certificate of the competent authority for having exported 100% of production during the preceding 3 years. They should also give declaration that the goods imported under this licence will not cross the approved capacity of their licence.
18.	Open General Licence No.18*	April 1984	Actual users, located in the respective free trade zones were allowed to import, under OGL, for production, product diversification, development and evaluation, prototypes and technical samples (of not more than two in each type of sample), capital goods, raw materials, components, consumables, spares, tools, jigs, fixtures and gauges and packing materials, diesel generating sets in the Kandla Free Trade Zone and Santacruz Electronics Export Processing Zone. Further, upon recommendations from the Development Commissioners of the respective zones import of prototypes and technical samples (other than those specified), micro films, office equipments, spares and consumables, thereof, were also allowed. However, items banned for import in the Domestic Tariff Area (under the list of banned items) will not be allowed in the free trade zones, under this licence. Such actual users could also import goods,i) for repairs or reconditioning by them in the zone and to be re-exported or ii) received back from the overseas consignees within 3 years of the date of their despatch to him.
19.	Open General Licence No. 19	April 1984	The following eligible units were permitted to import capital goods (except those restricted)subject to the conditons that ; i)they fulfil the 'actual user' condition, ii) imports were made against the foreign exchange released by the Government for the purpose and iii) they obtained an indigenous clearance from the D.G.T.D. for imports of capital goods except those mentioned in Appendix I Part A of Import and Export Policy, 1984-85. 1) M/s. Coal India Limited, 2) M/s. Neyveli Lignite Corporation Limited, 3) M/s. Bharat Coking Coal Limited, 4) M/s. Central Coalfields Limited, 5) M/s. Eastern Coalfields Limited, 6) M/s. Western Coalfields Limited, 7) M/s. Central Mine Planning and Design Institute Limited and 8) M/s. Singareni Collieries Company Limited. No indigenous clearance will be necessary for items of capital goods mentioned in Appendix I Part B of the Import and Export Policy, 1984-85.

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20.	Open General Licence No.20	April 1984	Eligible disabled persons were permitted to import for their own use, motor cars under the following conditions : i) the imported motor car is specially designed for the concerned disabled person only ii) the importer is given customs duty relief by the Department of Revenue, Ministry of Finance and iii) the motor car is not, at any time, sold, transferred, pledged or hypothecated.
21.	Open General Licence No. 21	April 1984	Actual users (Industrial) were allowed to import, for their own use, under the facilities available to non-resident Indians, capital goods, raw materials, consumables, components and spares provided that; i) the importer is an Indian residing abroad (a non-resident Indian), or companies, firms, societies and similar other corporate bodies owned to the extent of at least 60 per cent by him,ii) the eligible importer returns to India for settlement, to set up an industry, or make an investment (including for expansion/modernisation/diversification of an existing industry in India), where the shares of the eligible importer's investment is not beyond 40 per cent,iii) a non-resident Indian, fulfilling the 'actual user' condition and requiring for use in his own industry being set-up by him/or in the industry in which he invests, was allowed to import from out of his own foreign exchange earnings and resources abroad and with no remittance from India with a declaration to this effect to the customs,items like machinery and connected raw materials, components, consumables and spares under this licence and also inform, within three months of customs clearance, the details of the imported machinery and other materials to the Director of Industries of the State in which the imported items are used, iv) import of generating sets, computer systems, office equipment, prototypes and restricted/used (second hand) capital goods (other than those permitted for imports under Open General licence) were not allowed, v) import of fish net making machinery were not allowed to those non-resident Indians and other eligible category of non-resident Indians who are not returning to India for permanent settlement, vi) in respect of import of capital goods meant for electronics industry no upper limit was fixed if they are engaged in the manufacture of one or more of the following ; a) electronic components (other than LSI, VLSI), b) electronic instruments, c) Tape recorders, d) two-in-ones, e) hi-fi equipment, f) electronic teaching aids, g) industrial and process control systems, h) major sub-systems, radars, navigational aids and communication equipment,and i) electronic medical equipment, vii) with specific prior approval of the Department of Electronics for taking up manufacture, import of items required by units manufacturing radars and navigational aids and communication equipment excepting manufacture of computers was permitted, viii) import of raw materials, components, consumables and spares, were allowed to meet the requirements of only the first 12 months of a unit, ix) prior approval of the Department of Electronics was obtained in respect of import of limited permissible items. Items covered under banned and canalised list were not allowed, x) no sale of capital goods takes place for a period of atleast 5 years, xi) industries (other than the electronics industry,manufacturing any of the products specified above) whose total capital investment in plant and machinery, at the unit where the imported machinery was intended to be used, does not exceed the upper limit applicable to small scale industries, could also import machinery whose c.i.f. value did not exceed Rs. 20 lakhs. Further, industries importing machinery were also allowed to import, for use in the same unit where the imported machinery is used, raw materials, components, consumables and spares to meet their first 12 months' requirement subject to a ceiling of Rs. 5 lakhs in c.i.f. value. A prior clearance from the Department of Elec-

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			tronics or D.G.T.D., as the case may be, was required for importing items covered under the limited permissible list. Items covered under banned and canalised lists were not allowed,and xii) neither the capital investment nor dividend were allowed to be repatriated by those non-resident Indians returning to India and permission for retaining foreign currency balances abroad from Reserve Bank of India was necessary. However, repatriation facilities were made available in certain cases subject to Government's policy from time to time.
22.	Removed from O.G.L.	April 1984	Jaiphal (Nutmeg) & Javetri (Maces) allowed for import under OGL as crude drug have been removed from the OGL list (20).
23.	Computer systems and their spares	April 1984	Computers and their spares imported under this licence are subject to 'actual users' condition and cannot be sold, pledged or otherwise for a period of 5 years from the date of imports.
24.	Import of gifts	April 1984	The value limit in respect of import of gifts (including electronics items of upto Rs. 500) without customs clearence permit, was reduced from Rs. 5000 to Rs. 1,250.
25.	Non-transferable REP licences	April 1984	In the case of non-transferable REP licences, the additional value for import of raw materials, consumables and spares (except tools, including consumable tools) will be 10 per cent of the f.o.b. value of export against which the main licence was issued and not the proportionate part of the f.o.b. value.
26.	Additional facility to the Export Houses, holding Export House certificate, at the time of renewal	May 1984	In cases where the applicants have achieved the necessary growth rate but fallen short of minimum export performance, they were given time of one year to make up the short fall while considering their applications for renewal. This facility was extended to trading houses also.
27.	Registration of contracts for copper	June 1984	Eligible importers of copper including copper wire bars under any provisions of the Import Policy except Advance licence or Special Imprest licences were required to get the contracts registered. However, their imports through the Minerals & Metal Trading Corporation, did not require registration but would be governed by provisions relating to canalising agencies.
28.	Official sale price of gold by SBI	July 1984	The official price of gold sold by State Bank of India to the Release Order holders under the GJEP/Replenishment Scheme was fixed at Rs. 1,322 per 10 gms. of pure gold (0.999 fineness) exclusive of any local taxes applicable thereto, effective August 1, 1984.
29.	Import of raw cashewnuts	August 1984	Raw cashewnuts were allowed to be imported by the Cashew Corporation of India, actual users (Industrial) and Export/Trading Houses. The import contracts were to be registered with the CCI within a week of concluding the contract.
30.	Official sale price of gold by SBI	August 1984	The official price of gold sold by SBI to the Release Order holders was further revised to Rs. 1,334 per 10 grams of pure gold (fineness 0.999) exclusive of local taxes effective September 1, 1984.
31.	Crude Napthalene	September 1984	Crude Napthalene was included in the first schedule under the Duty Exemption Scheme.
32.	Official sale price of gold by SBI	October 1984	The official price of gold sold by the State Bank of India to the Release Order holders which was fixed at Rs. 1,334 per 10 gms. of pure gold (0.999 finess) was further revised to Rs. 1,343 per 10 gms. of pure gold (0.999 fineness) exclusive of local taxes applicable thereto effective October 1, 1984.
33.	Changes in the regulations	October 1984	Import of measuring instruments allowed to actual users

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	for import of capital goods		(Industrial),(the earlier higher limit of Rs. 20,000 was slashed down to Rs. 1,000),Certain specified metallurgical instruments as also of computers were excluded from the list of Machinery spares and instrument for which applications for import licences were necessary. **Indian agents of foreign office machine manufacturers were allowed to import office equipment spares for stock and sale. The value of licence for this purpose is to be calculated at 1 per cent of the c.i.f. value of the office equipment imported by them in any of the three previous financial years,**
34.	Heat set printing inks	October 1984	**Heat set printing inks for printing industry were included in the OGL list for imports by printing industry only.**
35.	Import of second hand capital goods	October 1984	**Importers of second-hand capital goods (actual users-Industrial) located in the Kandla and Santacruz Electronics Export Processing Free Trade Zones were required to furnish to the customs authorities the details of the year of manufacture, name of the manufacturer, present condition of the plant and machinery and its expected residual life which should not be less than 5 years and not older than 7 years and the c. i. f. value of equivalent capital goods, if purchased new, at the time of customs clearance The details are to be certified by an independent professional chartered engineer / any equivalent institute of the country of the origin of imports.**
36.	**Official** sale price of gold by SBI	October 1984	The official sale price of gold (per 10 gms. of pure gold and 0.999 fineness) by State Bank of India to the Release Order holders was fixed at Rs. 1,361 exclusive of local taxes as applicable thereto with effect from November 1, 1984,
37.	Import by Registered Exporters	November 1984	The import replenishment percentage in respect of import of steel pipes and tubes by Registered Exporters was raised from 70 per cent to 80 per cent. The extent of import of zinc by them of 10 per cent of the f.o.b. value within the overall replenishment has been raised to 20 per cent.
38.	Rehabilitation of industrial units damaged during disturbances between 31.10.84 and 11.11.84	November 1984	It was decided to follow an expeditious and liberal procedure for disposal of applications of actual users (Industrial) who suffered loss or damage of imported machinery, raw materials, components and spares, in the wake of disturbances following the assassination of the former Prime Minister of India, during the period October 31 to November 11, 1984 in the interest of early rehabilitation of the affected units, subject to specified conditions.
39.	Official sale price of gold by SBI	November 1984	The official sale price of gold by the State Bank of India to the Release Order holders which was fixed at Rs. 1,361 per 10 gms. of pure gold (0.999 fineness), exclusive of local taxes was revised to Rs. 1,383 per 10 gms. of the same fineness, effective December 1, 1984.
40.	Pig iron	December 1984	Import of pig iron (all grades except pig iron containing phosphorous not more than 0.1 per cent) was canalised through the Steel Authority of India. Pig iron containing phosphorous of 0.1 per cent or less was included under the OGL list for imports.
41.	Proposed Units	December 1984	The condition requiring a proposed unit to produce a bank guarantee or furnish a bond for 25 per cent of the value of imports effected at the time of customs clearance was waived, once the unit started regular production and a permanent registration number was allotted.
42.	Capital goods	December 1984	Liquid nitrogen plants with capacity upto 10 litres per hour were included in the list of capital goods allowed for imports under OGL.
43.	Removed from the list of limited permissible items	December 1984	Zineb Technical 85 per cent and above, polystyrene resin/granules/moulding powder and sheet glass were removed from the list of limited permissible items. Polystyrene resin/granules/ moulding powder was transferred to the list of Automatic permissible items, to be imported as a chemical and allied item.
44.	Imports by I.O.C.	December 1984	Import of crude spiked with LPG was canalised through the Indian Oil Corporation.

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45.	Imports by STC	December 1984	State Trading Corporation of India was allowed to import cement including clinker but excluding oil well cement required by ONGC/Oil India Limited.
46.	Imports under OGL	December 1984	1) Smoke meters (Hartridge and Bosch types and exhaust gas analysers for measuring CO, HC, NOX CO_2 (one or more of these pollutants) coming from exhausts-for vehicular automobile exhaust. 2) Pearl drilling machines and pearl processing machines, portable intermittent traction machines, artificial electronics larynx instruments, oil well cement required by ONGC and Oil India Ltd., Plate/float glass and filter self rescuer for mines were included in the OGL list of items. The parties eligible to import these items were specified in the notification. However, in the case of filter self rescuer for mines only actual users (Industrial) and Export/ Trading Houses were allowed their imports under REP/Additional licences.
47.	Polystyrene resin/granules/moulding powder	December 1984	Polystyrene resin/granules/moulding powder were included in the list of automatic permissible items of imports which are not allowed to Export Houses against Additional licences.
48.	Revised sale price of gold by SBI	December 1984	The revised price of gold sold by State Bank of India to the Release Order holders under the Gold Jewellery Export Promotion Scheme/Replenishment Scheme was fixed at Rs. 1,311 per 10 gms. of pure gold (0.999 fineness) exclusive of local taxes applicable thereto effective January 1, 1985.
49.	Import of cars and vehicles by physically handicapped	January 1985	Import of cars and vehicles by physically handicapped persons was allowed subject to the following revised conditions : (i) a certificate regarding the nature and extent of disability and justification for use of a special car with disability control devices, to be furnished in the prescribed proforma issued by the State Civil Surgeon or head of concerned wing in a Government hospital, (ii) persons with over 50 per cent impairment of the body, as per Mabride scale and having any of the 5 specified disabilities and (iii) in the case of import of cars by honorary consuls of foreign government, (a) evidence is produced to the effect that the car is gifted by the government represented by the honorary consul and the cost of the car plus freight and insurance charges are borne by that foreign government, (b) the Honorary Consul has paid the full customs duty himself, (c) that the application for the import of the car is recommended by the Ministry of External Affairs in each case, (d) that the replacement of the car may be considered only after 10 years of its import and (e) in case the present honorary consul is changed within the 10 year period, the same car shall be transferred to the successor consul, with the prior approval of the C.C.I. & E.
50.	Revised sale price of gold by SBI	January 1985	The revised price of gold (purity 0.999 fineness) sold by State Bank of India, to the Release Order holders under the GJEP and Replenishment Scheme was fixed at Rs. 1,266 per 10 gms. of pure gold exclusive of local taxes as applicable thereto, effective February 1, 1985.
51.	Imports by Registered exporters	January 1985	Registered exporters engaged in the manufacture of gems and jewellery exports, were allowed to import rough, semi-precious stones in tumbled /broken/sliced condition for use in the export product.
52.	OGL imports	February 1985	Outboard motors upto 10 HP, allowed for imports by all persons, were transferred from the list of Automatic Permissible items to the OGL list for imports on a restricted basis (Appendix 10-list of equipments/machinery allowed as spares on a restricted basis).
53.	Revised sale price of gold by SBI	February 1985	The revised price of gold (of purity 0.999 fineness) sold by State Bank of India to Release Order holders was fixed at Rs.1,289 per 10 gms. of pure gold, exclusive of local taxes, effective March 1, 1985.

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54.	Outboard motors upto 10 H.P.	February 1985	Outboard motors upto 10 H.P. earlier allowed for imports as spares on a restricted basis, were transferred from the list of Automatic permissible items to the OGL list for imports for all persons.
55.	Revised sale price of gold by SBI	February 1985	The price of gold sold by State Bank of India to the Release Order holders under the Gold Jewellery Export Promotion and Replenishment Scheme was revised from Rs. 1,266 to Rs. 1,289 per 10 gms. of pure gold (0.999 fineness) excluding local taxes, effective March 1, 1985.
56.	Gas Authority of India Ltd.	March 1985	The new public sector under taking-Gas Authority of India Ltd. was allowed to import its requirements, other than consumer goods, under OGL, subject to the same conditions governing the imports by other public sector undertakings-ONGC, M/s. Oil India Ltd. and M/s. Bharat Gold Mines Ltd.

* Importer is required to maintain proper account of consumption and utilisation of the goods imported, in the prescribed form and produce such an account to the authorities within such time as may be specified.

@ A half-yearly statement giving the description and value of imports under this licence is required to be submitted to the sponsoring/licensing authority.

APPENDIX-IIB
CHANGES IN IMPORT DUTIES
(APRIL 1984 TO MARCH 1985)

Sr. No.	Item	Date of Anouncement / Effective Date	Duty						Remarks
			Basic		Auxiliary		Countervailing		
			Present	Previous	Present	Previous	Present	Previous	
1	2	3	4	5	6	7	8	9	10
1.	Cork wood and Cork Waste	21.4.84	50%	60%	30%	40%	Nil	Nil	Extended upto 31.03.1986.
2.	Aluminium	09.05.84	10%	50%	15%	30%	18.7% to 28.6%	50% + Rs. 4,000 PMT + 10% on CVD	The specified rates for different descriptions vary from 18.7% to 28.6%.
	do	01.08.84	10%	50%	15%	30%	18.7% to 28.6%	50% + Rs. 4,000 PMT + 10% on CVD	In supersession of the previous notification. The specified rates for different descriptions vary from 18.7% to 28.6%.
3.	Goods imported from Bhutan of Bhutanese/ Indian origin	15.05.84	Nil		Nil		Nil		In pursuance of Indo-Bhutan Agreement signed in 1983.
4.	Almondshell (Hard, soft and kernel)	17.05.84		100%		100%			Rates per kg Standard — Preferential 15 — 14 28 — 26 56 — 52 Previously duty on value basis. Presently on weight basis.
5.	Raw materials,components and sub-assemblies (Television)	19.05.84	25%	100%	Nil	40%	Nil	12%	To be used for manufacture of specified goods for TV under TV expansion programme (subject to certain conditions).
6.	Motor car of certain specification for physically handicapped Persons	22.05.84	50%	100%	Nil	40%	Nil	5% + Rs. 9300 + 5% on CVD + 1/8% Cess	The exemption applicable to cars below 1000 CC shipped prior to 30th April 84 for delivery to any port in India. Valid till 31.7.84.
7.	Grape guard paper	31.05.84	Nil	100%	Nil	40%	Nil	10% + Rs. 1430 PMT + 5% on this amount	
8.	Jumbo roll of graphic art films/photographic colour papers		60%						Width exceeding one metre
9.	Ships, boats and other vessels	22.06.84	30%	40%	50%	50%	12%	12%	To be used for breaking up purposes.
10.	Polymer plate processing equipments	03.07.84	40%	100%	25%	40%	12%	12%	Only on Newspaper Industry.
11.	Cable insulating impregnating and filling compounds	07.07.84	40%	100%	Nil	40%	Nil	40% + 5% on CVD	
12.	Float glass	19.07.84	25%	100%	15%	40%	Nil	Varying rates for different types of float glass	To be used in the manufacture of fuel efficient motorcars with 1000 CC engine capacity valid upto 31.7.89. (subject to certain conditions)
13.	Components of fuel efficient two wheeled motor vehicles	01.08.84	25%	100%	15%	40%	Nil		Subject to certain conditions.
14.	Waste paper (Specified categories, conditional)	10.08.84	Nil	100%	Nil	40%	Nil	Nil	For making pulp only.
15.	Nickel oxide sinter	13.08.84	Nil	60%	30%	40%	Nil	12%	
16.	Heat reclaim centrifugal machine	23.08.84	40%	100%	25%	40%	Nil	Nil	
17.	Di-iso butylene, heptene and nonene	30.08.84	Nil	70%	Nil	40%	Nil	12%	To be used for manufacture of oxoalcohol. Valid till Feb. 28, 1987.
18.	Pyrazine mono carbolic acid	12.09.84	70%	60%	40%	40%	Nil	Nil	
19.	Glass shells of sizes 45 mm, 60 mm and 80 mm diameter for manufacture of electric lamps	15.09.84	10%		Nil				Period has been extended upto 30.8.85. (Subject to certain conditions)

1	2	3	4	5	6	7	8	9	10
20.	Glass shells for fluorescent tubes	15.09.84	10%		Nil		Nil		Period extended upto 30.9.84.
21.	Lead glass tubings for manufacture of electric lamps and fluorescent tubes	15.09.84	25%		Nil		Nil		Period extended.
22.	Ethylene dichloride for PVC resins	24.09.84	20%	70%	Nil	40%	Nil	12%	
23.	Palm kernel oil for fatty acids	25.09.84	25%	60%	Nil	40%	Nil	Nil	Valid upto 31.3.85.
24.	Specified components and equipments for manufactures of trawlers	27.09.84	Nil	Nil	Nil	Nil	Nil	Nil	Exemption is valid upto 30.9.86, subject to certain conditions.
25.	Cyclohexylamine and certain ethyleneamines	29.09.84	85%	70%	40%	40%	12%	12%	
26.	Vinyl chloride monomer	29.09.84	10%	Nil	Nil	Nil	Nil	Nil	For manufacture of PVC resins.
27.	Specified goods (other than raw materials) for manufacture of fuel efficient motor cars & two wheeler motor vehicles.	08.10.84	25%		15%		Nil		Valid upto 31.7.1989, subject to certain conditions.
28.	Gibberallic acid	09.10.84	Nil	70%	Nil	40%	Nil	12%	
29.	a) Components of commercial motor vehicles	22.10.84	25%		15%		Nil		
	b) Components of motor vehicles for manufacture of commercial motor vehicles	30.10.84	25%	25%	20%	20%	Nil	Nil	Subject to certain conditions.
	c) —do—	17.03.85							Changes in conditions were announced.
30.	Edible oils as free gift	25.10.84	Nil	Nil	Nil	Nil	Nil	Nil	Only imports under Govt. approved aggrements valid upto 31.10.85.
31.	Titanium sponge	27.10.84	60%	60%	40%	35%	12%	10%	Period is extended upto 30.4.85 for partial exemption.
32.	Butadiane	29.10.84	35%	70%	30%	40%	Nil	12%	
33.	Aircraft equipments/ engines & spare parts	14.11.84	Nil		Nil		Nil		If imported by Air India & Indian Airlines, borrowing them for fitment.
34.	Specified parts for manufacture of microprocessor based machines	19.11.84	5%	100%		40%	Nil	Nil	
35.	Three specified items	19.11.84	60%	100%	40%	40%	Nil	Nil	Floppy disc and winchester disc drives and serial printers.
36.	Ten specified items	19.11.84	25%	100%		40%	Nil	12%	Line printers, paper tape readers and punches, card readers and punches, plotters and printer plotters, magnetic disc drive, digitiners and magnetic tape/ cassette/ cartridge drives.
37.	Softwear in object code in any media	19.11.84	60%	100%	40%	40%	Nil	12%	
38.	Softwear in source code as printed matter on paper	19.11.84	Nil	100%	Nil	40%	Nil	12%	Duty free presently.
39.	Softwear in source code in any media other than mentioned above (38)	19.11.84	60%	100%	40%	40%	Nil	12%	
40.	Computers (Specified) a)	19.11.84	60%	100%	40%	40%	Nil	12%	Conditional.
	b)	17.03.85	Nil	60%	Nil	40%	Nil	Nil	Conditional. Increase in the statutory basic customs duty rate on computers to 200% *ad valorem*. However, change in effective basic customs duty on only computers with certain specifications.
41.	Liquid nitrogen plants, its accessories and spares	28.12.84	Nil	Nil	Nil	Nil	Nil	Nil	The date of duty exemption extended upto 31.12.85.
42.	Certain specified goods	28.12.84	Nil	Nil	Nil	Nil	Nil	Nil	Required for construction of or fitment to ships of Coast Guard.

1	2	3	4	5	6	7	8	9	10
43.	Linear Benzine	28.12.84	70%	70%	25%	40%	Rs. 450/- per kg	Rs. 450/- per kg.	
44.	Specified machinery and equipment for gems & jewellery industry	01.01.85	15%	45%	Nil	25%	Nil	Nil	
45.	—do—	17.03.85	15%	45%	25%	25%	Nil	Nil	
46.	Impregnating and filling compounds used in electrical power cables.	01.01.85	40%	100%	Nil	40%	Nil	40% + 5%	
47.	Viscose staple fibre	11.01.85	35%	25%	5%	10%	Nil	Rs. 4/- per kg + 10% + 15%	Other than high density and high weight.
48.	Liquid nitrogen refrigerators, vessels, and flasks upto 60 litre capacity	16.01.85							
49.	Components for heavy/medium/light commercial motor vehicles or tractor & goods other than basic raw materials for manufacture of such components	16.01.85	25%	100%	20%	20%	Nil	20%	Exemptions on certain conditions. Valid till & inclusive of 30.6.1985.
50.	Reimport of goods exported out of India.	16.01.85	Nil		Nil		Nil		Valid upto 31.12.1985. (In connection with the Antarctica Expedition)
51.	Components for electrically operated trolley buses, tow tractors or battery powered road vehicles	06.01.85	25%				Nil		Conditional.
52.	Sugar	01.02.85	35%	60%	30%	40%	Nil	Rs.26 + Rs.24 PMT + Rs.14 cess per quintal	The effective rate of import duty on sugar is 65% *ad valorem*.
53.	Natural raw rubber	01.02.85	20%	40%	30%	30%	Nil	Nil	The effective rate of import duty is 50% *ad valorem*.
54.	97 specified items for garments and hosiery making machines used in garment and hosiery industry	01.02.85	25%	40%	10%	15%	Nil	10%	
55.	Alpha pinene and Turpentine	01.02.85	35%	70%	20%	40%	12%	12%	Used in the manufacture of terpene chemicals. Valid upto 1.2.1986.
56.	Machinery/equipment/components/raw materials including consumables	01.02.85	40%	60%	25%	40%	Nil	12%	
57.	Denatured ethyl alcohol	28.02.85	Nil	70%	Nil	40%	Nil	12%	For use exclusively for industrial purposes. Valid upto 30.11.85.
58.	Components of mechanical/quartz analog wrist watches	28.02.85	10%	100%		40%	Nil	12%	Excluding semi-knocked down and completely knocked down packs.
59.	Certain specified items or components	28.02.85	30%	100%		40%	Nil	12%	For manufacture of mechanical/quartz analog wrist watches.
60.	Digital, digiana, electronic watches and similar combination type wrist watches and parts thereof	28.02.85	50%	100%	25%	40%		12%	
61.	Herelogical machines and testing equipments	28.02.85	10%	60%		40%	Nil	Nil	
62.	Herelogical raw materials of specified descriptions and sizes	28.02.85	15%	100%	Nil	40%	Nil	12%	
63.	Telecommunication equipments, accessories and their components and sub-assemblies	28.02.85	40%	40%	25%	25%	Nil	Nil	Imported for project CIVICON.
64.	Soda ash of dense and light variety	28.02.85	15% and 35%	70% (Dense)	30%	40%	15% + 5% on CVD	15%	Valid upto 31.8.85. 15% basic on dense and 35% basic on light varieties.
65.	Photographic/cinematographic cameras, lenses, filters, flash light apparatus and exposure meters	04.03.85	Nil	100%	Nil	40%	Nil	20% + 5% on CVD	Valid upto 31st March 1988, conditionally. (Basic & additional duties only)

1	2	3	4	5	6	7	8	9	10
66.	Enriched uranium	04.03.85	40%	70%	25%	40%	Nil	12%	Valid upto 31.3.1988.
67.	Crude petroleum	17.03.85	10%	Nil	Rs. 300 PMT	Rs. 100 PMT	Nil	Nil	Statutory basic duty at 200% *ad valorem*
68.	Ball, roller & needle roller bearings	17.03.85							Rates are different for different sizes. Raising the statutory basic duty rate and to provide specific component in addition to the *ad valorem* component in the statutory rates.
69.	Specified medical equipments	17.03.85	40%	60%	5%	40%	Nil	12%	
70.	Eight specified drug intermediates	17.03.85	70%	70%	40%	40%	Nil	12%	
71.	Homeopathic medicines containing or not containing spirits	17.03.85	20%		30%		Nil	Nil	Previously different rates applicable for medicines containing or not containing spirit.
72.	Three specified intermediates used in the manufacture of anti TB and anti leprosy drug Rifampicin	17.03.85	Nil	70%	Nil	40%	Nil	12%	
73.	Four specified electronic components for the manufacture of computers/computer peripherals	17.03.85	25%	100%		40%	Nil	12%	
74.	Wool (raw)	17.03.85	30%	40%	10%	10%			
75.	Exhaust gas analyser and smoke meters	17.03.85	40%		5%		12%		Used in the automotive industry
76.	Wind operated electricity generators and wind operated battery chargers	17.03.85	Nil	40%	Nil	25%	Nil	10%	
77.	Fertiliser projects	17.03.85	Nil	40%	Nil	25%	Nil	Nil	Conditional.
78.	Power projects	17.03.85	Nil	40%	25%	25%	Nil	Nil	
79.	Other projects	17.03.85	20%	40%	25%	25%	Nil	Nil	
80.	Public telephone exchange net work projects	17.03.85							Extension of concessional duty rate for project imports. 20% + 25% now if no certificate, but 25% if certificate is produced from the competent authority.
81.	Specified machines for leather industry and wattle extracts	17.03.85	25% 10% (WE)	40% 40%	10% 30% (WE)	25% 25%	Nil Nil (WE)	10% 12%	On specified machines for leather industry, rate is 35%. WE = Wattle Extract.
82.	Raw hides and skins crust leather and finished cattle leather	17.03.85	Nil	Nil	Nil	30%	Nil	Nil	30% for untanned. Tanned had no duty.
83.	Consumable research materials	17.03.85	—	—	—	—	—	—	Imports made only by public funded research institutions. Exemption limit raised to Rs. 50,000 in a financial year.
84.	Zinc powder and flakes	17.03.85	60%	40%	40%	30%	15% + - 10% on CVD	15% + 10% on CVD	
85.	Certain articles of plastic	17.03.85	100%	100%	40%	40%	12%	Nil	
86.	Television sets	17.03.85							Imposing of CVD of Rs. 100/- per set.
87.	Components of fuel injection pumps	17.03.85	25%	100%	20%	40%	Nil	20% + 5% on CVD	For manufacture of pumps & their parts. (valid upto 31.3.1990)
88.	Components and parts of fuel injection pumps	17.03.85	25%	100%	20%	40%	Nil	20% + 5% on CVD	For providing warranty/after sale services.
89.	Components (except raw materials)	17.03.85	25%	100%	20%	40%	Nil	20% + 5% on CVD	For manufacture of only specified parts of fuel efficient commercial vehicles, valid upto 31.3.1990
90.	Maintenance spares	17.03.85	25%	100%	20%	40%	Nil	20% + 5% on CVD	To provide warranty/after sale services for such fuel efficient commercial vehicles.
91.	Pulp made from fibrous vegetable materials	17.03.85	Nil	40%*	Nil	30%	Nil	Nil	*Rates pertain to Rayon grade.
92.	Wood chips	17.03.85	Nil	60%	Nil	40%	Nil	10%**	**For wood chips used for other purposes than manufactures of paper & paper boards, For manufacture of paper were exempted earlier.
93.	Wood	17.03.85	10%@	60%		40%	Nil	10%	@Rates pertain to basic & auxiliary duty.
94.	Packaging machinery	17.03.85	10%	10%			Nil	Nil	Validity extended to 31.3.86.
95.	Food processing machinery	17.03.85	10%	10%			Nil	Nil	Validity extended to 31.3.86.
96.	Meat processing machinery	17.03.85	10%	10%			Nil	Nil	Validity extended to 31.3.86.
97.	Prizes won in sports abroad	30.03.85	Nil		Nil		Nil		

Sources : Customs Notifications, Department of Revenue, Ministry of Finance, Govt. of India.

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THE REPORT OF THE COMMITTEE TO REVIEW THE WORKING OF THE MONETARY SYSTEM

The Committee to Review the Working of the Monetary System was appointed by the Reserve Bank of India in December 1982 with Prof. Sukhamoy Chakravarty as Chairman and it submitted its Report in April 1985. The Committee's Report has recently been published by the Reserve Bank.

The Committee has examined various aspects of the working of the monetary system and made many significant recommendations in regard to the restructuring of the system with a view to making it more effective in furthering the socio-economic goals as enunciated in the successive Five Year Plans.

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