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

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REPORT ON CURRENCY AND FINANCE

VOLUME I

ECONOMIC REVIEW

1989-90

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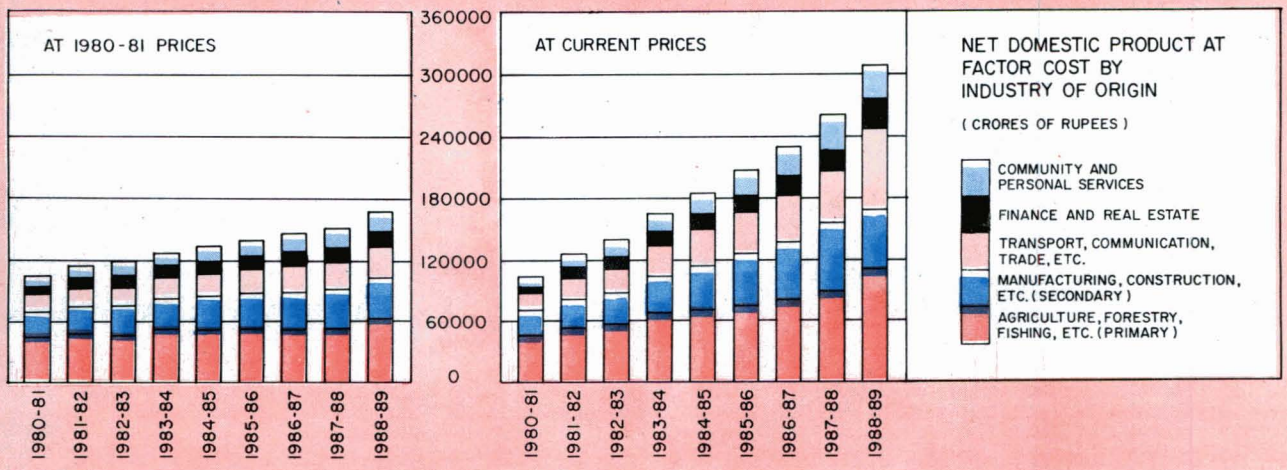

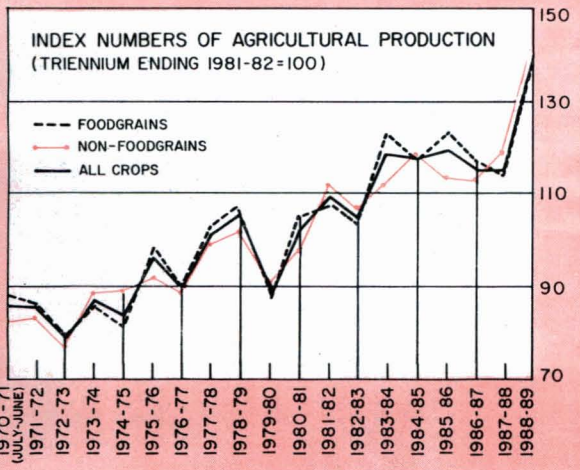

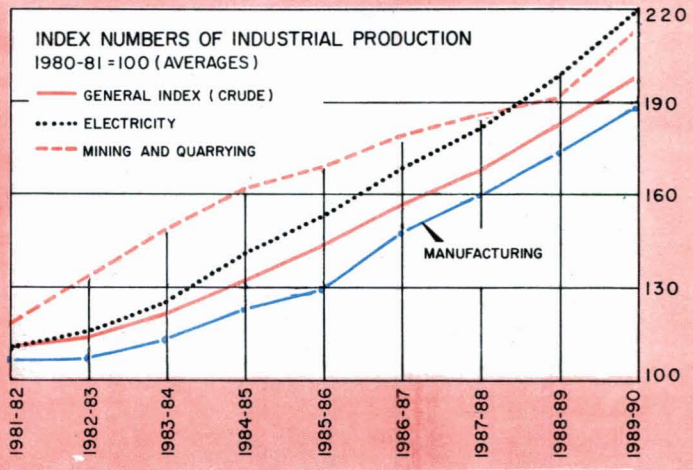

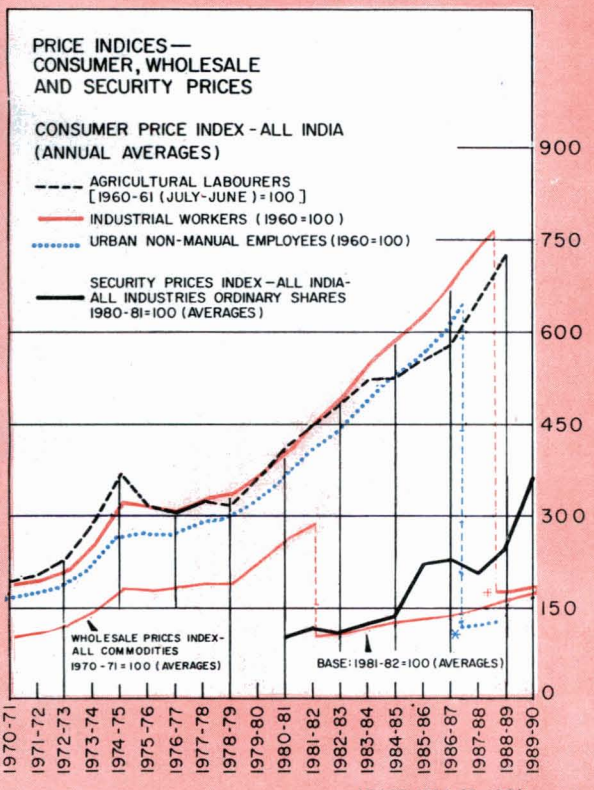

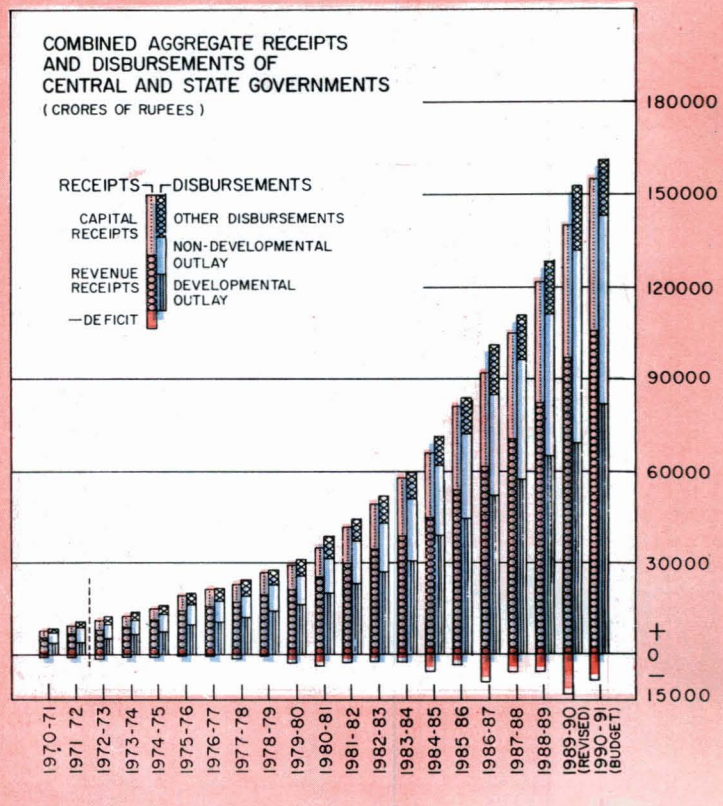

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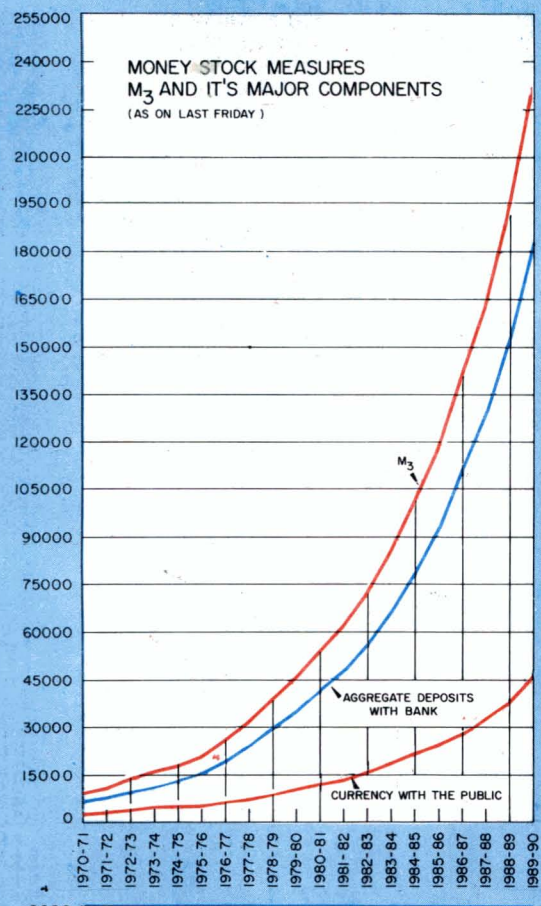
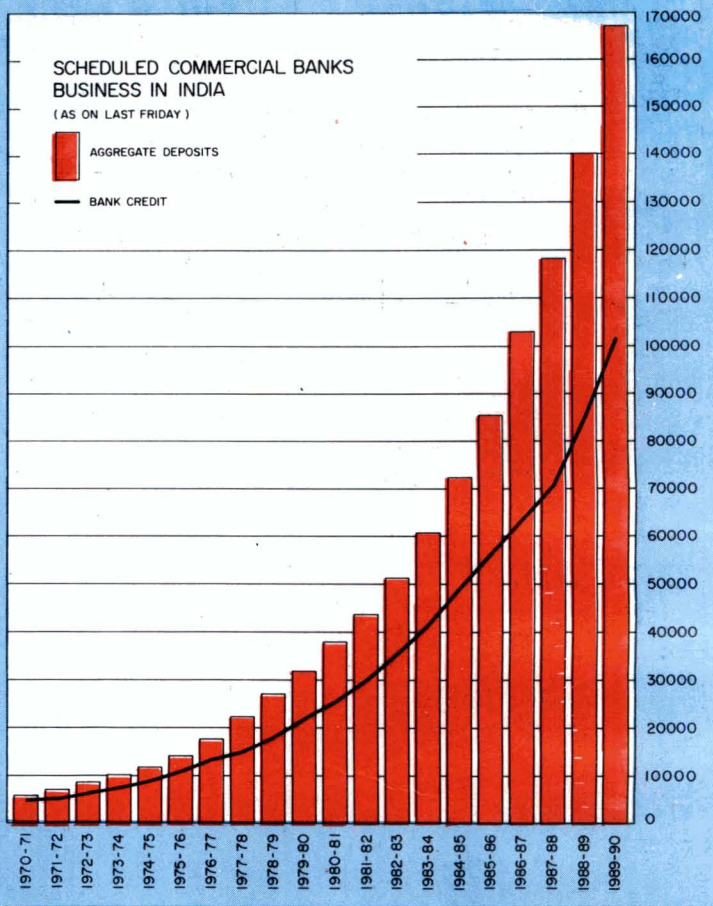
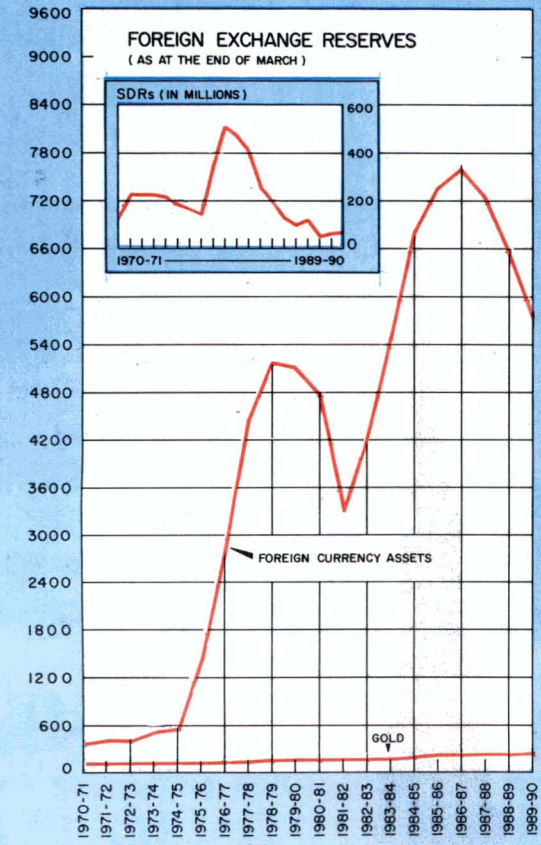
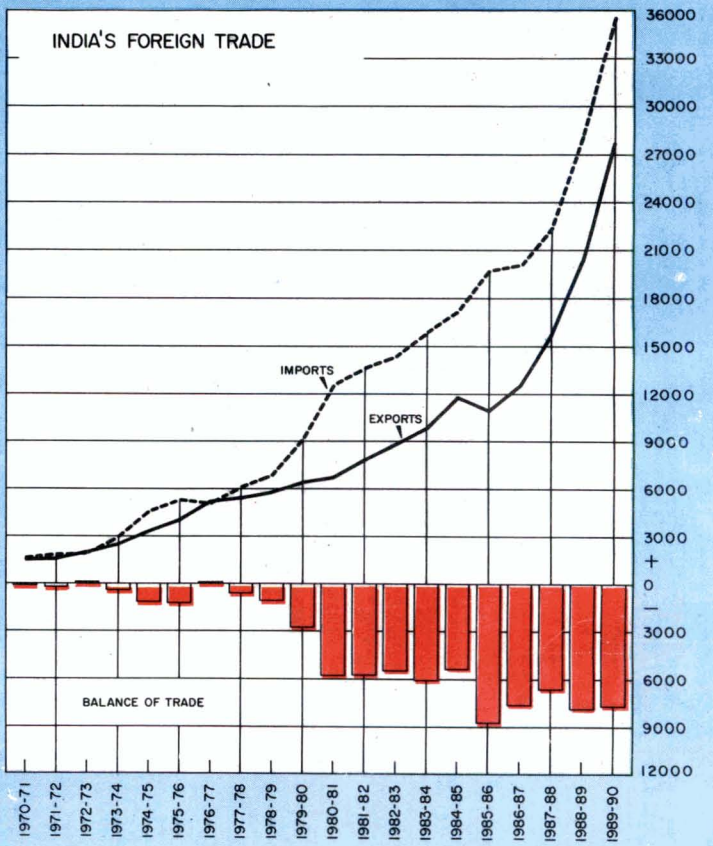








Chapter I

Review and Outlook*

Review of Indian Economy during 1989-90 (April-March)

The Indian economy performed reasonably well in 1989-90 with a growth in gross domestic product (GDP) at factor cost of around 5 per cent as compared with a growth of 10.4 per cent in the preceding year**. The comparative deceleration in the growth rate during 1989-90 arose mainly from the marginal increase in GDP originating from agriculture over the very sharp rise achieved in 1988-89. The annual average growth rate of the economy during the Seventh Plan (1985-86 to 1989-90) was 5.6 per cent as against the Plan target of 5 per cent.

Agricultural production increased further by about 1.0 per cent in 1989-90 on top of the record rise of 21.7 per cent in 1988-89. The higher level of agricultural production during 1989-90 was aided by a generally favourable South-West Monsoon. Out of the 35 meteorological sub-divisions in the country, 29 received normal or excess rainfall. In the case of the remaining six sub-divisions, with the exception of East Rajasthan, deficiency in rainfall was marginal in five sub-divisions. Foodgrains production during 1989-90, estimated at 170.6 million tonnes, surpassed the previous record production of 169.9 million tonnes in 1988-89. Season-wise, foodgrains production in *Kharif* 1989 is placed at 100.9 million tonnes showing an increase of 5.5 per cent over the production of 95.6 million tonnes during *Kharif* 1988. On account of deficient rainfall during the post-monsoon period, October-December 1989, in major *Rabi* growing States, crops suffered to some extent, and hence production was estimated lower at 69.7 million tonnes, than that of 74.3 million tonnes in 1988-89.

Crop-wise, production of rice at 74.1 million tonnes and coarse cereals at 34.3 million tonnes exceeded the targets fixed for the year and represented new peak levels of output. Production of wheat suffered as a result of moisture deficiency and sudden rise in temperature in January 1990 and the crop was estimated lower at 49.6 million tonnes than the preceding year's level of 54.1 million tonnes. Likewise, production of pulses at 12.6 million tonnes was lower than the target for the year as well as the production achieved in the previous year.

Among commercial crops, there were bumper harvests in the case of sugarcane and cotton. Production of jute and mesta was also substantially higher than in the preceding year. Oilseeds production, however, declined to 16.8 million tonnes from a record harvest of 18.0 million tonnes in 1988-89, due mainly to the dry spell in groundnut producing tracts of Saurashtra in Gujarat and adverse weather conditions in rapeseed/mustard producing areas of Rajasthan and Uttar Pradesh.

As a result of a record foodgrains harvest as well as substantial increase in procurement prices offered to the cultivators, there was a high procurement of foodgrains during the year. Total procurement of foodgrains by the public sector agencies at 20.5 million tonnes in the fiscal

*The reference period of the Report is the financial year April 1989 - March 1990; more recent data/estimates are presented wherever available.

**This estimate of the rate of growth of GDP in 1989-90 is based on the latest data available and is higher than what is given in Chapter II; the savings rate is also expected to be higher than indicated therein consequent to revisions in the components of savings.

year 1989-90 was 6.2 million tonnes higher than that in the previous year. Total procurement of rice during 1989-90 *Kharif* marketing season (October-September) at 11.9 million tonnes was 54.5 per cent higher than that of 7.7 million tonnes in the corresponding season of 1988-89. Wheat procurement during 1989-90 *Rabi* marketing season (April-March) at 9.0 million tonnes was 38.5 per cent higher than that of 6.5 million tonnes in 1988-89.

Intensified procurement during the year led to a rapid replenishment of stocks of foodgrains with the public sector agencies, which rose to a level of 11.7 million tonnes by end-March 1990 from a low of 7.4 million tonnes a year ago. The level of stocks at 19.1 million tonnes at end-December 1990 was only slightly less than the official norm of 20.1 million tonnes stipulated to be held on January 1, of each year. The position regarding stocks has become satisfactory in view of the substantial procurement of wheat during 1990-91 *Rabi* marketing season (April-March) which totalled 11.1 million tonnes. The foodgrains stock build-up was reinforced by a lower off-take of 16.1 million tonnes during fiscal 1989-90 as against 18.0 million tonnes in 1988-89. The lower off-take was on account of improved open-market availability as a result of higher foodgrains production and also to some extent due to lower allocations under employment programmes.

Industrial production in 1989-90 recorded a growth rate of 8.6 per cent which was marginally lower than that of 8.7 per cent achieved in 1988-89. The overall growth rate would have been adversely affected, but for the resurgence in the performance of manufacturing sector in the latter half of 1989-90, after experiencing a decline of 0.1 per cent in the first quarter and an increase of 4.4 per cent in the second quarter. In the third quarter, the growth rate rose to 8.5 per cent and picked up considerably to 20.1 per cent in the last quarter of 1989-90. The growth in the output of mining and quarrying sector showed a deceleration to 6.3 per cent in 1989-90 from 7.9 per cent in the previous year. Electricity generation recorded a higher growth rate of 10.9 per cent in 1989-90 as against 9.5 per cent in 1988-89. Within the manufacturing sector, out of the 17 major groups, as many as eleven groups accounting for 51.44 per cent in the overall index for the sector experienced either deceleration in growth rates or a decline in their output. Only six groups accounting for 25.67 per cent weightage recorded an acceleration in growth rates.

The composite index of six infrastructure industries experienced a decline in growth rate of 6.2 per cent in 1989-90 from 8.2 per cent in 1988-89. This was due to the combined effect of a decline in the production of saleable steel and deceleration in the growth of output of coal and cement, offsetting the increase in the generation of electricity and output of petroleum crude and refinery products. In this group, the performance of electricity sector was by far the best with a growth rate in generation of the order of 10.9 per cent as against 9.5 per cent in 1988-89. However, the generation fell short of the target of 13.6 per cent set for the year 1989-90. There was an acceleration in the growth rate of output of petroleum crude (6.4 per cent against 5.5 per cent in 1988-89) and petroleum refinery products (6.4 per cent against 2.2 per cent in 1988-89) during 1989-90. The higher growth in the output of petroleum crude was mainly due to the contribution of on-shore oilfields of ONGC and Oil India Ltd. The total crude oil output placed at 34.1 million tonnes in 1989-90 was close to the production target of 34.3 million tonnes. The target for the production of POL products at 47.4 million tonnes was exceeded by about 2 per cent, actual production being 48.3 million tonnes. The fall of 1.9 per cent in production of saleable steel, against an increase of 7.2 per cent in 1988-89, was attributed to power shortage during some parts of the year and inadequate supply of imported metallurgical grade coking coal. The growth of output of coal decelerated sharply to 3.2 per cent in 1989-90 from 8.3 per cent in the previous year. The poor performance of coal fields resulted mainly from breakdown of machinery, poor industrial relations and absenteeism. Hence, as against the target of 209.5 million tonnes, the actual coal output in 1989-90 amounted to 201 million tonnes. The growth rate in the production of cement dropped to 3.0 per cent in 1989-90 from 12.0 per cent in 1988-89.

During 1989-90, the capital market displayed considerable growth and buoyancy. The year witnessed unprecedented activity in the primary market with new capital issues by non-Government public limited companies reaching a record level of Rs.6,437 crore or double the amount raised during the previous year. The approvals granted by the Controller of Capital Issues (CCI) were also substantially higher at Rs.7,556 crore showing an increase of 53.2 per cent over the preceding year. The secondary market also witnessed significant growth, as reflected by the Reserve Bank of India's All-India (average) Index Numbers of Ordinary Share Prices recording a growth of 45.2 per cent over 1988-89. Moreover, financial assistance sanctioned and disbursed by all-India financial institutions were also higher by 13.4 per cent and 10.0 per cent, respectively, over the preceding year's levels.

Monetary developments during 1989-90 were characterised by a striking acceleration in liquidity growth, with strong expansionary influence emanating from the Government's deficit spending. The expansion in narrow money (M_1) was particularly sharp and was accounted for by sizeable acceleration in the growth of both currency with the public and demand deposits with banks. Although the growth of time deposits decelerated, the expansion in broad money (M_3) was nevertheless significantly higher than that in the preceding year. Thus, monetary expansion, as measured in terms of M_3, at Rs. 38,224 crore (or 19.9 per cent) during 1989-90 was higher than that of Rs. 29,425 crore (or 18.1 per cent) recorded in the preceding year. The expansionary impact of a high fiscal deficit is also reflected in a faster growth of reserve money. Unlike in the previous years, however, the excess primary liquidity could not be mopped up as the cash reserve ratio (CRR) had reached its statutory limit.

Component-wise, there was an unprecedented increase of Rs. 8,153 crore (or 21.2 per cent) in currency with the public in 1989-90 as against Rs. 4,765 crore (or 14.2 per cent) in 1988-89. Aggregate deposits with banks recorded a fractionally higher rise of 19.4 per cent as compared with 19.0 per cent in 1988-89. Demand deposits recorded a higher rise of 23.4 per cent in 1989-90 as compared with 16.2 per cent, while time deposits registered a smaller rise of 18.5 per cent than that of 19.7 per cent in the preceding year.

Source-wise, the acceleration in monetary expansion during 1989-90 was mainly on account of a sharp increase of Rs. 19,686 crore (or 20.3 per cent) in net bank credit to Government, as compared with that of Rs. 12,771 crore (or 15.2 per cent) in 1988-89. Increase in bank credit to commercial sector was also higher at Rs. 22,630 crore than that of Rs. 21,687 crore in 1988-89; however, the growth rate of credit to this sector declined by 2.7 percentage points over the year.

Despite a favourable monsoon for the second year in succession, prices continued to be under pressure during 1989-90. The wholesale price index (Base: 1981-82 = 100) rose, on a point-to-point basis, by 9.1 per cent in 1989-90 as against 5.7 per cent in the previous year. While the seasonal rise in prices was high, the seasonal downtrend was rather weak, thus reflecting the underlying inflationary pressures. Widespread and sizeable price increases, ranging from 6 per cent to 11 per cent, amongst all the three major commodity groups, namely, 'Primary Articles', 'Fuel and Power, etc.' and 'Manufactured Products', reflected the generalised character of inflation during 1989-90. Supply-demand imbalances of some essential commodities like pulses, tea, sugar, oilseeds, edible oils and cement, constraints in augmenting supplies through imports owing to the tight foreign exchange reserves position, upward revisions in administered prices of agricultural and petroleum products, rise in import costs and, above all, the higher growth of liquidity emanating from fiscal deficits contributed to the inflationary situation.

The Consumer Price Index for Industrial Workers (CPI) (Base : 1982 = 100) recorded, both on a point-to-point and average basis, a rise of 6.6 per cent each in 1989-90 as compared with 8.6 per cent on the former basis and 9.1 per cent on the latter basis in 1988-89.

Pressures continued to prevail on the balance of payments, brought about by the persistent strength of import demand and large repayments to the IMF under the Extended Fund Facility (EFF) which counterbalanced, to a large extent, a robust export performance. The current account deficit during 1989-90 is estimated to be marginally lower than that of Rs. 10,410 crore in 1988-89. As a ratio to GDP, it is estimated to have declined to 2.3 per cent from the peak of 2.7 per cent in 1988-89.

According to DGCIS data, exports at Rs. 27,681 crore increased by 36.3 per cent during 1989-90 over 1988-89. Imports at Rs. 35,412 crore, however, rose by 25.6 per cent in 1989-90 over the preceding year's level. The trade deficit at Rs. 7,731 crore during 1989-90 declined by Rs. 161 crore from the trade deficit of Rs. 7,892 crore during 1988-89.

Net receipts from invisibles are estimated to be somewhat lower than in the preceding year. While earnings from tourism are expected to show an increase, inward remittances from non-resident Indians might not have registered any significant change over the year. The rising trend in investment income payments and outgo on the miscellaneous account would continue due to higher payments on account of interest and service charges on commercial and concessional borrowings, royalties and professional and technical know-how fees.

Repurchases from the IMF under the EFF at Rs. 1,460 crore in 1989-90 were marginally lower than the repurchases of Rs. 1,547 crore in 1988-89. Net inflow of funds under the FCNRA Scheme were lower by Rs. 51 crore during 1989- 90, while net inflow under external assistance would be lower by Rs. 59 crore. Foreign exchange reserves (SDRs, gold and foreign currency assets) declined by Rs. 788 crore to Rs. 6,251 crore at the end of March 1990, showing a larger fall than that of Rs. 647 crore in 1988-89. Net of valuation changes, however, the fall in reserves at Rs. 529 crore during 1989-90 was lower than that of Rs. 1,449 crore in the preceding year. In SDR terms, the reserves at SDR 3045 million recorded a lower decline of SDR 670 million in 1989-90 as comared with SDR 771 million in 1988-89.

Outlook for 1990-91

On the basis of the available data in the current year so far it is estimated that the economy may achieve a growth rate in real GDP of about 4.5 per cent in 1990-91. The South-West Monsoon during 1990 was adjudged as exceptionally good with the rainfall well distributed in time and space, with only a marginal deficiency in three sub-divisions, viz., Kerala, Lakshadweep and Andaman and Nicobar Islands. The rainfall was normal or excess in 32 of the 35 meteorological sub-divisions, covering 95 per cent of the country. The North-East Monsoon, which benefits mainly Tamil Nadu and the adjoining areas, has also been favourable. While the domestic real sector shows satisfactory progress, the external payments position which was already under strain came under severe pressure in the context of the Gulf Crisis. Besides, the inflationary forces have strengthened. An adjustment of the economy which will require in the first place the correction of fiscal imbalances is imperative if growth with stability is to be achieved over the medium term.

Agriculture

Agricultural production which recorded a growth rate of about 1.0 per cent in 1989-90 on top of a record rise of 21.7 per cent in 1988-89, is expected to increase further by over 2 per cent in 1990-91. The foodgrains output target for 1990-91 has been fixed at 176.5 million tonnes comprising 95.0 million tonnes of *Kharif* production and 81.5 million tonnes of *Rabi* production as against the estimated production of 170.6 million tonnes, comprising 100.9 million tonnes of *Kharif* and 69.7 million tonnes of *Rabi* output in 1989-90. In view of the exceptionally good South-West Monsoon in 1990, *Kharif* output during 1990-91 is expected to reach 101-102 million tonnes, as against the target of 95 million tonnes, and the previous *Kharif* season's output of 101 million tonnes. *Rabi* foodgrains production is expected to be lower than the target of 81.5 million tonnes though it is likely to be higher than the previous year's level in view of good soil moisture content and favourable reservoir levels. Thus, the country is poised for a record foodgrains

harvest for the third year in succession. The prospects are bright for commercial crops with the exception of groundnut. Sugarcane production is expected to reach an all-time high of 220-224 million tonnes in 1990-91. The overall demand-supply balance is satisfactory with the exception of that for edible oils. The foodgrains stocks at the end of December 1990 were 19.1 million tonnes and this should enable better supply management to contain inflationary pressures particularly in the coming year if there is a break in the cycle of good monsoon conditions.

Industry

According to quick estimates released by the CSO, the Index of Industrial Production (Base: 1980-81 = 100) shows that during the first seven months of 1990-91 (April-October) the average monthly index of production at 200.0 registered a growth rate of 10.8 per cent as compared with a rise of 4.6 per cent achieved in the comparable period of 1989-90. The acceleration observed during this period is mainly attributed to the contribution by the manufacturing sector, the output of which spurted by 12.6 per cent in April-October 1990, in sharp contrast to a marginal growth rate of only 2.7 per cent during the corresponding period of 1989. The growth rate in mining and quarrying sector decelerated during the same period from 9.4 per cent in 1989-90 to 3.3 per cent in 1990-91. Generation of electricity also recorded a deceleration in the growth rate to 7.3 per cent from 12.2 per cent.

The composite index of six infrastructure industries (viz. electricity, petroleum crude, petroleum refinery products, saleable steel, coal and cement) recorded a sharp deceleration in growth rate to 3.5 per cent in April-December 1990 from 6.7 per cent in the comparable period of the preceding year. Although the actual output of four (electricity, saleable steel, coal and cement) out of six infrastructure industries improved during April-December 1990, the achievement in all the industries fell short of the targets set for them.

The growth rates both in the general index and in the manufacturing sector were high in the first seven months of the year because of the low base of the comparable period of the previous year. The index for the month of October 1990 has shown an increase of only 5.5 per cent over the corresponding month in the previous year. The depressing performance of the infrastructure industries as well as the lower availability of imported raw materials and components consequent on the balance of payments constraints will have an adverse effect on the overall industrial production during the year. Thus, the rate of growth of industrial output may be expected to be around 6 to 7 per cent in 1990-91 as compared with 8.6 per cent in 1989-90.

Fiscal Developments

Recognising that persistently high deficits have serious implications for the finances of the Government and the macroeconomic stability of the economy, the Central Budget for 1990-91 sought to restrict the overall deficit at a much lower level than in the previous year through ensuring containment of expenditure growth and better tax collections. The overall deficit in 1990-91 after taking into account the revenue from new measures, including revision in postal rates, was budgeted at Rs. 7,206 crore which was 38.7 per cent lower than the revised estimates of Rs. 11,750 crore for 1989-90.

A disquieting development which has adversely affected the domestic fiscal scenario during the current year is the impact of the Gulf crisis. In order to deal with the steep rise in the international price of crude and concomitant hike in the import bill as also to meet the cost of evacuating non-resident Indians from Kuwait and Iraq, the Government adopted a combination of measures such as increase in petroleum prices, curbs on consumption of petroleum products and enhanced tax effort. In addition, Government resorted to various economy measures to cut down its non-essential expenditure.

According to the second four-monthly review of the budget situation presented in January 1991 the actual budget deficit of the Centre was Rs. 13,000 crore on November 30, 1990 as compared with Rs. 13,082 crore in the

corresponding period of 1989. While net RBI credit to Central Government amounted to Rs 15,055 crore on January 11, 1991 as against Rs. 15,277 crore on January 12, 1990, the budget deficit as on Jannuary 11, 1991 was Rs. 15,093 crore. These trends indicate that the budget deficit at the year end could be above the limits set by the Central Budget for 1990-91. With the more recent fiscal measures coupled with the seasonal pattern of tax receipts, the budget deficit as at the end of March, 1991 could narrow down significantly as compared with the budget deficit in January 1991. It will nevertheless be high.

Monetary Developments and Credit Policy

Monetary developments show that during March 23, 1990 to January 11, 1991 the pace of growth of both M_3 and M_1 has been considerably lower than in the corresponding period of 1989-90. M_3 increased by Rs. 24,748 crore (10.7 per cent) as compared with a rise of Rs. 30,247 crore (15.7 per cent) in the comparable period of 1989-90. The deceleration in growth of M_1 was marked at Rs. 8,391 crore (10.3 per cent) from Rs. 11,655 crore (17.5 per cent) in the corresponding period of 1989-90. During the financial year up to January 11, 1991 reserve money recorded a rise of Rs. 10,439 crore (14.3 per cent), lower than that of Rs. 10,593 crore (17.0 per cent) in the corresponding period of 1989-90. Despite a large increase in net RBI credit to Government the reserve money growth has remained lower compared with the position in 1989-90 due to the massive fall in net foreign exchange assets of the banking sector of the order of Rs. 4,594 crore from March 23, 1990 till January 11, 1991 as against Rs. 96 crore in the corresponding period of the preceding year (the figure for 1990-91 excludes the effect of revaluation of gold). The largest contribution to reserve money growth came from net Reserve Bank credit to Central Government.

Scheduled commercial banks' operations during the current financial year so far (i.e. March 23, 1990 to January 11, 1991) have been characterised by a deceleration in growth of aggregate deposits and bank credit. Accretion to aggregate deposits at Rs. 18,184 crore (10.9 per cent) was smaller than that of Rs. 21,467 crore (15.3 per cent) in the comparable period of the previous year. Expansion in bank credit at Rs. 9,722 crore (9.6 per cent) was also smaller than that of Rs. 11,840 crore (14.0 per cent) in the comparable period of 1989-90. Food credit expansion at Rs. 2,398 crore was much larger than that of Rs. 779 crore in the previous financial year, owing to higher procurement, increase in procurement prices and lower off-take of foodgrains. Non-food credit expansion at Rs. 7,324 crore was substantially smaller than that of Rs. 11,061 crore in the corresponding period of 1989-90. The incremental net non-food credit-deposit ratio at 40.3 per cent was lower than that of 51.5 per cent in the comparable period of 1989-90.

The stance of monetary policy has remained one of supporting productive activity by the provision of adequate credit while at the same time containing inflationary pressures. Given the large overhang of liquidity and the resurgence of inflation in 1989-90, it was necessary to bring about a sharp break in inflationary expectations. At the beginning of the year, the high levels of primary money accruals pointed to a strong possibility of even faster liquidity growth in the immediate future and, therefore, there was an urgent need for effective moderation of monetary expansion. Accordingly, the objective of monetary management during 1990-91 was to bring about a sharp reduction in overall monetary expansion (M_3) by about 4 percentage points below the extremely high figure of 19.9 per cent in 1989-90.

As part of the credit policy for the first half of 1990-91 the Statutory Liquidity Ratio was enhanced on both domestic and non-resident deposits. In September 1990, a major rationalisation of the lending rate structure of scheduled commercial banks was undertaken and the concessionality in interest rates is now linked exclusively to the size of the loan thereby reducing the multiplicity and complexity of the previous regime while at the same time ensuring that basic societal concerns are taken care of. In October 1990, a new category of deposits of 3

years and above was introduced at an interest rate of 11.0 per cent per annum. A better integration of the call money market and the bill rediscount market was sought to be achieved by extending the participants in the call money market to cover all participants in the bill rediscount market. Furthermore, various measures were devised to improve credit discipline. In December 1990, the limits for Certificates of Deposit (CDs) was enhanced from 2 per cent to 3 per cent of aggregate deposits, the penalties for cash reserve ratio shortfalls were softened and the access to discretionary refinance was significantly widened. This moderated the unduly high rates of interest in the call money market. In view of the paramount need to promote exports, effective January 1, 1991, the proportion of export refinance over the stipulated base level of export credit was raised from 75 per cent to 100 per cent.

Capital Market

During April-December 1990, the capital market witnessed further buoyancy in the secondary market but activity in the primary market was subdued in terms of fresh capital issues. According to available provisional data, approvals by CCI during April-December 1990 for raising fresh capital (including premium but excluding bonus shares) by Government and non-Government companies amounted to Rs.9,119.2 crore. They were lower by 15.0 per cent than in the corresponding period of the previous year (Rs. 10,731.5 crore). The approval for the public sector bonds at Rs. 4,710.2 crore was 20.3 per cent higher than that of the corresponding period of the previous year (Rs. 3,915.0 crore). During April-December 1990 approvals to Government companies for raising of share capital amounted to Rs. 60.6 crore as against Rs. 73.7 crore in the corresponding period of the previous year. Approvals for non-Government companies during the period were substantially lower at Rs. 4,348.4 crore as compared with those in the corresponding period of 1989-90 (Rs. 6,742.8 crore).

The buoyancy witnessed in the secondary market during 1989-90 also continued in the subsequent period of 1990-91 upto the middle of October 1990, when the Reserve Bank of India's All-India Index Numbers of Ordinary Share Prices (Base: 1980—81 = 100) peaked to 654.2 on October 13, 1990. Thereafter, the equity prices, by and large, have showed a declining trend. During April-December 1990, the average of RBI All-India Index Numbers of Ordinary Share Prices at 500.4 recorded a rise of 39.2 per cent over 1989-90 (April-March). This was on top of an increase of 45.2 per cent during the previous year.

Balance of Payments

The country's balance of payments in 1990-91 was already a matter for concern even before the Gulf crisis, but with its onset the payments position came under severe pressure. Exclusive of the revaluation of gold holdings, foreign exchange reserves comprising foreign currency assets, gold and SDRs recorded a decline of Rs.3,632 crore during April 1,1990-January 11, 1991 as compared with a decline of Rs. 1,068 crore during the corresponding period of 1989—1990. Effective October 17, 1990 the gold holdings of the RBI are being revalued closer to international market price instead of at the fixed price of Rs. 84.39 per 10 grammes. As a result,the foreign exchange reserves amounted to Rs. 8,923 crore as on January 11, 1991.

According to provisional data available from DGCIS, exports (in rupee terms) during April-November 1990 rose by 20.6 per cent to Rs. 20,303 crore, recording a substantial deceleration from that of 38.0 per cent, during the corresponding period of the preceding year. Imports at Rs. 27,484 crore rose by 28.6 per cent which was significantly higher than that of 20.7 per cent during April-November 1989. The trade deficit as a result, widened by Rs. 2,648 crore to Rs. 7,181 crore from that of Rs. 4,533 crore during April-November 1989. For the year as a whole growth in exports would be well below the rate of 36 per cent (in rupee terms) recorded for 1989-90. On the import front, the sharp spurt in

international oil prices and the disruption in supplies that followed the crisis in the Gulf region would result in a substantially larger outgo of foreign exchange to meet the oil import bill. In sum, the trade deficit for 1990-91 may widen further. Net receipts from invisibles are likely to be smaller during the current year. The declining trend observed in recent years in such receipts covering the trade deficit (in percentage terms) will continue in 1990-91 also.

As regards the capital account, the net inflow under the Foreign Currency Non-Resident Account Scheme during April-December 1990 at Rs. 1,916 crore was lower by Rs. 472 crore than that of Rs. 2,388 crore during the corresponding period of 1989. Judging from recent trends, the net inflow of funds under the Foreign Currency Non-Resident Account and Non-Resident External Rupee Account deposits together is likely to be lower in 1990-91 than in the preceding year. The non-repatriable Non-Resident Indian Bonds (Second Series), which closed at the end of January 1991, fetched US $ 200 million. Scheduled repurchases from the IMF, excluding repayment under Trust Fund loans during 1990-91, would amount to SDRs 469 million (Rs. 1,148 crore), as against SDRs 681 million (Rs. 1,460 crore) in 1989-90. The net inflow of external assistance in US dollar terms is expected to be somewhat lower than in the previous year.

At the request of the Government of India, the International Monetary Fund approved on January 18, 1991 a first credit tranche stand-by arrangement for SDRs 551.925 million and a purchase under the Compensatory and Contingency Financing Facility for SDRs 716.9 million which has augmented the foreign exchange reserves of the country.

Looking ahead it is clear that the pressures on the balance of payments will continue to persist. The oil situation is still uncertain. Even if the Gulf crisis is resolved, oil price may not reach the low levels of the previous years. The pressures on account of petroleum imports would be substantial in the next year even if we succeed in containing the growth in the physical volume of imports. At best there could be only a marginal decline in the value of oil imports. Non-oil imports have been showing rising trends in the recent period. On the export front maintaining the export volume growth of the order of 10 per cent appears to be difficult. World trade environment is distinctly unfavourable with the recession in leading Western countries, uncertainties in East Europe and Soviet Union and the impact of Gulf crisis on developing economies.

Price Situation

The persistence of inflationary pressures during 1990-91 continues to be a cause for serious concern. The rate of increase in the Wholesale Price Index (WPI), on a point-to-point basis, during the current financial year so far (up to January 19, 1991) was 10.1 per cent as compared with 7.3 per cent in the corresponding period of the previous year. On an average basis the increase in WPI works out to be 9.4 per cent during the above-mentioned period of 1990-91 as against 7.2 per cent in the comparable period of 1989-90. The seasonal decline, particularly in prices of 'primary articles', which generally sets in towards the end of August, was absent this year.

To sum up, the overall performance of the economy in 1990-91 is mixed. While the agricultural sector is expected to show a good performance, industrial output is likely to be lower than in the previous year. The growth in real GDP is tentatively forecast at about 4.5 per cent in 1990-91. Although the overall liquidity growth has so far been distinctly lower than in the previous year despite the high growth of Reserve Bank credit to Government, it needs to be emphasised that a massive drawdown in the foreign exchange resources of the country has contributed significantly to it; moreover the monetary growth in 1989-90 was itself unusually large. Despite the favourable trends in the real sector, the price situation has worsened reaching double digit level in 1990-91 so far. As such there is a need for the continuation of the cautious stance of monetary and credit policies.

Chapter II

National Income, Saving and Investment

The Central Statistical Organisation (CSO) has not yet released the estimates of Gross Domestic Product and other macro economic aggregates for 1989-90. However, on the basis of available economic indicators, the growth rate of Gross Domestic Product (GDP) (at factor cost at 1980-81 prices) is tentatively estimated to be around 4.5 per cent during 1989-90 as compared with an all time high growth rate of 10.4 per cent achieved during 1988-89 (Table II-1). The decline in the growth rate of GDP during 1989-90 is attributable mainly to the marginal increase in GDP originating from agriculture over the high level attained in 1988-89. With the estimated growth rate of 4.5 per cent during 1989-90, the average growth rate of real GDP during the Seventh Five Year Plan works out to 5.6 per cent as against the target of 5 per cent per annum.

Performance during 1989-90

Net Domestic Product (NDP) (at factor cost at 1980-81 prices), adjusted for estimated consumption of fixed capital, is also expected to record the growth rate of around 4.5 per cent during 1989-90 as compared with the growth rate of 10.9 per cent during 1988-89. The average growth rate of NDP during the Seventh Five Year Plan, thus. works out to 5.6 per cent. The growth rate of real national income (net national product at factor cost at 1980-81 prices) is estimated to be around 4.6 per cent during 1989-90 as against 11.1 per cent during 1988-89. Accordingly, the real per capita income is also estimated to show the lower growth rate of 2.6 per cent during 1989-90 as compared with the as high growth rate as 9.0 per cent achieved during 1988-89 (Table II-2). During the period of the Seventh Five Year Plan, the real national income registered growth rate of 5.5 per cent per annum.

As regards savings, the Gross Domestic Saving (GDS) rate increased from 19.6 per cent during 1987-88 to 20.6 per cent during 1988-89 and then to 21.2 per cent during 1989-90. During the Seventh Five Year Plan, the Gross Domestic Saving rate averaged at 20.2 per cent. Net Domestic Saving (NDS) rate increased from 10.0 per cent during 1987-88 to 11.6 per cent during 1988-89 and to 12.0 per cent in 1989-90. The increase in Net Domestic Saving rate during 1989-90 is entirely due to the increase in the household sector saving rate as the saving rate of the private corporate sector did not show any improvement and the dissaving rate of the public sector was estimated to be at the previous year's level (3.2 per cent). During the Seventh Five Year Plan, the NDS rate averaged at 11.1 per cent. The aggregate investment-income ratio during the Seventh Five Year Plan averaged at 13.8 per cent; the difference between this rate and the saving rate was met from the net inflow of foreign resources.

A. Trends in National Product

Estimates for 1988-89

As per the Quick Estimates of the Central Statistical Organisation (CSO), Gross National Product (GNP) (at factor cost at 1980-81 prices) is estimated to increase by 10.6 per cent to Rs. 1,86,143 crore during 1988-89 as compared with the increase of 3.8 per cent during 1987-88 and 3.9 per cent during 1986-87 (Table II-1). The perceptible increase in the growth rate of GNP during 1988-89 is attributable mainly to the substantial increase in the growth rate of

The estimates in this Chapter are based on data received up to end-November 1990 which may differ from those of the Central Statistical Organisation becoming available subsequently.

Table II-1: Trends in Gross National Product

Description	1985-86	1986-87	1987-88	1988-89	1989-90 (Estimated)
1	2	3	4	5	6
1. Gross Domestic Product (GDP) at factor cost (Rs. Crore)					
At 1980-81 Prices	1,57,348	1,63,924	1,70,716	1,88,481	1,96,963
	(4.9)	*(4.2)*	*(4.1)*	*(10.4)*	*(4.5)*
At Current Prices	2,34,159	2,60,442	2,94,408	3,48,896	3,96,053
	(12.6)	*(11.2)*	*(13.0)*	*(18.5)*	*(13.5)*
2. Gross National Product (GNP) at factor cost (Rs. Crore)					
At 1980-81 Prices	1,56,147	1,62,188	1,68,378	1,86,143	1,94,625
	(4.9)	*(3.9)*	*(3.8)*	*(10.6)*	*(4.6)*
At Current Prices	2,32,730	2,58,637	2,91,789	3,46,277	3,93,434
	(12.7)	*(11.1)*	*(12.8)*	*(18.7)*	*(13.6)*
3. Per Capita GNP (Rupees)					
At 1980-81 Prices	2,068	2,106	2,145	2,327	2,388
	(2.7)	*(1.8)*	*(1.9)*	*(8.5)*	*(2.6)*
At Current Prices	3,083	3,359	3,717	4,329	4,827
	(10.3)	*(9.0)*	*(10.7)*	*(16.5)*	*(11.5)*

Sources and *Notes:* 1. Estimates upto 1987-88 are provisional and for 1988-89 are Quick Estimates by the Central Statistical Organisation, Government of India.

2. Figures for 1989-90 are tentative and estimated at the growth rate of 4.5 per cent in real GDP at factor cost.

3. Figures in brackets are percentage changes over the previous year.

agricultural production and some improvement in the growth rate of industrial production.

The Gross Domestic Product (GDP) (at factor cost at 1980-81 prices) originating from agricultural sector is estimated to show a substantial increase of 18.6 per cent during 1988-89 as compared with the negligible increase of 0.7 per cent during 1987-88 and the moderate decline of 1.7 per cent during 1986-87. Consequently, the share of Primary Sector in aggregate GDP (at factor cost at 1980-81 prices) increased by 1.9 percentage points from 32.9 per cent during 1987-88 to 34.8 per cent during 1988-89. The real GDP originating from Secondary Sector recorded the growth rate of 7.7 per cent during 1988-89 as compared with the growth rates of 5.6 per cent and 7.2 per cent during 1987-88 and 1986-87, respectively. The share of Secondary Sector in aggregate GDP is estimated to be lower at 26.9 per cent during 1988-89 as compared with its share at 27.6 per cent during 1987-88 and 27.2 per cent during 1986-87. In the Secondary Sector, the income generated in (i) manufacturing, (ii) electricity, gas and water supply and (iii) construction showed the growth rates of 8.2 per cent, 8.7 per cent and 4.5 per cent, respectively, during 1988-89.

The Tertiary Sector which constituted as high as 38.3 per cent of GDP during 1988-89 is estimated to record the growth rate of 6.9 per cent during 1988-89 as compared to that of 6.1 per cent during 1987-88 and 7.0 per cent during 1986-87. Under Tertiary Sector, the sub-sector 'Finance, real estate and business services' registered the growth rate of 7.3 per cent during 1988-89 as against the growth rate of 5.8 per cent recorded during 1987-88. In this sub-sector, the segment 'banking and insurance' displayed the discernible growth rate of 12.4 per cent during 1988-89 as against the growth rate of 8.8 per cent during 1987-88. The growth rate of GDP generated by the sub-sector, 'transport, storage, communication and trade' also improved from 5.1 per cent during 1987-88 to 7.6 per cent during 1988-89. The growth rate of GDP originating from sub-sector, 'community, social and personal services' declined from 8.0 per cent during 1987-88 to 5.6 per cent during 1988-89.

The Net Domestic Product (NDP) (at factor cost at 1980-81 prices) originating from the agricultural sector increased perceptibly by 19.6 per cent during 1988-89 as compared with the negligible increase of 0.6 per cent during 1987-88. Consequently, the share of Primary Sector in aggregate NDP (at 1980-81 prices) increased from 34.0 per cent during 1987-88 to 36.2 per cent during 1988-89. Despite the increase in the growth rate of Secondary Sector from 5.4 per cent during 1987-88 to 7.8 per cent during 1988-89, its share in aggregate real NDP declined from 26.3 per cent during 1987-88 to 25.5 per cent during 1988-89. In the Secondary Sector, income originating from (i) manufacturing, (ii) electricity, gas and water supply and (iii) construction recorded the growth rates of 8.4 per cent, 9.0 per cent and 4.6 per cent, respectively, during 1988-89 as against the respective growth rates of 5.9 per cent, 9.7 per cent and 1.9 per cent recorded during 1987-88. The Tertiary Sector which constituted as high as 38.3 per cent of NDP during 1988-89, recorded the growth rate of 7.0 per cent during 1988-89 which was higher than that recorded during 1987-88 (6.1 per cent) but similar to that registered during 1986-87.

Net National Product (NNP) (at factor cost at 1980-81 prices) is estimated to show an increase of 11.1 per cent to Rs. 1,66,593 crore during 1988-89 as compared with the lower increase of 3.5 per cent to Rs. 1,49,967 crore during 1987-88. Accordingly, the per capita real income is estimated to increase by 9.0 per cent to Rs. 2,082 during 1988-89 as against the increase of 1.5 per cent to Rs. 1,910 during 1987-88. NNP at factor cost (at current prices) is estimated to increase by 19.0 per cent to Rs. 3,06,822 crore during 1988-89 as against the lower increase of 12.8 per cent to Rs. 2,57,913 crore during 1987-88. Consequently, the per capita income, in nominal terms, is estimated to increase by 16.7 per cent to Rs. 3,835 during 1988-89 as against the increase of 10.6 per cent to Rs. 3,286 during 1987-88 (Table II-2).

B. Trends in Domestic Saving

Gross Domestic Saving (GDS) estimated at Rs. 93,672 crore during 1989-90 was higher by Rs. 13,238 crore or 16.5 per cent than the level of

Table II—2: Trends in Net National Product and Per Capita Income

Description	1985-86	1986-87	1987-88	1988-89	1989-90 (Estimated)
1	2	3	4	5	6
1. Net Domestic Product (NDP) at Factor Cost (Rupees Crore)					
At 1980-81 Prices	1,41,006	1,46,564	1,52,305	1,68,931	1,76,533
	(4.8)	*(3.9)*	*(3.9)*	*(10.9)*	*(4.5)*
At Current Prices	2,07,920	2,30,513	2,60,532	3,09,441	3,50,824
	(11.9)	*(10.9)*	*(13.0)*	*(18.8)*	*(13.4)*
2. Net National Product (NNP) at Factor Cost (Rupees Crore)					
At 1980-81 Prices	1,39,805	1,44,828	1,49,967	1,66,593	1,74,195
	(4.8)	*(3.6)*	*(3.5)*	*(11.1)*	*(4.6)*
At Current Prices	2,06,491	2,28,708	2,57,913	3,06,822	3,48,205
	(12.0)	*(10.8)*	*(12.8)*	*(19.0)*	*(13.5)*
3. Per Capita NNP (Rupees)					
At 1980-81 Prices	1,852	1,881	1,910	2,082	2,137
	(2.7)	*(1.6)*	*(1.5)*	*(9.0)*	*(2.6)*
At Current Prices	2,735	2,970	3,286	3,835	4,273
	(9.6)	*(8.6)*	*(10.6)*	*(16.7)*	*(11.4)*

Sources and *Notes:* 1. Estimates upto 1987-88 are provisional and for 1988-89 are Quick Estimates by the Central Statistical Organisation, Government of India.

2. Figures in brackets are percentage changes over the previous year.

Rs. 80,434 crore during 1988-89. During 1989-90, the GDS rate was estimated to be 21.2 per cent as compared with that of 20.6 per cent during 1988-89; the rate increased somewhat because of the substantial rise in the household's saving in the form of bank deposits and currency. The saving rates of both public and private corporate sectors during 1989-90 were estimated to remain at the previous year's levels of 1.6 and 2.0 per cent, respectively. However, an increase in the saving rate during 1988-89 was accounted for mainly by the rise in the saving rate of the household sector. The saving rate of the private corporate sector showed only a shade improvement from 1.9 per cent during 1987-88 to 2.0 per cent during 1988-89 while that of the public sector displayed a decline from 2.1 per cent to 1.6 per cent during the same period (Table II-3).

The share of household sector, in the total saving (gross) increased from 79.6 per cent during 1987-88 to 82.5 per cent during 1988-89 and is estimated to show a marginal increase to 82.9 per cent during 1989-90. The share of saving by the public sector declined from 10.6 per cent

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

(Rupees crore at current prices)

Description	1987-88	1988-89	1989-90 (Estimated)
1	2	3	4
1. Public Sector	6,861	6,346	7,204
	(10.6)	*(7.9)*	*(7.7)*
Per cent of Gross Domestic Product at Market Prices	2.1	1.6	1.6
2. Domestic Private Corporate Sector (including co-operatives)	6,398	7,740	8,783
	(9.8)	*(9.6)*	*(9.4)*
Per cent of Gross Domestic Product at Market Prices	1.9	2.0	2.0
3. Household Sector	51,787	66,348	77,685
	(79.6)	*(82.5)*	*(82.9)*
Per cent of Gross Domestic Product at Market Prices	15.6	17.0	17.6
4. Total Domestic Saving (1+2+3)	65,046	80,434	93,672
	(100.0)	*(100.0)*	*(100.0)*
Per cent of Gross Domestic Product at Market Prices	19.6	20.6	21.2

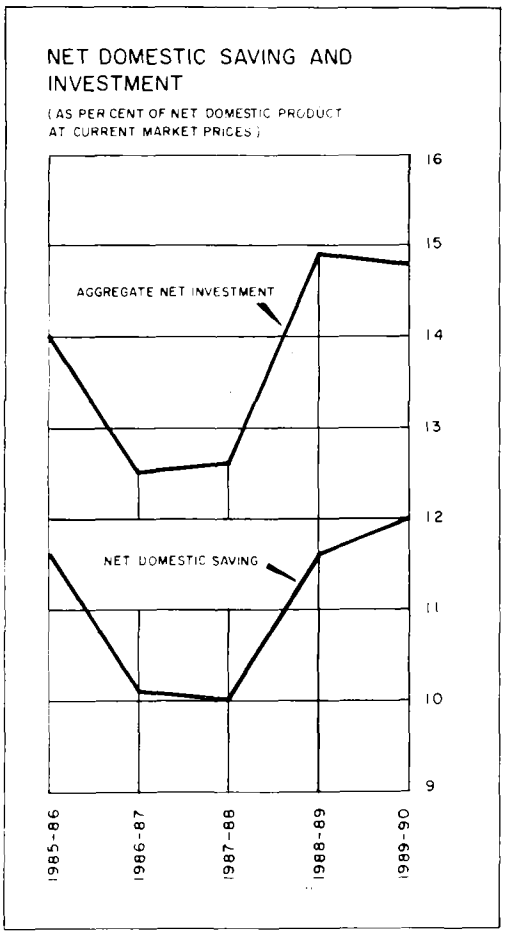
Notes: 1. Figures in brackets are percentages to total.

2. *According to the arrangement arrived at between CSO and RBI, RBI will estimate savings in the form of financial assets of the household sector and saving of the private corporate sector whereas CSO will provide public sector's saving estimates and those in the form of physical assets of the household sector. In the absence of data from the CSO for the year 1989-90, savings in the form of physical assets of the household sector and those of the public sector are estimated in the Bank.*

Table II-4: Estimates of Net Domestic Saving and Investment as Percentage of Net Domestic Product at current market prices (Provisional)

Description	1987-88	1988-89	1989-90 (Estimated)
1	2	3	4
1. Domestic Saving	10.0	11.6	12.0
2. Inflow of Foreign Resources	2.6	3.3	2.8
3. Aggregate Investment (1+2)	12.6	14.9	14.8

during 1987-88 to 7.9 per cent during 1988-89 and is estimated to decline further to 7.7 per cent during 1989-90. The share of saving of the domestic private corporate sector which declined from 9.8 per cent during 1987-88 to 9.6 per cent during 1988-89, is estimated to decline further to 9.4 per cent during 1989-90 (Table II-3).



Aggregate net domestic saving increased by 35.8 per cent from Rs. 29,943 crore during 1987-88 to Rs. 40,672 crore during 1988-89 and is estimated to increase further by 16.9 per cent to Rs. 47,547 crore during 1989-90. Accordingly, the rate of NDS improved from 10.0 per cent during 1987-88 to 11.6 per cent during 1988-89 and is estimated to rise further to 12.0 per cent during 1989-90 (Table II-4). Howevêr, the aggregate investment-income ratio is estimated to show a shade decline from 14.9 per cent during 1988-89 to 14.8 per cent during 1989-90 on account of the more than proportionate decline in the rate of net inflow of foreign resources during the same period (Table II-4).

The share of public sector saving in aggregate NDS, which deteriorated from (—) 27.0 per cent during 1987-88 to (—) 27.6 per cent during 1988-89, is expected to improve to (—) 26.8 per cent during 1989-90. The share of domestic private corporate sector in aggregate NDS which improved from (—) 0.5 per cent during 1987-88 to 2.6 per cent during 1988-89, is expected to display a shade decline to 2.5 per cent during 1989-90. The share of household sector in aggregate NDS declined from 127.5 per cent during 1987-88 to 125.0 per cent during 1988-89 and is estimated to decrease further to 124.3 per cent in 1989-90 (Table II-5). The household sector's net saving rate is higher than that of the aggregate net domestic saving rate due to the dissaving of the public sector.

1. Saving of the Household Sector

The saving of the household sector which comprises individuals and non-government non-corporate enterprises, is held in the form of (a) financial assets and (b) physical assets; the former being measured as addition to financial assets net of financial liabilities.

The net saving of the household sector which increased by Rs. 12,668 crore or 33.2 per cent to Rs. 50,837 crore during 1988-89, is expected to increase further by Rs. 8,252 crore or 16.2 per cent to Rs. 59,089 crore during 1989-90. As a proportion to NDP, it increased by 1.7 percentage points to 14.5 per cent during 1988-89 and is estimated to show a marginal increase of 0.4 percentage points to 14.9 per cent during 1989-90 (Table II-5). The marginal increase in the net saving rate of the household sector during 1989-90 is attributable to the fact that the improvement in its saving rate in financial assets from 8.1 per cent during 1988-89 to 9.9 per cent during 1989-90, is largely offset by the decline in its saving rate in physical assets from 6.4 per cent to 5.0 per cent during the same period.

Table II-5: Estimates of Net Domestic Saving: Sector-wise (Provisional)

(Rupees crore at current prices)

Description	1987-88	1988-89	1989-90 (Estimated)
1	2	3	4
1. Public Sector	—8,081	—11,221	—12,721
	(—27.0)	(—27.6)	(—26.8)
Per cent of Net Domestic Product at Market Prices	*—2.7*	*—3.2*	*—3.2*
2. Domestic Private Corporate Sector	—145	1,056	1,179
	(—0.5)	(2.6)	(2.5)
Per cent of Net Domestic Product at Market Prices	*—0.05*	*0.3*	*0.3*
3. Household Sector	38,169	50,837	59,089
	(127.5)	(125.0)	(124.3)
Per cent of Net Domestic Product at Market Prices	*12.8*	*14.5*	*14.9*
4. Total Domestic Saving (1+2+3)	**29,943**	**40,672**	**47,547**
	(100.0)	**(100.0)**	**(100.0)**
Per cent of Net Domestic Product at Market Prices	*10.0*	*11.6*	*12.0*

Note: Figures in brackets are percentages to total.

(a) Saving in Financial Assets

The household sector's saving in the form of financial assets (net of financial liabilities) showed a substantial increase of Rs. 10,737 crore or 37.7 per cent to Rs. 39,212 crore during 1989-90 as against the increase of Rs. 2,400 crore or 9.2 per cent to Rs. 28,475 crore during 1988-89. The share of financial assets (net) in total net saving of the household sector which declined from 68.3 per cent during 1987-88 to 56.0 per cent during 1988-89, increased to 66.4 per cent during 1989-90. As a proportion to NDP, it declined marginally from 8.7 per cent during 1987-88 to 8.1 per cent during 1988-89 but improved subsequently to 9.9 per cent during 1989-90.

The financial assets (gross) of the household sector which increased by Rs. 5,153 crore or 15.1 per cent to Rs. 39,380 crore during 1988-89, showed a further rise of Rs. 10,285 crore or 26.1 per cent to Rs. 49,665 crore during 1989-90. The ratio of these assets to NDP which declined marginally from 11.4 per cent during 1987-88 to 11.2 per cent during 1988-89, improved subsequently to 12.5 per cent during 1989-90 (Table II-6).

(i) Currency

The saving of the household sector in the form of currency which declined by Rs. 559 crore or 11.6 per cent to Rs. 4,256 crore during 1988-89, is estimated to increase substantially by Rs. 3,324 crore or 78.1 per cent to Rs. 7,580 crore during 1989-90. As a result, the currency-NDP ratio which declined by 0.4 percentage points from 1.6 per cent during 1987-88 to 1.2 per cent during 1988-89, is estimated to increase by 0.7 percentage points to 1.9 per cent during 1989-90. Accordingly, its share in the total financial assets which declined from 14.1 per cent during 1987-88 to 10.8 per cent during 1988-89, is expected to increase by 4.5 percentage points to 15.3 per cent during 1989-90.

(ii) Deposits

The household sector's saving in the form of deposits with commercial banks, co-operative banks and credit/non-credit societies and non-banking companies, increased substantially by Rs. 4,613 crore or 28.2 per cent to Rs. 20,961 crore during 1989-90 as against the increase of Rs. 2,115 crore or 14.9 per cent to Rs. 16,348 crore during 1988-89. As a result, the share of deposits in the gross financial assets increased by 0.7 percentage points to 42.2 per cent during 1989-90. Deposits as a proportion to NDP also

Table II-6: Composition of Financial Savings of the Household Sector (Gross) (Provisional)

(Rupees crore at current prices)

Assets	1987-88	1988-89	1989-90 (Estimated)
1	2	3	4
Total Financial Assets (1 to 7)	**34,227**	**39,380**	**49,665**
	(100.0)	*(100.0)*	*(100.0)*
Per cent of Net Domestic Product at Market Prices	*11.4*	*11.2*	*12.5*
1. Currency	4,815	4,256	7,580
	(14.1)	*(10.8)*	*(15.3)*
Per cent of Net Domestic Product at Market Prices	*1.6*	*1.2*	*1.9*
2. Deposits	14,233	*16,348*	20,961
	(41.6)	*(41.5)*	*(42.2)*
Per cent of Net Domestic Product at Market Prices	*4.7*	*4.6*	*5.3*
3. Insurance	2,570	3,367	4,161
	(7.5)	*(8.6)*	*(8.4)*
Per cent of Net Domestic Product at Market Prices	*0.9*	*1.0*	*1.1*
4. Provident/Pension Funds	6,539	7,368	8,000
	(19.1)	*(18.7)*	*(16.1)*
Per cent of Net Domestic Product at Market Prices	*2.2*	*2.1*	*2.0*
5. Claims on Government	3,681	5,471	5,302
	(10.7)	*(13.9)*	*(10.7)*
Per cent of Net Domestic Product at Market Prices	*1.2*	*1.6*	*1.3*
6. Investment in Shares/Debentures including Units of U.T.I.	1,904	2,245	3,261
	(5.6)	*(5.7)*	*(6.5)*
Per cent of Net Domestic Product at Market Prices	*0.6*	*0.6*	*0.8*
7. Trade Debt (Net)	485	325	400
	(1.4)	*(0.8)*	*(0.8)*
Per cent of Net Domestic Product at Market Prices	*0.2*	*0.1*	*0.1*

Note: 1. Figures in brackets are percentages to total.

increased from 4.6 per cent during 1988-89 to 5.3 per cent in 1989-90.

The overall increase in deposits during 1989-90 is accounted for mainly by perceptible increase in deposits with commercial banks. The household sector's deposits with commercial banks increased by Rs. 1,885 crore or 16.0 per cent to Rs. 13,681 crore during 1988-89 and then by Rs. 4,542 crore or 33.2 per cent to Rs. 18,223 crore during 1989-90. The deposits of household sector with the co-operative sector are estimated to show an increase of 4.6 per cent from Rs. 1,534 crore during 1988-89 to Rs. 1,605 crore during 1989-90. However, the household sector's deposits with non-banking companies during 1989-90 are estimated to remain at the previous year's level of Rs. 1,133 crore. The combined share of the household sector's saving in the form of bank deposits and currency, which declined from 55.7 per cent during 1987-88 to 52.3 per cent during 1988-89, increased subsequently to 57.5 per cent during 1989-90.

(iii) Social Security Funds

Social security funds, which comprise of household's saving through insurance, provident and pension funds, constitute the second major component after deposits. Accretion to saving in the form of these funds increased from Rs. 9,109 crore during 1987-88 to Rs. 10,735 crore during 1988-89 and then to Rs. 12,161 crore during 1989-90. Their share in gross financial assets which was 26.6 per cent during 1987-88 improved to 27.3 per cent during 1988-89 but fell subsequently to 24.5 per cent during 1989-90. As a proportion to NDP, the household's saving in these funds remained unchanged at 3.1 per cent during the period from 1987-88 to 1989-90.

Household sector's saving in the form of insurance including life fund of Life Insurance Corporation of India (LIC), Postal Insurance, State Insurance Fund and Central Government Group Insurance Funds, increased from Rs. 2,570 crore during 1987-88 to Rs. 3,367 crore during 1988-89 and further to Rs. 4,161 crore during 1989-90. However, its share in gross financial assets which increased from 7.5 per cent during 1987-88 to 8.6 per cent during 1988-89, displayed a marginal decline to 8.4 per cent during 1989-90. The ratio of insurance to NDP marginally increased from 0.9 per cent during 1987-88 to 1.0 per cent during 1988-89 and then to 1.1 per cent during 1989-90. Accrual to saving in the form of provident and pension funds is estimated to increase by Rs. 632 crore or 8.6 per cent to Rs. 8,000 crore during 1989-90 as against the increase of Rs. 829 crore or 12.7 per cent to Rs. 7,368 crore during 1988-89. However, its share in the gross financial assets declined from 19.1 per cent during 1987-88 to 18.7 per cent during 1988-89 and further to 16.1 per cent during 1989-90. As a proportion to NDP, household's saving in the provident and pension funds declined marginally from 2.2 per cent during 1987-88 to 2.1 per cent during 1988-89 and further to 2.0 per cent during 1989-90.

(iv) Claims on Government

The household sector's saving in the form of claims on government consists of household's investment in small savings instruments, Government securities, National Rural Development Bonds, Capital Investment Bonds, National Deposit Scheme, Relief Bonds, Deposit Scheme for Retiring Government Employees and Compulsory Deposits. The household sector's saving in these instruments which substantially increased by 48.6 per cent from Rs. 3,681 crore during 1987-88 to Rs. 5,471 crore during 1988-89, displayed a decline of 3.1 per cent to Rs. 5,302 crore during 1989-90.

The household sector's investment in small savings instruments increased from Rs. 3,731 crore during 1987-88 to Rs. 5,548 crore during 1988-89, but declined subsequently to Rs. 5,250 crore during 1989-90. Investment in Government securities increased from Rs. 55 crore during 1987-88 to Rs. 58 crore during 1988-89 and further to Rs. 60 crore during 1989-90. The Capital Investment Bonds which fetched a small amount of Rs. 1.1 crore during 1988-89, showed a negligible disinvestment during 1989-90. The repayment of Compulsory Deposits declined from Rs. 257 crore during 1988-89 to Rs. 106 crore during 1989-90 and that of National Rural Development Bonds from Rs. 71 crore during 1988-89 to Rs. 56 crore during 1989-90. Similarly, the repayment under National Deposit Scheme declined from Rs. 23 crore during 1988-89 to Rs. 9 crore during 1989-90. The Relief Bonds fetched an amount of Rs. 155 crore during 1989-90 as against Rs. 216 crore during 1988-89. The Deposit Scheme for Retiring Government Employees mobilised an amount of Rs. 6 crore during 1989-90. Apparently, among the wide spectrum of different instruments of household sector's saving in the form of claims on Government, the small savings instruments continued to occupy their predominant position. The contribution from other saving instruments has either been insignificant or there has been an outgo due to repayment obligations. The percentage share of claims on Government in gross financial assets which increased from 10.7 per cent during 1987-88 to 13.9 per cent during 1988-89, declined subsequently to 10.7 per cent during 1989-90. Accordingly, as a proportion to NDP, household's saving in such instruments increased from 1.2 per cent during 1987-88 to 1.6 per cent during 1988-89, but came down subsequently to 1.3 per cent in 1989-90.

(v) Investment in Shares, Debentures and Units

The household sector's investment in the shares and debentures of corporate and co-operative sectors, bonds of public sector enterprises and the units of Unit Trust of India (UTI), showed a substantial increase of Rs. 1,016 crore or 45.3 per cent to Rs. 3,261 crore during 1989-90 as against an increase of Rs. 341 crore or 17.9 per cent to Rs. 2,245 crore during 1988-89. Accordingly, the share of these instruments in gross financial assets increased from 5.6 per cent during 1987-88 to 5.7 per cent during 1988-89 and further to 6.5 per cent in 1989-90. However, their ratio to NDP which remained unchanged

at 0.6 per cent during 1987-88 and 1988-89, increased subsequently to 0.8 per cent during 1989-90.

The household's direct investment in joint stock companies (including co-operative non-credit societies) increased from Rs. 503 crore during 1988-89 to Rs. 1,169 crore during 1989-90. Similarly, the household sector's investment in the units of UTI is also estimated to increase from Rs. 1,427 crore during 1988-89 to Rs. 1,756 crore during 1989-90.

(vi) Trade Debt (Net)

The trade debt (net) indicates the credit extended by the household sector to the private corporate sector. The net trade debt which decreased from Rs. 485 crore during 1987-88 to Rs. 325 crore during 1988-89, is estimated to increase to Rs. 400 crore during 1989-90. However, its share in gross financial assets which was 1.4 per cent during 1987-88, declined to 0.8 per cent during 1988-89 and it is estimated to remain unchanged at the same level during 1989-90. The proportion of net trade debt to NDP remained discernibly low during the same period.

(b) Saving in Physical Assets

The household sector's saving in physical assets comprises additions to construction, machinery and equipment and inventories. As per the Quick Estimates of the CSO, saving in these assets increased perceptibly by 84.9 per cent from Rs. 12,094 crore during 1987-88 to Rs. 22,362 crore during 1988-89. As a proportion to NDP, it increased from 4.1 per cent during 1987-88 to 6.4 per cent during 1988-89. The CSO's estimates of saving in these assets are yet not available for 1989-90. However, on the basis of available indicators, household's saving in physical assets are estimated to be Rs. 19,877 crore during 1989-90 which account for 5.0 per cent of NDP (Table II-7).

(c) Financial Liabilities

The financial liabilities of the household sector include borrowings from banks (commercial and co-operative), co-operative credit/non-credit societies, LIC, term-lending institutions, Central and State Governments and others. These liabilities showed a substantial increase of 33.8 per cent from Rs. 8,152 crore during 1987-88 to Rs. 10,905 crore during 1988-89, but declined subsequently by 4.1 per cent to Rs. 10,453 crore during 1989-90. Accordingly, the ratio of financial liabilities to NDP which increased from 2.7 per cent during 1987-88 to 3.1 per cent during 1988-89, declined to 2.6 per cent during 1989-90 (Table II-7). The major part of these liabilities is the household sector's borrowing from commercial banks which declined from Rs. 8,636 crore during 1988-89 to Rs. 8,069 crore during 1989-90. Accordingly, their share in the total financial liabilities

Table II-7: Saving of the Household Sector (Provisional)

(Rupees crore at current prices)

Description	1987-88	1988-89	*1989-90 (Estimated)*
1	2	3	*4*
1. Financial Assets (Gross)	34,227	39,380	49,665
Per cent of Net Domestic Product at Market Prices	*11.4*	*11.2*	*12.5*
2. Physical Assets (Net)	12,094	22,362	19,877
Per cent of Net Domestic Product at Market Prices	*4.1*	*6.4*	*5.0*
3. Financial Liabilities	8,152	10,905	10,453
Per cent of Net Domestic Product at Market Prices	*2.7*	*3.1*	*2.6*
4. Total Net Saving (Net of Financial Liabilities) (1+2-3)	38,169	50,837	59,089
Per cent of Net Domestic Product at Market Prices	*12.8*	*14.5*	*14.9*

declined from 79.2 per cent to 77.2 per cent during the same period.

2. Saving of the Public Sector

As per the C S O's estimates, the public sector's dissaving increased from Rs. 8,081 crore during 1987-88 to Rs. 11,221 crore during 1988-89. Despite the increase in net saving of the non-departmental undertakings by 12.9 per cent from Rs. 2,101 crore during 1987-88 to Rs. 2,371 crore during 1988-89, the rate of public sector's saving deteriorated from (—)2.7 per cent of NDP during 1987-88 to (—)3.2 per cent during 1988-89. This is mainly attributable to the dissaving of the administrative departments which increased by 33.5 per cent from Rs. 10,182 crore during 1987-88 to Rs. 13,592 crore during 1988-89. In the absence of the CSO's estimates for 1989-90, the public sector's saving (net) is estimated to be (—)Rs. 12,721 crore which account for (—)3.2 per cent of NDP. The saving of the non-departmental undertakings are estimated to increase from Rs. 2,371 crore during 1988-89 to Rs. 3,905 crore during 1989-90 while the dissaving of the administrative departments are expected to increase from Rs. 13,592 crore during 1988-89 to Rs. 16,626 crore during 1989-90 (Table II-8).

The share of public sector's saving in NDS which marginally deteriorated from (—)27.0 per cent during 1987-88 to (—)27.6 per cent during 1988-89, is estimated to improve to (—)26.8 per cent during 1989-90 (Table II-5). It is, thus, evident that an improvement in the overall saving rate requires an improvement in the saving rate of the public sector.

3. Saving of the Domestic Private Corporate Sector

The domestic private corporate sector (including co-operatives) recorded net dissaving of the order of Rs. 145 crore during 1987-88. The performance of the private corporate sector, however, improved and its saving was estimated to be Rs. 1,055 crore during 1988-89 and Rs. 1,179 crore during 1989-90. However, as a proportion to NDP, the saving of the private corporate sector was estimated to remain at 0.3 per cent during 1988-89 as well as in 1989-90 (Table II-5). The share of private corporate sector saving in the total NDS which was (—)0.5 per cent during 1987-88, improved to 2.6 per cent during 1988-89 and is estimated at 2.5 per cent during 1989-90.

C. Trends in Domestic Investment

Aggregate Net Domestic Investment (NDI) includes net domestic saving and the net inflow of foreign resources during a year. NDI, at current prices, is estimated to show a lower increase of Rs. 6,297 crore or 12.0 per cent to Rs. 58,679 crore during 1989-90 than the perceptible increase of Rs. 14,666 crore or 38.9 per cent to Rs. 52,382 crore during the preceding year 1988-89. Its ratio

Table II—8: Saving of the Public Sector (Group-wise)

(Rupees crore at current prices)

Item	Financial Year		
	1987-88	1988-89	1989-90 (Estimated)
1	2	3	4
1. Administrative Departments including Departmental Enterprises	—10,182	—13,592	—16,626
2. Non-departmental Financial and Non-financial Undertakings	2,101	2,371	3,905
3. Total (1+2)	**—8,081**	**—11,221**	**—12,721**
Per cent of Net Domestic Product at Market Prices	*—2.7*	*—3.2*	*—3.2*

Note: Details from CSO for the year 1989-90 are not yet available and hence estimated.

to NDP which increased from 12.6 per cent during 1987-88 to 14.9 per cent during 1988-89, showed a shade decline to 14.8 per cent during 1989-90. In real terms (at 1980-81 prices), the investment – NDP ratio which rose from 11.5 per cent during 1987-88 to 13.4 per cent during 1988-89, declined marginally to 13.1 per cent during 1989-90 (Table II-9).

Table II-9: Net Investment as percentage of NDP (at 1980-81 Prices) (Tentative Estimates)

(Rupees crore)

Financial Year	Net Investment at Current Prices	At 1980-81 Prices		
		Net Investment	Net Domestic Product (NDP) at Market Prices	Ratio of (3) to (4) (Per cent)
1	2	3	4	5
1987-88	37,716	20,183	175,942	11.5
1988-89	52,382	25,979	193,531	13.4
1989-90 (Estimated)	58,679	26,394	201,873	13.1

Table II—10: Capital Formation through Central Government Budget (at current prices)

(Rupees crore)

Description	1987-88+	1988-89*	1989-90**
1	2	3	4
I. Central Government Administration and Departmental Commercial Undertakings			
1. Gross Direct Fixed Assets Formation	5,683	7,202	8,097
1.1 Net Direct Fixed Assets Formation	4,312	5,508	6,295
1.2 Expenditure on renewals and replacements	1,371	1,694	1,802
2. Change in inventories	+278	+224	+336
II. Central Government's Non-Departmental Industrial and Commercial Undertakings			
1. Gross Capital Formation	14,661 (100.0)	16,641 (100.0)	N.A.
1.1 Gross Fixed Assets	15,262 (104.1)	14,775 (88.8)	N.A.
1.2 Change in Inventories	—601 (—4.1)	+1,866 (+11.2)	N.A.
III. Financial Assistance for Capital Formation	19,809	22,207	22,301
1. To States, Union Territories	12,723	14,119	14,371
2. Non-Departmental Commercial Undertakings	5,667	6,334	6,389
2.1 Financial Concerns	548	519	536
2.2 Others	5,119	5,815	5,853
3. Other institutions	1,419	1,754	1,541

Sources: 1. An Economic and Functional Classification of the Central Government Budget, 1989-90.

2. Annual Report on the Working of Industrial and Commercial Undertakings of the Central Government, 1988-89.

Notes: 1) Figures in item I & II cannot be added and compared with item III as these are drawn from different sources.
2) + Accounts
3) * Revised Estimates
4) ** Budget Estimates except for item (II)
5) N.A. Not available.

As per the CSO's estimates, the share of public sector investment in aggregate NDI (unadjusted) decreased from 48.4 per cent during 1987-88 to 42.1 per cent during 1988-89. As a proportion to NDP, it displayed a marginal decline from 6.9 per cent during 1987-88 to 6.7 per cent during 1988-89. Similar details for 1989-90 are not available.

However, on the basis of available information, the movement in some of its components are discussed. The net direct fixed assets formation of Central Government registered an increase of Rs. 787 crore or 14.3 per cent to Rs. 6,295 crore during 1989-90 as compared with the increase of Rs. 1,196 crore or 27.7 per cent recorded during 1988-89. The inventories rose by Rs. 112 crore or 50.0 per cent to Rs. 336 crore during 1989-90 as against the fall of Rs. 54 crore or 19.4 per cent during 1988-89 (Table II-10).

Asset-wise, capital formation of the Central Government indicated that the share of 'buildings and other construction' in the total gross fixed capital formation rose from 64.9 per cent during 1988-89 to 66.2 per cent during 1989-90, whereas the share of 'machinery and equipment' declined from 35.1 per cent to 33.8 per cent during the same period (Table II-11). The total gross capital formation of the Central Government recorded an increase of Rs. 1,007 crore or 13.6 per cent to Rs. 8,433 crore during 1989-90. As a proportion of GDP at current market prices, the capital formation remained unchanged at 1.9 per cent during 1988-89 and 1989-90.

The information regarding the gross capital formation in Central Government's non-departmental industrial and commercial undertakings which is available only upto 1988- 89,

Table II-11: Capital Formation in Central Government Administration and Departmental Commercial Undertakings—Asset-wise
(at current prices)

(Rupees crore)

Description	1987-88+	1988-89*	1989-90**
1	2	3	4
I. Gross Fixed Capital Formation	5,683	7,202	8,097
	(95.3)	(97.0)	(96.0)
1. Buildings and other construction	4,048	4,672	5,364
Proportion to I above	71.2	64.9	66.2
(a) New outlay	3,043	3,644	4,192
(b) Renewals and replacements	1,005	1,028	1,171
2. Machinery and Equipment	1,635	2,530	2,733
Proportion to I above	28.8	35.1	33.8
(a) New outlay	1,269	1,864	2,103
(b) Renewals and replacements	366	666	630
II. Increase in Inventories	278	224	336
	(4.7)	(3.0)	(4.0)
III. Gross Capital Formation (I+II)	5,961	7,426	8,433
IV. Gross Capital Formation as proportion to GDP at Market Prices	1.8	1.9	1.9

Source: An Economic and Functional Classification of the Central Government Budget, 1989-90.

Notes: 1) Figures in brackets are percentages to Gross Capital formation.
2) + Accounts.
3) * Revised Estimates
4) ** Budget Estimates

indicates that the gross fixed assets formation declined by Rs. 487 crore to Rs. 14,775 crore during 1988-89. The inventories registered a turn around during 1988-89 from the decline of Rs. 601 crore during 1987-88 to an increase of Rs. 1,866 crore during 1988-89. Accordingly, the share of inventories in total gross capital formation increased from (—)4.1 per cent during 1987-88 to (+)11.2 per cent during 1988-89 (Table II-10).

The estimates of capital formation of the State Governments, Union Territories, local authorities and their non-departmental commercial undertakings are not available. However, the total financial assistance for capital formation rendered to them by the Central Government, increased by Rs. 94 crore or 0.4 per cent to Rs. 22,301 crore during 1989-90 as compared with the significant increase of Rs. 2,398 crore or 12.1 per cent during 1988-89. The financial assistance provided to the States and Union Territories increased by Rs. 252 crore or 1.8 per cent to Rs. 14,371 crore, while that to non-departmental commercial undertakings rose by Rs. 55 crore or 0.9 per cent to Rs. 6,389 crore during 1989-90.

Chapter III

Agricultural Output

During 1989-90, there was further improvement in agricultural production. The country had once again favourable South-West monsoon in 1989 as a result of which agricultural production recorded a growth rate of 1.5 per cent in 1989-90, on top of the record rise of 20.8 per cent in 1988-89. Thus, during the Seventh Plan period (1985-86 to 1989-90), the average growth rate of agricultural production works out to a little higher than the target of 4 per cent per annum, although the drought years of 1986-87 and 1987-88 recorded the negative growth rates of 3.7 per cent and 0.8 per cent, respectively and the rate of growth in 1985-86 was only 2.4 per cent. The growth of agricultural production during the Plan period was thus characterised by wide fluctuations in production.

During the 1989 South-West monsoon period, 29 out of 35 meteorological sub-divisions, i.e., 83 per cent of the total received normal/excess rainfall while five of the remaining six sub-divisions received rainfall slightly below normal. During 1988 season, 32 of these sub-divisions (over 91 per cent) had received normal/excess rainfall. In 1989-90, some of the drought-prone areas like interior Karnataka, Rayalaseema, parts of Gujarat, Maharashtra and Tamil Nadu received good rainfall while the flood-prone areas such as East Uttar Pradesh, North Bihar, West Bengal, Orissa and the States of North East India remained free from major floods. This had a salutary impact on crop production, particularly in the 1989 *Kharif* season. *Rabi* production during 1989-90, on the other hand, suffered to some extent on account of deficiency of rainfall during the post-monsoon period, i.e., October-December 1989, in major *Rabi* growing States in the Northern, Central and Eastern regions.

Foodgrains production during 1989-90 is placed higher at 172.7 million tonnes against the record production of 170.3 million tonnes in 1988-89 but is lower than the target of 175.0 million tonnes envisaged for the year. Season-wise, though *Kharif* output is estimated at a new peak of 100 million tonnes, showing an increase of 3.6 per cent over the production of 96.5 million tonnes in *Kharif* 1988, the *Rabi* output is expected to touch only 72.7 million tonnes which is lower than the last season's output of 73.8 million tonnes by 1.5 per cent.

Crop-wise, production of rice and coarse-grains reached new peak levels in 1989-90 and exceeded their respective targets. In contrast, output of wheat and pulses in 1989-90 was not only lower than in the preceding year but also fell short of the targets to a substantial extent.

Production and distribution of foodgrains

Production of foodgrains

Production of foodgrains during 1989-90 recorded an increase of 2.4 million tonnes or 1.4 per cent over the preceding year's production of 170.3 million tonnes and touched a new peak of 172.7 million tonnes. While rice and coarsegrains touched record levels of output in 1989-90, output of wheat and pulses was lower than in 1988-89. Data on foodgrains production are set out in Tables III-1 & 2.

During 1989-90, *Kharif* foodgrains output at 100.0 million tonnes showed improvement over the 1988 *Kharif* output of 96.5 million tonnes, recording a rise of 3.5 million tonnes or 3.6 per cent. Among the main *Kharif* crops, while rice and coarsegrains showed increases in production

Table III-1 : Agricultural Production

Commodities	Unit	1970-71	1980-81	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90		1990-91
									Target	Likely Achiev-ement	Target
1	2	3	4	5	6	7	8	9	10	11	12
Rice	Million tonnes	42.2	53.6	58.3	63.8	60.6	56.8	70.7	72.5	72.8	73.7
Wheat	,,	23.8	36.3	44.1	47.0	44.3	46.2	54.0	54.0	52.5	54.5
Coarsegrains	,,	30.6	29.1	31.2	26.2	26.8	26.4	31.9	33.8	34.0	33.3
Pulses	,,	11.8	10.6	11.9	13.4	11.7	11.0	13.7	14.7	13.4	15.0
Total foodgrains	,,	**108.4**	**129.6**	**145.5**	**150.4**	**143.4**	**140.4**	**170.3**	**175.0**	**172.7**	**176.5**
Kharif foodgrains	,,	**68.9**	**77.7**	**84.5**	**85.2**	**80.2**	**74.6**	**96.5**	**98.0**	**100.0**	**95.0**
Rabi foodgrains	,,	**39.5**	**51.9**	**61.0**	**65.2**	**63.2**	**65.8**	**73.8**	**77.0**	**72.7**	**81.5**
Sugarcane (in terms of cane)	,,	126.4	154.2	170.3	170.6	186.1	196.7	204.6	212.0	210.4	220.0
Cotton	Million bales of 170 kgs each	4.8	7.0	8.5	8.7	6.9	6.4	8.7	10.0	11.4	10.5
Jute & Mesta	Million bales of 180 kgs each	6.2	8.2	7.8	12.6	8.6	6.8	7.7	9.5	8.4	9.0
Oilseeds	Million tonnes	9.6	9.4	12.9	10.8	11.3	12.7	17.9	16.5	17.2	17.5
Tea	Million kgs	419.0	569.6	639.9	656.2	624.6	674.3	701.1	690.0	684.1	730.0
Coffee	,,	109.8	118.6	195.1	122.3	192.3	123.0	215.0	162.0	120.0	220.0

Sources: Ministry of Agriculture, Govt. of India, Tea Board and Coffee Board.

Table III-2 : Targets and Actual Production of Foodgrains

(Million tonnes)

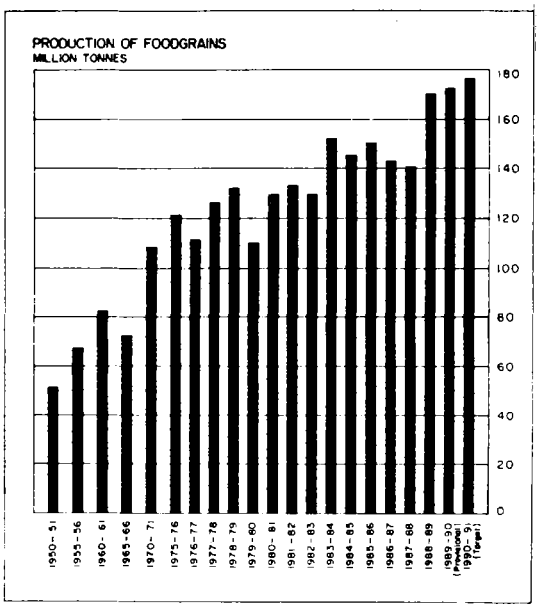
	Rice	Wheat	Coarse-grains	Pulses	Total Foodgrains
1	2	3	4	5	6
1984-85					
Target	61.5	45.6	33.5	13.0	153.6
Actual	58.3	44.1	31.2	11.9	145.5
1985-86					
Target	63.5	49.2	33.0	13.5	159.2
Actual	63.8	47.0	26.2	13.4	150.4
1986-87					
Target	65.0	49.0	32.0	14.0	160.0
Actual	60.6	44.3	26.8	11.7	143.4
1987-88					
Target	64.0	50.0	32.0	14.0	160.0
Actual	56.8	46.2	26.4	11.0	140.4
1988-89					
Target	68.0	52.3	33.0	13.3	166.6
Actual	70.7	54.0	31.9	13.7	170.3
1989-90					
Target	72.5	54.0	33.8	14.7	175.0
Anticipated Achievement	72.8	52.5	34.0	13.4	172.7
1990-91					
Target	73.7	54.5	33.3	15.0	176.5

Source: Ministry of Agriculture, Government of India.

over the previous year, pulses output was stagnant. Production of rice under *Kharif* at 65.6 million tonnes in 1989-90 was higher by 1.7 million tonnes or 2.7 per cent than the *Kharif* rice output of 63.9 million tonnes in 1988-89. Coarsegrains production at 28.8 million tonnes during *Kharif* 1989 recorded an increase of 1.8 million tonnes or 6.7 per cent over the *Kharif* coarsegrains production of 27.0 million tonnes in the 1988 *Kharif* season. *Kharif* pulses output however, stood at 5.6 million tonnes in 1989-90, the same as in 1988-89.

Production of foodgrains during *Rabi* 1989-90 at 72.7 million tonnes recorded a decline of 1.1 million tonnes or 1.5 per cent as compared to the *Rabi* output of 73.8 million tonnes in 1988-89. This setback was mainly on account of lower production of wheat and pulses in 1989-90. Production of wheat, the main *Rabi* crop, at 52.5 million tonnes was lower by 1.5 million tonnes or 2.8 per cent than that of 54.0 million tonnes in *Rabi* 1988-89. Production of *Rabi* pulses at 7.8 million tonnes in 1989-90 registered a fall of 0.3 million tonnes or 3.7 per cent as compared to the *Rabi* pulses output of 8.1 million tonnes in 1988-89. The *Rabi* production of coarsegrains was slightly higher at 5.2 million tonnes in 1989-90 as compared to 4.9 million tonnes in 1988-89. Production of *Rabi* summer rice, which had declined from 7.8 million tonnes in 1987-88 to 6.8 million tonnes in 1988-89, increased to 7.2 million tonnes in 1989-90, showing a rise of 5.9 per cent over the year.

During 1989-90, output of commercial crops other than oilseeds, tea and coffee recorded increases over the year. Thus, sugarcane production is estimated to have reached a record level of 210.4 million tonnes in 1989-90 as compared to the output of 204.6 million tonnes in 1988-89. Production of cotton is also estimated to have touched a new peak of 11.4 million bales in 1989-90 as against 8.7 million bales in 1988-89. Output of jute and mesta is placed at 8.4 million bales in 1989-90, much higher than in the preceding two years. On the other hand, oilseeds production was slightly lower at 17.2 million tonnes in 1989-90 as compared to the record level of 17.9 million



tonnes achieved in 1988-89. Tea and coffee production has also shown a decline in 1989-90. Tea output declined to 684.1 million kgs. as against 701.1 million kgs. in the preceding year and coffee production was considerably lower at 120.0 million kgs. as against 215.0 million kgs. in 1988-89.

Availability of foodgrains

Consequent upon the bumper foodgrains production in 1988-89, net availability of foodgrains in the calendar year 1989 increased by 13.2 per cent to 147.1 million tonnes from 130.0 million tonnes in 1988. According to the population estimates of the Expert Committee on Population Projections, appointed by the Planning Commission, the population in 1989 was 811.82 million as against 796.60 million in 1988. On the basis of these projections, per capita net availability of foodgrains during 1989 was higher at 496.6 grams per day compared with 446.6 grams in 1988. There was an increase in net per capita availability of cereals (by 42.5 grams per day) as well as pulses (by 7.5 grams per day) in 1989. Though foodgrains production in 1989-90 has shown an improvement over 1988-89, net availability of foodgrains in 1990 is likely to be lower than in 1989 in the wake of brisk procurement made by the Government

resulting in substantial rise in Government stocks (Table III-3).

Public Distribution System (PDS)

Public Distribution System (PDS) functioning through a wide network of fair price shops/ration shops aims primarily at supplying foodgrains and certain other essential commodities to consumers, particularly to the vulnerable sections of the society at reasonable prices. The system has become a permanent feature of the strategy for controlling prices, reducing fluctuations and achieving equitable distribution of essential consumer goods. The PDS has been added as a new item under Minimum Needs Programme in the Seventh Plan from 1987-88 onwards. The programme is meant to assist in raising living standards and in reducing disparities in development.

During 1989-90, special emphasis was placed on expansion of the network of fair price shops and issuance of ration cards to all especially for the unserved and underserved areas. Several efforts were made to reach farflung inaccessible, remote, hilly and tribal areas through introduction of mobile shops. As a result, 3,398 new fair price shops were opened during the period April-December 1989. At the end of March 31, 1989, there were in all 3.54 lakh fair price shops functioning in the country. Of the total number of fair price shops, about 79 per cent functioned in rural areas and about 28 per cent of these shops were run by co-operatives.

The scheme for distribution of foodgrains at specially subsidised prices to the people in the Integrated Tribal Development Programme (ITDP) areas and the tribal majority States is being implemented in all the concerned States/Union Territories. Under the scheme, wheat and rice are being supplied by the Food Corporation of India (FCI) to the State Governments/Union Territories at a specially subsidised price. The State Governments are required to issue these grains to the beneficiaries/cardholders after adding a margin of Rs. 25 per quintal to meet incidental expenses like transport, margins for wholesalers/retailers, storage, etc.

Under the PDS, the responsibility for procurement, storage and supply of seven key essential commodities, viz., wheat, rice, levy sugar, imported edible oils, controlled cloth, kerosene and soft coke has been assigned to Government agencies such as Food Corporation of India (FCI), State Trading Corporation (STC), National Co-operative Consumers' Federation (NCCF), Coal India Ltd. and various public sector oil companies; these agencies are entrusted with the task of supplying these commodities at Issue Prices which are determined by the Central Government. The responsibility of the State Governments and Union Territory Administrations is to lift these commodities from Central godowns/mills and distribute them to consumers through the network of fair price shops.

A system of monitoring the working of the PDS is operative in the Department of Food and Civil Supplies. A close watch is kept on the performance of the PDS in various States/Union Territories by the officers of the Department by visiting the States to obtain a first-hand knowledge of the proper functioning of the system.

Distribution of foodgrains

In the calendar year 1989, public distribution of foodgrains was contained at 15.79 million tonnes by rational use of limited stocks, keeping in view the easy market availability resulting from bumper harvest. It comprised 8.47 million tonnes of rice, 7.24* million tonnes of wheat and 0.08 million tonnes of coarse cereals. In 1988, public distribution of foodgrains was higher on account of post drought situation and amounted to 18.31 million tonnes comprising 9.53 million tonnes of rice, 8.57* million tonnes of wheat and 0.21 million tonnes of coarsegrains.

During the current year, the distribution of foodgrains is expected to be much lower in view of the two preceding good agricultural years. As such, during first half of 1990, i.e., January-June 1990, foodgrains distribution aggregated 7.89* million tonnes (Table III-4). Apart from distribution of wheat under the public distribution system, the Food Corporation of

* excluding open market sales of wheat by FCI

Table III-3 : Availability of Foodgrains

(Million tonnes)

Year (January to December)	Gross output	Net output	Net imports	Change in Govern-ment stocks	Net availability	Per capita net availability per day (in gms)			Procure-ment	Public Distri-bution*
						Cereals	Pulses	All Food-grains		
1	2	3	4	5	6	7	8	9	10	11
1981	129.6	113.4	0.5	-0.2	114.1	416.2	37.5	453.7	13.0	13.0
1982	133.3	116.6	1.6	+1.3	116.9	414.8	39.2	454.0	15.4	14.8
1983	129.5	113.3	4.1	+2.9	114.5	396.9	39.5	436.4	15.7	16.2
1984	152.4	133.4	2.4	+7.0	128.8	436.1	41.8	477.9	18.7	13.3
1985	145.5	127.3	-0.4	+2.7	124.2	415.6	38.1	453.7	20.1	16.4
1986	150.4	131.6	-0.1	-1.6	133.1	434.2	41.9	476.1	19.6	20.0
1987	143.4	125.5	-0.4	-9.5	134.6	436.1	35.9	472.0	15.9	22.5
1988	140.4	122.9	2.4	-4.7	130.0	413.6	33.0	446.6	14.0	20.0
1989	170.3	149.0	0.8	+2.7	147.1	456.1	40.5	496.6	19.0	16.4
1990£	172.7	151.1	---	+7.3$	143.8	437.7	38.9	476.6	16.4@	7.9@

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

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

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

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

*: Includes quantities released under FWP/NREP/RLEGP/EGS and open sale of wheat by FCI.

£: Preliminary Estimates

@: January-June 1990

$: Change in stocks: end—June 1990 over end--June 1989.

Table III-4 : Total Distribution of Foodgrains (Centre + States + NREP + RLEGP + EGS + JRY, etc.)

(Million tonnes)

Year	Rice			Wheat					Coarse-grains	Total Food-grains distri-bution (4+9+10)
	PDS	NREP/ RLEGP/ EGS/ JRY, etc.	Total (2+3)	PDS	NREP/ RLEGP/ EGS/ JRY, etc.	Roller Flour Mills	Open market sale by FCI*	Total (5+6+7+8)	PDS	
1	2	3	4	5	6	7	8	9	10	11
1983	7.77	0.08	7.85	4.93	0.17	3.00	—	8.10	0.23	16.18
1984	6.69	0.10	6.79	3.32	0.10	3.14	—	6.56	0.09	13.44
1985	7.13	0.09	7.22	3.18	0.23	5.01	0.64	9.06	0.08	16.36
1986	8.32	0.23	8.55	4.54	1.62	2.50	2.49	11.15	0.29	19.99
1987	9.15	0.55	9.70	5.81	2.94	—	3.90	12.65	0.12	22.47
1988	9.25	0.28	9.53	7.53	1.04	—	1.67	10.24	0.21	19.98
1989	8.35	0.12	8.47	6.95	0.29	—	0.58	7.82	0.08	16.37
January-June										
1989	4.13	0.07	4.20	3.34	0.16	—	0.54	4.04	0.07	8.31
1990@	4.41	0.09	4.50	3.21	0.15	—	0.05	3.41	0.03	7.94

@ : Provisional

* : Food Corporation of India started open sales of wheat from November 15, 1985. These sales were, however, suspended during the period April 1 to July 3, 1989.

PDS : Public Distribution System

NREP : National Rural Employment Programme

RLEGP : Rural Landless Employment Guarantee Programme

EGS : Employment Guarantee Scheme

JRY : Jawahar Rozgar Yojana

FCI : Food Corporation of India

Source: Ministry of Food and Civil Supplies, Government of India

India has been supplying small quantities by open market sales. In 1989, a quantity of 0.58 million tonnes of wheat was sold by tender to roller flour mills.

Under the ITDP Scheme, a total quantity of 19.41 lakh tonnes consisting of 8.73 lakh tonnes of wheat and 10.68 lakh tonnes of rice were issued to the State Governments and Union Territories during 1988-89 as against 22.97 lakh tonnes comprising 11.31 lakh tonnes of wheat and 11.66 lakh tonnes of rice issued during 1987-88, showing a decline of 15.5 per cent.

Supply of levy sugar and iodised salt in small packs to the consumers in the North Eastern Region was introduced in 1986-87 with a view to avoiding deterioration in the quality of sugar and salt supplied to the consumers. During the financial year 1989-90, an amount of Rs. 13.34 lakhs was provided to Arunachal Pradesh for this purpose.

With a view to augmenting and strengthening the infrastructural facilities for PDS in the North Eastern States, Sikkim, Jammu and Kashmir, Himachal Pradesh and Andaman and Nicobar Islands, a Central Scheme for setting up of Civil Supplies Corporations and construction of godowns in these States has been in operation since the Sixth Plan. Financial assistance amounting to Rs. 11.36 lakhs was provided to Meghalaya (Rs. 6.00 lakhs) and Nagaland (Rs. 5.36 lakhs) during 1988-89 for construction of 10 godowns of varying capacities. During 1989-90, an amount of Rs. 2.46 lakhs was provided to Nagaland for construction of godowns.

Under Jawahar Rozgar Yojana (JRY), which was launched during 1989-90, a quantity of 10.0 lakh tonnes of foodgrains (comprising 6.0 lakh tonnes of wheat and 4.0 lakh tonnes of rice) was earmarked for distribution. Further, 1.05 lakh tonnes of wheat has been earmarked for additional support to Nutrition Programme for children and expectant/nursing mothers for the year 1989-90.

Procurement and buffer stocks

Procurement and maintenance of foodgrains stocks is basic to the public distribution system which while ensuring remunerative prices to farmers for their produce also makes available foodgrains and other essential commodities to people at reasonable prices, especially to the weaker sections of the society. Foodgrains procured by Government Agencies are utilised for (1) distribution under the PDS, (2) sales to roller flour mills for conversion into wheat products and (3) building up of buffer stocks. Food Corporation of India (FCI) and several State agencies continued their procurement functions under the price support policy for the farmers, through extensive purchases of rice and wheat. During 1989-90, FCI was entrusted with price support operations in respect of coarse cereals also in the States of Punjab, Haryana, and Uttar Pradesh while the National Agricultural Cooperative Marketing Federation (NAFED) continued its procurement operations in other States. Besides price support operations for wheat and paddy, rice was also procured through a statutory levy imposed by various State Governments on rice millers limited to a stipulated percentage of production, taking into consideration the conditions prevailing in their States.

The policy of free movement of foodgrains throughout the country continued during 1989-90 also. However restrictions on movement of paddy to other States imposed by certain State Governments remained in force during 1988-89 *Kharif* marketing season.

In order to maximise procurement in 1989-90, procurement prices of all varieties of paddy for 1989-90 marketing season were increased initially by Rs. 15 and further by Rs. 10 per quintal with effect from October 13, 1989. Procurement price of wheat was also enhanced by Rs. 10 per quintal for the *Rabi* marketing season 1989-90.

The building up and maintenance of a national grain reserve/buffer stocks is one of the main planks of Food Management Policy of the Government for ensuring stability in supplies and prices of foodgrains both in normal years as

Table III-4a : Total Distribution of Foodgrains (Centre + States + NREP + RLEGP + EGS + JRY, etc.)

(Million tonnes)

Year (April-March)	Rice			Wheat					Coarse-grains	Total Food-grains
	PDS	NREP/ RLEGP/ EGS/JRY, etc.	Total (2+3)	PDS	NREP/ RLEGP/ EGS/JRY, etc.	Roller Flour Mills	Open market sale by FCI*	Total (5+6+7+8)	PDS	(4+9+10)
1	2	3	4	5	6	7	8	9	10	11
1983-84	7.61	0.06	7.67	4.52	0.09	2.84	—	7.45	0.22	15.34
1984-85	6.49	0.12	6.61	2.88	0.16	3.68	—	6.72	0.07	13.40
1985-86	7.32	0.08	7.40	3.71	0.97	5.43	1.61	11.72	0.16	19.28
1986-87	8.65	0.38	9.03	4.62	1.95	0.86	2.92	10.35	0.23	19.61
1987-88	9.56	0.55	10.11	6.85	2.37	—	3.56	12.78	0.11	23.00
1988-89	8.93	0.15	9.08	7.05	0.60	—	1.01	8.66	0.23	17.97
1989-90@	8.42	0.14	8.56	6.88	0.28	—	0.23	7.39	0.04	15.99
April-June : 1989	1.98	Neg.	1.98	1.40	Neg.	—	0.14	1.54	0.03	3.55
April-June : 1990 @	2.19	Neg.	2.19	1.34	Neg.	—	Neg.	1.34	0.03	3.56

@ : Provisional

* : Food Corporation of India started open sales of wheat from November 15, 1985. These sales were, however, suspended during the period April 1 to July 3, 1989.

PDS : Public Distribution System

NREP : National Rural Employment Programme

RLEGP : Rural Landless Employment Guarantee Programme

EGS : Employment Guarantee Scheme

JRY : Jawahar Rozgar Yojana

FCI : Food Corporation of India.

Source: Ministry of Food and Civil Supplies, Government of India.

also during periods of droughts and floods. According to the decision taken by the Government in March 1984, public agencies are required to maintain 10 million tonnes of foodgrains as buffer stocks comprising 5 million tonnes each of wheat and rice. These stocks are to be maintained over and above the operational stocks.

The norms prescribed for maintenance of operational stocks on different dates are indicated below:

(Million tonnes)

Date	Buffer Stock	Size of Operational Stocks			Total
	Total	Wheat	Rice	Total	
1	2	3	4	5	6
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

Aggregate foodgrains stocks as at end-June 1990 stood substantially higher at 20.31 million tonnes (comprising 6.94 million tonnes of rice, 13.20 million tonnes of wheat and 0.17 million tonnes of coarsegrains) as compared with 13.05 million tonnes at end-June 1989 (comprising 3.60 million tonnes of rice, 9.43 million tonnes of wheat and 0.02 million tonnes of coarsegrains). Thus, the stocks as at the end of June 1990 nearly reached the norm of 21.4 million tonnes prescribed for operational stocks to be held on July 1 each year.

Commodity-wise review

Rice

Rice is the most important cereal crop in India and is normally cultivated in an area of about 40-41 million hectares. *Kharif* rice predominates and is grown over an area of about 39 million hectares while *Rabi* summer rice is grown over an area of about 2 million hectares. The *Rabi* summer rice is cultivated mainly in the States of Andhra Pradesh, West Bengal, Orissa, Karnataka and Tamil Nadu.

Rice production during 1989-90 is placed at a new record level of 72.8 million tonnes comprising 65.6 million tonnes of *Kharif* rice and 7.2 million tonnes of *Rabi* rice. As compared to the production of 70.7 million tonnes in 1988-89, the production in 1989-90 was higher by 2.1 million tonnes or 3.0 per cent. Production in 1989-90 has exceeded the overall targetted level of 72.5 million tonnes, though *Rabi* output has fallen short of the target of 8 million tonnes.

With a view to augmenting rice production in the country, a Centrally-sponsored Special Rice Production Programme (SRPP) is in operation from the first year of the Seventh Plan (1985-86) in the Eastern States, viz, Assam, Orissa, Bihar, Eastern Madhya Pradesh, Eastern Uttar Pradesh and West Bengal. The scheme was extended to Tripura from 1988-89. The scheme is under implementation in 439 selected blocks in the above seven States. Under the programme, emphasis is laid on the spread of rice production technology through farmers' training system, development of infrastructural facilities like irrigation improvement, land development, establishment of input sales centres, construction of godowns, etc. Besides, inputs like seeds, fertilisers, improved farm implements, plant protection equipments and pesticides are made available to resource poor farmers at subsidised cost. During 1989-90, the SRPP was merged with the Special Foodgrains Production Programme and was implemented in 14 States including seven States mentioned earlier and Andhra Pradesh, Gujarat, Haryana, Karnataka, Maharashtra, Punjab and Tamil Nadu. An outlay of Rs. 63.22 crores was provided during 1989-90 as Central share for implementation of the Programme.

Table III-5 : 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
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	0.2
1982-83	47.1	42.8	27.8	7.0	8.3	0.2	—	4.0	—	7.9	8.1	0.2	4.7	10.8	0.1
1983-84	60.1	45.5	33.9	7.7	9.3	Neg.	0.6	2.1	—	6.7	6.5	0.1	7.7	14.7	0.1
1984-85	58.3	44.1	31.2	9.9	10.3	0.2	—	—	—	7.2	9.1	0.1	9.9	15.0	0.2
1985-86	63.8	47.0	26.2	9.8	10.5	0.1	Neg.	—	—	8.5	11.2	0.3	9.4	14.1	0.1
1986-87	60.6	44.3	26.8	9.2	7.9	Neg.	Neg.	0.1	Neg.	9.7	12.7	0.1	6.5	7.6	0.1
1987-88	56.8	46.2	26.4	6.9	6.5	0.2	Neg.	Neg.	Neg.	9.5	10.2	0.2	4.6	4.7	0.1
1988-89	70.7	54.0	31.9	7.7	9.0	Neg.	0.6	1.6	0.1	8.5	7.8	0.1	6.1	6.0	Neg.
1989-90£	72.8	52.5	34.0	11.6	11.0	0.2	0.5	N.A.	N.A.	4.5	3.4	Neg.	6.9	13.2	0.2
				(7.6)	(8.7)	(Neg.)				(4.2)	(4.0)	(0.1)	(3.6)	(9.4)	(Neg.)
1990-91 (Target)	73.7	54.5	33.3												

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

2) Procurement figures are shown against the crop year but relate to the marketing season which is April-March for wheat and October-September for rice and coarsegrains.

3) Import figures relate to financial year (April-March).

4) Public distribution and year-end stocks relate to calendar year. 1988 calendar year figures are shown against 1987-88 and so on.

5) Figures in brackets relate to corresponding period of the previous year.

$ = Includes quantities released under FWP/NREP/RLEGP as also for Roller Flour Mills and open market sales of wheat.

£ = Provisional. Procurement, Stocks and Off-take figures relate to end-June 1990.

Neg. = Negligible.

N.A. = Not Available.

Source: Ministry of Agriculture and Ministry of Food and Civil Supplies, Government of India.

Table III-6 : Minimum Support/Procurement Prices (Marketing Season)*

(Rupees per quintal)

Commodities	1984-85		1985-86		1986-87		1987-88		1988-89		1989-90		1990-91	
	Minimum Support Price	Procure-ment Price	Minimum Support Price	Procure-ment Price	Minimum Support Price	Procure-ment Price	Minimum Support Price	Procure-ment Price	Minimum Support Price	Procure-ment Price	Minimum Support Price	Procure-ment Price	Minimum Support Price	Procure-ment Price
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Paddy-Common		137		142		146		150		160		185		205
,, - Fine		141		146		150		154		170		195		215
,, - Superfine		145		150		154		158		180		205		225
Wheat		152		157		162		166		173		183		215
Jowar		130		130		132		135		145		165		180
Bajra		130		130		132		135		145		165		180
Maize		130		130		132		135		145		165		180
Ragi		130		130		132		135		145		165		180
Barley	124		130		132		135		135		145		180	
Gram	240		NA		260		280		290		325		421	
Moong	275		300		320		325		360		425		480	
Urad	275		300		320		325		360		425		480	
Tur	275		300		320		325		360		425		480	

* : Marketing season relates to October-September for rice and coarsegrains and April-March for wheat and pulses.

N.A. : Not Announced.

Source : Ministry of Agriculture, Government of India.

Table III-7 : Issue Prices of Foodgrains

(Rupees per quintal)

With effect from	1.10.82	16.1.84	10.10.85	1.2.86	1.10.86	1.10.87	25.1.89	1.6.90	
Rice									
Common	188	208	217	231	239	239	244	289	
Fine	200	220	229	243	251	264	304	349	
Superfine	215	235	244	258	266	279	325	370	
With effect from	1.8.82	15.4.83	10.8.84	1.2.86	1.4.86	17.7.86	1.5.87	22.3.88	1.5.90
Wheat									
Public Distribution System	160	172	172	190	190	190	195	204	234
Roller Flour Mills	185	208	172	190	220	205	210		
With effect from					1.4.86	16.7.86	1.5.87	22.3.88	
Open market sale					205	205	210	240	
With effect from		29.12.83							
Coarsegrains (Jowar, bajra, maize and ragi)		(bajra only) 157							

Source: Ministry of Food and Civil Supplies, Government of India.

Table III-8 : Procurement of Rice (Including Paddy in terms of rice)
(Marketing Season—October-September)

(Thousand tonnes)

States/Union Territories	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1988-89
								Upto end-June 1990	Upto end-June 1989
1	2	3	4	5	6	7	8	9	10
Andhra Pradesh	1629	1484	1789	1573	1468	1511	1478	2355	1446
Haryana	706	624	978	1042	680	319	674	957	673
Karnataka	110	145	101	82	121	67	121	140	101
Madhya Pradesh	182	312	361	571	459	279	284	337	284
Orissa	63	117	112	136	123	67	132	208	122
Punjab	3252	3273	4293	4177	4333	3355	2856	4986	2852
Tamil Nadu	427	731	807	950	886	551	755	901	746
Uttar Pradesh	559	808	1121	1067	1015	607	1215	1511	1203
West Bengal	14	80	97	69	49	63	97	88	87
Others	105	157	204	168	77	50	99	104	94
Total	**7047**	**7731**	**9863**	**9835**	**9211**	**6873**	**7711**	**11587**	**7608**

Source: Ministry of Food and Civil Supplies, Government of India.

On the recommendation of the Commission for Agricultural Costs and Prices (CACP), procurement prices of paddy for the 1989-90 *Kharif* marketing season were raised to Rs. 185 per quintal for common variety, Rs. 195 per quintal for fine variety and Rs. 205 per quintal for superfine variety from Rs. 160, Rs. 170 and Rs. 180 per quintal, respectively, fixed for the 1988-89 season. For the 1990-91 season, the procurement prices have been further enhanced by Rs. 20 per quintal to Rs. 205, Rs. 215 and Rs. 225 per quintal for the common, fine and superfine varieties, respectively (Table III-6).

Central issue prices under the PDS are revised by the Government periodically keeping in view the increase in the procurement prices, increase in acquisition costs, etc. With effect from June 1, 1990, the issue prices of common, fine and superfine varieties of rice supplied through the PDS were raised to Rs. 289, Rs. 349 and Rs. 370 per quintal, respectively, from Rs. 244, Rs. 304 and Rs. 325 per quintal, respectively (Table III-7).

Procurement of rice during the 1988-89 *kharif* marketing season (October-September) aggregated 7.71 million tonnes compared with 6.87 million tonnes procured during the preceding season. Rice procurement during the 1989-90 *kharif* marketing season (i.e., from October 1, 1989 to June 30, 1990) at 11.59 million tonnes was higher by 3.98 million tonnes or 52.3 per cent over the corresponding period of 1988-89 (7.61 million tonnes) (Table III-8).

Rice stocks with the Government as at end-June 1990 stood at 6.94 million tonnes compared with 3.60 million tonnes as at end-June 1989, showing an increase of 92.8 per cent.

Distribution of rice through PDS including issue for National Rural Employment Programme (NREP), Rural Landless Employment Guarantee Programme (RLEGP), Employment Guarantee Scheme (EGS) and Jawahar Rozgar Yojana (JRY) during 1989 aggregated 8.47 million tonnes compared with 9.53 million tonnes in the preceding year. During the first half of 1990, 4.50 million tonnes of rice was distributed through PDS compared with 4.20 million tonnes during the corresponding period of 1989, showing an increase of 7.1 per cent (Table III-4).

Imports and Exports of Rice

During the financial year 1989-90, a total quantity of 5.23 lakh tonnes of rice was imported to augment the stocks under PDS comprising 1.04 lakh tonnes imported from Thailand and 4.19 lakh tonnes from Vietnam.

During the first six months of 1989-90, rice worth Rs. 297.17 crores was exported, showing an increase of 91.6 per cent over the exports of Rs. 155.06 crores during the corresponding period of 1988-89. In terms of quantity, 306 thousand tonnes were exported in April-September 1989 as compared to 189 thousand tonnes in April-September 1988. Both Basmati and non-Basmati rice is exported to countries in the Gulf region whereas Basmati rice alone is exported to the USSR and the UK. As an export promotion measure, the levy on Basmati rice was abolished by the Government recently.

Wheat

Wheat is the most important *Rabi* cereal crop in the country. It occupies about 50 per cent of the total area under *Rabi* food crops and contributes about 70 per cent of the total foodgrains production in the season. The average area under this crop in the country during the last five years has been around 23 million hectares. Of this, 18 million hectares are irrigated.

During 1989-90, production of wheat was lower at 52.5 million tonnes compared with the record output of 54.0 million tonnes in 1988-89. Production during 1989-90 also fell short of the target of 54 million tonnes by 2.8 per cent. The setback in wheat output in 1989-90 was mainly on account of unfavourable post - monsoon rainfall and lack of rains during the months of September and October 1989 leading to moisture deficiency in rainfed wheat - growing areas, particularly in M.P., part of U.P., Maharashtra, Rajasthan and Gujarat. The sudden rise in temperature during January 1990 also had a deleterious impact on the wheat crop.

The Special Foodgrains Production Programme for wheat, launched in 1988-89, continued during 1989-90 also. For implementation of the programme during 1989-90, an outlay of Rs. 15.00 crores was provided as against Rs. 13.36 crores during 1988-89.

Procurement price of wheat of fair average quality was raised by Rs. 32 per quintal to Rs. 215 per quintal for 1990-91 *Rabi* marketing season from Rs. 183 per quintal fixed for 1989-90 marketing season. The rise in procurement price of wheat necessitated an increase in the issue price of wheat supplied under the PDS, in order to contain the increase in food subsidy. With effect from May 1, 1990, the issue price of wheat supplied through the PDS was thus raised by Rs. 30 per quintal to Rs. 234 per quintal (Tables III-6 & III-7).

Wheat procurement during the 1989-90 *Rabi* marketing season (April 1989—March 1990) aggregated 9.00 million tonnes which was higher by 2.47 million tonnes or 37.8 per cent than the procurement of 6.53 million tonnes in the previous season. Wheat procurement during the first quarter of 1990-91 (April 1990 to June 1990) was 10.99 million tonnes compared with 8.74 million tonnes during the same period of 1989-90 season, showing an increase of 25.7 per cent (Table III-9).

During the financial year 1989-90, total off-take of wheat aggregated 7.39 million tonnes as against 8.66 million tonnes in 1988-89, showing a fall of 14.7 per cent. Off-take of wheat under the PDS (including NREP/RLEGP/EGS, etc.) was also lower at 7.16 million tonnes in 1989-90 as against 7.65 million tonnes in 1988-89. Open market sale of wheat by the Food Corporation of India was substantially lower at 0.23 million tonnes during 1989-90 as against 1.01 million tonnes in 1988-89. Total off-take of wheat during the first quarter of 1990-91 (April-June) was 1.34 million tonnes compared with 1.54 million tonnes during the same period in 1989-90 (Table III-4a).

As at end-December 1989, total stocks of wheat with Government agencies stood at 5.97 million tonnes as against 4.74 million tonnes as at end-December 1988 and they stood at 13.20 million tonnes at the end of June 1990 compared with 9.43 million tonnes as at end – June 1989, showing an increase of 40.0 per cent (Table III-5).

Imports and Exports of wheat

During the financial year 1989-90, a quantity of 0.12 lakh tonnes of wheat was exported by the Food Corporation of India on Government account to Vietnam on commodity loan basis.

Coarsegrains

Coarse cereals are important staple food of the rural poor. The crops covered under coarse cereals are mainly jowar, bajra, maize, ragi, small millets and barley. Coarse cereals are generally rainfed crops and are grown by small

Table III-9 : Procurement of Wheat (Marketing Season—April-March)

(Thousand tonnes)

States/Union Territories	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1988-89 (April-June)	1989-90 (April-June)	1990-91 (April-June)
1	2	3	4	5	6	7	8	9	10	11
Haryana	1399	1774	1959	2339	2247	1261	1973	1260	1973	2591
Madhya Pradesh	53	91	14	6	Neg.	—	—	—	—	Neg.
Punjab	5177	5012	6151	6484	4419	4748	5602	4737	5601	6723
Uttar Pradesh	1445	2152	2174	1598	1152	521	1323	512	1063	1534
Others	218	271	49	109	62	5	106	2	106	138
Total	**8292**	**9300**	**10347**	**10536**	**7880**	**6535**	**9004**	**6511**	**8743**	**10986**

Source : Ministry of Food and Civil Supplies, Government of India.

and marginal farmers mostly in dry areas usually subjected to erratic and inadequate rainfall. Only about 7-8 per cent of the area under coarse cereals is irrigated.

Jowar is mainly grown in Maharashtra. Major bajra producing States are Rajasthan, Gujarat and Haryana. Maize is primarily grown in Uttar Pradesh, Rajasthan and Bihar and barley cultivation is largely confined to the States of Uttar Pradesh, Rajasthan and Haryana. The total area under coarsegrains was 39 million hectares in 1988-89.

Production of coarse cereals, which was around 26-27 million tonnes per annum during the first three years of the Seventh Plan (1985-86 to 1987-88) due to shrinkage of area on account of unfavourable weather conditions, rose to 31.9 million tonnes in 1988-89 and is estimated to have reached a new peak of 34.0 million tonnes in 1989-90, surpassing the target of 33.75 million tonnes. The uptrend in production of coarse cereals was largely on account of the increase in production of maize and bajra. The Special Foodgrains Production Programme (SFPP) for maize, which was implemented in 28 selected districts of Bihar, Gujarat, Madhya Pradesh, Rajasthan and Uttar Pradesh in 1988-89, was continued in 1989-90. The overall strategy to increase coarsegrains production, both during *Kharif* and *Rabi* seasons, inter alia, included (i) expansion of area under high - yielding varieties, (ii) conservation of soil moisture and its efficient utilisation with the adoption of dry land farming techniques through integrated watershed development, (iii) adoption of area approach in potential districts for increasing production, (iv) preparation of contingent plans for aberrant weather with full support of seed and credit, (v) timely and adequate supply of inputs and (vi) evolving suitable package of practices keeping in view local conditions through extension system. As a result, maize production increased substantially to 8.3 million tonnes in 1988-89 from 5.7 million tonnes in 1987-88 and is expected to increase further in 1989-90.

From 1985-86 marketing season, NAFED had been the nodal agency for procurement of coarse cereals. During the *Kharif* season 1989-90, the FCI was entrusted with the task of conducting price support operations in respect of coarse cereals in Punjab, Haryana and Uttar Pradesh. Procurement operations of coarse cereals in other States were conducted by the NAFED. Procurement of coarse cereals during the 1989-90 marketing season (i.e., October 1, 1989 to September 30, 1990) till end-June 1990 totalled 0.19 million tonnes as against 0.04 million tonnes during the corresponding period last season. The off-take of coarse cereals under the PDS during the calendar year 1989 was 0.08 million tonnes compared to 0.21 million tonnes in 1988.

Coarsegrains stocks with the Central and State Government agencies at end-June 1990 stood at 0.17 million tonnes as compared to 0.02 million tonnes at the end of June 1989.

Pulses

Pulses are the most important source of protein in Indian diet. They are normally grown over an area of 23 million hectares and account for 18 per cent of the total area under foodgrains. These are mainly grown under rainfed conditions in Madhya Pradesh, Maharashtra, Orissa, Rajasthan and Uttar Pradesh and together account for about 68 per cent of the total production of the country.

During 1989-90, the production of pulses is estimated to be lower at 13.4 million tonnes as compared to the production which had reached a new high level of 13.7 million tonnes in the preceding year.

The production target for pulses was fixed at 14.75 million tonnes for 1989-90.

The lower production of pulses in 1989-90 is attributed to shrinkage in area in western and central parts of Uttar Pradesh, Haryana and parts of Rajasthan. *Rabi* crop was adversely affected during the year on account of dry spells in the pulses growing regions.

Pulses production strategy in *Kharif* season included the coverage of area under early arhar varieties, utilisation of *Kharif* fallows,

inter-cropping and increased use of inputs. In the case of *Rabi* pulses, emphasis was laid on increasing the production of grams. The strategy for increasing the production of pulses during *Rabi* season included (1) fitting of *Rabi* pulses like gram, peas and lentil into irrigated farming system especially in the major producing States, (2) popularising inter-cropping of gram with mustard, safflower and *Rabi* jowar and (3) covering maximum area under moong/urad in the rice fallows with residual moisture.

Despite the efforts to increase the production of pulses, there is hardly any perceptible change in the per capita availability. The increase in production has not kept pace with the increase in demand for pulses. Thus, the per capita availability of pulses has declined over the years from 69 grams per day in 1961 to around 40 grams per day in 1989. In order to bridge the gap between the demand and supply of pulses, import of pulses has been allowed under the open general licence. The import duty on pulses, which was 35 per cent from October 3, 1988, was lowered to 10 per cent with effect from November 1989. The imports of pulses have gradually risen from 2.28 lakh tonnes in 1983-84 to 8.26 lakh tonnes in 1988-89.

National Pulses Development Programme

The National Pulses Development Programme (NPDP), a Centrally-sponsored scheme, is being operated since 1986-87 on a nationwide scale with the aim of increasing production of pulses through adoption of crop and area specific varieties and production technology. The strategy adopted encompasses measures to bring additional area under pulses cultivation as well as steps to increase yield per unit of area. Under this programme, assistance is provided to the farmers by way of seeds, technology demonstrations and plant protection measures. For faster dissemination of the location specific agro-climatically suitable high-yielding varieties of seeds at the village level, the concept of "seed villages" has been promoted. The programme was implemented in 24 districts and two Union Territories (Delhi and Andaman & Nicobar Islands) during 1989-90. However, due to financial constraints, Central allocation of only Rs. 6.0 crore was made during 1989-90 which is the same as in 1988-89. The programme is proposed to be continued during 1990-91 also.

A proposal for setting up a Technology Mission for pulses on the lines of the one for oilseeds is under consideration of the Government of India.

Cotton

The Ministry of Agriculture has placed the cotton production during 1989-90 season (September-August) at an all-time high of 114.1 lakh bales (which exceeds the target of 100.0 lakh bales) as against 87.4 lakh bales in 1988-89.

During 1989-90, sowing of irrigated kharif cotton commenced well in time in the Northern States of Punjab, Haryana, Rajasthan and Uttar Pradesh. Supply of canal water, power and diesel was adequate in these States except in Uttar Pradesh where the power supply was available during a limited period. Timely and favourable south-west monsoon, timely sowing of rainfed *kharif* cotton, adequate canal water supply and increased area under the crop resulted in higher production of cotton in the Northern States as compared to 1988-89 season. In the rainfed cotton areas of Madhya Pradesh, Gujarat and Maharashtra also, sowing of cotton commenced in time. Cotton area in these States was also higher than in the 1988-89 season.

The condition of cotton crop in States other than Northern States was generally excellent in many places except for the reported damage in certain parts of Maharashtra during July due to heavy rains and floods and in coastal districts of Andhra Pradesh due to cyclonic storms. The supply of canal water, power and diesel was normal in most of the States except in Tamil Nadu and Karnataka. In Tamil Nadu, release of canal water was delayed and was insufficient due to poor storage position of reservoirs and supply of power was also inadequate. In Karnataka also, there was shortage of canal water due to deficient monsoon and there was also shortage in power

supply. During the season, prompt measures were taken to arrest the pest attack. The cotton crop was generally free from pests during 1989-90 except in some parts of Gujarat, Tamil Nadu and Andhra Pradesh. On the whole, the 1989-90 cotton season was excellent with timely sowing, good and widespread rains at different stages and normal availability of canal water, diesel and power. As a result of these favourable factors, the area and production of cotton registered a remarkable increase as compared to 1988-89 season.

The Cotton Advisory Board (CAB) had originally assessed the cotton output for 1989-90 season at 115.0 lakh bales. The CAB revised this estimate to 122.0 lakh bales on March 22, 1990 and 127.5 lakh bales on May 30, 1990. The CAB raised the estimates to a record level of 133.5 lakh bales on November 8, 1990. The previous highest production record as estimated by the CAB was107.0 lakh bales in 1985-86 season.

According to the CAB estimates, the 1989-90 season commenced with an opening stock of 22.00 lakh bales as against 18.68 lakh bales last season. Taking into account the 1989-90 crop of 133.50 lakh bales, the toal availability of cotton during the season is placed at 155.50 lakh bales as against 126.93 lakh bales last season. On the demand side, mill consumption in 1989-90 is placed higher at 104.50 lakh bales compared with the previous season's consumption of 98.00 lakh bales. The cotton requirement by non-mill users has also been placed higher at 6.50 lakh bales as against 6.00 lakh bales last year. Cotton exports during the season had been placed at 13.71 lakh bales as against 1.00 lakh bales in 1988-89. Thus, the total demand for cotton during the 1989-90 season has been placed at 124.71 lakh bales as against 105.00 lakh bales in the previous season. The closing stock at the end of the season is placed higher at 30.79 lakh bales as against 21.93 lakh bales last season. The supply-demand position of cotton during the past few years is presented in Table III-10.

The Government's price policy for 1989-90 season continued to be guided by the twin objectives of assuring remunerative prices to the farmers and ensuring reasonable prices to the user industry. For the 1989-90 season, the minimum support prices (MSPs) for two basic varieties of cotton, viz., F-414/H-777 and H-4 were fixed by the Government on the lines recommended by the Commission for Agricultural Costs and Prices (CACP). While fixing the support prices, the Government takes

Table III-10 : Supply-Demand Position of Cotton—CAB's Estimates

(Lakh bales of 170 kgs each)

Items	September-August					
	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90*
1	2	3	4	5	6	7
I. SUPPLY	**118.50**	**135.83**	**134.50**	**113.00**	**126.93**	**155.50**
1) Opening stock	16.00	28.83	39.50	20.00	18.68	22.00
2) Production	101.50	107.00	95.00	90.00	106.00	133.50
	(85.1)	(87.3)	(69.1)	(63.8)	(87.4)	(114.1)
3) Imports	1.00	—	—	3.00	2.25	—
II. DEMAND	**94.10**	**96.17**	**115.17**	**97.93**	**105.00**	**124.71**
1) Mills consumption	86.50	86.57	95.20	92.00	98.00	104.50
2) Ex-factory consumption@	4.65	5.10	5.50	5.50	6.00	6.50
3) Exports	2.95	4.50	14.47	0.43	1.00	13.71
III. CLOSING STOCK (I-II)	**24.40**	**39.66**	**19.33**	**15.07**	**21.93**	**30.79**

Note: 1. Figures in brackets represent estimates by the Ministry of Agriculture.

2. Figures showing opening stocks are different from those of closing stocks of preceding years as the opening stocks are compiled afresh every year.

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

* As per CAB meeting held on November 8, 1990.

into account the factors such as (i) varieties popularly used by the mills or popular in export or varieties securing higher prices in export and (ii) the changes in production costs of different varieties of cotton. For other major varieties of cotton, the prices were fixed by a Committee under the Chairmanship of Textile Commissioner, taking into consideration the prices recommended by CACP. The minimum support prices for 1989-90 marketing season for the two basic varieties, i.e., F-414/H-777 in the medium staple group and H-4 in the long staple group were raised on April 5, 1989 to Rs. 540 per quintal and Rs. 650 per quintal, respectively, from Rs. 500 per quintal and Rs. 600 per quintal, respectively, last season. The minimum support prices for these two varieties for 1989-90 season were further revised upwards by Government on October 24, 1989. The MSPs for F-414/H-777 were hiked by Rs. 30 to Rs. 570 per quintal and H-4 by Rs. 40 to Rs. 690 per quintal. Based on these increases, the Government increased the minimum support prices of various varieties of cotton. While the minimum support prices were increased by Rs. 30 per quintal for short, medium and long staple varieties, those for some long and extra long staple cotton were enhanced by Rs. 40 per quintal. For 1990-91 cotton season, the minimum support prices for F-414/H-777 and H-4 have been fixed at Rs. 620 per quintal and Rs. 750 per quintal, respectively.

Role of Procurement Agencies

During the 1989-90 season, the Cotton Corporation of India (CCI) continued its purchase operations to (i) render price support to cotton growers, (ii) meet the requirements of the textile mills as also the private trade (on a commercial basis) and (iii) meet the demand of overseas buyers against the export quota allocated by the Government. The Corporation operates in all States where cotton is grown except in Maharasthra which has its own State Monopoly Procurement Scheme.

During the 1989-90 season, CCI has played an important role in stabilising the cotton prices in the country. Due to heavy pressure of arrivals, kapas prices in the country had shown a declining trend during the season and had touched the support price level in some areas of Madhya Pradesh and Andhra Pradesh. To arrest the down-trend in prices and to ensure that the growers realise remunerative prices, Government of India instructed the CCI to step up purchases so that prices do not fall below support levels. Following this, CCI stepped up its purchases at the centres where it was already operating and also began to purchase kapas at places where it was not operating hitherto. The Corporation's support to growers has helped kapas prices to remain above support prices despite peak arrivals.

During the 1989-90 season, the CCI purchased 12.43 lakh bales of cotton which was 114.3 per cent higher than the quantity of 5.80 lakh bales purchased in the last season. The CCI purchased only 1350 bales at support prices in Madhya Pradesh and Andhra Pradesh, when the price of H-4, 1007 and JKHY-1, etc. touched support price levels at one stage in these States. The rest of the purchases of 12.42 lakh bales were made on commercial basis. The purchases during 1989-90 were also higher than in 1987-88 and 1986-87 seasons (Table III-11).

In Maharashtra, the State-owned agency, namely, the Maharashtra State Co-operative Cotton Growers' Marketing Federation (MSCCGMF) undertakes the procurement operations under its Monopoly Procurement Scheme. The CCI does not make any purchases in Maharashtra. The Scheme, which expired on June 30, 1989, was extended by Central Government for a further period of one year upto June 30, 1990. The MSCCGMF purchased cotton at the guaranteed prices fixed by the State Government from time to time, which for the 1989-90 season, were the same as the support prices announced by the Union Government. As the guaranteed prices were on par with the support prices, the State Government has declared on October 19, 1989, 20 per cent advance additional price to Super and FAQ grades of all varieties and 50 per cent to Fair grades of all varieties, which are payable to Super and FAQ grades. A sum of Rs. 129.7 crore

has been paid by the MSCCGMF to the growers towards advance additional price. Under the Scheme, MSCCGMF procured 20.90 lakh bales during 1989-90 season against 11.77 lakh bales procured last season (Table III-11).

In view of the comfortable supply position of cotton and to arrest downward drift in their prices, the Government had from time to time released an aggregate quantity of 14.81 lakh bales for exports through the exporting agencies like Cotton Corporation of India (CCI), State Federations and private traders. During the 1988-89 season, the Government had released 2.10 lakh bales of cotton for export of which only 1.00 lakh bales could be exported. During 1989-90. as against an export quota released amounting to 14.81 lakh bales, actual exports of 13.71 lakh bales have been achieved.

Table III-11 : Purchases of cotton by the Cotton Corporation of India and under the Maharashtra State Monopoly Procurement Scheme

(Lakh bales of 170 kgs each)

Agency	SEPTEMBER-AUGUST						
	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
1	2	3	4	5	6	7	8
CCI	5.25	6.69	15.74	8.23	6.50	5.80	12.43
MSCCGMF	7.69	17.85	29.91	13.00	12.59	11.77	20.90

Source : 1) The Cotton Corporation of India.
2) The Maharashtra State Co-operative Cotton Growers' Marketing Federation.

Keeping in view the good export potential of cotton and for establishing regularity in supplies, the Government of India decided to export cotton on long term basis with a minimum quantity of five lakh bales every year irrespective of the size of the crop.

Intensive Cotton Development Programme (ICDP)

During 1989-90, the Centrally-sponsored Intensive Cotton Development Programme (ICDP) was continued in Andhra Pradesh, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Karnataka and Uttar Pradesh with suitable modifications and was extended to the States of Tamil Nadu and Orissa. The main strategy of the programme is to increase the production and productivity with emphasis on increasing the production of medium staple varieties which are in short supply. Efforts were also made to increase the production of export varieties viz., superior long staple and Deshi cotton to fulfil the export commitment. For 1989-90, the Central outlay for ICDP was Rs. 350 lakhs and for 1990-91, an enhanced outlay of Rs. 390 lakhs has been approved by the Government.

Raw jute and mesta

The Ministry of Agriculture estimated the raw jute and mesta production during 1989-90 season (July-June) higher at 83.5 lakh bales (71.1 lakh bales of jute and 12.4 lakh bales of mesta) as against the production of 77.0 lakh bales (66.2 lakh bales of jute and 10.8 lakh bales of mesta) in 1988-89 season. The production in 1989-90 was 8.4 per cent higher than that in the preceding year. The Government had fixed the production target of raw jute and mesta for 1989-90 at 95.0 lakh bales and for 1990-91 at 90.0 lakh bales.

The demand and supply position of raw jute and mesta for each year is estimated by the Office of the Jute Commissioner, Calcutta. According to the estimate of the Office of Jute Commissioner, the raw jute and mesta production in 1989-90 (July-June) at 72.5 lakh bales was higher as compared to 65.0 lakh bales in the previous year. However, the supply position remained tight because of low carryover stock of 20.5 lakh bales as against 35.0 lakh bales in the previous season. Together with imports of

3.0 lakh bales of raw jute from Bangladesh under Advance Licensing Scheme against export of jute goods, the total availability during 1989-90 was estimated lower at 96.0 lakh bales as against 100.0 lakh bales during 1988-89. The total demand for 1989-90 is expected to be marginally lower at 81.5 lakh bales (including mills' consumption of 77.0 lakh bales, other domestic consumption of 4.0 lakh bales and exports of 0.5 lakh bales) than the demand of 82.5 lakh bales during 1988-89. The closing stock at the end of the 1989-90 season are likely to be lower at around 14.5 lakh bales as compared with 17.5 lakh bales at the end of the previous season. (Table III-12).

Prices of raw jute (W-5 variety) have fluctuated widely during 1989-90. After reaching last season's peak level of Rs. 620 per quintal in June 1989, the new season started with prices

Table III-12 : Supply-Demand Postion of Raw Jute and Mesta

(In lakh bales of 180 kgs. each)

Items	JULY-JUNE				
	1985-86	1986-87	1987-88	1988-89	1989-90 (Estimated)
1	2	3	4	5	6
I. Supply					
1. Opening stock	7.50	45.00*	45.00	35.00	20.50*
2. Imports	—	—	—	—	3.00
3. Crop	127.00 (126.46)	75.00 (86.30)	63.00 (67.78)	65.00 (77.03)	72.50 (83.50)
4. Other sources £	—	7.00	—	—	—
Total Supply (1+2+3+4)	**134.50**	**127.00**	**108.00**	**100.00**	**96.00**
II. Demand					
1. Mill Consumption	82.68	77.60	69.50	78.00	77.00
2. Exports	1.00	0.50	0.50	0.50	0.50
3. Other domestic consumption	4.00	4.00	3.00	4.00	4.00
Total Demand (1+2+3)	**87.68**	**82.10**	**73.00**	**82.50**	**81.50**
III. Closing Stock (I-II)	**46.82 or 46.80**	**44.90 or 45.00**	**35.00**	**17.50**	**14.50**

* : Opening stock figures for the year 1986-87 and 1989-90 are taken according to the latest balance sheet issued by the Office of the Jute Commissioner.

£ : Estimated data for arrivals/despatches to and from across the border (Bangladesh).

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

Source : Jute Commissioner's Office.

Table III-13 : Purchases of Raw Jute by the Jute Corporation of India

(In lakh bales of 180 kgs. each)

Items	JULY-JUNE						
	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
1	2	3	4	5	6	7	8
Total Purchases	8.39	10.15	28.24	22.24*	5.40	6.81	5.08
Price Support Operations	—	—	26.83	22.22	5.40	0.01	—
Commercial Operations	8.39	10.15	1.41	—	—	6.80	5.08

* : Revised.

Source : Jute Corporation of India.

indicating declining tendency in July 1989 on account of the initial expectation of harvesting of a fairly good crop and had reached a low of Rs. 407 per quintal on July 26, 1989. Prices started rising gradually thereafter on account of slow arrival of new crop and uncertainty about the crop size. However, during October 1989, the price registered an abnormal increase which was in sharp contrast to the usual trend at that time of the marketing season. Prices of raw jute rose from Rs. 450 per quintal at the beginning of October 1989 to Rs. 575 per quintal by end-October 1989. The rising tendency in raw jute prices was more pronounced since mid-December 1989 and continued unabated thereafter to reach a high of Rs. 840 per quintal during the third week of June 1990 but closed for the season slightly lower at Rs. 785 per quintal.

In order to contain the spurt in raw jute prices, the Government directed the JCI to off-load some raw jute stocks in favour of producers of goods required by the Directorate General of Supplies and Disposals. Such linking was expected to reduce the mills' fibre intake from the open market and improve the overall availability. Moreover, the Government permitted advance licensing facility for the import of raw jute against export of jute goods from April 1989. Further, the Jute Commissioner promulgated the Maximum Stock Control Order on January 2, 1990 to curb the speculation in the jute market and to ease the supply position.

According to the directive, the operating jute mills were not allowed to build up in their mills, upcountry godowns or keep in transit raw jute stocks in excess of 10 weeks' consumption requirements. If any mill already had stocks in excess of the specific limit, it was required to suspend fresh fibre purchases from all sources either directly or indirectly until the stocks came down to the statutory limit. All the operating jute mills were required to furnish periodical reports regarding stocks, purchase and consumption level of raw jute. The order was, however, not applicable to the delivery of raw jute by the Jute Corporation of India in connection with purchases against B. Twills—linked contracts. The order was valid till March 31, 1990. This order was subsequently modified fixing maximum stock level at 8 weeks' consumption requirement of mills and extended upto June 30, 1990.

On the recommendation of the Commission for Agricultural Costs and Prices, the minimum support price of the basic variety of raw jute, i.e., TD-5 grade (ex-Assam) for the 1989-90 season was raised by the Government to Rs. 280 per quintal from Rs. 262.50 per quintal fixed for the 1988-89 season. Subsequently, on a review of overall situation and in pursuance of the announcement made in Parliament on October 12, 1989 about the new agricultural package, the minimum support price was further enhanced by the Government from Rs. 280 to Rs. 295 per quintal for the 1989-90 jute season.

During the 1989-90 season, the Jute Corporation of India (JCI) purchased 5.1 lakh bales of raw jute under its commercial operations to meet the requirements of the six units of the National Jute Manufactures Corporation (NJMC). During the 1988-89 season, the JCI purchased 6.8 lakh bales of raw jute also mostly under its commercial operations.

Special Jute Development Programme

A centrally-sponsored Intensive Jute Development Programme (IJDP) was launched in 1972-73 to increase productivity and improve quality of jute fibre. From 1987-88, a new programme, viz., Special Jute Development Programme (SJDP) was launched to increase productivity and quality of raw jute, and it replaced the IJDP. To achieve the target of 95 lakh bales set for 1989-90, the Union Government supplemented the efforts of the State Governments by the programmes sponsored under SJDP. This programme covered 252 thousand hectares comprising 226 thousand hectares under jute and 26 thousand hectares under mesta spread over eight jute/mesta growing States, viz., West Bengal, Assam, Bihar, Orissa, Uttar Pradesh, Meghalaya, Tripura and Andhra Pradesh. The targets, however, were not achieved in a few States due to shortage of certified seeds and unfavourable weather conditions.

About 5,210 quintals of certified jute seeds and 300 quintals of mesta (quality) seeds were distributed in the programmed area. Also, 34,800 fungal culture packets were distributed in the programmed area for qualitative improvement of barky jute. There were provisions for subsidised distribution of certified seeds, seed drill, wheel hoe, sprayer, construction of retting tanks and laying of package demonstration, etc. under Special Jute Mesta Sunnhemp Development Programme. Package demonstrations were conducted in 5,293 hectares. An area of 115 thousand hectares was covered under foliar and top dressing of urea.

The Eighth Plan target has been projected at 105 lakh bales comprising 88 lakh bales of jute and 17 lakh bales of mesta. The target is proposed to be achieved by implementing the Special Jute Development Programme.

Oilseeds

After a record production of oilseeds of 178.9 lakh tonnes during 1988-89, the oilseeds production during 1989-90 is estimated lower at 171.6 lakh tonnes, showing a decline of 7.3 lakh tonnes or 4.1 per cent. This decline was mainly attributed to the unfavourable rains in the major groundnut producing State of Gujarat and deficiency of rainfall in October and November 1989 in the Northern region. However, the production in 1989-90 exceeded the target of 165.0 lakh tonnes fixed for the year.

Seasonwise, the *kharif* 1989 oilseeds crop at 95.6 lakh tonnes was higher as compared to the target of 89 lakh tonnes but was lower by 7.2 per cent than the production of 103.0 lakh tonnes in the previous year. However, the *Rabi* oilseeds crop, estimated at 76.0 lakh tonnes just reached the target and was marginally higher than the production of 75.9 lakh tonnes in 1988-89.

The shortfall in the oilseeds production during 1989-90 season was mainly on account of setback to groundnut production which declined by 11.4 lakh tonnes or 12 per cent to 84.0 lakh tonnes from 95.4 lakh tonnes in 1988-89. Lack of rains towards the end of September 1989 alongwith widespread rodent and pest attacks in Gujarat contributed to this setback in 1989-90. In addition, the output of rapeseed mustard was also estimated lower at 42.5 lakh tonnes as against 44.1 lakh tonnes in 1988-89, on account of deficiency of rains in the North (Table III-14).

Support prices

With a view to providing fair returns to the farmers for their produce, the Government announced the procurement/support prices after reviewing the recommendations of the CACP. The minimum support prices for major oilseeds were raised for the 1990-91 marketing season, which were higher than those fixed for the previous season in the range of 7.6 to 16.0 per cent. The minimum support price for copra of fair average quality had been fixed for the first time at Rs. 1500 per quintal for the 1989 season. This was raised to Rs. 1600 per quintal for 1990 season. The support prices announced for the 1990-91 marketing season and for the previous seasons are presented in Table III-15.

Despite steady improvement in oilseeds production, the country has not yet achieved self-sufficiency. The supply of edible oils still falls short of the demand. As a result, edible oils continued to be imported. During the oil year (November-October) 1989-90, the demand for and supply of edible oils are estimated at the level of 57.7 lakh tonnes and 47.2 lakh tonnes, respectively. The quantum of import of edible oils to meet the demand-supply gap is decided by the Government from time to time keeping in view the indigenous availability of edible oils and the availability of foreign exchange.

To augment the domestic availability, the Government arranged to import 2.9 lakh tonnes of edible oils during the financial year 1989-90 as against an import of 11.7 lakh tonnes in the previous year. Details of imports of edible oils are presented in Table III—16.

Allocation of Imported Edible Oils under PDS and to Vanaspati Industry.

In order to contain the rising trend in edible oil prices in the open market and to augment the

Table III-14 : Output of Oilseeds

(Lakh tonnes)

Item	1985-86	1986-87	1987-88	1988-89	1989-90
1	2	3	4	5	6
Target	**136.00**	**148.00**	**140.00**	**156.50**	**165.00**
Production	**108.32**	**112.70**	**126.54**	**178.89**	**171.60**
of which :					
a) Kharif	59.52	63.79	64.19	103.04	95.60
b) Rabi	48.80	48.91	62.35	75.85	76.00
Groundnut (in shell)	51.21	58.75	58.54	95.44	84.00
Rapeseed/Mustard	26.81	26.05	34.55	44.12	42.50
Sesamum	5.01	4.48	5.83	6.67	N.A.
Safflowerseed	3.48	3.53	4.62	4.29	N.A.
Nigerseed	1.92	1.31	1.79	1.73	N.A
Sunflowerseed	2.81	4.20	6.35	3.97	N.A.
Soyabean	10.24	8.91	8.98	15.01	N.A.
Linseed	3.76	3.17	3.93	3.49	N.A.
Castorseed	3.08	2.30	1.95	4.16	N.A.

N.A. = Not available

Source : Ministry of Agriculture, Government of India.

over all supply of edible oils, imported edible oils are being allocated to the States and Union Territories by the Government for distribution to the consumers under PDS and also to the vanaspati industry. Within the overall framework of the edible oil plan for the oil year approved by the Government, the allocations of imported edible oils are made on a monthly basis.

For the Public Distribution System (PDS), RBD Palmolein, RBD palm oil, refined rapeseed oil and refined soyabean oil were allocated to the States/Union Territories according to their preferences. In order to prevent adulteration, leakage and wastage, the Government has taken a decision to supply the maximum possible quantity of imported edible oils to the States in small packs of one kg. and

Table III-15 : Suppport Prices for Oilseeds
(Marketing Year)

(Rupees per quintal)

Oilseeds (Fair Average Quality)	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91
1	2	3	4	5	6	7	8
Groundnut-in-shell	340	350	370	390	430	500	580
Soyabean (Black)	240	250	255	260	275	325	350
Soyabean (Yellow)	265	275	290	300	320	370	400
Sunflowerseed	325	335	350	390	450	530	600
Rapeseed/Mustard*	385	400	415	430	460	510	575
Toria	NA	360	375	400	430	480	NA
Safflowerseed*	NA	400	415	415	440	490	550
Copra @	—	—	—	—	—	1500	1600

N.A. : Not announced.

@ : Announced for the first time for 1989 season .

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

Source : Ministry of Agriculture, Government of India.

two kgs. through Hindustan Vegetable Oils Corporation Ltd. (HVOC). In addition to the small packs, the oils are issued in bulk/15 kg. tins through fair price shops under PDS by STC which is the main agency for supply of imported edible oils. However, the allocation of imported edible oils to vanaspati industry has been withdrawn with effect from May 1989 so that the vanaspati units could rely only on unconventional oils.

Table III-16 : Imports of Edible Oils

Year	Quantity (Lakh tonnes)	Value (Rs. crore)
1	2	3
Oil year (November-October)		
1982-83	11.50	507.00
1983-84	16.34	1318.99
1984-85	13.68	1122.13
1985-86	11.79	488.95
1986-87	14.97	667.67
1987-88	18.19	1060.95
1988-89	3.73	245.71
1989-90*	5.11	273.73
Financial year (April-March)		
1982-83	9.80	418.00
1983-84	14.09	846.00
1984-85	15.85	1309.48
1985-86	10.80	768.78
1986-87	13.07	526.48
1987-88	19.67	947.77
1988-89	11.66	768.52
1989-90	2.90	160.52

* : Provisional.

Source : Ministry of Food and Civil Supplies, Government of India.

Other Developments

During the year, the Government took steps to increase oilseeds production and improve the availability of edible oils for curbing the uptrend in edible oil prices. With a view to checking the rising trend in the prices of indigenous edible oils, the Government has taken the following measures:

(1) With effect from April 26, 1990, the Government reduced the stock limits in the case of edible oils and vanaspati.

(2) Reserve Bank of India raised the minimum margins on bank advances against oilseeds and vegetable oils (including vanaspati) by 15 percentage points, across the board, with effect from May 4, 1990.

(3) The Government had permitted the vanaspati industry to use expeller mustard oil upto 20 per cent of its raw material requirements. This permission, which was withdrawn from December 16, 1989, was restored from March 14, 1990 but in view of the increase in price of mustard oil, the Government decided in July 1990 to discontinue the use of mustard oil (expeller) in the manufacture of vanaspati.

(4) The State Governments and the Union Territories were requested to allow free inter-State movement of oilseeds and oils.

(5) The supplies of imported edible oils under PDS were stepped up from 27,000 tonnes in January 1990 to 51,100 tonnes in June 1990.

The Union Budget for 1990-91 allowed excise rebate as under:

1) The existing excise duty of Rs. 750 per tonne on rapeseed/mustard oil was abolished.

2) Credit of money scheme available in case of vanaspati on usage of minor/non-traditional oils extended to margarine.

3) The basket for usage of rebatable oil has been expanded by the addition of solvent extracted sesame oil and salseed fat. The excise rebate was allowed on usage of various oils such as ricebran, mahua, watermelon, solvent extracted palm, salseed fat, etc.

Production Strategy and Measures—Integrated Policy for Oilseeds

With a view to achieving the twin objectives of maximising benefit to farmers and providing relief to consumers, the Government of India announced on January 5, 1989 an Integrated Policy for Oilseeds. Under this policy, the Government of India had prescribed a price band for wholesale prices of groundnut oil and mustard oil. It was decided not to allow the wholesale prices of groundnut oil and mustard oil to fall below Rs. 20,000 per tonne so as to safeguard the farmers' interests soon after

harvest and not to rise above Rs. 25,000 per tonne in the lean season so as to safeguard the consumers' interests. The price band was subsequently revised to Rs. 17000 — Rs. 23,000 per tonne for mustard oil from July 1989 and Rs. 22,000—28,000 per tonne for groundnut oil for 1989-90 oil year. The NDDB has been designated as the Market Intervention Agency for operating this price band.

Technology Mission on Oilseeds

The Technology Mission on Oilseeds (TMO) was launched by the Government of India in May 1986. Its basic objective is to substantially reduce the import of edible oils by harnessing the best of production, processing and management technologies for accelerating self-reliance. The Mission has adopted a four-pronged strategy, viz., a) improvement of oilseed crop technology for stepping up yield and profits to the farmers. So far, 77 new oilseed varieties with desirable traits such as high-yield, potential pest, disease and drought resistance and high oil content have been identified, b) improved processing and post harvest technology which can increase oil yield from traditional and non-conventional sources of oil, c) strengthening of services to the farmers, particularly to supply technology, seeds, fertilisers, pesticides, irrigation, credit, etc. and d) improving institutions or post-harvest services including price support to farmers and financial and other support to processing industry. The TMO is a consortium of various Departments and agencies which function through four Mini

Table III-17 : Allocation of Imported Edible Oils (Month-wise)

(In tonnes)

Month	States/Union Territories for PDS			Vanaspati units	
	1987-88	1988-89	1989-90	1987-88	1988-89
1	2	3	4	5	6
July	70400	83080	28785	54420	69788
	(20000)	(26945)	(7980)		
August	136350	94840	34885	63464	77614
	(21350)	(35510)	(15680)		
September	158800	93940	37665	70761	76883
	(20400)	(45310)	(16080)		
October	185900	96940	38250	72995	69277
	(20150)	(43693)	(14000)		
November	189400	86230	42870	75031	71700
	(20150)	(36750)	(12050)		
December	188900	38523	26000	76370	18201
	(27350)	(16170)	(10260)		
January	149120	40673	27000	70613	16984
	(27300)	(16080)	(10876)		
February	100635	38265	28490	66513	30625
	(30100)	(15000)	(13490)		
March	74380	32865	35200	75045	19027
	(30510)	(11630)	(12600)		
April	62320	24155	40000	73546	24027
	(30350)	(7530)	(12100)		
May	64380	24405	50500	68713	..
	(31840)	(11830)	(14650)		
June	77450	22955	51100	75075	..
	(29040)	(11780)	(27000)		
Total	**1458035**	**676871**	**440745**	**842546**	
	(308540)	**(278228)**	**(166766)**		

Note : Figures in brackets indicate supply in small packs.

Source : Ministry of Food and Civil Supplies, Government of India.

Missions to assist farmers, processors, consumers and others working through the State Governments.

Oilseeds Development Programmes

In order to achieve the oilseeds production target of 165 lakh tonnes for 1989-90, the following strategy was adopted. In the case of *kharif* production, the basic approach included the extension of area in general and under groundnut, soyabean and sunflower in particular and increase in productivity. The mode to achieve this was through a) diversion of certain areas unsuitable for rice to groundnut in Madhya Pradesh and Orissa, b) introduction of soyabean in Orissa, Uttar Pradesh, Bihar, Maharashtra and Gujarat, c) inter-cropping of sunflower with groundnut in Gujarat and d) extension of soyabean cultivation in *kharif* fallows in Madhya Pradesh. Similarly, the strategy adopted for increasing *rabi* production included a) diversion of low yielding wheat area to rapeseed/mustard in northern region, b) intercropping of mustard with sugarcane, c) extension of groundnut cultivation in *rabi* season and d) extension of *rabi* sunflower cultivation in Andhra Pradesh, Karnataka, Maharashtra and Tamil Nadu.

Two Centrally-sponsored Schemes, viz., the National Oilseeds Development Project (NODP) and the Oilseeds Production Thrust Project (OPTP) are being implemented to achieve the production targets in 18 States. During 1989-90, the NODP was implemented in 181 districts of 17 States covering nine oilseeds. The total outlay approved for the project during the year was Rs. 36.95 crore comprising the Central share of Rs. 21.26 crore and the States' share of Rs. 15.69 crore. The NODP's major thrust is on increased and timely supply of seeds, plant protection equipments and chemicals and effective transfer of technology through widespread demonstrations.

In addition to the NODP, the Oilseeds Production Thrust Project (OPTP) was started in 1987-88 to further support the oilseeds programmes in thrust areas. The project provides 100 per cent Central assistance to 17 States and covers development of four major oilseeds, viz, groundnut, rapeseed/mustard, soyabean and sunflower. During 1989-90, the approved outlay for OPTP was Rs. 33.44 crore. The project provided for additional support for production of seeds on large-scale, extensive plant protection measures through supply of chemicals and equipment and improved farm implements and gypsum/pyrite at concessional rates. A provision of Rs. 9.5 crore out of the total allocation for NODP and OPTP was earmarked for the benefit of farmers belonging to scheduled castes and scheduled tribes exclusively during 1989-90. During 1990-91, the above two projects have been merged under one programme, i.e., Oilseeds Production Programme (OPP) with an outlay of Rs. 69.97 crore (75 per cent Government of India share and 25 per cent State Governments' share).

In addition, the Central Government has provided Rs. 2.61 crore for production of breeder and foundation seeds and a grant of Rs. 1.50 crore to ICAR for organising frontline demonstrations.

National Dairy Development Board (NDDB)—Oilseeds Project

The NDDB's project "Restructuring Edible Oil and Oilseeds Production and Marketing" aims at the integrated development of production, procurement, processing and marketing of oilseeds and vegetable oils through the establishment of oilseeds growers co-operative societies. The project is financed from funds obtained from the sale of donated commodities—refined soyabean oil received from USAID through Co-operative League of USA and crude rapeseed oil from CIDA through Canadian Co-operative Association. The sale proceeds till March 31, 1990 amounted to Rs. 455.06 crore out of which an amount of Rs. 244.12 crore has been utilised/ released for the co-operative project purpose. The project is now in its second phase of implementation.

Under the Integrated Oilseeds Policy initiated in 1989, the NDDB was appointed by the Government as the Market Intervention Agency. Thus NDDB was asked to intervene in

the wholesale oil market in a manner so as to maintain the prices of groundnut oil and mustard oil within the price band prescribed by the Union Government. The NDDB also receives some imported oils allocated to it for supplementing its operations. These operations aim at ensuring fair prices to oilseeds growers and reasonable prices to consumers.

Market Intervention Operations of NDDB upto October 1989

	Purchases		Sales	
	QTY MT	Value Rs. crore	QTY MT	Value Rs. crore
Groundnut oil	36873	69.85	35933	83.27
Mustard Expeller Oil (MEO)	120129	187.98	20425	33.64
Refined Bleached Deodorised Palmolein (RBDPL)	24688	33.77	22885	44.57
Neutralised Palm Oil	24345	37.91	12264	23.13

Apart from the oil purchases, NDDB finances the oilseeds procurement by the associated co-operative unions and federations under its Market Intervention Operations (MIO). The co-operative agencies, after crushing the oilseeds so procured, offer the resultant oils to NDDB. During the 1988-89 oil year, NDDB provided finance amounting to Rs. 28.32 crore for the procurement of 49,094 MT of mustard seeds against which NDDB purchased 21,050 MT of mustard oil from the co-operative unions valued at about Rs. 36 crore, which is included in the total purchase of mustard oil. As regards sales, it has launched the sale of groundnut oil under the brand name 'Dhara', which was initially sold in Delhi and Bombay and its sales are now extended to U.P., M.P., Haryana, Maharashtra, Goa and Gujarat. The progress of activities of NDDB under the project is presented in Table III-18.

National Oilseeds and Vegetable Oils Development Board's Project

The thrust of the National Oilseeds and Vegetable Oils Development (NOVOD) Board's Project during 1989-90 continued to be on demonstration of appropriate crop production technologies for potential oilseeds crops in areas other than those covered under the NODP and OPTP. During 1989-90, the NOVOD's main schemes included the diversification of rainfed/low irrigated wheat with rapeseed/mustard in eight project districts, programme for popularisation of rabi/summer groundnut cultivation in six project districts, diversification of rainfed minor millets with soyabean and popularisation of soyabean cultivation in 12 project districts, promotion of safflower and sunflower cultivation and oilseed-based cropping system for rapeseed production in U.P. The Board budgeted Rs. 319.70 lakhs for the year 1989-90 for its developmental and other activities including the strengthening of the infrastructure for production of seeds of important oilseeds, assistance to voluntary non-official organisations engaged in promoting the cause of oilseeds and organising national and regional crop workshops. The Board proposes to diversify its development activities during 1990-91 by lending support in crucial areas of research, seeds production and post-harvest operations of oilseeds including processing, marketing, etc.

Coconut

Coconut is a good source of vegetable oil. India ranks third in the coconut map of the world with an area of 1.43 million hectares and annual production of 7562 million nuts. The Seventh Plan target was to produce 8000 million nuts.

The Government of India sanctioned several programmes prepared by the Coconut Development Board for increasing production and productivity of coconut during the Seventh Plan. The main emphasis was on production and supply of quality planting material, expansion of area under coconut in potential areas, increasing productivity in major producing States and technology development in post-harvest processing and extension. During 1989-90, an amount Rs. 2 crore was sanctioned to the Coconut Development Board, which included Rs. 1.45 crore for the development programmes.

Table III-18 : Progress of National Dairy Development Project for Restructuring Edible Oilseeds/Oils Production and Marketing

(Year ended March)

States	No. of Oilseeds Growers' Co-operative Societies at the village levels		No. of villages covered		No. of farmer members		Members' Oilseeds area (in hectares)		Procurement of seeds (in tonnes)	
	1988-89	1989-90	1988-89	1989-90	1988-89	1989-90	1988-89	1989-90	1988-89	1989-90
1	2	3	4	5	6	7	8	9	10	11
Gujarat	1193	1258	2124	2899	141927	279355	421675	453977	86297	189529
Maharashtra	223	241	1916*	1939	61527	68858	217642	116475*	19698	11664
Madhya Pradesh	983	1061	8732	9222	116254	129483	412532*	533210	184030	124321
Andhra Pradesh	241	236	1002	1002	35993	36818	74623	74623	10626	10365
Karnataka	261	262	1671	1682	77276	86738	163171	172036	25401	6150
Tamil Nadu	333	335	1472	1492	53979	65167	98937	112978	5484	3019
Orissa	242	251	2060	2102	25892	30716	25267	30697	721	688
Total	**3476**	**3644**	**18977**	**20338**	**512848**	**697135**	**1441147**	**1493996**	**332257**	**345736**

* : Revised figure.

Source : National Dairy Development Board.

The Coconut Development Board procured 9.27 lakh quality seed nuts from disease free locations and supplied them to various State Governments in 1989-90. About 50 thousand quality seedlings were raised and distributed to different nurseries. Under the Area Expansion Scheme, it was proposed to cover 2,800 hectares during 1989-90 in addition to the area of 22 thousand hectares brought under the new planting since 1982-83. In order to supply quality planting material, Coconut Development Board established four demonstration-cum seed production farms in the States of Karnataka, Madhya Pradesh, Bihar and Assam. In addition, the Board provides subsidy at the rate of Rs. 1000 for setting up of pumpsets for improving irrigation facilities in the coconut gardens. During 1989-90, one thousand pumpsets were installed. The Board has also launched a new scheme to train youths in coconut palm climbing and plant protection measures in Kerala, where production of coconuts provides livelihood to considerable number of people.

Oil palm

Among vegetable oil producing crops, oil palm yields the maximum oil per unit area. The average yield from oil palm is about three tonnes per hectare per year which is about seven times that of other cultivated oilseeds. At present, oil palm is grown on commercial scale by two agencies, namely, Oil Palm India Ltd., Kerala, and Andaman and Nicobar Islands Forest and Plantation Development Corporation Ltd. The total area planted by these two agencies is 5,298 hectares of which an area of 3,705 hectares was planted with "tenera" variety of oil palm by Oil Palm India Ltd. against the target of 4,160 hectares. In order to assess the overall potentialities of oil palm cultivation in India and to identify suitable areas for oil palm cultivation, Government of India had set up a Working Group in 1986-87. The Working group identified 5.75 lakh hectares in the States of Andhra Pradesh, Assam, Kerala, Maharashtra, Orissa, Tamil Nadu, Tripura and West Bengal. The Group also suggested a strategy to cultivate 2.50 lakh hectares of oil palm by 2000 A.D. Under the Central Sector Scheme being implemented by the Oil Palm India Ltd, 10,162 tonnes of fresh fruits of oil palm were produced till March 1989 against the target of 20,886 tonnes. The programme was continued during 1989-90 with an outlay of Rs. 1 crore.

Sugarcane

According to the latest estimate of the Ministry of Agriculture, the sugarcane output in 1989-90 has been placed higher at 210.4 million tonnes as compared to 204.6 million tonnes in 1988-89, showing a rise of 5.8 million tonnes or 2.8 per cent. Though the production was quite high, it was slightly lower than the target of 212.0 million tonnes. The higher sugarcane production was attributed to increase in area under sugarcane cultivation and favourable monsoon in major sugarcane producing States.

Efforts were made to implement the annual action plan for achieving the target of cane production in 1989-90 with major emphasis on increasing productivity. The strategy for increasing sugarcane production included: i) production and distribution of quality seeds, (ii) better water management, (iii) judicious use of fertiliser application, (iv) better management of ratoons, (v) larger coverage under plant protection, (vi) transfer of technology through various extension systems, including demonstration with companion crops, (vii) training of sugarcane production personnel and (viii) greater participation of sugarcane factories in cane development.

In the overall interest of growers and industry, the Government of India raised the Statutory Minimum Price (SMP) of sugarcane for the 1989-90 season from Rs. 19.50 per quintal to Rs. 22.00 per quintal in October 1989, linked to basic recovery of 8.5 per cent with proportionate premium of 25.88 paise per quintal for every 0.1 per cent increase in recovery over 8.5 per cent. However, cane growers get prices as stipulated by the State Governments which are higher than the SMP fixed by the Central Government. The SMP for 1990-91 season has been fixed at Rs. 23.00 per quintal.

The Sugar Development Fund created by the Central Government is providing financial assistance to sugar factories not only for undertaking rehabilitation and modernisation but also for initiating any scheme for development of sugarcane in the factory zone to improve its availability to them.

Tea

Production of tea during 1989 at 684.1 million kgs. was lower by 17.0 million kgs. or 2.4 per cent than the peak production of 701.1 million kgs. achieved during 1988 and also fell short of the target of 690 million kgs. set for the year. Adverse weather conditions during early part of 1989 affected the production in South India. Hence, tea output in South India at 151.8 million kgs. in 1989 was lower by 20 million kgs. as compared to 171.8 million kgs. in 1988. The drop in the tea output in South India would have been more pronounced but for the favourable rains in the latter part of the crop season and the special drive to increase production by the South Indian tea estates taking advantage of the rising prices. On the other hand, tea output in North India at 532.3 million kgs. in 1989 has been higher by 3 million kgs. as compared to 529.3 million kgs. in the previous year.

Tea production outlook for 1990 appears to be encouraging with the total production estimated to touch 720 million kgs. Both the tea growing regions of the country have reported encouraging trends in production owing to favourable weather conditions during the first half of 1990 as compared to the corresponding period last year. During January-June 1990, all-India output of tea at 255.4 million kgs. was higher by 29.3 million kgs. as against 226.1 million kgs. during the corresponding period of 1989. North India accounted for 171.5 million kgs. as against 155.4 million kgs. during the same period of previous year. South Indian tea plantations reported an output of 83.9 million kgs. during January-June 1990 as against 70.7 million kgs. during the same period of 1989.

According to estimates, tea exports in 1989-90 (April 1989—March 1990) at 202.8 million kgs. were lower by 6.0 million kgs. as compared to 208.8 million kgs. in 1988-89. However, inspite of a drop in exports in terms of volume, there has been a significant increase in export earnings from tea due to higher unit export prices. The earnings from tea exports at Rs. 862.5 crore in 1989-90 were higher as compared to Rs. 644.3 crore in 1988-89. The unit value realisation of tea at Rs. 42.52 per kg. in 1989-90 exceeded that of Rs. 30.85 per kg. in 1988-89.

There was an unprecedented rise in domestic prices of tea during 1989. In a bid to stem the uptrend in prices, the Tea Board issued a directive on September 16, 1989, under which licences of the brokers were to be cancelled, if they withdrew tea which they had undertaken to sell through auctions. Furthermore, Tea Board directed six centres in the country to hold auctions for CTC tea exclusively for domestic buyers with effect from September 25, 1989.

Coffee

Coffee is an important commercial crop. Coffee cultivation is mainly confined to the three Southern States of Karnataka, Kerala and Tamil Nadu. In addition, Andhra Pradesh, Orissa and all the North Eastern States are new areas where coffee cultivation is being taken up in recent years. The latest data on area under coffee crop are now available for the year 1987-88. Coffee was cultivated on a total area of 242 thousand hectares comprising 123 thousand hectares under Arabica variety and 119 thousand hectares under Robusta variety during 1987-88.

As against the production target of 180 thousand tonnes envisaged for 1989-90 (October-September), the terminal year of the Seventh Plan, the latest estimates place the production at 120 thousand tonnes. At this level, the output is lower by 44.2 per cent as compared to the production of 215 thousand tonnes in 1988-89. The decline in coffee production could be attributed to cyclical production pattern of the crop wherein a peak production season is followed by a lean one.

Under the Coffee Act, all coffee produced is pooled and held with the Coffee Board for sale

and disposal. Coffee sales in the domestic market are mainly through domestic auctions and its reserve price is based on the minimum release price. Coffee meant for export is sold in separate export auctions. Domestic demand for coffee remained more or less stagnant at around 55 thousand tonnes between 1985 and 1988 except during the year 1987 when it touched 59 thousand tonnes. Domestic consumption in 1989 has been placed higher at 65 thousand tonnes as compared to 56 thousand tonnes in the previous year.

As a member of the International Coffee Organisation (ICO), our exports to other member countries are governed by the allocations of quotas made by the ICO from time to time. There are, however, no restrictions on exports to non-member countries, which are generally made under bilateral agreements.

With a view to increasing production and productivity of coffee, the Coffee Board has undertaken various projects. Some of the important projects/schemes are detailed below:

(1) Training projects to train personnel in coffee culture, both in traditional and non-traditional areas;

(2) project for soil testing/pest surveillance, etc. in traditional coffee areas to help small growers to adopt scientific methods of coffee cultivation;

(3) project for multiplication, collection and distribution of seeds, both in traditional and non-traditional areas to supply growers with healthy and high-yielding seeds;

(4) opening of coffee demonstration farms both in traditional and non-traditional areas and

(5) provision of loans and subsidies.

During 1989-90, several different ongoing Development Loans and Subsidy Schemes were in operation to assist coffee production. During the financial year 1989-90, Rs. 533 lakhs towards loans and Rs. 53 lakhs towards subsidies have been disbursed as against budget outlay of Rs. 590 lakhs for loans and Rs. 136 lakhs for subsidies. For 1990-91, a provision of Rs. 400 lakhs for loans and Rs. 75 lakhs for subsidies has been approved by the Government.

The present strategy of the Coffee Board emphasises consolidation and as such efforts to increase productivity by developing the existing plantations are receiving urgent attention.

Tobacco

Tobacco is an important cash crop in India. The country accounts for about 7.6 per cent of world production and ranks third after the USA and China. Tobacco grown in India can broadly be classified into two groups, viz., Virginia and non-Virginia. Non-Virginia tobacco is used in the manufacture of bidis, cigar, cheroots and hookah and for chewing and snuff purposes. Virginia tobacco is used for manufacture of cigarettes.

According to the estimates of the Ministry of Agriculture, total area and production of tobacco declined from 375 thousand hectares and 491 million Kgs. in 1988-89 to 370 thousand hectares and 420 million kgs. in 1989-90 or by 1.3 per cent and 14.5 per cent, respectively. State-wise, production data for 1988-89 reveal that increase in production was recorded by all the important tobacco producing States such as Andhra Pradesh, Gujarat, Karnataka, Uttar Pradesh and West Bengal. (Table-III-19).

In Gujarat, an area of about 118 thousand hectares is reported to have been planted under tobacco in 1989-90 as compared to 90 thousand hectares in 1988-89. The production is expected to be normal in view of timely planting, favourable rainfall and low incidence of leaf curl. Available information on Virginia tobacco shows that area planted under Virginia tobacco in Karnataka and Andhra Pradesh was 19.5 thousand hectares and about 80 thousand hectares, respectively, during 1989-90. Production of Virginia tobacco during 1989-90 season was estimated at 14.9 million Kgs. in Karnataka and about 83 million Kgs. in Andhra Pradesh.

The Government of India on the recommendation of the Commission for Agricultural Costs and Prices (CACP) fixed the minimum

Table III-19 : Area and Production of Tobacco in Important States

(Area in 000' hectares)
(Production in Million Kgs.)

States	1985-86		1986-87		1987-88		1988-89	
	Area	Production	Area	Production	Area	Production	Area	Production
1	2	3	4	5	6	7	8	9
Andhra Pradesh	149.3	145.5	146.5	152.0	107.4	104.9	150.6	184.1
Gujarat	106.2	167.8	110.4	182.8	81.5	121.8	90.1	151.0
Karnataka	47.2	31.9	46.7	37.4	43.8	33.4	49.0	39.7
Tamil Nadu	13.2	18.3	9.2	11.4	9.0	12.5	5.8	7.3
Uttar Pradesh	14.4	21.5	13.6	20.4	12.8	38.3	14.7	49.7
West Bengal	14.5	14.9	14.1	15.2	14.1	15.2	17.9	19.9
Others	52.2	41.3	48.7	42.6	49.4	41.3	47.2	39.7
Total	**397.0**	**441.2**	**389.2**	**461.8**	**318.0**	**367.4**	**375.3**	**491.4**

Source : Ministry of Agriculture, Government of India.

support price for two basic grades, viz., F-2 and L-2-4 grades of VFC tobacco at Rs. 12.50 and Rs.13.50 per kg., respectively, for 1989-90 crop as compared to Rs.11.75 and Rs.12.80 per kg. respectively, for the preceding year. On the basis of the minimum support prices, the entire production of 15 million kgs. of Karnataka was sold in auction platforms at an average price of Rs. 19.64 per kg. as against an average price of Rs. 21.61 per kg. sold last year. However, the maximum price realised was Rs. 38.64 per kg as against the maximum price of Rs. 37 per kg. realised last year. In Andhra Pradesh, a total quantity of 78.3 million kg. of VFC tobacco was sold in auctions conducted by the Tobacco Board in 19 auction platforms and the average price realised was Rs. 14.91 per kg. as against overall average price of Rs. 16.59 per kg. realised last year. The average prices realised were well above the minimum support prices.

The measures being taken by the Central Government for tobacco development in the country are at present limited to providing technical guidance to the State Governments and farmers for increasing the productivity and improving the quality of tobacco by popularising the latest package of practices evolved by research through the training and visit system of the State Governments. Necessary arrangements for adequate and timely supply of various inputs, viz., pure seeds and seedlings, coal, fertilisers, etc. are also made by the Directorate of Tobacco Development. Under the State Sector Plans, necessary allocations for demonstration plots, training, etc., are also being made to improve the yield and quality of tobacco. The Directorate of Tobacco Development operates schemes for production of pure seeds and seedlings and imparting training to the growers in Andhra Pradesh, Gujarat and Karnataka with 100 per cent Central assistance and with the technical assistance of the Directorate of Tobacco Development. The Government of India decided in January 1990 that the activities of Tobacco Board hitherto confined to Virginia tobacco may be extended to Non-Virginia tobacco also.

Production Strategy and Related Development

Under the Seventh Plan, a number of thrust programmes were implemented, making important contribution towards increasing agricultural production in the country. These thrust programmes cover foodgrains as well as commercial crops. The programmes for foodgrains include the Special Rice Production Programme (SRPP) for increasing production and productivity in Eastern States, the Special Foodgrains Production Programme (SFPP) with rice, wheat, maize, gram and arhar as focus crops and the National Pulses Development Programme (NPDP). Programmes for the

Table III-20 : Trends in Production, Exports, Consumption etc., of Non-Foodgrain Commodities

Year	Oilseeds (million tonnes)		Tea (Million kgs.)		Coffee ('000 tonnes)			Sugarcane (Million tonnes)		Tobacco (Million kgs.)		
	Production (Nov.-Oct.)	Yield per hectare (kgs)	Production (Jan.-Dec.)	Exports (April-March)	Production (Oct.-Sept.)	Exports (April-March)	Internal Consumption (Jan.-Dec.)	Production (Nov.-Oct.)	Yield per hectare (tonnes)	Production	Exports (April-March)	Internal Consumption (April-March)
1	2	3	4	5	6	7	8	9	10	11	12	13
1982-83	10.1	563	560.7	194.1	130.0	83.8	54.0	189.5	56.4	582	93.9	384.1
1983-84	12.7	679	581.5	202.3	105.0	71.2	56.1	174.1	56.0	493	90.0	395.8
1984-85	12.9	684	639.9	217.4	195.1	68.9	53.5	170.3	57.7	486	74.7	NA
1985-86	10.8	570	656.2	214.2	122.4	99.3	54.9	170.7	60.0	441	64.4	NA
1986-87	11.3	605	624.6	197.4	192.2	86.7	54.4	186.1	60.4	462	66.8	NA
1987-88	12.7	629	674.3	207.6	123.0	92.4	58.6	196.7	60.0	367	48.1	NA
1988-89	17.9	827	701.1	208.8	215.0	98.2	55.9	204.6	60.1	491	39.9	NA
1989-90	17.2	NA	684.1	202.8	120.0	130.2	65.4	210.4	NA	420	58.2	NA

NA = Not available.

commercial crops include the National Oilseeds Development Project (NODP), the Oilseeds Production Thrust Project (OPTP), the Intensive Cotton Development Programme (ICDP) and the Special Jute Development Programme (SJDP). These on-going thrust programmes were continued in 1989-90 also with the sole exception of the Special Rice Production Programme which was merged with the Special Foodgrains Production Programmes. Details are given earlier under various commodities.

Other Development Programmes

High-Yielding Varieties Programme (HYVP)

During 1989-90, expansion of area under location—specific high-yielding varieties continued to be one of the main planks of the strategy for increasing foodgrains production. Area under the HYVP during 1989-90 was 63.84 million hectares as against 60.11 million hectares in the previous year, recording a rise of 6.2 per cent during the year. Crop-wise, the HYV area expansion was the highest for rice, which recorded an increase of 8.8 per cent or 2.24 million hectares from 25.41 million hectares in 1988-89 to 27.65 million hectares in 1989-90. As against this, during the same period, area under bajra has shown a decline of 8.7 per cent. The details are presented in Table III-21.

Seeds

Certified/quality seeds are among the crucial inputs for raising the level of productivity of crops. Production of breeder seeds is targetted to increase from 32.87 thousand quintals in 1988-89 to 33.15 thousand quintals in 1989-90. Breeder seeds, which represent the primary stage of seed production cycle, are further multiplied into foundation and certified seeds. Production of foundation seeds of various crops was estimated at 4.64 lakh quintals in 1988-89 and is likely to increase to 6.21 lakh quintals in 1989-90. The target for production of certified seeds for 1989-90 is placed at 67.65 lakh quintals (Table-III-22)

Distribution of certified quality seeds had shown a marginal increase of 0.50 lakh quintals in 1988-89, rising to 56.80 lakh quintals from 56.30 lakh quintals in 1987-88. The target for 1989-90 and 1990-91 have been fixed at 70 lakh quintals and 72 lakh quintals, respectively.

With a view to supporting the Government's efforts to assist the farmers by ensuring timely and adequate availability of quality seeds of suitable varietiesof crops at reasonable prices, it is proposed to take up Phase III of the World Bank-aided National Seeds Project with an estimated outlay of Rs. 236.01 crore.

Fertilisers

After the introduction of HYV crops, the fertiliser consumption in the country (barring a few years of bad monsoon) has shown a rising trend. The consumption of fertilisers increased from 0.69 lakh tonnes of nutrients (N+P+K) in 1950-51 to11.0 lakh tonnes in 1966-67 and further to 110.4 lakh tonnes in 1988-89 (Table III-22 & 23). During 1989-90, fertiliser consumption was expected to reach 124.3 lakh tonnes. However, according to latest indications, total consumption in 1989-90 is placed at only 122.0 lakh tonnes, showing a rise of 10.5 per cent over the previous year.

Pesticides

Pesticides occupy an important place in the strategy for increased agricultural production. The use of pesticides to the requisite degree of efficiency forms an important factor of Integrated Pest Management Approach

Table III-21 : Crop-wise Coverage of Total Area and Area Under High - Yielding Varieties

(Million hectares)

Crop	1980-81		1984-85		1985-86		1986-87		1987-88		1988-89		1989-90		
	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	Total cropped Area	Area under HYV	Total cropped Area	Area Under HYV	
														Target	Actual*
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. Paddy	40.15	18.23	41.16	22.78	41.14	23.47	41.17	24.03	38.81	22.25	41.86	25.41	..	28.68	27.65
2. Wheat	22.28	18.10	23.56	19.09	23.00	19.06	23.13	19.19	23.06	19.69	24.09	20.18	..	21.33	20.84
3. Jowar	15.81	3.50	15.94	5.07	16.10	6.08	15.95	5.50	16.00	6.06	14.85	6.11	..	7.60	7.38
4. Bajra	11.66	3.64	10.62	5.17	10.65	4.99	11.27	5.27	8.71	3.95	12.05	5.87	..	6.68	5.36
5. Maize	6.01	1.60	5.80	2.03	5.80	1.80	5.92	2.19	5.56	2.15	5.95	2.54	..	2.54	2.61
Total (1 to 5)	**95.91**	**45.07**	**97.08**	**54.14**	**96.69**	**55.42**	**97.44**	**56.18**	**92.14**	**54.10**	**98.80**	**60.11**	..	**66.83**	**63.84**

* : Provisional estimates.

.. = Not available.

Source : Ministry of Agriculture, Government of India.

adopted in this regard. During 1989-90, pests surveillance for monitoring the pests and diseases of major cereals, oilseeds and pulses crops and biological control by the use of parasites and predators to reduce the pest population of identified crops like sugarcane, rice, cotton, gram etc., were taken up. The quality control of pesticides was accorded the highest priority. Under the New Policy on Seed Development, quarantine procedures were made more effective and time bound. The Locust Warning Organisation initiated prompt control operations over a total area of 50,000 hectares. A sample area of 4.05 lakh hectares in the *kharif* season and the area of 3.5 lakh hectares in the *rabi* season were to be covered by the rapid roving sample surveys for monitoring pests and diseases. During 1989-90, consumption of pesticides of technical grade was placed at 85,660 tonnes which is substantially higher than 55,000 tonnes in the previous year (Table III-22).

Irrigation Schemes

Increasing irrigation facilities has been a crucial policy objective in all the Five-Year Plans as even now large areas in the country depend on monsoons. The main thrust of the development policy is to reach 113 million hectares (m.ha.) of gross irrigation potential (comprising 58 m.ha. in the major and medium sector and 55 m.ha. in the minor irrigation sector) in the country by about 2010 A.D. The gross irrigated area in the country increased from 22.6 m.ha. in 1950-51 to 67.5 m. ha. by the end of the Sixth Plan. During the first four years of the Seventh Plan, about 8.8 m.ha. of additional irrigation capacity was achieved; target of 2.8 m.ha. is to be achieved in 1989-90 (Table III-24). The average rate of creation of irrigation potential during the plan periods upto the end of the Sixth Plan (from 1950-51 to 1984-85) was 1.3 m. ha. per annum though the average addition to the then existing irrigation potential was nearly 2.2

Table III-22 : Trends in use of Selected Agricultural Inputs

Item	Unit	1980-81	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	
								Target	Likely achieve-ment
1	2	3	4	5	6	7	8	9	10
A. Production/distribution of seeds									
i) Production of breeder seeds	Thousand quintals	5.27	29.03	23.64	28.60	22.55	32.87	33.15	N.A.
ii) Production of certified seeds	Lakh quintals	21.56	49.97	44.84	56.51	53.42	65.06	67.65	N.A.
iii) Distribution of certified/ quality seeds	,,	25.01	48.48	55.01	55.83	56.30	56.80	70.00	N.A.
B. Consumption of fertiliser									
i) Total (N+P+K)	Lakh tonnes	55.16	82.11	84.74	86.45	87.84	110.36	121.30	124.33*
ii) Per hectare	Kilograms	31.83	46.67	48.16	49.19	N.A.	N.A.	N.A.	N.A.
C. Consumption of pesticides (Technical Grade Material)	Thousand tonnes	45.00	56.00	52.00	50.00	49.00	55.00	85.66	85.66

* : Consumption is anticipated at about 122.00 lakh tonnes, as per latest indications.

Source : Ministry of Agriculture, Government of India.

m.ha. annually during the Sixth Plan.

A total outlay of Rs. 11,556 crore was fixed for major and medium irrigation projects and Rs. 6,305 crore for minor irrigation projects during the Seventh Plan. Against this, during the first four years of the Seventh Plan (1985-86 to 1988-89), expenditure incurred on major and medium irrigation projects was about Rs. 8,545 crore and Rs. 4,912 crore on minor irrigation projects. The financial target for 1989-90 was kept at Rs. 2,562 crore for major and medium irrigation projects and Rs. 1,584 crore for minor irrigation projects (Table III-25).

Minor irrigation was given more importance in the Seventh Plan in view of its short gestation period and labour intensive content. There are at present five Centrally—sponsored irrigation schemes in operation.

The scheme for strengthening of ground water and surface water (minor irrigation) organisations in the States/Union Territories is continuing from Sixth Plan with slight modifications during the Seventh Plan. Under the scheme, Central assistance is provided to the State Governments/Union Territories for the purchase of drilling rigs, well loggers, blasting units, boring equipments and other miscellaneous survey equipments, etc. The cost of machinery and equipment is equally shared between the Centre and States. The allocation under the Seventh Plan for the scheme was Rs. 25.0

Table III-23 : Consumption of Fertilisers

(Lakh tonnes)

Year (April-March)	Nitrogenous (N)	Phosphatic (P)	Potassic (K)	Total (N+P+K)
1	2	3	4	5
1980-81	36.8	12.1	6.2	55.1
1984-85	54.9	18.8	8.4	82.1
1985-86	56.6	20.0	8.1	84.7
1986-87	57.2	20.8	8.5	86.5
1987-88	57.2	21.9	8.8	87.9
1988-89	72.5	27.2	10.7	110.4
1989-90 (Anticipated)	79.0	33.1	12.2	124.3

Source : Ministry of Agriculture, Government of India.

Table III-24 : Development of Irrigation Potential

(Million hectares)

Item	Ultimate	Created up to VI Plan (1984-85)	VII Plan (1985-86 to 1989-90) Target	1985-86 (Achievement)	1986-87 (Achievement)	1987-88 (Achievement)	1988-89 (Anticipated Achievement)	1989-90 (Target)
1	2	3	4	5	6	7	8	9
A. Major & Medium	58	30.0	4.3	0.5	0.5	0.7	0.7	0.8
B. Minor Irrigation	55	37.5	8.6	1.5	1.6	1.6	1.7	2.0
(a) Surface Water	15	9.7	1.5	0.3	0.3	0.3	0.3	0.3
(b) Ground Water	40	27.8	7.1	1.2	1.3	1.3	1.4	1.7
Total (A + B)	**113**	**67.5**	**12.9**	**2.0**	**2.1**	**2.3**	**2.4**	**2.8**

Source : Ministry of Water Resources, Government of India.

crore. The Central share of Rs. 5.2 crore was released to 13 States during 1987-88 and Rs. 6.3 crore during 1988-89 to 14 States and Union Territories. During 1989-90, the scheme was bifurcated into surface water scheme (under Minor Irrigation Division of the Ministry) and ground water scheme (under Central Ground Water Board).Thus, the expenditures likely to be incurred on the schemes are Rs. 7.4 crore and Rs. 2.0 crore, respectively, during the current year.

Under another Centrally-sponsored programme for minor irrigation in operation since 1982-83, subsidy is provided to small and marginal farmers for installation of water-saving and energy-saving devices for irrigation like sprinklers/drip systems, hydrams, water turbine and man/animal operated pumps. The rates of subsidy are 25 per cent for small farmers, 33 $^{1}/_{3}$ per cent for marginal farmers and 50 per cent for Scheduled Caste and Scheduled Tribe farmers belonging to small and marginal category. Co-operative/community schemes are provided 50 per cent subsidy which is proportional to the area attributable to small and marginal farmers only. The Seventh Plan allocation for the scheme was Rs. 10 crore . A Central share of Rs. 0.9 crore was released to 5 States during 1988-89. In the year 1989-90, Rs. 2.6 crore was anticipated to be released and the amount released upto December 1989 was Rs. 1.7 crore to 7 States.

In view of the encouraging results of the Pilot Scheme on minor irrigation for rectification and demonstration of diesel pump sets initiated in 1985-86,a scheme for rectification of 12000 diesel pump sets during 1989-90 was prepared for consideration by the States.

There were two more Centrally-sponsored Schemes in operation. One for conducting a census of minor irrigation schemes and another for rationalisation of minor irrigation statistics.

Though irrigation potential created has increased remarkably over the years, its utilisation has not been upto the mark. In several irrigation commands, actual utilisation is considerably less than the potential created. In view of this, the Ministry of Water Resources adopted the following strategy comprising: i) development of catchment areas and improvement of drainage in basins and deltas, ii) improvement in irrigation management in command areas, iii) prevention of water-logging, salinity and wasteful use and iv) co-ordinated use of surface and groundwater. Emphasis was laid on Integrated Watershed Management combining conservation measures with productive programme in all types of land and channel systems within identified water-

Table III-25 : Financial Outlay on Major & Medium and Minor Irrigation

(Rs. crore)

Item	During Plan period up-to end of VI Plan (*up to* 1984-85)	VII Plan (1985-86 to 1989-90) (Target)	1985-86 (Actual)	1986-87 (Actual)	1987-88 (Actual)	1988-89 (Provi-sional)	1989-90 (Target)
1	2	3	4	5	6	7	8
A. Major & Medium	15060	11556	1880	2169	2277	2219	2562*
B. Minor Irrigation	8230	6305	994	1173	1237	1508	1584
of which :							
(a) Government Sector	4492	2805	493	588	627	735	741
(b) Institutional Sector	3738	3500	501	585	610	773	843
Total (A + *B)*	**23290**	**17861**	**2874**	**3342**	**3514**	**3727**	**4146**

* : Excluding Punjab.

Source : Ministry of Water Resources, Government of India.

sheds. In order to increase the water use efficiency and returns, optimum irrigation schedules have been worked out for oilseeds and pulses.

Command Area Development Programme

The Centrally-sponsored Command Area Development (CAD) Programme was launched in 1974-75 with the objectives of bridging the gap between creation and utilisation of irrigation potential and optimising agricultural production from irrigated land. Broadly, the programme covers on-farm development works like construction of field channels, land levelling, field drains and implementation of *warabandi* for rotational supply of water to ensure equitable and assured supply of irrigation water to farm holdings. It also includes arrangements for supply of inputs and credit, agricultural extension, construction of markets and godowns and development of ground water for conjunctive use. In 1989-90, the programme has covered 131 selected irrigation projects with a total cultivable Command Area of around 18.5 m.ha. in 20 States and 2 Union Territories. In order to carry out the programme, 50 Command Area Development Authorities were set up. A financial outlay of Rs. 1,671 crore was proposed for the CAD under the Seventh Plan; out of which Central Sector allocation was Rs. 500 crore. In the first four years of the Seventh Plan (1985-86 to 1988-89), total expenditure incurred on CAD was to the tune of Rs. 1,125 crore, of which Rs. 390 crore came from the Central Sector. For 1989-90, a total outlay of Rs. 355 crore including Rs. 115 crore Central Sector share was proposed (Table III-26). The Seventh Plan target for coverage of area under field channels, land levelling/shaping and *warabandi* were 6.81 m.ha., 1.82 m.ha. and 8.04 m.ha., respectively. During 1988-89, as against the targets of 0.73 m.ha., 0.17 m.ha., 1.41 m.ha., and 0.07 m.ha. for field channels, land levelling/ shaping, *warabandi* and field drains, respectively the area covered were 0.5 m.ha., 0.05 m.ha., 0.78 m.ha. and 0.06 m.ha., respectively. For the year 1989-90, the target set for the above mentioned four activities are 0.74 m.ha., 0.09 m.ha., 1.02 m.ha. and 0.11 m.ha respectively (Table III-27).

Plant Protection Measures

During 1989-90, the Integrated Pest Management (IPM) was directed at reducing dependence on the use of chemical pesticides for overcoming the crop losses due to pests and diseases. The quality control of pesticides was accorded the highest priority. At the same time, concerted efforts were made to evolve a package of measures to make plant quarantine procedure more effective and quarantine clearance time-bound, under the New Seed Policy on Seed Development. The possibility of invasion by the locust swarms resulting from ecologically favourable conditions for locust breeding in Rajasthan was detected in time by the Locust Warning Organisation. Cultivated areas could thus escape from locust swarms by prompt control operations undertaken over a total area of about 50,000 hectares in some of the districts of Rajasthan. In order to deal with the locust situation along the common border between India and Pakistan, cooperative efforts were made by both the countries for the exchange of Pest and Disease Surveillance.

Pest surveillance for monitoring the pests and diseases of major cereals, oilseeds and pulses crops and biological control by the use of parasites and predators to reduce the pest population on identified crops like sugarcane, rice, cotton, gram, etc., was undertaken during the year. The pest surveillance was being provided by a net-work of 32 Central Plant Protection and Central Surveillance Stations, in collaboration with State Departments of Agriculture. These Central Stations conducted rapid roving sample surveys for monitoring pests and diseases on economically important crops. A sample area of about 4.05 lakh hectares against the target of 3.5 lakh hectares was scanned through these surveys dring *Kharif* season whereas a target of 3.5 lakh hectares has been fixed for coverage during *Rabi* 1989-90. Pest monitoring surveys were further intensified in the districts identified under Special Foodgrains Production Programme. These surveys helped in detecting the build up of pests and diseases in early stages of their development which facilitated adoption of need—based plant protection against pests.

Table III-26 : Financial Outlay Under Command Area Development Programme

(Rs. crore)

Sector	VII Plan (1985-86 to 1989-90) (Target)	1985-86 (Actual)	1986-87 (Actual)	1987-88 (Actual)	1988-89 (Provisional)	1989-90 (Target)
1	2	3	4	5	6	7
Total	**1671**	**252**	**286**	**263**	**324**	**355**
of which :						
Central Sector	500	70	94	92	134*	115$

* : Includes assistance under Special Foodgrains Production Programme.

$: Budgetary outlay includes assistance under Special Foodgrains Production Programme.

Source : Ministry of Water Resources, Government of India.

Table III-27 : Achievements Under Command Area Development Programme

(Lakh hectares)

Item	1986-87	1987-88		1988-89		1989-90
	Achievement	Target	Achievement	Target	Achievement	Target
1	2	3	4	5	6	7
Construction of field channels	6.9	12.6	6.0	7.3	5.0	7.4
Land levelling/shaping	0.7	1.5	0.8	1.7	0.5	0.9
Warabandi	9.6	15.8	8.7	14.1	7.8	10.2
Field Drains	..	2.4	..	0.7	0.6	1.1

.. = Not available.

Source : Ministry of Water Resources, Government of India.

With a view to popularising the IPM approach and educating the farmers in IPM practices, field demonstrations were organised at 24 locations in farmers' fields by the Field Units of the Central Directorate of Plant Protection.

In view of the emphasis laid on pest control by biological means for minimising dependence on the use of chemical methods of plant protection, 20 species of exotic and indigeneous parasites and predators were mass reared and multiplied at 11 Central Biological Control Stations and one Parasites Multiplication Unit for large-scale field releases. About 725 million parasites/ predators were released till October 1989 as against the target of 400 million for the year 1989-90. As a result, the population of important crop pests like heliothis, rice stemborer, leaffolder, sugarcane borers, scale insects, pyrilla, cotton bollworms etc., were effectively controlled in various States.

During the year, the provisions of the Destructive Insect and Pest Act, 1914 and International Convention of Plant Protection were implemented. Accordingly, vigilance against the entry of exotic pests and diseases through international trade was kept during 1989-90 by 26 Plant Quarantine and Fumigation Stations in the country located at major international airports, seaports and land frontiers. During 1989-90 (upto October), screening of consignments of about 25,918 tonnes of wheat, 4,32,183 tonnes of rice, 23,097 cotton bales, 8,92,238 tonnes of planting materials and 6,53,640 number of various plants imported from various countries was done by these stations for checking the presence or otherwise of exotic pests and diseases and

import permits numbering 4035 for consumption and 284 for seeds and planting materials were issued.

In the wake of the new policy on Seed Development, announced by the Government of India in September 1988, the Plant Quarantine Regulations were revised. Accordingly, the Plants, Fruits and Seeds (Regulation of Import into India) Order, 1989 was issued. In order to make the provisions of this Order effective, follow-up action was initiated. In view of the conditons as laid down in the new Seeds Development Policy regarding grow-on-test of imported flowers/vegetables/seeds before the release, the polyhouses were commissioned at Plant Quarantine Stations at New Delhi and Bombay while as in other places, viz., Calcutta, Madras and Amritsar, the polyhouses are being commissioned.

Till October 1989, the Registration Committee, constituted under the provisions of the Insecticides Act 1968, granted registration for 1039 applications as against 1184 applications received and two new products were granted provisional registration. The Central Insecticides Laboratory, Faridabad (Haryana), established under the Act, carried out investigations on pesticides in respect of bio-efficacy, toxicity, quality and packaging specifications. Upto October 1989, a total of 39 samples of pesticides for bio-effectiveness and phytotoxicity studies, 24 samples for toxicological studies, 1083 samples for quality and 204 samples for packaging specification were tested by the laboratory.

The anticipated demand for pesticides (technical grade material) was estimated at 85,660 tonnes for 1989-90. During the year, about 410 tonnes of various pesticides were imported. In order to further improve and supplement the availability position of seven commonly used and indigenously manufactured pesticides, 10,579 tonnes of technical grade pesticides were allocated under the 50 per cent distribution scheme of the Government of India to various States/Union Territories.

Under the Centrally sponsored Scheme for the control of pests and diseases of agricultural importance, Central assistance of Rs. 298 lakh was extended to various States/Union Teritories to implement the scheme during 1989-90.

Agricultural Implements and Machinery

During 1989-90, various measures have been taken to manufacture, popularise and distribute improved hand tools and machinery amongst small and marginal farmers. Greater emphasis was laid on research and development of matching implements for tractors and also on increasing fuel efficiency in tractors. The sale of tractors, power tillers and combine harvesters in 1988-89, were 1,10,323, 4,678 and 110, respectively, as against 93,157, 3,097 and 144, respectively, during 1987-88. The sales during 1989-90 (upto September) aggregated to 58,186 tractors, 2139 power tillers and 56 combined harvestors.

The Centrally-sponsored scheme on establishment of Farmers' Agro-Service Centres and popularisation of improved agricultural implements and hand tools was continued during 1989-90. The scheme envisages an integrated approach for the availability of custom services and adoption and popularisation of improved agricultural implements and hand tools among small, marginal and tribal farmers on 500 dryland blocks of 10 States. During the Seventh Plan period (upto October 1989), 578 Agro-Service Centres have been established, 52,082 demonstrations were organised and 2,73,603 improved implements and hand tools were supplied to the farmers on subsidy. The Central Farm Machinery Training and Testing Institute, Budni (Madhya Pradesh), Northern Region Farm Machinery Training and Testing Institute, Hissar (Haryana) and Southern Region Farm Machinery Training and Testing Institute, Garladinne (Andhra Pradesh) together trained 890 persons (including 18 foreigners) upto September 1989 as against the target of training 1,550 persons for the year 1989-90.

Agricultural fairs to display improved implements were arranged. An aid agreement between Government of India and Japan was

signed providing 371 million yen for farm machinery training and testing institutes.

Agro-Industries Corporations

Agro-Industries Corporations were established in 17 States during the Third and Fourth Five-Year Plan periods. Subsequently, these corporations were also set up in Manipur and in the Union Territory of Pondicherry with the objective of making available inputs and services for modernising agriculture and promoting agro-based industries. The Corporations have been functioning in the areas of manufacture and distribution of fertilizers, pesticides, improved agricultural implements and hand tools, hiring of agricultural machinery, installation and servicing of bio-gas plants and irrigation pumpsets, extraction of edible oils and processing of fruits and vegetables. For the year 1987-88, Maharashtra and Madhya Pradesh State Agro-Industries Corporations won the first and second best Productivity Awards, respectively.

Agricultural Extension

Agricultural extension services have been instrumental in spreading modern technology to farmers and in assisting agricultural growth, particularly during last two decades. The Directorate of Extension and the Extension Division of the Department of Agriculture and Co-operation help and facilitate State Governments in organising, maintaining and operating professional extension services. The Extension Division performs a collaborative role by providing guidance, technical support, exchange information and co-ordination. In 17 major States, a reformed extension service under the Training and Visit (T&V) system is in operation. Assistance of the World Bank has been obtained for implementation of three National Agricultural Extension Projects to build up and improve the effectiveness of State agricultural extension machinery and strengthening the Directorate of Extension in its role. Twelve States namely, Assam, Bihar, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Karnataka, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh and Punjab are presently being financed under the National Agricultural Extension Projects (NAEP). Five States, namely Andhra Pradesh, Kerala, Tamil Nadu, West Bengal and Maharashtra have completed first phase of World Bank-assisted State Agricultural Extension Projects.

The projects are being closely monitored by the Extension Division for quick implementation through periodic visits of Inter-Disciplinary Teams and select consultants. The Division not only reviews the position of the projects but also brings in the required correctives. In the current year, 21 inter-disciplinary teams have completed their programmes against an annual target of 20 and 34 consultants have been appointed to conduct special studies of various extension related topics such as management, information support, role of agricultural extension in drought management, review of research-extension linkages, etc. The annual target is to organise 40 programmes of this kind.

Both under NAEP-I and NAEP-III, funds are allocated for strengthening of the Directorate of Extension for augmenting the training infrastructure and for preparing special sub-projects and to bridge the areas of deficiencies in State extension systems. Eighteen such special sub-projects have been taken up for implementation in different States with a total cost of Rs. 8.26 crore. In addition, several proposals for other projects by State Governments are awaiting sanction by Project Funding Committee. The emphasis in the projects under scrutiny is on augmenting input support, training, infrastructure, information support and special efforts for training women.

A number of workshops and seminars have been conducted for field agricultural extension functionaries. During the year, 211 workshops were planned and by December 1989, 151 workshops on several subjects have been conducted in which 2,177 persons participated. The National Centre of Management of Agricultural Extension (MANAGE), established at Hyderabad, is further being strengthened for undertaking training of senior level managers. In addition, 12 advanced centres

of training have been established at selected State Agricultural Universities/ICAR Institutes for training in specialised subject matters.

With Danish Government and Netherlands assistance, special projects have been taken up to provide training to women and youth in the States of Karnataka, Tamil Nadu, Orissa and Gujarat. Keeping in view the National Perspective Plan for Women, the syllabi for farmers' training centres are being reviewed to meet the training needs of the women. A women's cell to monitor programmes for women has also been set up under Extension Division.

Soil and Water Conservation Programmes

Soil and water conservation programmes, which were launched in the First Five-year Plan, have been suitably modified in the course of successive plan periods. There are a number of soil and water conservation programmes being implemented through Central and State sector schemes. The approach and strategy continues to be the Integrated Watershed Management for critical/responsive watersheds through multi-disciplinary teams. At present, emphasis is laid on monitoring and evaluation of programme implementation with an in-depth study of programme formulation. Besides ensuring appropriate blending of the national policy directives both for land and water, the goal continues to be that of achieving higher land productivity in terms of total bio-mass and optimum utilisation of available water resources. In addition to the efforts made by State Sector, Central assistance was offered for treating catchments, providing of guidelines and technological package of practices relating to soil and land use characteristics, controlling and stabilising ravines and areas under shifting cultivation and providing of support to the States on the National Land Use Policy outline.

Estimates show that, in the total geographical area of 328.73 million hectares,the total 'Non-Degrading' area constitutes 155.13 million hectares and the remaining 173.60 million hectares represents the estimated degrading area in the country. Out of this, an area of 33.0 million hectares was treated upto 1988-89 and the balance of 140.6 million hectares represents the area under erosion and degradation that is yet to be treated. The total amount of expenditure to treat 33.0 million hectares of degrading area till the end of 1988-89 was Rs. 1,972.30crore.An area of 0.90 million hectares with an expenditure of Rs. 241.44 crore, is expected to be covered during 1989-90.

The Centrally-sponsored scheme of soil conservation in the catchment area of River Valley Projects (RVP's) was launched in 13 RVP's in the Third Five-Year Plan. It was later extended to 18 catchments making a total of 31 catchments out of which,it now operates in 27 catchments with an area of 69 million hectares spread over 17 States including areas under Damodar Valley Corporation. The programme is being implemented in 626 priority watersheds identified by the All India Soil and Land Use Survey Organisation. The objectives of the programme are to reduce sedimentation of reservoirs, prevent catchment degradation, enhance land productivity and provide rural employment. All types of lands within the identified watersheds as well as associated channel systems are treated with appropriate measures, which include bunding, terracing, disposal of excess run-off, improved crop technology, raising of utility trees, shrubs, grasses, afforestation, construction of erosion control, storage and water harvesting structures, restoration of degraded lands, etc. The projects are wholly (100 per cent) funded by Central assistance, which consists of 50 per cent as grant and 50 per cent as loan to the States and 50 per cent grant to the Damodar Valley Corporation.

Integrated Watershed Management in the Catchments of Flood-prone Rivers in Indo-Gangetic Basin

On the recommendations of the Inter-Ministerial Working Group on Integrated Action Plan to control and mitigate flood havoc in Indo-Gangetic Basin, this scheme was launched in 1980-81 in 16.7 million hectares covering 8 catchments. Out of the total catchment area covered, about 7.1 million

hectares have been delineated for priority treatment. Under the scheme, efforts are being made to enhance the retention capacity of watersheds, to reduce peak flow and run-off volume, reduce siltation of river beds, improve catchment productivity and raise rural employment potential. At present, the scheme is being implemented in 224 watersheds in 7 States and Union Territory of Delhi.

The programme undertakes soil conservation measures in all types of lands within the identified priority watersheds. Package of agronomic and biological measures is promoted in these areas. With the objective of harnessing productive benefits, utility trees and grasses are raised and afforestation undertaken. Construction of storage structures, small sediment detention dams and water-harvesting engineering structures is also taken up with a view to moderating flood hazards and increasing production in the identified areas.

All India Soil and Land Use Survey

The All India Soil and Land Use Survey was set up in 1958 as a national organisation to carry out field surveys and standard soil and land use surveys to provide support to various developmental programmes. The organisation functions with its Headquarters in New Delhi, four regional centres located at Delhi, Calcutta, Nagpur and Bangalore and 3 sub-centres in Ranchi, Ahmedabad and Hyderabad. Besides carrying out soil and land use surveys, it provides data on land/catchment characteristics, soil and profile description, status and process of erosion and degradation, which are of crucial importance to area-specific agricultural planning. It also provides support to other organisations such as Brahmaputra Board, National Water Development Agency, Sone River Commission, Coal India, Indian Bureau of Mines and National Natural Resources Management System.

The organisation has set up a Remote Sensing Centre (RSC) at its headquarters. It completed 15 Remote Sensing based projects during 1987-88 and 1988-89 with the objective of improving data acquisition, storage and presentation, enhancing the precision and quality of information, facilitating inter-temporal and inter-regional comparisons, and accelerating the pace and intensity of surveys, etc. These projects undertook mapping of soil and land use, monitoring land forms, spread of ravines and alkali soils. Mapping of wastelands/degraded lands in Dhule and Prakasam districts of Maharashtra and Andhra Pradesh, respectively, was also undertaken. It has been proposed to operationalise the Remote Sensing Centres for the use of satellite imageries and aerial photos for soil surveys and land use planning.

The progress made under the All India Soil and Land Use Survey is given in the table below:

Progress under All India Soil and Land Use Survey

Surveys undertaken	Unit	Achievement upto the Sixth Plan (1984-85)	Achievement during 1985-86 to 1988-89	Anticipated achievements during 1989-90
1	2	3	4	5
1. Detailed Soil Surveys	Million hectares	4.12	1.89	0.59
2. Priority Delineation Surveys	,,	50.15	28.1	4.42
3. Special Reconnaissance Surveys	,,	1.19	3.60	1.50
4. Sample Soil Survey	Blocks of 64 hectares each	5895	2170	165

Source : Ministry of Agriculture, Government of India.

Dryland Farming

It is estimated that out of the total net sown area of 140.72 million hectares in the country, 41.78 million hectares or 29.7 per cent is irrigated and the balance of 98.94 million hectares or 70.3 per cent is dependent upon rains, which are often erratic and unpredictable. Furthermore, out of the total rainfed areas, only 32 per cent falls in high rainfall zone, receiving more than 1125 mm rainfall and the rest 68 per cent falls in the low to medium rainfall region, receiving upto 1125 mm rainfall. The bulk of the crops like rice, jowar, bajra, other millets, pulses, oilseeds and cotton are grown in rainfed/dryland tracts. The farmers in rainfed areas, particularly the small and marginal farmers are still practising subsistence farming and are subject to low as well as fluctuating levels of farm production. Increasing and stabilising agricultural production in these areas is of crucial importance. Accordingly, the Seventh Five-Year Plan accorded a high priority to the development of dryland/rainfed farming.

The main focus of development strategy is to minimise risk to the farmers through appropriate land management system to ensure increased retention of soil moisture and through introduction of suitable crops and cropping system, dryland horticulture and fodder development. Emphasis has been laid on area development approach taking "watershed" as the unit of development. The development measures being undertaken in the micro-watersheds include soil and moisture conservation, land shaping, construction of water harvesting structures, adoption of drought – resistant seeds and other productivity improving inputs.

A Centrally-sponsored scheme of National Watershed Development Programme for Rainfed Agriculture (NWDPRA) was launched in 1986-87 for dissemination of technologies for scientific dryland farming. The programme is addressed to the unirrigated arable land, mostly in the range of 500 mm to 1125 mm of rainfall. It is being implemented in 99 districts of 16 States. The cost of the scheme for the four years (1986-87 to 1989-90) of the Seventh Plan is envisaged at Rs. 239 crore, of which Rs. 120 crore is the Central share. The programme envisaged to cover 9.28 lakh hectares or 2.32 lakh hectares in each of these years. However, during the first three years of the operation of the scheme (1986-87 to 1988-89) only an area of 3.12 lakh hectares was covered. About 1,475 watersheds were taken up for development during this period and a sum of Rs. 35.54 crore was released during these three years. For 1989-90, the target for development is fixed at 2.32 lakh hectares with an outlay of Rs. 25 crore as the Central share. The technology package offered under the scheme covered improved cropping system, land and moisture management, dryland horticulture, fodder production, farm forestry, supply of seedlings and contingency seed stocking. Efforts are on to further improve the dryland technology. Research is in progress at various dryland centres of the country to identify efficient and economically viable double-cropping and inter-cropping systems and for conservation of rainwater in drylands.

Drought Prone Areas Programme and Desert Development Programme

The major objective of both the Drought Prone Areas Programme (DPAP) and Desert Development Programme (DDP) is the restoration of ecological balance through proper development of land and water resources in arid and semi-arid parts of the country. While the DPAP aims at containing degradation due to soil erosion, loss of vegetation cover, water stress, etc., through micro-watershed approach, the DDP aims at controlling desertification through sand-dune stabilisation, shelter-belt plantation, development of water resources and their efficient management, afforestation grassland and pasture development and horticulture. The DDP is a fully Centrally funded programme, whereas DPAP is funded by Centre and States equally.

DPAP was launched in 1973 with a view to limiting the damage to the rainfed areas due to drought. With the object of undertaking activities to reduce the severity of drought by containing the degradation of land and

improving its productivity and enhancing its population and livestock supporting capacity, several schemes were promoted under the DPAP. They included (i) promoting productive dryland agriculture with suitable cropping pattern on the basis of agro-climatic conditions and the soil and water-endowments of the region, (ii) development and productive use of water resources of the area, under which micro-watershed/index catchment approach is being vigorously pursued, (iii) soil and moisture conservation, (iv) afforestation, including farm forestry, (v) livestock development, including development of pasture and fodder resources and (vi) other diversified activities of horticulture, sericulture, etc.

Activities under DPAP have been taken up on a micro-watershed approach in each of the 615 blocks of 91 districts in 13 States covered under the programme. During 1989-90, 1,22,510 hectares of land were treated under soil and moisture conservation, 27,890 hectares were covered under water resources development and 87,550 hectares were covered under afforestation, pasture and fodder development. A sum of Rs. 102.23 crore was earmarked for the DPAP during 1989-90, out of which, Rs. 50.33 crore were spent upto December 1989.

The DDP was launched in 1977-78 on the recommendation of the National Commission on Agriculture with the objective of controlling desertification and restoring ecological balance in certain desert and semi-desert areas and also to raise production, income and employment in these areas. The schemes promoted under the DDP included, (i) afforestation (with special emphasis on shelter belt plantation), grass land development and sand-dune stabilisations (ii) conservation of surface water, recharge of ground water aquifers and optimum exploitation of water resources and (iii) development of agriculture, horticulture and animal husbandry suited to agro-climatic conditions of the area.

Activities under DDP have been taken up in 131 blocks of 21 districts in 5 States. During 1989-90, 14,820 hectares of land was treated under soil and moisture conservation, 9,530 hectares were covered under water resources development and 17,150 hectares were covered under afforestation, pasture and fodder development. Of the total allocation of Rs. 50.0 crore for the programme during 1989-90, a sum of Rs. 30.75 crore was spent upto December 1989. The implementation of the programmes is being continuously monitored and the achievements under the above mentioned two programmes during the past few years are given in Tables III-28 and 29.

Jawahar Rozgar Yojana

Rural development for poverty alleviation has been a major thrust of Government strategy in recent times. It has been recognised that unemployment and underemployment which particularly affect the poorest segment of the rural population have been the major contributory factors to the incidence of poverty in the rural areas. In order to launch a frontal attack on this problem, the National Rural Employment Programme (NREP) was launched in October 1980, with a view to creating additional gainful employment opportunities for unemployed and underemployed persons in rural areas, while simultaneously creating productive community assets for improving rural economic and social infrastructure. Similarly, to further improve and expand employment opportunities for the rural landless and to provide guaranteed employment opportunities for atleast one member of every rural landless household upto 100 days in a year, and at the same time creating durable assets, the Rural Landless Employment Guarantee Programme (RLEGP) was launched on August 15, 1983. In a multi-pronged strategy, a new scheme, Jawahar Lal Nehru Rozgar Yojana, was announced in February 1989 for intensive employment creation in 120 backward districts. However, with a view to making the implementation of these three wage employment programmes more effective, NREP, RLEGP and Jawahar Lal Nehru Rozgar Yojana, were merged into a single rural employment

Table III-28 : Achievement under Drought Prone Areas Programme

Item	Unit	1986-87	1987-88	1988-89	1989-90
1	2	3	4	5	6
1. Area treated under soil moisture conservation	'000 hectares	73.60	73.36	144.97	122.51
2. Creation of irrigation potential	,,	60.18	37.99	38.42	27.89
3. Forestry and Pasture	,,	57.84	74.20	102.16	87.55
4. Number of beneficiaries	in '000 families	2147.62	1392.89	488.94	..
5. Mandays of employment created	in lakhs	233.67	197.45	171.29	..

.. : Not available.
Source : Ministry of Agriculture, Government of India.

Table III-29 : Achievement under Desert Development Programme

Item	Unit	Achievements			
		1986-87	1987-88	1988-89	1989-90
1	2	3	4	5	6
1. Soil and moisture conservation	'000 hectares	11.48	12.27	16.16	14.82
2. Forestry and pasture development	,,	13.23	17.25	24.76	17.15
3. Creation of irrigation potential	,,	3.36	6.89	6.22	9.53
4. No. of beneficiaries					
a) Total	'000 Nos.	20.85	4.56	4.65	..
b) Scheduled Castes	,,	0.86	1.10	1.32	..
c) Scheduled Tribes	,,	0.66	..	..	..
5. Employment generated	'000 Mandays	1949.08	689.65	223.26	..

.. : Not available.
Source : Ministry of Agriculture, Government of India.

programme since April 1, 1989. The merged programme was named Jawahar Rozgar Yojana (JRY). The progress of the NREP and RLEGP during the first four years of the Seventh Plan and the salient features of the newly introduced JRY are discussed below.

During the first four years of the Seventh Plan, 1477.53 million mandays of employment was generated under the NREP as against the target of 1160 million mandays. Total expenditure during the four years amounted to Rs. 2,940 crore. The progress of NREP upto 1988-89 is presented in Table III-30.

During the first four years of the Seventh Plan, 1154.39 million mandays of employment was generated under the RLEGP as against the target of 971 million mandays. The total expenditure during the four years amounted to Rs. 2,412 crore. The progress of RLEGP upto 1988-89 is presented in Table III-31.

Since the programmes undertaken under NREP, RLEGP and the Jawahar Lal Nehru Rozgar Yojana had the same objectives and similar thrust, these programmes were merged into a single rural employment programme on April 1, 1989 to be known as Jawahar Rozgar Yojana (JRY). The main features of this new programme are: (1) all rural works which result in creation of durable productive community assets will be covered, (ii) expenditure under the programme will be shared between Centre and the States on 80:20 basis, (iii) preference to works having potential of maximum direct and continuing benefits to the members of the

Table III-30 : Progress of National Rural Employment Programme+

Item	Unit	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
1	2	3	4	5	6	7	8
Foodgrains							
i) Allocation	Lakh tonnes	3.22	3.09	7.30	9.51	10.00	5.36
ii) Releases	,,	2.36	3.07	9.56	16.12	11.99	4.02
iii) Utilisation	,,	1.47	1.70	5.81	13.24	11.05	5.19
Cash*							
i) Allocation by the Centre	Rs. crore	200.69	230.00	230.00	230.00	369.40	408.21
ii) Allocation by the States	,,	198.59	227.60	227.53	227.50	365.97	404.70
iii) Unutilised balance from previous year	,,	118.25	124.00	89.87	129.47	155.68	228.86
iv) Utilisation	,,	394.00	502.11	531.95	717.77	788.31	901.84
Employment Generated (Achievement)	Million Mandays	302.76	353.12	316.41	395.39	370.77	394.96

* : Does not include the value of foodgrains.

+ : w.e.f. 1st April 1989, the programme was merged with RLEGP and Jawaharlal Nehru Rozgar Yojana to launch a single rural employment programme known as Jawahar Rozgar Yojana (JRY).

Source : Ministry of Agriculture, Government of India.

Table III-31 : Progress of Rural Landless Employment Guarantee Scheme +

Item	Unit	1984-85	1985-86	1986-87	1987-88	1988-89
1	2	3	4	5	6	7
Foodgrains						
i) Allocation	Lakh tonnes	3.22	5.00	9.43	10.00	4.50
ii) Release	,,	3.20	7.69	10.41	10.41	2.78
iii) Utilisation	,,	1.08	3.10	8.81	8.20	4.06
Cash*						
i) Allocation	Rs. crore	500.00	499.00	495.75	477.00	603.00
ii) Release	,,	393.99	496.32	489.79	478.33	714.39
iii) Utilisation	,,	317.73	453.17	635.91	653.53	669.37
Employment Generation						
i) Target	Million Mandays	300.00	205.73	236.45	268.42	260.42
ii) Achievement	,,	252.98	247.58	306.14	304.11	296.56
iii) Achievement : Target	Percent	84.33	120.34	129.47	113.30	113.88

* : Does not include the value of foodgrains.

+ : w.e.f. 1st April, 1989 the programme was merged with NREP and Jawaharlal Nehru Rozgar Yojna to launch a single rural employment programme known as Jawahar Rozgar Yojna (JRY).

Source : Ministry of Agriculture, Government of India.

poverty groups and which can be owned by or assigned to group of beneficiaries, (iv) higher priority to works required for infrastructure of other poverty alleviation programmes like DDP, DPAP and IRDP, (v) development of private land belonging to small and marginal farmers below poverty line, (vi) works relating to land development, construction of drainage, field channels, etc.. to be undertaken, (vii) preference to SCs/STs in employment, and reservation of 30 per cent of employment opportunities for women, (viii) non-wage component to be restricted to a maximum of 50 per cent of allocated funds, and (ix) allocation to States to be made entirely on the basis of incidence of poverty and then disbursed directly to districts on the basis of percentage of agricultural labourers to the main workers in the

rural areas, percentage of SC/ST rural population to total rural population and inverse of agricultural productivity in the weights of 20:60:20, respectively.

During 1989-90, an outlay of Rs. 2,100 crore (including the value of foodgrains) as Central share was provided for JRY; inclusive of State share of Rs. 523.08 crore, allocation/releases under JRY aggregated Rs. 2,623.08 crore. Against this, the total utilisation of resources upto December 1989 was Rs. 1,195.77 crore, the percentage utilisation in first three quarters being 45.6 per cent. Upto December 1989, 456.62 million mandays of employment was generated which accounted for 52.3 per cent of the annual target of 873.41 million mandays. The employment generation for SC's/ST's, landless and women was roughly 38 per cent, 15 per cent, 44 per cent and 23 per cent, respectively. The total employment generated under NREP/RLEGP/JRY during the Seventh Plan (upto December, 1989) amounted to 3088.54 million mandays.

Chapter IV

Industrial Production

Trends in Industrial Production During 1989-90

During the financial year 1989-90 (April-March), the average monthly index of industrial production (Base: 1980-81 = 100) at 195.9 registered a marginal deceleration in the growth rate to 8.3 per cent from 8.7 per cent in 1988-89. This slowdown in industrial growth rate was both on account of a reduction of manufacturing output (with a weight of 77.11 per cent in the index of industrial production (IIP)) from 8.7 per cent to 8.3 per cent and mining and quarrying from 7.9 per cent to 5.9 per cent. The growth in electricity output, however, showed an acceleration from 9.5 per cent to 10.7 per cent. The movement of IIP during the year showed that the year began with a sharp dip in the growth rate which persisted in the first half of the year. The second half witnessed a pick-up due to acceleration in the growth rate of manufacturing sector. Simultaneously, the mining and quarrying sector which was growing at an accelerated rate during the first half, began to slacken and witnessed a considerable slowdown in the second half. The growth in electricity sector after remaining at a high level for a major part decelerated in the last quarter of the year, 1989-90. However, the monthly index on a point to point basis showed a relatively lower variation in growth rate over that in the corresponding month of the previous year, ranging from the lowest of 1.2 per cent in June 1989 over June 1988 to the highest of 22.4 per cent in March 1990 over March 1989. The spurt of 22.4 per cent in March 1990 over March 1989 was essentially due to substantial pick-up in the growth of manufacturing output in March 1990; the manufacturing sector recorded an increase of 29.0 per cent over the level in March 1989. The use-based classification of industries reveals a sharp deceleration in the rates of growth of basic goods and consumer durable goods industries in 1989-90. The infrastructure industries group experienced a reduction in the growth rate during 1989-90.

The weighted contribution of manufacturing sector to the overall growth in industrial production in 1989-90 remained unchanged at 75.0 per cent and that of electricity sector increased to 16.0 per cent from 13.6 per cent in 1988-89. The contribution of mining and quarrying sector declined to 9.0 per cent in 1989-90 from 11.4 per cent in 1988-89 (Table IV-1).

Performance in the Seventh Plan

The rate of growth in IIP moved up from 8.7 per cent in 1985-86, the first year of the Seventh Plan, to 9.1 per cent in 1986-87, receded to 7.3 per cent in 1987-88 but picked up to 8.7 per cent in 1988-89. Although the last year 1989-90 recorded marginal deceleration in the growth rate of IIP to 8.3 per cent, the average for the Seventh Plan period (1985-86 to 1989-90) worked out to 8.4 per cent which is higher than the plan target of 8 per cent. This satisfactory performance is essentially attributable to the manufacturing sector which has large weightage (77.11 per cent) in the general index. The manufacturing sector registered an average growth rate of 8.8 per cent which is well above its target of 8.0 per cent. The performance of both mining and quarrying and electricity sectors lagged behind the Seventh Plan targets. The achievements were only 5.6 per cent (mining and quarrying) and 9.3 per cent (electricity) as against their targets at 13.0 per cent and 12.0 per cent, respectively. As regards the performance of some selected industries, during the Seventh

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

Sector	April-March					
	1987-88		1988-89		1989-90	
	Index	Contribution to growth %	Index	Contribution to growth %	Index	Contribution to growth %
1	2	3	4	5	6	7
Mining and Quarrying	184.6 (+3.8)	6.8	199.1 (+7.9)	11.4	210.9 (+5.9)	9.0
Manufacturing	161.5 (+7.9)	80.2	175.6 (+8.7)	75.0	190.2 (+8.3)	75.0
Electricity	181.0 (+7.7)	13.0	198.2 (+9.5)	13.6	219.4 (+10.7)	16.0
General Index (Crude)	**166.4 (+7.3)**	**100.0**	**180.9 (+8.7)**	**100.0**	**195.9 (+8.3)**	**100.0**

Note : Figures in brackets are percentage variations over the previous year.
* Provisional.
Source : Central Statistical Organisation (C.S.O.).

Plan, as against the target of 226 million tonnes coal production in 1989-90, the actual output was 201 million tonnes-a shortfall of 11 per cent. In electricity generation, the actual output was 245 billion kwh against the original target of 295 billion kwh and revised target of 278 billion kwh-a shortfall of 17 per cent with respect to original target but 12 per cent in respect of revised target. In the petroleum sector, actual production of petroleum refinery products at 48.3 million tonnes has outstripped the Plan target of 45.5 million tonnes while output of crude petroleum at 34.1 million tonnes marginally fell short of the target of 34.5 million tonnes. In the manufacturing sector, aluminium, copper, zinc, lead, electrical machinery like power transformers and electric motors, saleable steel and commercial vehicles also registered shortfalls in relation to targets. Output of passenger cars, two-wheelers, viscose and polyester yarns was above the targets.

The average composite index of six infrastructure industries viz., electricity, coal (excluding lignite), petroleum crude, petroleum refinery products, saleable steel and cement together accounting for a weight of 28.77 per cent in IIP registered a reduction in growth rate to 6.2 per cent in 1989-90 from 8.2 per cent in 1988-89. All the six industries except saleable steel have shown higher production in 1989-90. The deceleration in the composite index in 1989-90 was brought about by declines in the saleable steel (minus 1.9 per cent as against plus 7.2 per cent) and deceleration in the output of coal (3.3 per cent as against 8.2 per cent) and cement (2.4 per cent as against 12.0 per cent). Higher growth rates were achieved in 1989-90 in the generation of electricity (10.8 per cent as against 9.5 per cent), crude petroleum (6.4 per cent as against 5.5 per cent) and petroleum refinery products (6.4 per cent as against 2.2 per cent).

During 1989-90, the last year of the Seventh Plan, the production of five out of six infrastructure industries showed shortfalls *vis-a-vis* the expected outturns. The shortfalls in the case of electricity (33 per cent) and saleable steel (29 per cent) were considerable. In the case of coal and cement, the shortfalls were relatively moderate at 11 per cent and 7 per cent, respectively. Whereas the crude petroleum output fell short of target marginally by 1.2 per cent, production of petroleum refinery products was higher by 6.2 per cent than the desired level.

TABLE IV-2 : Growth Rates in Major Groups of the Manufacturing Sector*

(Percentage)

Sr. No.	Industry Group	Weight	April-March		
			1987-88	1988-89	1989-90
1	2	3	4	5	6
1.	Food and food products	5.33	4.4	6.7	1.8
			(3.40)	(4.52)	(1.25)
2.	Beverages, tobacco and tobacco products	1.57	-13.8	8.5	11.8
			(-2.34)	(1.03)	(1.54)
3.	Cotton textiles	12.31	-1.2	-3.2	3.3
			(-1.76)	(-4.04)	(3.98)
4.	Jute, hemp and mesta textiles	2.00	-10.0	12.0	-4.9
			(-2.22)	(1.99)	(-0.90)
5.	Textile products (including wearing apparel other than footwear)	0.82	5.4	46.2	12.2
			(0.42)	(3.17)	(1.21)
6.	Wood and wood products, furniture and fixtures	0.45	-34.3	6.2	2.4
			(-4.17)	(0.41)	(0.17)
7.	Paper and paper products and printing, publishing and allied industries	3.23	1.9	3.0	6.0
			(1.10)	(1.47)	(2.96)
8.	Leather and leather and fur products (except repair)	0.49	4.4	-4.4	6.1
			(0.42)	(-0.36)	(0.48)
9.	Rubber, plastic, petroleum and coal products	4.00	3.7	8.4	3.1
			(2.42)	(4.78)	(1.87)
10.	Chemicals and chemical products (except products of petroleum & coal)	12.51	14.5	16.2	5.9
			(34.90)	(37.06)	(15.52)
11.	Non-metallic mineral products	3.00	-1.4	16.8	2.3
			(-0.72)	(7.25)	(1.16)
12.	Basic metal and alloys industries	9.80	6.9	6.9	-0.8
			(9.47)	(8.31)	(-1.06)
13.	Metal products and parts, except machinery and transport equipments	2.29	4.2	3.0	6.8
			(1.31)	(0.81)	(1.87)
14.	Machinery, machine tools and parts	6.24	-1.8	15.3	6.0
			(-1.78)	(12.12)	(5.39)
15.	Electrical machinery, apparatus, appliances and supplies and parts	5.78	31.6	4.0	31.6
			(51.10)	(7.06)	(57.32)
16.	Transport equipments and parts	6.39	4.8	13.3	4.9
			(4.84)	(11.77)	(4.83)
17.	Other manufacturing industries	0.90	15.6	11.9	9.8
			(3.63)	(2.67)	(2.41)
	Manufacturing	**77.11**	**7.9**	**8.7**	**8.3**
			(100.00)	**(100.00)**	**(100.00)**

* Provisional.

Notes : 1. Growth rates have been worked out on the basis of average indices of groups over preceding year.

2. Figures in brackets indicate percentage share in the overall rate of growth. The percentage share may not add up to total due to rounding off of percentages.

Source : Based on index number of industrial production (Base : 1980 -81 = 100) published by the Central Statistical Organisation (CSO).

Data of manufacturing sector at 2 digit level are furnished in Table IV-2. During April 1989-March 1990, the growth rate in the manufacturing sector decelerated to 8.3 per cent from 8.7 per cent in 1988-89. Of the 17 major industrial groups, as many as eleven groups accounting for 51.44 percentage points, out of 77.11 percentage points weightage, suffered either visible deceleration or a decline. Two groups, jute textiles and basic metal and

alloys products, together accounting for a weightage of 11.80 per cent suffered declines. Amongst the important industrial groups to experience deceleration in output and accounting for weightage of 39.64 per cent are: food products, textile products, wood and wood products, rubber, plastic, petroleum and coal products, chemicals and chemical products, non-metallic mineral products, machinery and machine tools and transport equipment. Six industrial groups accounting for 25.67 per cent of weight registered acceleration in their growth rates in 1989-90. These include beverages, tobacco, etc., cotton textiles, paper and paper boards, leather and leather products, metal products and parts and electrical machinery.

Industrial Policy, 1989-90

In continuation of the efforts made in the past to impart thrust to an efficient industrial growth, the Government introduced a number of changes in the industrial policy during 1989-90. These include delicensing of some additional industries, specification of minimum economic scales (MES) and facility of broadbanding for some more industries along with a couple of other measures to aid modernisation/ upgradation of the technology in the industry and provide some reasonable incentives for investment in the backward areas and export production. The major policy changes introduced during the year under review are as follows:

(1) Delicensing

Industries delicensed during 1989-90 include automobile tyres and tubes, telecom equipment, microprocessor based industrial control instrumentation and computer peripherals. Food processing industry has been delicensed for limited products (especially vegetable and marine products and cattle feed) even for industrial houses under the purview of MRTP/FERA Acts. As a major step, the Government also dispensed with licensing for units willing to export as much as only 60 per cent of their output as against the earlier norm of 100 per cent. In other important policy realignments, the Government has reduced the limit of initial capacity requirement for new sugar factories from 2,500 TCD (tonnes of cane crushed per day) to 1,750 TCD for those set up in industrially backward areas owing to the high capital cost initially involved, allowed conditional de-licensing facility to industrial undertakings manufacturing items specified in Schedule-I and exempted MRTP/FERA companies from taking special permission under the relevant Acts if they set up 100 per cent export-oriented units.

(2) Minimum Economic Scale

To avoid fragmentation of capacity and bring in economies of scale for cost efficiency, the Government has continued to specify minimum economic scales (MES) for various industries. During 1989-90, the industries for which MES has been specified include electrical equipments (especially, power transformers, electrical motors, circuit breakers, cables and conductors, motor starters, LT/HT capacitors, DA/AC drives, house service meters, etc.) and ball bearings (anti-friction bearings). Besides, the minimum economic capacities of the steel and petrochemical industries with respect to certain major items were also revised during the year.

(3) Broadbanding

Broadbanding as an important instrument in industrial policy facilitates the choice of product-mix in tandem with market conditions. During the year, the Government broadbanded glass fibre, cellulose fibre, bulk ferro-alloys, noble ferro-alloys and hot and cold rolled strips/sheets industries. The industrial units in these industries can invest upto 10 per cent of the value of existing plant and machinery to install balancing equipment as usual.

(4) Technology Development

During 1988-89, one important measure to facilitate technology development had provided for considerable extension in the import limits for inducting foreign technology under the Technology Development Fund (TDF) Scheme. During the year under review, the Government

took further steps to relax procedural constraints in matters relating to technology imports. These include: the extension of fast track mechanism of approvals for collaborations sought from 3 more countries and selective relaxation in imports of high value capital goods. In addition, the Government had intended to facilitate foreign equity participation in some cases directly without subjecting them to routine scrutiny (this has since been incorporated in the New Industrial Policy announced by the Government on May 31, 1990). Also, specific measures to facilitate technology upgradation were announced for the telecom sector (where capital investment by foreign companies is now permitted) and jute industry (in which case duty free import of selected jute machinery items has been allowed).

(5) Incentives for Export Production

The Government took a number of steps to enlarge fiscal incentives for improving export performance. These include: simplified payment system for exporters of engineering goods availing reimbursements under the International Price Reimbursement Scheme (IPRS), extension of advance licensing scheme for jute industry and enlargement of the scope of Cash Compensatory Scheme (CCS) and Duty Drawback Scheme (DDS) for a number of additional industries.

(6) New Industrial Policy, 1990-91

Announced on May 31, 1990, it intends to reorient industrial growth towards employment generation, dispersal of industry in rural areas, development of small scale industries, modernisation and upgradation of technology and achieving a measure of international competitiveness. Apart from focussing on the promotion of small-scale and agro-based industries, the new policy provides for relaxation in procedures for industrial approvals concerning licensing, foreign collaborations and import of capital goods, raw materials and components.

The new policy provides for enhancement of investment ceilings in plant and machinery from Rs. 45 lakhs to Rs. 75 lakhs for ancillary units, from Rs. 35 lakhs to Rs. 60 lakhs for small-scale industries and from Rs. 2 lakhs to Rs. 5 lakhs for tiny units. The policy includes several other measures for facilitating small-scale industries to widen their entrepreneurial base, upgrade technology and enlarge the scope of activity by reserving more items. It also spells out measures to check encroachment by large units into reserved areas and reduce procedural bottlenecks.

In the case of agro-processing industries, the new policy aims at forging closer link between growers and processors by encouraging joint ownership, dispersal of industries in rural areas, giving priority in credit allocation and promoting the generation, adaptation and adoption of new technologies in the field by speedy approval of technology imports.

Extending the measure of delicensing, all new units up to an investment of Rs. 25 crore in fixed assets in non-backward areas and Rs. 75 crore in centrally notified backward areas have been exempted from the requirement of obtaining licence/registration. Export-oriented units set up in export processing zones (EPZs) have been delicensed upto an investment limit of Rs. 75 crore. Such investments have also been exempted from the 'convertibility clause' applicable to financing by Indian financial institutions. The policy also exempts such foreign collaborations from Government clearance in which case the royalty payment does not exceed 5 per cent on domestic sales and 8 per cent on exports. Even where lumpsum payments are involved, the decision would be communicated speedily to the entrepreneur. To attract effective inflow of technology, foreign equity upto 40 per cent would be allowed on automatic basis. The deregulations would cover all cases of expansion and would not be restricted to new units.

Employment in Organised Sector

Employment in the organised sector increased from 25.71 million at the end of March 1988 to 25.98 million at the end of March 1989, thereby recording an increase of 1.1 per cent as against an increase of 1.3 per cent registered at the end of

March 1988 over end-March 1987. While the employment in public sector rose by 1.0 per cent to 18.51 million in March 1989 from 18.32 million in March 1988 that of private sector rose by 1.2 per cent to 7.48 million from 7.39 million in the same period (Table IV-2A).

The structure of employment in organised sector did not undergo any change. The shares of public and private sector in the total employment at 71 per cent and 29 per cent, respectively, as at end-March 1989 were almost similar to those observed as at end-March 1988. Of the total employment in the public sector, the employment in State Governments accounted for 37.2 per cent followed by the Central Government and quasi-Government (Central) bodies at 18.3 per cent and 18.7 per cent, respectively, at end-March 1989. The shares of quasi-Government (State) and Local Bodies in the total public sector employment were 13.7 per cent and 12.1 per cent, respectively. In so far as the growth of employment in the Public Sector as at end of March 1989 over March 1988 is concerned, the maximum increase (1.5 per cent) was registered by State Governments followed by quasi-Government bodies (State) (1.3 per cent) and Local Bodies (1.3 per cent). The remaining two sectors, viz. Central Government and quasi-Government (Central) showed nominal growth rates of 0.2 per cent and 0.4 per cent, respectively (Table IV-2B).

Employment Situation

The number of employment seekers registered with employment exchanges, not all of whom are necessarily unemployed, rose from 30.1 million at end-December 1988 to 32.8 million by end-March 1989 (Statement 16-in Volume II of this Report). Provisional estimates of employment in the organised sector of the economy for March 1989 indicate that the growth in employment in 1988-89 was of the order of 1.1 per cent. However, details of employment in industries and services, which are available only up to December 1988 are briefly indicated below.

The composition of employment in public and private sectors in major industries and services is furnished in Statement 15 of Volume II of this Report. The employment generation in the industries and services in the public sector was higher by 1.4 per cent and in the private sector by 0.9 per cent in December 1988 compared to the year ended December 1987. During the year, there was decline in employment in the public sector in manufacturing and construction industries. In the private sector, employment declined in manufacturing and in transport, storage and communication. In the private sector, employment in manufacturing industries accounted for around 59 per cent of the total emplovment, employment in this group declined from 4 38 million in December 1987 to 4.37 million in December 1988. In the public sector, about 54 per cent of the total employment is in 'Services' namely community, social and personal services and financing, insurance, real estate, etc. The employment in the services sector in public sector rose from 9.69 million in December 1987 to 9.90 million in December 1988.

Small-Scale Sector

The performance of the small-scale sector has been impressive in recent years. During 1989-90 (April-March), the number of small-scale units increased by 6.7 per cent to 18.27 lakhs from 17.12 lakhs in 1988-89. The estimated value of production of goods and services in the small-scale sector at Rs. 1,18,210 crore in 1989-90 was higher by 11.1 per cent than that of Rs. 1,06,400 crore in the previous year. The level of employment in this sector increased by 5.8 per cent to 119.6 lakh persons in 1989-90 from 113.0 lakh persons in 1988-89 (Table IV-3).

Exports of small-scale sector continued to be on the rise. During 1988-89, exports were higher by 25.3 per cent at Rs. 5,681 crore (estimated) than that of Rs. 4,535 crore in 1987-88. The share of small-scale sector in the total exports marginally declined to 28.0 per cent in 1988-89 from 28.8 per cent in 1987-88. The non-traditional items such as leather products, marine products, sports goods, woollen garments and knitwears, readymade garments, etc., continued to account for the bulk of exports of this sector i.e. around 93 per cent; while the value of exports of non-traditional products rose to Rs. 5,369 crore in 1988-89 from Rs. 4,212

Table IV-2A : Employment in Organised Sector

At the end of	Employment (in lakhs)			Percentage change over previous year		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
1	2	3	4	5	6	7
March 1988	183.20	73.91	257.12	+1.6	+0.4	+1.3
March 1989 @	185.05	74.78	259.83	+1.0	+1.2	+1.1

@: Provisional.

Source : Government of India, Ministry of Labour.

Table IV-2B : Employment in Public Sector

Employment (in lakhs)

Public Sector	End-March		
	1988	1989	Percentage growth
1	2	3	4
Central Government	33.81	33.88	+0.2
State Governments	67.81	68.83	+1.5
Quasi Governments (Central)	34.53	34.68	+0.4
Quasi Governments (State)	24.95	25.28	+1.3
Local Bodies	22.10	22.38	+1.3
Total	183.20	185.05	+1.0

Source : Government of India, Ministry of Labour.

crore in 1987-88, that of traditional products like handlooms, handicrafts, coir products, etc., declined to Rs. 313 crore from Rs. 323 crore. Consequently, the share of non-traditional exports moved up to 94.5 per cent in 1988-89 from 92.9 per cent in 1987-88 and that of traditional products declined to 5.5 per cent from 7.1 per cent. The total number of items reserved exclusively for production in the small-scale sector stood at 836 as at the end of March 1990.

For stimulating the growth of this sector, wide ranging policy measures and fiscal incentives have been introduced. These include the reservation of a number of items for exclusive production in the small-scale sector and their purchases by government department, fiscal concessions and subsidies including preferential rates of excise duties, priority in the sanction of loans from the banks and financial institutions, concessions in rates of interest, priority allocation of infrastructural facilities and imports of raw material and machinery. Reintroduction of the Central Investment Subsidy Scheme for units in the backward areas to expedite the promotion of the small-scale sector in the country is one such major policy initiative. To assit the small units in expeditious collection of payment for the supply made by them to various purchasers from both the public and private sectors, the RBI constituted a Study Group under the Chairmanship of Shri C.S. Kalyanasundaram, former Managing Director of State Bank of India. The Study Group has submitted the Report and the RBI has broadly accepted the recommendations of this Committee on factoring services in the country.

Small Industries Development Bank of India (SIDBI)

With a view to ensure growing flow of

Table IV-3 : Small-Scale Sector

Item	April-March			
	1986-87	1987-88	1988-89	1989-90 (P)
1	2	3	4	5
i) Number of Units (Lakh Nos.)	14.64	15.86 (+8.3)	17.12 (+7.9)	18.27 (+6.7)
ii) Production (Rupees Crores at 1984-85 Prices)				
a) Target	61130	66630	73125	80220
b) Achievement	64500	72880 (+13.0)	82400(P) (+13.1)	91139 (E) (+10.6)
iii) Production (Rupees Crores at current prices)	72250	87300 (+20.8)	106400 (+21.9)	118210* (+11.1)
iv) Exports (Rupees Crores)	3631	4535 (+24.9)	5681.15(E) (+25.3)	N.A.
v) Employment (Lakh persons)	101.4	107 (+5.5)	113(P) (+5.6)	119.6 (E) (+5.8)

P : Provisional.
E : Estimated.
NA : Not Available.
* : At 1988-89 prices.
Note : Figures in brackets indicate percentage change over the preceding year.
Source : Office of the Development Commissioner, Small-Scale Industries, Ministry of Industry.

financial and non-financial assistance to the small-scale sector the Parliament passed the Small Industries Development Bank of India (SIDBI) Bill, 1989. The SIDBI has commenced its operations from April 2, 1990 (for details please see Chapter IX of the Report).

As a major policy initiative to give further boost to small, village and agro-based industries, the Government has set up a new department for Small-Scale, Agro and Rural Industries. The new Department will help strengthen the existing support system for the promotion of small-scale and village industries.

Under the New Industrial Policy, announced on May 31,1990 emphasis has been laid on the promotion of small-scale and agro-based industries. The new policy provides for enhancement of investment ceilings in plant and machinery from Rs. 45 lakh to Rs. 75 lakh for ancillary units, from Rs. 35 lakh to Rs. 60 lakh for small industries and from Rs. 2 lakh to Rs. 5 lakh for tiny units. The policy includes several other measures for facilitating small-scale industries to widen their entrepreneurial base, upgrade technology and enlarge the scope of activity by reserving more items. It also spells out measures to check encroachment by large units into the reserved areas and reduce procedural bottlenecks. In the case of agro-processing industries, the new policy aims at forging closer links between growers and processors, dispersal of industries in rural areas and application of modern technology.

District Industries Centres

According to the estimates of the progress reports of 422 District Industries Centres (DICs) prepared by the Development Commissioner (Small-Scale Industries), the overall rise of DIC achievements measured in terms of new units established during 1989-90 is expected to be 8 per cent as against a decline of 13.1 per cent in 1988-89. The establishment of new industrial units rose to about 4.48 lakh (comprising 3.19 lakh artisan based units and 1.28 lakh small-scale units) providing additional employment opportunities to about 12.03 lakh persons as compared with 11.14 lakh persons employed in 1988-89. Credit assistance provided by the financial institutions through DICs was

Table IV-4 : Performance of District Industries Centres

Item	Total Achievement (April-March)			Per DIC Achievement (April-March)		
	1987-88 (Actual)	1988-89 (Provisional)	1989-90 (Estimated)	1987-88 (Actual)	1988-89 (Provisional)	1989-90 (Estimated)
1	2	3	4	5	6	7
1. No. of DICs sanctioned	422	422	422	—	—	—
2. No. of DICs reporting	419	419	422	—	—	—
3. New registrations done (Nos.)	321790	307263	331844	768	733	786
4. New units established (Nos.)						
i) Artisans	352944	295819	319485	842	706	757
ii) SSI	123941	118775	128277	296	283	304
Total	476885	414594	447762	1138	989	1061
5. Credit assistance provided by financial institutions through DICs (Rs. crores)	1106.90	1534.76	1657.54	2.64	3.66	3.93
6. Additional employment generated (No. of persons)	1185126	1114175	1203309	2828	2659	2851
7. Units given technical and other assistance (Nos.)	57243	101578	109704	137	242	260

Source : Office of the Development Commissioner, Ministry of Industry, Government of India.

estimated higher by 8.0 per cent at Rs. 1657.54 crore during 1989-90 than that of Rs. 1534.76 crore during 1988-89 (Table IV-4). In addition to financial assistance, DICs also render technical and other assistance. The number of such units assisted increased from 0.57 lakh in 1987-88 to 1.02 lakh in 1988-89 and further to 1.10 lakh in 1989-90.

In order to make the DICs more effective, their organisational pattern was restructured keeping its conceptual base intact. The State/UT Governments have been requested to expedite and complete the process of restructuring. The DICs have played a vital role in providing assistance to entrepreneurs at pre-investment and post-investment stages in setting up industries particularly in rural and backward areas of the country. In order to assess the strength and weakness of the programme, an evaluation of 55 DICs was carried out in 1988 by five reputed institutions of the country. The reports submitted by these institutions are under examination.

Industrial Sickness

The increasing industrial sickness in the country is a source of concern. Latest data on industrial sickness show further rise in number of sick units as well as total bank credit outstanding against them. As at end-June 1988 the number of non-SSI sick units as defined in Sick Industrial Companies (Special Provisions) Act, 1985, rose to 1,172 with an outstanding bank credit of Rs. 3025.9 crore from 1,119 with an outstanding bank credit of Rs. 2,801.8 crore at end-December 1987 (Table IV-5).

Out of 1,172 sick units, viability studies in respect of 944 units were completed and 350 units were considered as viable. Of the viable units, 234 units were put under nursing programme by the banks. As regards State-wise position, the sickness was high in Maharashtra followed by West Bengal, Gujarat, Tamil Nadu, Karnataka, Uttar Pradesh and Andhra Pradesh. These seven industrially advanced states together accounted for 75.0 per cent of the total number of non-SSI sick units and 79.4 per cent of the total outstanding bank credit as at end-June 1988.

Among the non-SSI sick units, industry-wise classification indicates that sickness was more pronounced in the case of engineering group with 259 sick units with outstanding bank credit

Table IV-5: State-wise and Industry-wise Classification of

State/Union Territory	Engineering		Electrical		Textiles		Jute		Paper	
	No. of units	Amount out-stand-ing	No. of units	Amount out-stand-ing	No. of units	Amount out-stand-ing	No. of units	Amount out-stand-ing	No. of units	Amount out-stand-ing
1	2	3	4	5	6	7	8	9	10	11
Assam	1	0.29	—	—	—	—	—	—	3	6.35
Meghalaya	—	—	—	—	—	—	—	—	—	—
Bihar	3	8.68	—	—	3	3.06	—	—	3	13.19
West Bengal	41	168.86	3	6.21	13	26.29	33	123.37	10	27.81
Orissa	2	0.57	—	—	1	4.57	—	—	1	9.91
Tripura	—	—	—	—	—	—	—	—	—	—
Utter Pradesh	10	28.55	3	2.98	10	52.15	—	—	9	9.23
Delhi	7	20.86	1	1.26	3	7.38	—	—	4	2.12
Punjab	4	1.50	—	—	7	1.63	—	—	2	4.37
Haryana	13	26.01	—	—	7	10.65	—	—	2	1.61
Chandigarh	5	8.80	1	6.18	3	8.74	—	—	6	9.03
Jammu & Kashmir	—	—	—	—	—	—	—	—	—	—
Himachal Pradesh	1	0.31	—	—	—	—	—	—	5	8.24
Rajasthan	3	2.18	1	9.80	16	33.21	—	—	6	6.49
Gujarat	28	55.30	1	0.38	55	266.24	—	—	9	29.93
Maharashtra	70	233.05	3	9.15	57	352.66	—	—	10	11.08
Goa	3	2.40	—	—	1	0.50	—	—	—	—
Dadra and Nagar Haveli	—	—	—	—	—	—	—	—	—	—
Madhya Pradesh	7	5.35	1	2.03	8	61.89	—	—	3	1.55
Andhra Pradesh	14	18.81	3	3.52	4	19.68	1	0.88	7	20.47
Karnataka	16	28.95	—	—	12	38.83	—	—	8	12.00
Tamil Nadu	25	53.20	1	1.37	22	90.51	1	0.03	8	8.14
Kerala	5	46.20	1	2.85	5	18.65	—	—	—	—
Pondicherry	1	0.37	—	—	—	—	—	—	1	1.39
Total	**259**	**710.24**	**19**	**45.73**	**227**	**996.64**	**35**	**124.28**	**97**	**182.91**

Non-SSI Sick Industrial Units and Outstanding Bank Credit as at the end of June 1988

(Amount in Rs. crore)

Rubber		Cement		Iron & Steel		Sugar		Chemicals		Miscellaneous		Total	
No. of units	Amount Out-standing	No. of units	Amount Out-standing	No. of units	Amount Out-standing	No. of units	Amount Out-standing	No. of units	Amount Out-standing	No. of units	Amount Out-standing	No. of units	Amount Out-standing
12	13	14	15	16	17	18	19	20	21	22	23	24	25
—	—	—	—	—	—	—	—	—	—	—	—	4	6.64
—	—	—	—	—	—	—	—	1	1.24	—	—	1	1.24
—	—	1	2.98	3	3.70	3	9.19	2	9.53	12	24.93	30	75.26
1	7.88	—	—	14	18.20	1	1.82	7	12.29	40	74.86	163	467.59
—	—	—	—	1	13.97	—	—	3	2.83	4	4.67	12	36.52
—	—	—	—	—	—	—	—	—	—	1	0.80	1	0.80
—	—	1	1.22	5	7.71	6	12.98	8	7.27	18	33.24	70	155.33
—	—	—	—	3	4.17	—	—	—	—	5	13.95	23	49.74
—	—	—	—	1	1.96	—	—	2	0.99	6	3.69	22	14.14
—	—	—	—	5	7.78	—	—	2	0.68	5	6.64	34	53.37
—	—	—	—	—	—	1	0.63	1	1.05	7	7.41	24	41.84
—	—	—	—	—	—	—	—	—	—	1	15.34	1	15.34
—	—	—	—	—	—	—	—	3	0.62	—	—	9	9.17
—	—	2	27.34	1	3.04	1	0.57	3	3.25	10	7.23	43	93.11
—	—	2	0.86	5	16.03	—	—	12	9.01	22	25.04	134	402.79
7	17.93	1	2.60	16	45.92	5	34.66	32	61.83	54	97.81	255	866.69
—	—	—	—	2	0.31	—	—	2	0.65	8	14.42	16	18.28
—	—	—	—	—	—	—	—	—	—	1	0.57	1	0.57
1	0.37	—	—	4	5.74	1	2.94	4	2.45	7	8.99	36	91.31
1	1.07	1	0.09	3	4.26	2	4.36	12	22.60	21	32.32	69	128.06
3	2.32	2	7.66	4	12.99	4	31.52	7	3.99	20	14.92	76	153.18
1	0.31	—	—	2	3.03	—	—	15	15.93	37	57.40	112	229.92
2	23.66	—	—	1	1.07	—	—	6	9.80	13	10.26	33	112.49
—	—	—	—	—	—	—	—	—	—	1	0.74	3	2.50
16	**53.54**	**10**	**42.75**	**70**	**149.88**	**24**	**98.67**	**122**	**166.01**	**293**	**455.23**	**1172**	**3025.88**

Note : According to the Sick Industrial Companies (Special Provisions) Act, 1985, 'Sick Industrial Company' means a medium and large (i.e. non-SSI) industrial company (being registered for not less than 7 years) which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth and has also suffered cash losses in such financial year and the financial year immediately preceding such financial year This definition does not cover government companies, shipping companies and small-scale industrial units/ancillary units.

Table IV-5A : State-wise and Industry-wise classification of

State/Union Territory	Engineering		Electrical		Textiles		Jute		Paper	
	No. of units	Amount outstanding	No. of units	Amount outstanding	No. of units	Amount outstanding	No. of units	Amount outstanding	No. of units	Amount outstanding
1	2	3	4	5	6	7	8	9	10	11
Assam	—	—	—	—	—	—	—	—	—	—
Bihar	3	3.37	—	—	1	1.04	2	1.58	—	—
West Bengal	21	101.50	1	1.14	10	24.96	6	48.87	2	7.86
Orissa	7	5.66	—	—	6	18.30	1	0.53	1	0.30
Tripura	—	—	—	—	—	—	1	2.86	—	—
Uttar Pradesh	7	38.14	—	—	18	113.27	1	1.13	2	2.25
Delhi	1	0.24	—	—	1	4.36	—	—	—	—
Punjab	2	0.97	—	—	3	4.24	—	—	—	—
Haryana	8	16.74	—	—	2	7.96	—	—	—	—
Chandigarh	3	3.16	—	—	3	2.62	—	—	—	—
Himachal Pradesh	1	2.67	—	—	3	1.90	—	—	1	0.48
Rajasthan	2	1.59	1	0.29	4	2.95	—	—	—	—
Gujarat	10	22.27	2	1.34	32	81.31	—	—	3	1.27
Maharashtra	37	80.12	3	5.40	47	210.04	—	—	5	10.09
Goa	1	0.07	—	—	—	—	—	—	—	—
Dadra & Nagar Haveli	—	—	—	—	1	*	—	—	—	—
Madhya Pradesh	1	0.91	1	0.11	9	9.59	—	—	—	—
Andhra Pradesh	12	20.81	1	0.71	6	5.14	2	2.84	2	2.12
Karnataka	12	39.82	2	2.69	8	16.06	—	—	2	70.94
Tamil Nadu	10	6.67	1	3.12	9	19.06	—	—	1	0.84
Kerala	7	11.82	2	51.39	5	4.28	—	—	1	11.48
Pondicherry	—	—	—	—	3	12.00	—	—	—	—
Total	**145**	**356.53**	**14**	**66.19**	**171**	**539.08**	**13**	**57.81**	**20**	**107.63**

of Rs. 710 crore, followed by textile and chemical groups with 227 units and 122 units, respectively and outstanding bank credit of Rs. 997 crore and Rs. 166 crore as at end-June 1988. These three industry groups accounted for 52.0 per cent of the total number of non-SSI sick units and 61.9 per cent of the total outstanding bank credit as at end-June 1988.

There were 743 non-SSI weak industrial units as at end-June 1988 with an outstanding bank credit of Rs. 1,921.52 crore (Table IV-5A). State-wise, the number of non-SSI weak units was largest in Maharashtra (156), followed by West Bengal (112), Uttar Pradesh (72) and Gujarat (63). Industry-wise, the sickness was more rampant in the case of textiles (171) and engineering (145).

In the small-scale sector, incidence of sickness continued to be high. The number of units identified as sick increased by 6.5 per cent to 2,17,436 as at end-June 1988 from 2,04,259 units as at end-December 1987 (Table IV-5B). Bank credit outstanding against these units rose by 10.2 per cent to Rs. 1979.85 crore from Rs. 1797.31 crore during that period. Of these SSI sick units 12,954 units with outstanding bank credit of Rs. 450.68 crore were considered by banks as potentially viable and 8,347 units were put under nursing programme.

The Reserve Bank of India have given comprehensive instructions to banks in the matter of rehabilitation of sick/weak industrial units. Despite these instructions there have been instances where banks have shown reluctance to assist the units although they were found to be potentially viable. Banks were again advised to ensure that the Reserve Bank's instructions in

Non-SSI Weak Industrial Units and Outstanding Bank Credit as at the end of June 1988

(Amount in Rs. crore)

Rubber		Cement		Iron & Steel		Sugar		Chemicals		Miscellaneous		Total	
No. of units	Amount Out-stand-ing	No. of units	Amount Out-stand-ing	No. of units	Amount Out-stand-ing	No. of units	Amount Out-stand-ing	No. of units	Amount Out-stand-ing	No. of units	Amount Out-stand-ing	No. of units	Amount Out-stand-ing
12	13	14	15	16	17	18	19	20	21	22	23	24	25
—	—	—	—	—	—	1	1.41	2	2.08	27	45.53	30	49.02
—	—	—	—	—	—	2	4.45	—	—	3	8.58	11	19.02
3	23.25	—	—	7	52.61	—	—	9	19.69	53	87.56	112	367.44
—	—	—	—	2	4.45	—	—	2	0.86	5	8.37	24	38.47
—	—	—	—	—	—	—	—	—	—	4	0.81	5	3.67
1	2.53	1	20.79	2	1.99	29	102.16	1	2.66	10	6.40	72	291.32
—	—	—	—	—	—	—	—	1	1.71	6	7.84	9	14.15
—	—	—	—	1	5.43	—	—	—	—	4	2.71	10	13.35
—	—	—	—	—	—	—	—	2	5.25	3	2.64	15	32.59
—	—	1	0.43	—	—	—	—	2	5.88	2	1.87	11	13.96
—	—	—	—	—	—	—	—	—	—	—	—	5	5.05
—	—	1	2.39	—	—	—	—	2	3.93	5	4.10	15	15.25
—	—	2	3.65	1	1.39	—	—	5	2.48	8	6.89	63	120.60
1	4.28	1	35.74	7	8.91	3	0.38	17	20.19	35	76.01	156	451.16
—	—	—	—	—	—	—	—	—	—	8	19.33	9	19.40
—	—	—	—	—	—	—	—	—	—	—	—	1	—
—	—	—	—	1	1.42	2	0.61	3	7.57	5	7.16	22	27.37
—	—	—	—	1	0.33	1	0.62	7	6.78	20	21.83	52	61.18
1	5.33	—	—	3	30.32	—	—	5	3.38	7	10.83	40	179.37
—	—	—	—	1	1.68	2	3.61	4	2.22	20	31.08	48	68.28
2	3.91	1	0.73	—	—	—	—	3	8.61	8	25.23	29	117.45
—	—	—	—	—	—	—	—	—	—	1	1.42	4	13.42
8	**39.30**	**7**	**63.73**	**26**	**108.53**	**40**	**113.24**	**65**	**93.29**	**234**	**376.19**	**743**	**1921.52**

* Company is enjoying non-fund based limits with the bank.

Note : With a view to cover the categories of industrial units (non-SSI sick units), which do not come under the purview of the Sick Industrial Companies (Special Provisions) Act, 1985, the RBI has advised the banks to take the necessary remedial measures in respect of industrial units at the stage of 50 per cent erosion of their net worth. Such units, have been termed as 'weak' units to distinguish them from 'sick industrial companies' as defined in the Act. An industrial undertaking is termed 'weak' if at the end of any accounting year, it has (i) accumulated losses equal to or exceeding 50 per cent of its peak net worth in the immediately preceding five accounting years (ii) a current ratio of less than 1:1 and (iii) suffered a cash loss in the immediately preceding accounting year.

the matter are complied with and any violation of these instructions would be viewed seriously. Banks have also been advised that the inter-se agreement among banks financing a healthy unit under consortium arrangement, should provide for a clause to the effect that should the unit turn sick, banks would be required to participate in the rehabilitation package as per the instructions of the Reserve Bank and such a clause may be got duly incorporated in all the existing inter-se agreeements as well. In the case of units being financed under multiple banking agreement, major banks should obtain a suitable undertaking in this regard from the other financing banks. Further, instructions have been issued to banks that in the exceptional cases, where they are unable to participate in rehabilitation packages on account of temporary liquidity constraints, the concerned banks during the interregum should provide guarantees in favour of the banks which take up their additional share of the limits for

reimbursement of the amount but on behalf of former banks.

The most important step taken in recent times by the Government to arrest the industrial sickness was enactment of a comprehensive legislation viz. the SICA—Sick Industrial Companies, (Special Provisions) Act—1985 and setting up a Board for Industrial and Financial Reconstruction (BIFR) thereunder.

The Board has been armed with adequate powers to prepare rehabilitation schemes for the revival of sick industrial companies, in consulation with the concerned agencies. Besides State Bank of India, Central Bank of India, Bank of India, Bank of Baroda, Punjab National Bank, which were earlier notified by BIFR as 'Operating Agencies', two more banks, viz. Indian Bank and United Bank of India have also been so specified during the period under Report.

Selected Industries : A Review

The performance of selected industries classified in four broad groups, viz., basic goods, capital goods, intermediate goods and consumer goods during 1989-90 is briefly reviewed below.

A. Basic Industries

(a) Coal

The overall output of coal (excluding lignite) during 1989-90 at 200.54 million tonnes increased by 3.2 per cent over the level of 194.38 million tonnes recorded in 1988-89. The achievements during 1989-90, however, fell short of the target of 209.50 million tonnes fixed for the year. The output in 1989-90 was considerably lower than the estimated demand of 221.0 million tonnes (Table IV-6).

Coal India Ltd. (CIL), which accounts for 89 per cent of the total coal production in the country, achieved a production of 178.59 million tonnes as against the target of 183.50 million tonnes fixed for the year. The current year's production is higher by 7.12 million tonnes or 4.2 per cent over the previous year's output of 171.47 million tonnes. Among the subsidiary companies under CIL, two companies viz., Eastern Coal Fields Ltd. (ECL) and Bharat Coking Coal Ltd. (BCCL), could not achieve their output targets whereas four companies viz., Central Coal Fields Ltd. (CCL), Northern Coal Fields Ltd. (NCL), Western Coal Fields Ltd. (WCL) and South-Eastern Coal Fields Ltd. (SECL) produced coal in excess of respective target. There has, however, been a substantial shortfall in Singareni Collieries Co. Ltd. (SCCL). As against the target of 21.50 million tonnes, SCCL produced only 17.80 million tonnes. The output in SCCL was affected due to extraneous reasons, strikes, absenteeism, etc.

The productivity of coal sector is measured in terms of raw coal output per manshift (OMS). The OMS in Coal India Ltd. increased from 1.15 tonnes in 1988-89 to 1.22 tonnes in 1989-90 as against the target of 1.21 tonnes fixed for the year. The productivity of Singareni Collieries Company Ltd. also marginally improved from 0.96 tonne in 1988-89 to 0.99 tonne in 1989-90 which is less than the target of 1.15 tonnes fixed for the year.

In the Seventh Plan, though the production increased from 154.20 million tonnes in 1985-86 to 200.54 million tonnes in 1989-90 the average annual growth rate receded to 6.4 per cent from the average annual growth rate of a little over 7.0 per cent during the Sixth Plan. Against the Seventh Plan target of 226.00 million tonnes, the actual output during 1989-90 was 200.54 million tonnes-a shortfall of 11 per cent. The growth in production in the Sixth and Seventh Five Year Plans as brought about by the shift in emphasis on production of coal from underground mines to opencast mines which are amenable to heavy mechanisation and application of modern technology.

Table IV-5B : State-wise classification of Sick Small-Scale Industrial Units and Outstanding Bank Credit as at the end of June 1988

(Amount in Rs. crores)

Sr. No.	State/Union Territory	No. of units	Amount outstanding
1	2	3	4
1.	Assam	11438	24.27
2.	Meghalaya	657	1.02
3.	Mizoram	151	0.32
4.	Bihar	14567	78.54
5.	Arunachal Pradesh	13	0.03
6.	West Bengal	22738	186.73
7.	Nagaland	511	0.83
8.	Manipur	1249	1.72
9.	Orissa	9125	33.41
10.	Sikkim	71	0.36
11.	Tripura	792	1.55
12.	Andaman & Nicobar	—	—
13.	Uttar Pradesh	22499	171.94
14.	Delhi	3288	115.02
15.	Punjab	2699	53.20
16.	Haryana	2212	46.26
17.	Chandigarh	238	6.60
18.	Jammu & Kashmir	2671	12.05
19.	Himachal Pradesh	731	7.12
20.	Rajasthan	10362	49.78
21.	Gujarat	5421	144.41
22.	Maharashtra	15959	371.89
23.	Daman & Diu	3	0.13
24.	Goa	779	10.46
25.	Dadra & Nagar Haveli	4	0.11
26.	Madhya Pradesh	12407	61.77
27.	Andhra Pradesh	18277	149.53
28.	Karnataka	8494	120.15
29.	Lakshadweep	—	—
30.	Tamil Nadu	31245	201.92
31.	Kerala	18554	126.66
32.	Pondicherry	281	2.07
	Total	**217436**	**1979.85**

Note : A SSI unit should be considered 'sick' if it has (a) incurred cash loss in the previous accounting year and is likely to continue to incur cash loss in the current accounting year and has an erosion on account of cumulative cash losses to the extent of 50 per cent or more of its net worth and/or (b) continuously defaulted in meeting four consecutive quarterly instalments of interest or two half-yearly instalments of principal on term loans and there are persistent irregularities in the operations of its credit limits with the bank. While both the conditions (a) and (b) should be satisfied in the case of larger SSI units, it would suffice if either alternative (a) or (b) is satisfied in case of tiny and decentralised sector units.

The coal production target for 1990-91 has been fixed at 221.0 millon tonnes as against the estimated demand of 234.0 million tonnes. The gap between demand and supply will be met partly by imports and partly by drawing pit-head stocks.

In consonance with increased coal output, its despatches to consumers also increased by 7.8 per cent during 1989-90 to 197.46 million tonnes from 183.21 million tonnes during the previous year. Inspite of larger increase in despatches during the year, pit-head stocks of coal were higher at 37.79 million tonnes at the end of 1989-90 as against the pit-head stocks of 33.85 million tonnes at the end of previous year.

Transportation of coal from mines to consuming centres is facilitated by modes such as the railways, road transport, rail-cum-sea route carriers and captive systems like MGR, conveyor belts, etc. The railways are, however, the major agency for coal transportation accounting for about 62 per cent of total despatches. The daily average coal loading by CIL increased by 4.6 per cent from 12,225 wagons per day in 1988-89 to 12,793 wagons per day in 1989-90. Coal loading in SCCL, however, declined by 9.9 per cent from 1,425 wagons per day in 1988-89 to 1,284 wagons per day in 1989-90.

Keeping in view the long-term objectives of increasing coal production and productivity, assistance has been sought from some developed coal producing countries like USSR, Poland, France, U.K., FRG., GDR, Canada and Australia. The assistance is in the form of import of technology and technical assistance for planning and development of coal and lignite projects as well as financial assistance from these countries.

A Working Group on Coal and Lignite was constituted by the Planning Commission under the Chairmanship of Secretary (Coal) to study and recommend investment proposals and production plans for the coal and lignite sector during the Eighth Plan period. The Working Group has estimated the total demand of coal in the terminal year of the Eighth Plan i.e. 1994-95

Table IV-6 : Performance of Coal Industry

(Million tonnes)

Item	April-March		
	1987-88 (Revised)	1988-89 (Revised)	1989-90 (P)
1	2	3	4
1. Production	**179.85**	**194.38**	**200.54**
(a) Coal (i + ii)	**(+8.5)**	**(+8.1)**	**(+3.2)**
i) Coking Coal	40.03	42.05	43.45
	(+4.4)	(+5.0)	(+3.3)
ii) Non-Coking Coal	139.82	152.33	157.09
	(+9.8)	(+8.9)	(+3.1)
(b) Lignite	**11.27**	**8.35**	**10.03**
	(+56.3)	**(-25.9)**	**(+20.1)**
2. Imports (Coking Coal)	**2.97**	**4.34**	**4.43**
	(+41.4)	**(+46.1)**	**(+2.1)**
3. Despatches (i + ii)	**170.04**	**183.21**	**191.11**
	(+7.6)	**(+7.7)**	**(+4.3)**
i) Coking Coal	37.92	39.89	39.96
	(+8.1)	(+5.2)	(+0.2)
ii) Non-Coking Coal	132.12	143.32	151.15
	(+7.5)	(+8.5)	(+5.5)
4. Exports	**0.17**	**0.20**	**0.16**
	(+6.2)	**(+17.6)**	**(-20.0)**
5. Year-end Pit-head Stocks (i + ii)	33.86	**38.21**	**37.64**
	(+17.3)	**(+12.8)**	**(—1.5)**
i) Coking Coal	11.24	11.23	10.89
	(+9.2)	(-0.1)	(-3.0)
ii) Non-Coking Coal	22.62	26.98	26.75
	(+21.7)	(+19.3)	(-0.9)

P : Provisional.

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

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

Source : Department of Coal, Ministry of Energy.

at 320.89 million tonnes including 8.59 million tonnes of washery middlings for power plants. A production target of 304.45 million tonnes of coal has been suggested for CIL and SCCL mines and 5.86 million tonnes for TISCO, IISCO and DVC mines in the Eighth Plan period. The balance requirement is proposed to be met by drawing down pit-head stocks.

(b) Iron Ore

Iron ore production during 1989-90 increased by 3 per cent to 51.4 million tonnes in contrast to a decline of 2.7 per cent witnessed during the previous year (Table IV-7). The share of public sector mines and private sector mines in total iron ore production of 51.4 million tonnes in 1989-90 stood at 29.4 million tonnes (57.2 per cent) and 22.0 million tonnes (42.8 per cent), respectively. Iron ore production from captive mines of steel plants in both the public and private sectors amounted to 18.1 million tonnes accounting for 35 per cent of the total output in 1989-90. Goa continued to be the major iron ore producing State contributing nearly 24 per cent of the total output in 1989-90 followed by Madhya Pradesh (23 per cent), Karnataka (21 per cent), Bihar (18 per cent) and Orissa (13 per cent). The balance production of about 1 per cent was contributed by Maharashtra, Andhra Pradesh, Rajasthan and Haryana. Total production target of 59.5 million tonnes of iron ore including concentrates/pellets from

Kudremukh has been set for 1990-91 to meet the domestic and export requirement.

The despatches for internal consumption recorded a higher growth of 10.7 per cent to 21.7 million tonnes during 1989-90 as against a rise of 1.0 per cent to 19.6 million tonnes attained during 1988-89. The iron ore exports of 35.6 million tonnes provisionally, in 1989-90 were higher by 7.9 per cent than those in 1988-89.

The iron ore production from the mines of National Mineral Development Corporation Ltd., (NMDC) during 1989-90 increased by 12.7 per cent to 9.97 million tonnes as against a production of 8.85 million tonnes in 1988-89. The total quantity of iron ore exported by NMDC during 1989-90 was 10.2 million tonnes as against 9.1 million tonnes exported during 1988-89.

In view of the fast depletion of Bailadila-14 mine, a deeper level mining project was under construction for utilising the deeper level reserves of iron ore. All civil and installation works have since been carried out. The projects will have an annual capacity of 1.74 million tonnes of lump and fines.

The Kudremukh Iron Ore Company Ltd., (KIOCL), which is a 100 per cent export oriented unit, has produced 3.9 million tonnes of iron ore concentrate during April-December 1989 which was higher than 3.45 million tonnes produced during the same period last year. The production of iron ore pellets during April-December 1989 was 1.4 million tonnes as compared with 1.2 million tonnes in the same period during the previous year. As a result of persistent marketing efforts, KIOCL has been able to enter more markets for the sale of its products. During the period April-December 1989, 2.4 million tonnes of concentrate and 1.4 million tonnes of pellets were exported. For the year 1989-90 the company was expected to export about 3.45 million tonnes of concentrate and 2.02 miliion tonnes of pellets valued at about Rs. 172 crore.

Although there was an increase in the production of iron ore in 1989-90, the output was short of the Seventh Plan target at 58.1 million tonnes or by 11.6 per cent.

(c) Cement

The increase in cement production achieved during 1988-89 was maintained though the pace of production during 1989-90 was slower than that in 1988-89. Production in 1989-90 rose to a new peak level of 45.60 million tonnes from 44.29 million tonnes in 1988-89, recording a growth rate of 3.0 per cent as compared to increase of 11.8 per cent achieved in the previous year (Table IV-8). Though the cement output as compared to earlier years was the highest in 1989-90, it fell short of the Seventh Plan target of 49.0 million tonnes by 6.9 per cent. The shortfall in production in relation to programmed target during the last year of the Seventh Plan viz., 1989-90 was due to the poor performance of both public and private sector plants. The shortfall was mainly on account of power cuts particularly in Southern States, non-availability of sufficient coal in Southern and Saurashtra plants. The general weakening of demand for cement as well as poor off-take of cement by Government departments made cement units to slow down the rate of production. As regards the performance of large-size plants, and mini and white cement plants, the production of the former rose to 43.10 million tonnes in 1989-90 from 41.76 million tonnes in 1988-89, while that in the latter declined to 2.50 million tonnes from 2.53 million tonnes over the same period.

Installed capacity in cement industry rose from 58.35 million tonnes as on April 1, 1988 to about 60.0 million tonnes as on April 1, 1989. It was expected that additional capacity of about 2.0 million tonnes could materialise during 1989-90 bringing installed capacity in the neighbourhood of 62.0 million tonnes by April 1, 1990.

The overall capacity utilization by the cement industry dropped to 75.0 per cent in 1989-90 from 76.0 per cent in 1988-89. The capacity utilization of large-size plants at 77.0 per cent in 1989-90 was the same as in last year. The capacity utilization ratio of mini and white plants declined to 52.0 per cent in 1989-90 from 60.0 per cent in 1988-89. Whereas the capacity utilization ratio in public sector plants remained stationary at the previous year's level of 60.0 per

Table IV-7 : Performance of Iron Ore Industry

(Million tonnes)

Item	April-March		
	1987-88	1988-89 (P)	1989-90 (P
1	2	3	4
Production	50.9	50.0	51.4
	(-2.7)	(-1.8)	(+2.8)
Despatches for internal consumption	19.4	19.6	21.7
	(+4.9)	(+1.0)	(+10.7)
Despatches for exports	29.4	33.0	35.6
	(+4.3)	(+12.2)	(+7.9)
Year-end stocks	3.8	4.0	4.5
	(+35.7)	(+5.3)	(+12.5)

P : Provisional.

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

Sources : i) Indian Bureau of Mines, Ministry of Steel & Mines, Government of India and DGCI & S.

cent, in the private sector it slightly declined to 80.0 per cent from 81.0 per cent in the previous year. Within the public sector, while the capacity utilization ratio of Cement Corporation of India (CCI) moved up to 74.0 per cent in 1989-90 from 66.0 per cent in 1988-89, the same for the public sector units, other than CCI, declined to 50.0 per cent from 55.0 per cent in the same period.

Total despatches of cement during the year 1989-90 were higher at 43.0 million tonnes as compared to 41.7 million tonnes in 1988-89. The year-end stocks amounted to 0.6 million tonnes as compared with 0.7 million tonnes in the previous year (Table IV-8).

In view of the easy availability of cement, no import of cement has been authorised since the financial year 1986-87, except for certain special varieties of cement to meet specific demands for particular end users. As regards exports, efforts are being made since 1988-89 to promote export of cement in view of comfortable supply position in recent years. A small quantity of little over 70 thousand tonnes of cement was exported to Nepal and Bangladesh during 1989-90. As a first step to encourage exports, Government have decided to de-canalise the export of cement and to allow exports without any licensing formalities. A cash compensatory support at 10 per cent of the net F.O.B. (Free on Board) realisation both for ordinary variety of cement and white cement has been announced and export of clinker has been removed from the banned list.

After the introduction of scheme of partial control of cement in February 1982, Government have been progressively reducing price and distribution controls on cement industry. The policy incentives resulted in significant progress, both in terms of addition of new capacity and increased production. Since the country has reached self-sufficiency in cement, all price and distribution controls were withdrawn from March 1, 1989. Further, new cement plants commencing production after April 1, 1986 and those commencing production from January 1, 1982 and March 31, 1986 were allowed rebate in excise duty to the extent of Rs. 50 per tonne and Rs. 20 per tonne, respectively. The above rebate was valid upto March 31, 1990. To encourage setting up of cement plants in the small scale sector, Government have announced further relief in excise duty of Rs. 100 per tonne to all mini cement plants using Vertical Shaft Kiln with a licensed capacity not exceeding 200 TPD (tonnes per day) or using Rotary Kiln with

Table IV-8 : Performance of Cement Industry

(Million tonnes)

Item	April-March		
	1987-88	1988-89	1989-90 (P)
1	2	3	4
Installed Capacity	58.35	60.00	62.00
	(+17.5)	(+2.8)	(+3.3)
Production	39.60	44.29	45.60
	(+8.1)	(+11.8)	(+3.00)
Despatches	37.10	41.70	43.00
	(+7.1)	(+12.4)	(+3.1)
Average Capacity Utilisation (per cent)	75.10	76.00	75.00
Imports*	Nil	Nil	Nil
Exports	—	—	0.07
Year-end Stocks	0.50	0.70	0.60

P : Provisional.

* Since the financial year 1986-87 imports have been stopped except for some special varieties.

Notes: i) Figures in brackets represent percentage variations over the previous year.

ii) Data relating to installed capacity, production and capacity utilization relate to the industry as a whole while those of despatches are exclusive of mini and white cement plants.

Sources : i) Cement Manufacturers' Association, New Delhi. ii) Ministry of Programme Implementation.

a licensed capacity not exceeding 300 TPD.

Cement industry continues to take steps for modernization and upgradation of technology particularly for the conservation of energy. Under the World Bank's assistance, a unit in Tamil Nadu has converted its wet process plant to semi-dry process plant.

The target for cement output for the year 1990-91 has been fixed at 49.0 million tonnes—the same as for 1989-90. This target is higher by 7.5 per cent than the output level of 45.6 million tonnes in 1989-90.

(d) Iron and Steel

The performance of steel industry was marginally lower during 1989-90 owing to the low performance in steel plants of Steel Authority of India Limited (SAIL). The production of hot metal at 11,956 thousand tonnes during 1989-90 was only marginally higher by 0.6 per cent as compared to 11,882 thousand tonnes during the previous year (Table IV-9). The production of crude steel declined by 1.8 per cent to 10,593 thousand tonnes from 10,790 thousand tonnes achieved a year ago. The production of saleable steel also recorded a decline of about 1.9 per cent to 9,029 thousand tonnes from 9,206 thousand tonnes produced last year. During the year 1988-89, the shortfalls *vis-a-vis* targets in respect of hot metal, crude steel and saleable steel were of the order of 6.8 per cent, 8.8 per cent and 7.2 per cent, respectively.

The performance of integrated steel plants of SAIL deteriorated during 1989-90 both as compared with the targets and the growth in output recorded during the previous year. The growth in the production of hot metal by SAIL decelerated sharply to 0.4 per cent from 9.0 per cent last year. Its production at 9,690 thousand tonnes also remained lower than the programmed target of 10,630 thousand tonnes by 8.9 per cent due mainly to low performance of plants located at Bhilai, Bokaro and Durgapur.

The production of crude steel at SAIL plants at 8,270 thousand tonnes was less than both the target and the level of production last year by 11.2 per cent and 2.4 per cent, respectively. The production of saleable steel by SAIL, on the other hand, was not only lower than the target by

Table IV-9 : Production of Steel

(Thousand tonnes)

Year (April-March)	Bhilai	Durga-pur	Rour-kela	Bokaro	IISCO	SAIL (2 to 6)	TISCO	Total (7+8)	VISL	ASP	Total (10+11)
1	2	3	4	5	6	7	8	9	10	11	12
						Production of Hot Metal					
1987-88	2,556	1,138	1,212	3,123	818	8,847	2,018	10,865 (+4.1)	—	—	—
1988-89	3,306	1,096	1,252	3,221	768	9,643	2,239	11,882 (+9.4)	12	—	12
1989-90 P	3,486	1,062	1,261	3,200	677	9,686	2,270	11,956 (+0.6)	—	—	—
						Production of Crude Steel					
1987-88	2,471	936	1,115	2,418	546	7,486	2,277	9,763 (+7.5)	53	154	207 (+5.6)
1988-89	3,094	956	1,190	2,771	465	8,476	2,314	10,790 (+10.5)	58	179	237 (+14.5)
1989-90 P	3,254	850	1,170	2,654	341	8,269	2,324	10,593 (-1.8)	..	197	..
						Production of Saleable Steel					
1987-88	2,173	835	1,156	1,968	542	6,674	1,914	8,588 (+4.5)	40	89	129 (-3.7)
1988-89	2,542	832	1,168	2,277	442	7,261	1,945	9,206 (+7.2)	41	107	148 (+14.7)
1989-90 P	2,594	700	1,111	2,325	333	7,063	1,966	9,029 (-1.9)	..	135	..

P : Provisional.
VISL : Visvesvaraya Iron and Steel Ltd.
ASP : Alloy Steel Plant.
Note : Figures in brackets represent percentage variations over the previous year.
Source : Steel Authority of India Ltd.

9.6 per cent but also registered a decline of 2.7 per cent as compared with the level achieved last year. However, the production of hot metal, crude steel and saleable steel in Tata Iron and Steel Company (TISCO) in 1989-90 recorded higher increases not only with respect to the achievement in the preceding year but also in relation to the programmed targets.

The low performance of SAIL steel plants during the year is reported to be on account of inadequate supply of raw materials, low productivity in certain plants because of inferior quality of domestic coking coal, shortages in power supply from DVC, besides some internal problems. During 1989-90, the aggregate capacity utilization of SAIL steel plants in respect of hot metal, crude steel and saleable steel was 73.0 per cent, 66.7 per cent and 73.8 per cent, respectively, as compared with 72.7 per cent, 72.3 per cent and 80.3 per cent, respectively, achieved during the previous year.

As a consequence of decline in production, the despatches of saleable steel by main producers during the year 1989-90 at 3,932 thousand tonnes declined by 3.1 per cent as compared with an increase of 8.1 per cent in 1988-89. The stocks of saleable steel also declined from 547 thousand tonnes at the end of March 1989 to 524.1 thousand tonnes at the end of March 1990. The depletion of stocks is attributed both to the reduced level of production as well as increased exports of the order of 164.6 thousand tonnes as against only 101.8 thousand tonnes effected last year. Meanwhile, SAIL also resorted to imports to the tune of 132 thousand tonnes during the year under review as against none last year.

The total production of mild, medium carbon, alloy steel and stainless steel by mini steel plants during the year at 3,491.6 thousand tonnes was 5.9 per cent higher than that during the previous year. Of the 179 mini steel plants with an aggregate licensed capacity of about 7,910 thousand tonnes per annum, as many as 167 units with a capacity of 5,630 thousand tonnes have already been commissioned. In order to accelerate the process of expansion of installed capacities, letters of intent have been issued to 61 units. Furthermore, in order to reduce the dependence of the units on imported scrap, the Government have permitted setting up of new units based on modern technological concept (such as setting up of Ultra High Power Furnace, Ladle refining and water cooled panels, etc.), which allows utilization of sponge iron to the extent of not less than 70 per cent in its charge mix. The existing units are also being encouraged to modernize through adoption of modern energy-saving equipments and replacement of small furnaces by bigger ones. Liberal grants of additional capacities have also been announced in order to encourage the existing mini steel plants to increase liquid metal production sufficient for producing a minimum quantity of 1 lakh tonnes per annum of hot rolled strips/coils. Such units would also be permitted to set up facilities for the manufacture of such strips/coils in the wider width of 600 mm and above. As a major initiative, the Government have agreed to allow mini Electric Arc Furnace (EAF) units to diversify production into any grade and type of steel within their overall licensed capacity. Investments in balancing facilities like continuous casting machines for production of blooms, billets and slabs and conditioning facilities for improving productivity and quality have also been freely allowed.

The production of steel by rolling mills at 5,777.8 thousand tonnes recorded an increase over last year's production. However, the capacity utilization of re-rolling industry remains poor and is estimated between 25 per cent to 35 per cent. The Government is initiating a number of steps for improving their performance in terms of capacity utilization, energy conservation, cost of production, etc. A number of modernization and expansion programmes are being implemented in various steel plants of SAIL in order to improve cost efficiency and increase production to catch up with the growing demand.

(e) Electricity

The generation of electricity at 245.1 BUs (Billion Kilo Watt Hours (KWH))during 1989-90 increased at a higher rate of 10.9 per cent as against 9.5 per cent in the previous year but was 2.5 per cent lower than the target of 251.3 billion KWH set for the year (Table IV-10). The improvement during the year was mainly due to better performance by the thermal and hydel generation. The power generation target for the year 1989-90 was set at 251.3 BUs comprising 182.3 BUs thermal power, 62 BUs hydro power and 7 BUs nuclear power. This shortfall *vis-a-vis* the target was due to lower than expected performance of thermal and nuclear power generation, the output of which fell short of their respective targets by 2.1 per cent and 34.3 per cent. The generation of hydel power was equal to the target of 62 BUs.

Source-wise, the output from thermal units (accounting for approximately 72.8 per cent of the total power generation) registered a higher growth of 13.3 per cent as against 5.4 per cent registered in the previous year. The output of thermal electricity was lower than the target due to low system demand owing to good monsoons, continued high rate of forced outages of capacity in power stations in the Eastern and North-Eastern regions, slippages in the commissioning of certain units and inadequate supply of coal to the thermal plants. The output of hydel power at 62.0 billion KWH during 1989-90 equalled the programmed target set for the year 1989-90. Hydel power generation accounts for about 25.3 per cent of the total power generation during 1989-90. The increase in generation in 1989-90 was 7.3 per cent as compared to rise of 21.9 per cent in 1988-89 and decline of 11.8 per cent in 1987-88 due to drought. Nuclear power generation which accounts for about 2 per cent of total power generation during the year received a severe setback. The output at 4.6

Table IV-10: Source-wise break-up of Electric Power Generation

(Billion Kilo Watt Hours)

Source	April-March					
	1987-88		1988-89		1989-90 P	
	Power Generation	Percentage Share	Power Generation	Percentage Share	Power Generation	Percentage Share
1	2	3	4	5	6	7
1. Thermal	149.5 (+16.0)	74.0	157.5 (+5.4)	71.2	178.5 (+13.3)	72.8
2. Hydel	47.4 (-11.8)	23.5	57.8 (+21.9)	26.2	62.0 (+7.3)	25.3
3. Nuclear	5.0 (+0.2)	2.5	5.8 (+16.0)	2.6	4.6 (-20.7)	1.9
4. Total	**201.9 (+7.6)**	**100.0**	**221.1 (+9.5)**	**100.0**	**245.1 (+10.9)**	**100.0**

P : Provisional.

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

Source : Central Electricity Authority.

billion KWH was not only lower than last year's production by 20.7 per cent but also fell short of the programmed target by a sizeable margin of 34.3 per cent.

Against an estimated demand of 247.8 BUs in 1989-90, the actual power availability of 228.2 BUs revealed a deficit of 7.9 per cent as compared with 7.7 per cent observed in 1988-89. The absolute difference between the demand and availability as a percentage of the former was relatively large in the case of Eastern Region (15.0 per cent in 1989-90 against 11.6 per cent last year) and Southern Region (13.3 per cent as against 13.8 per cent in the previous year). The said deficits in the case of the Northern and North-Eastern Regions during the year, at 5.8 per cent and 3.0 per cent respectively were lower than 5.9 per cent and 3.2 per cent, observed during the preceding year. The power deficit in respect of the Western Region at 2.6 per cent during the year was reported to be equal to that in the previous year.

During the year 1989-90, the overall capacity utilization of thermal stations measured in terms of a composite Plant Load Factor (PLF) increased to 56.5 per cent from 55.0 per cent last year. However, the PLF in case of nuclear power declined to 40.6 per cent during 1989-90 from 54.0 per cent last year. The regional profile of growth in power generation suggests that thermal power output recorded the highest growth in Northern Region (18.9 per cent) followed by Western Region (15.1 per cent), Southern Region (11.5 per cent), North-Eastern Region (5.3 per cent) and Eastern Region (0.7 per cent). In respect of hydel generation, the highest growth was observed in the North-Eastern Region (16.5 per cent), followed by Southern Region (13.3 per cent), Eastern Region (9.2 per cent), Northern Region (6.1 per cent) and a decline in Western Region (-9.3 per cent). The highest overall growth in the power generation during the year was recorded for the Northern Region (13.5 per cent), while the minimum (2.0 per cent) was recorded in the Eastern Region.

As against the targeted capacity addition of 4,892.4 MW for the year 1989-90, the actual capacity added was 4,687.7 MW. As at the end of March 1990, the total installed capacity of power generation stood at 63,617.6 MW comprising 43,730.1 MW of thermal, 18,307.9 MW of hydro and 1,565.0 MW of nuclear power (Table IV-11). The target of power generation for 1990-91 has been fixed at 271.25 BUs. This shows an increase of 10.7 per cent over the generation of power in 1989-90.

Table IV-11 : Installed Plant Capacity

(Mega Watt)

As at the end of March	Thermal	Hydel	Nuclear	Total
1	2	3	4	5
1988	35,652	17,265	1,330	54,247
	(+12.3)	(+6.6)	(-)	(+10.1)
1989	39,563	17,798	1,565	58,926
	(+11.0)	(+3.1)	(+17.7)	(+8.6)
1990 (P)	43,730	18,308	1,565	63,603
	(+10.5)	(+2.9)	(-)	(+7.9)

P : Provisional.

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

Source : Central Electricity Authority.

With an objective of optimising power generation from thermal plants, a renovation and modernization programme was launched during 1989-90. Central Electricity Authority (CEA) has prepared a report identifying 49 Hydro stations with an aggregate capacity of 8,834 MW for purposes of uprating/ renovations. The CEA has also issued guidelines to State Electricity Boards to prepare individual reports for such renovation/uprating work. Transmission line projects continued to be accorded a high priority in the context of the need to evacuate power from the central generating stations to the beneficiary States. The Government have launched a scheme for incentive payments for the reduction of transmission and distribution (T & D) losses. Under this scheme, the SEBs which achieve a prescribed minimum reduction in T & D losses would be suitably rewarded.

(f) Crude Oil and Petroleum Refinery Products

The production of crude oil at 34,080 thousand tonnes during 1989-90 recorded a growth of 6.4 per cent over the level of 32,040 thousand tonnes in 1988-89 (Table IV-12). The Oil and Natural Gas Commission (ONGC) increased its production by 6.0 per cent to 31,381 thousand tonnes from 29,615 thousand tonnes in the previous year. However, ONGC's share in total domestic crude oil output remained stationary at the previous year's level of 92 per cent, the balance of 8 per cent, was accounted by Oil India Limited (OIL). The on-shore production of ONGC at 9,670 thousand tonnes was significantly higher by 13.7 per cent over the achievement of 8,503 thousand tonnes during 1988-89. On the other hand, its off-shore production at 21,711 thousand tonnes was moderately higher by 2.8 per cent over that recorded during 1988-89. The production of crude oil by Oil India Limited (OIL) during 1989-90 recorded an increase of 11.3 per cent to 2,699 thousand tonnes as compared with 2,425 thousand tonnes produced during 1988-89. As compared to the desired level of production of 34,530 thousand tonnes during 1989-90 (the final year of Seventh Plan), the total domestic output of the same at 34,080 thousand tonnes fell short by about 1.3 per cent.

The major highlights of ONGC's exploration and production activities during 1989-90 were: i) Oil and gas were struck in six structures namely, B-19, B-119 in Bombay off-shore area, Khoraghat in Assam, Andada and South Patan in Gujarat and Adiyakkamangalam in Tamil Nadu. ii) Production commenced through EPS from eight new structures located at Bombay off-shore, Assam, Krishna-Godavari, Cauvery and Cambay basins. iii) A 12 inch new gas pipeline from Dabka to Dhuvaran was commissioned in the Western Region. iv) Production of oil and gas started from the fractured basement rocks of Bombay High field. v) A gas compressor plant with a capacity to compress 0.1 million cubic meters per day of low

Table IV-12 : Crude Oil and Petroleum Refinery Products

(Thousand tonnes)

Item	April-March		
	1987-88	1988-89	1989-90 (P)
1	2	3	4
A. Crude Oil			
a) Production (i + ii)	**30,357**	**32,040**	**34,080**
	(-0.4)	**(+5.5)**	**(+6.4)**
i) On-shore	10,193	10,928	12,369
	(+3.4)	(+7.2)	(+13.2)
ii) Off-shore	20,164	21,112	21,711
	(-2.2)	(+4.7)	(+2.8)
b) Imports	**17,732**	**17,811**	**19,490**
	(+14.6)	**(+0.4)**	**(+9.4)**
B. Petroleum Refinery Products			
a) Production	**44,728**	**45,699**	**48,690**
	(+4.6)	**(+2.2)**	**(+6.5)**
of which			
i) Naphtha	5,462	5,378	5,227
	(+0.5)	(-1.5)	(-2.8)
ii) Kerosene	5,104	5,207	5,700
	(+3.9)	(+2.0)	(+9.5)
iii) High Speed Diesel Oil	16,296	16,656	17,737
	(+5.5)	(+2.2)	(+6.5)
b) Imports	**3,949**	**6,258**	**6,544**
	(+29.6)	**(+58.5)**	**(+4.6)**
of which			
i) Naphtha	—	—	—
ii) Kerosene	2,181	2,747	2,596
	(+14.8)	(+26.0)	(-5.5)
iii) High Speed Diesel Oil	1,329	2,448	3,048
	(+77.2)	(+84.2)	(+24.2)

P : Provisional.

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

Source : Ministry of Petroleum and Chemicals.

pressure gas was commissioned in WRBC.

During 1989-90, OIL also made a significant discovery of natural gas in the Jaisalmer Basin of Rajasthan.

The total imports of crude oil at 19,490 thousand tonnes increased by 9.4 per cent during 1989-90 over the quantum of imports made last year. The consumption of crude oil (in terms of refinery throughput) at 51,942 thousand tonnes increased by 6.4 per cent from 48,803 thousand tonnes during 1988-89.

While the output of petroleum refinery products rose by 6.5 per cent to 48,690 thousand tonnes during 1989-90 as against 45,699 thousand tonnes during 1988-89, the consumption of the same increased at a higher rate of 8.2 per cent to 53,825 thousand tonnes from 49,760 thousand tonnes, during the previous year. The domestic output of petroleum products during 1989-90, nevertheless, surpassed the target by 6.2 per cent. In respect of petroleum products, over 30 per cent of requirement is being met by imports.

As on April 1, 1989, the toal installed refinery capacity spread over 12 refineries was of the

order of 49.85 million tonnes per annum (MTPA). This is in addition to a swing capacity of 2.0 MTPA existing at Hindustan Petroleum Corporation Limited's (HPCL) Bombay Refinery. With production level at 48.69 million tonnes, the capacity utilization ratio works out to about 98 per cent. There is, therefore, urgent need to augment the existing capacity.

For meeting the growing demand for petroleum products, the Government has initiated a number of measures to bolster the refining capacity in the country. In this regard, the major projects commissioned during the year include a 3 × 10 MW gas turbine based captive power plant at HPCL, a 2 × 15 MW Bharat Petroleum Corporation Limited's (BPCL) captive power plant and an aromatic plant at Cochin Refineries Limited (CRL) for the production of 87,200 TPA of Benzene. The Government has also agreed, in principle, to allow setting up of three refineries at Karnal, Mangalore and Numaligarh with a total capacity of 12.0 MTPA.

Petroleum Conservation Research Association (PCRA) continued its thrust for conservation of Petroleum products in industrial, transport, agricultural and domestic sectors by intensifying their efforts through conduct of fuel oil utilization studies, energy audits, model depot projects, installation of low excess air film burners, replacement of boilers, information dissemination programmes, press campaign and R & D activities.

In the transport sector, the PCRA helped in drivers' training, setting up of model depots and other related activities. In the agricultural sector, it continued its programme of rectification of lift irrigation pump sets in Gujarat, Rajasthan, Uttar Pradesh, Punjab and Andhra Pradesh.

B. Capital Goods Industries

(a) Engineering Industry

During 1989-90 (April-March), the composite index of the output of engineering industry (comprising machinery and machine tools, transport equipment, metal products and parts and electrical machinery) having a weight of 20.7 per cent in the general index of industrial production increased at a higher rate of 17.5 per cent as compared with a growth of 8.6 per cent recorded in the preceding year. This higher growth was appreciably supported by the impressive rise (31.6 per cent) in the output of electrical machinery. The performance of engineering industry during the year is characterised with considerable variations in growth of individual industries as compared to those recorded in the previous year. In the automobile sector of the heavy mechanical engineering group, there occurred a considerable slowdown in the expansion of output of passenger cars and jeeps, whereas the growth in the output of commercial vehicles experienced a mild acceleration. Among the heavy electrical industry group, while the output of electric motors and power driven pumps declined, that of power transformers recorded an appreciable increase. The details regarding the exports of engineering goods are given in Chapter X of this Report titled "Developments in India's Foreign Trade".

The performance of selected engineering industries during 1989-90 (April-March) is reviewed briefly under four broad categories viz., i) heavy mechanical engineering industries, ii) light mechanical engineering industries, iii) electrical engineering industries and iv) electronics industries (for calendar year 1989).

i) Heavy Mechanical Engineering Industries

In the automobile sector of the heavy engineering group (Table IV-13), the output of cars and jeeps decelerated sharply to 12.2 per cent and 21 .3 per cent from 16.5 per cent and 59.3 per cent in the previous year, whereas commercial vehicles registered a higher growth of 3.3 per cent as against 2.2 per cent in the previous year. The growth of the output of commercial vehicles is attributable to increased demand following sustained recovery in the general economic climate. The deceleration in the growth of output of cars and jeeps seems to be a consequence of weakening of demand owing to consumer resistance to rising prices. The sharp increase in fuel and other spare parts required for maintenance also seems to have affected the demand for cars. The growth in the output of two wheelers (including scooters, motorcycles

and mopeds) at 4.6 per cent during the year has been marginally below the growth rate of 4.9 per cent recorded last year. In case of two wheelers, the duty of 25 per cent *ad valorem* applicable to engine capacity of 100 CC to 150 CC was modified to include those of capacity of 200 CC under this rate of duty. In order to encourage exports of automobiles, the Government, early this year, agreed to streamline Duty Drawback Scheme, provide uniform rate of Cash Compensatory Support (CCS) for all vehicles and components, allow quality raw materials at international prices and permit freedom to import certain percentage of essential components alongwith concession in customs duty for machinery such as tools, dies, jigs and fixtures. Incidentally, the value of capital goods imports by the automobile sector during 1989-90 have been observed to be the highest as compared to earlier years of the Seventh Plan. Continued emphasis is also being placed on fuel efficiency norms and indigenisation programme to not only reduce dependence on foreign supply of components but also to build a viable export potential. Due to increased domestic competition, price rise and prospects of saturation of internal market in the coming years, it has now become imperative for the industry to search avenues in the export market.

The production of diesel engines declined by 4.5 per cent in continuation to a decline of 2.1 per cent during 1988-89 due mainly to reduction in demand in the wake of good monsoons in succession in the previous years. The growth in the output of railway wagons decelerated to 3.7

Table IV-13 : Output of Selected Heavy Mechanical Engineering Industries

Item	Unit	April-March		
		1987-88	1988-89 (P)	1989-90 (P)
1	2	3	4	5
1. Automobiles				
i) Passenger Cars	'000 Nos.	138.3	161.0	180.6
		(+37.7)	(+16.4)	(+12.2)
ii) Commercial Vehicles	"	119.9	122.5	126.5
		(+13.1)	(+2.2)	(+3.3)
iii) Jeeps	"	23.6	37.6	45.6
		(-19.5)	(+59.3)	(+21.3)
2. Scooters, Motor cycles & Mopeds	"	1596.9	1674.5	1750.7
		(+11.3)	(+4.9)	(+4.6)
3. Structurals	'000 Tonnes	131.0	107.9	120.6
		(+1.6)	(—17.6)	(+11.8)
4. Steel Castings**	"	311.4	332.7	361.5
		(+30.7)	(+6.8)	(+8.7)
5. Diesel Engines**	'000 Nos.	1896.6	1857.1	1773.6
		(-15.2)	(-2.1)	(-4.5)
6. Railway Wagons	"	15.8	21.4	22.2
(in terms of four wheelers)		(+3.9)	(+35.4)	(+3.7)
7. Road Rollars	Nos.	530.0	564.0	375.0
		(-14.8)	(+6.4)	(-33.5)
8. Lifts	"	1952.0	2210.0	2032.0
		(+3.8)	(+13.2)	(-8.1)
9. Tractors	'000 Nos.	82.9	109.7	125.1
		(+3.7)	(+32.3)	(+14.0)

P : Provisional.
** : Includes production from the small scale sector.
Note : Figures in brackets indicate percentage variations over the preceding year.
Source : Government of India (C.S.O. and Ministry of Industry).

Table IV-14 : Output of Selected Light Mechanical Engineering Industries

Item	Unit	April-March 1987-88	1988-89 (P)	1989-90 (P)
1	2	3	4	5
1. Typewriters	'000 Nos.	93.6	122.3	114.8
		(-23.8)	(+30.7)	(-6.1)
2. Bicycles	,,	6706.5	6702.7	6697.1
		(+9.6)	(-0.1)	(+0.1)
3. Sewing Machines	,,	314.6	238.3	138.1
		(-16.6)	(-24.3)	(-42.0)
4. Razor Blades	Mill. Nos.	2235.0	2767.2	3009.3
		(+6.0)	(+23.8)	(+8.7)
5. Wrist Watches	,,	7.5	9.0	9.8
		(-0.5)	(+20.0)	(+8.9)

P : Provisional.

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

Source : C.S.O. and Ministry of Industry, Government of India.

per cent from 35.4 per cent in the previous year due to low demand from railways. The output of tractors showed an impressive increase of 14.0 per cent over and above the increase of 32.3 per cent observed in the previous year mainly on account of good demand from the farm sector following expectations of good monsoon precipitation during the year. Owing to improved demand from the power sector and other industries, the growth in the output of structurals recorded a turn-around with the increase in the output by about 11.8 per cent as against a decline of 17.6 per cent during 1988-89. The output of road-rollars and lifts declined substantially by 33.5 per cent and 8.1 per cent as against the increases of 6.4 per cent and 13.2 per cent, respectively, registered in the previous year.

ii) Light Mechanical Engineering Industries

Among the selected light mechanical engineering items (Table IV-14), the production of bicycles remained at almost the same level as last year owing to low performance of some public sector units. The output of typewriters declined by 6.1 per cent as against an impressive increase of 30.7 per cent during 1988-89. The production of sewing machines showed a large decline of 42.0 per cent over and above a decline of 24.3 per cent in 1988-89. The output of razor blades and wrist watches recorded increases at lower rates of 8.7 per cent and 8.9 per cent compared to 23.8 per cent and 20.0 per cent, respectively, in the previous year.

iii) Electrical Engineering Industries

The electrical engineering industries as a whole recorded a growth of 20.6 per cent during 1989-90 as compared to 5.4 per cent in 1988-89. Among the selected light electrical engineering goods, while the output of electrical fans and radio receivers declined substantially, that of domestic refrigerators, storage batteries and fluorescent lamps recorded appreciable increases (Table IV-15). While the output of domestic refrigerators and storage batteries increased by 10.8 per cent and 17.0 per cent as compared to 39.3 per cent and 12.0 per cent, respectively, the production of fluorescent lamps exhibited an impressive growth with an increase of 21.9 per cent as compared to a decline of 5.1 per cent last year, owing to a descernible shift in consumer demand which followed duty reliefs provided by the Government. The output of electrical fans and radio receivers declined substantially by 26.2 per cent and 35.5 per cent as compared to a rise of 6.6 per cent and 5.9 per cent, respectively, during 1988-89.

Of the heavy electrical engineering items, the output of electric motors and power driven

pumps declined by 1.9 per cent and 19.1 per cent during 1989-90 as compared to an appreciable increases of 23.3 per cent and 15.1 per cent, respectively, last year. The performance of power pumps industry was affected due to lower demand for agricultural pump sets as also due to increasing imports included in project imports. On the other hand, the output of power transformers increased by 33.7 per cent as compared to 14.5 per cent last year owing to the increased rate of power production during the year. With a view to accelerate the process of modernization/upgradation of heavy electrical industry, the Government has already de-licensed (albeit subject to locational guidelines) most of the items of heavy engineering items and has brought several industries under the scope of broadbanding and minimum economic capacity (MEC) regulation.

iv) Electronics Industries

The value of the output of electronics industries during the calendar year 1989 increased by about 32.0 per cent and hence maintained the high tempo of growth observed over the previous years of the Seventh Plan. The growth of output of export processing zones (EPZs) improved further to 37.2 per cent during 1989 from 26.2 per cent last year. As in the previous year, consumer electronics continued to account for the largest share of more than thirty per cent (about 33.7 per cent) of the total output of the industry in 1989 (Table IV-16).

During the calendar year 1989, substantial expansion was observed in the output of tape recorders/two-in-ones and electronic watches. On the other hand, while the output of television

Table IV-15 : Output of Selected Electrical Engineering Industries

Item	Unit	April-March		
		1987-88	1988-89 (P)	1989-90 (P)
1	2	3	4	5
A. Light Electrical Engineering				
1. Electrical Lamps				
i) Incandescent	Mill. Nos.	255.5	247.5	251.9
		(-9.9)	(-3.1)	(+1.8)
ii) Fluorescent	"	48.7	46.2	56.3
		(+3.6)	(-5.1)	(+21.9)
2. Electrical Fans**	"	6.1	6.5	4.8
		(+15.1)	(+6.6)	(-26.2)
3. Radio Receivers	'000 Nos.	977.9	1036.0	668.1
		(-21.7)	(+5.9)	(-35.5)
4. Storage Batteries	"	2933.0	3285.0	3842.6
		(+12.8)	(+12.0)	(+17.0)
5. Dry Cells	Mill. Nos.	1700.2	1351.3	1274.2
		(+45.7)	(-20.5)	(-5.7)
6. Domestic Refrigerators	'000 Nos.	680.3	947.7	1050.5
		(+15.2)	(+39.3)	(+10.8)
B. Heavy Electrical Engineering				
1. Power Transformers	Mill. KVA	24.1	27.6	36.9
		(-14.7)	(+14.5)	(+33.7)
2. Electric Motors	Mill. H.P.	4.3	5.3	5.2
		(-20.8)	(+23.3)	(-1.9)
3. Power Driven Pumps	'000 Nos.	515.7	593.5	480.4
		(+12.3)	(+15.1)	(-19.1)

P : Provisional.
** : Includes production from the small scale sector.
Note : Figures in brackets represent percentage variations over the previous year.
Source : C.S.O. and Ministry of Industry, Government of India.

receivers (both black and white and colour) declined, that of radio receivers remained at the last year's level. Sizeable increases were observed in the output of instrumentation and industrial electronics, computers, communication and broadcasting equipments, aerospace and defence electronics and components. A number of policy initiatives were undertaken during 1989 to assist higher growth in the electronics sector, important among them were as follows:

1) The investment limit for some major electronics sectors was reduced to Rs. 50 million subject to certain conditions. The facility of de-licensing was extended to more electronic items such as modems, telephone amplifiers, etc. 2) Merchant sales of components and parts was allowed to those industrial units which held a licence or registration for any finished equipment provided the turnover from merchant sales did not exceed 25 per cent of the turnover of the finished equipment and such components and parts did not encroach on the reserved list of the small scale industry. This facility was made available also to MRTP/ FERA companies. 3) In order to encourage exports, the Government also provided for one time permission to all industrial undertakings including MRTP/FERA companies to manufacture items not covered by their existing licences against export contracts.

(b) Metallurgical Industries Other than Iron and Steel

i) Aluminium

The total production of aluminium in the country was expected to reach an all time high at 4.31 lakh tonnes in 1989-90 from the previous peak level of 3.57 lakh tonnes attained in 1988-89. The level of output at 4.31 lakh tonnes exceeded the demand projected at 4.00 lakh tonnes. The increase of 21 per cent in production over that of 1988-89 was possible due to the progressive commissioning of National Aluminium Company Ltd. (NALCO) and adequate availability of power supply to smelters of Bharat Aluminium Company Ltd. (BALCO) and Hindustan Aluminium Company Ltd. (HINDALCO). Further, the Government's decision to decontrol the prices and distribution of

Table IV-16 : Production in Electronic Equipment and Components (Calendar Year)

(Rupees million)

Sector	1987	1988	1989
1	2	3	4
1. Consumer Electronics	18,200	24,000	28,000
	(+42.7)	(+31.9)	(+16.7)
2. Instrumentation and Industrial Electronics	6,850	9,350	12,100
	(+30.5)	(+36.5)	(+29.4)
3. Computers	3,750	4,860	7,000
	(+33.9)	(+29.6)	(+44.6)
4. Communication and Broadcasting	7,100	9,000	14,250
	(+40.9)	(+26.8)	(+58.3)
5. Aerospace and Defence	3,000	3,900	5,000
	(+35.1)	(+30.0)	(+28.2)
6. Components	7,000	10,250	14,400
	(+37.3)	(+46.4)	(+40.5)
7. Export Processing Zones*	1,300	1,640	2,250
	(-9.7)	(+26.2)	(+37.2)
Total	**47,200**	**63,000**	**83,000**
	(+36.4)	**(+33.5)**	**(+31.7)**

* : Domestic Tariff Areas.

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

Source : Department of Electronics, Government of India.

aluminium from March 1, 1989, was also responsible for the increase in output in 1989-90. In the context of surplus availability of aluminium, it is possible now to export it. During 1988-89, the primary producers exported alumina, aluminium metal and semi-fabricated products worth Rs. 273 crore. During 1989-90, the combined exports by primary producers would be around Rs. 450 crore, of which earnings of NALCO exports are expected to be around Rs. 400 crore (Table IV-17).

ii) Copper

Production of copper which had increased substantially by 28.4 per cent to 0.40 lakh tonnes in 1988-89 increased by 3.3 per cent to 0.41 lakh tonnes in 1989-90. The Hindustan Copper Ltd. (HCL) is the sole indigenous producer having four operating units at Khetri (Rajasthan), Ghatsila (Binar), Malanjkhand (Madhya Pradesh) and Taloja (Maharashtra). Its plant at Taloja which went into trial production in December 1989, would substantially meet the demand for cast copper wire-rods in the country.

The integrated development of the Malanjkhand copper deposits in Madhya Pradesh and the major schemes for modernisation and debottlenecking of smelters and refineries, both at Khetri and Ghatsila would help HCL in improving the quality of copper and increasing its production. However, the copper requirements of the country are only partially met by HCL and the balance is met by imports which are canalised through Minerals and Metals Trading Corporation of India Ltd. (MMTC).

Some direct imports under the REP/Advance licenses are also made.

iii) Lead

Production of lead increased by 23.7 per cent in 1989-90 to 23.0 thousand tonnes from 18.6 thousand tonnes in 1988-89.

Table IV-17 : Production of Non-Ferrous Metals

(Thousand tonnes)

Item	April-March		
	1987-88	1988-89	1989-90 (P)
1	2	3	4
Virgin Metals			
1. Aluminium	277.7	356.5	430.9
		(+28.4)	(+20.9)
2. Copper	31.0	39.8	41.1
		(+28.4)	(+3.3)
3. Lead	20.2	18.6	23.0
		(-7.9)	(+23.7)
4. Zinc	60.6	61.2	69.1
		(+1.0)	(+12.9)
Semi-Manufactures			
1. Aluminium			
(a) Sheets and Circles Rolled Products	66.9	92.4	80.6
		(+38.1)	(-12.8)
(b) Wire rods for Aluminium Conductor Steel Reinforced (ACSR)/(AAC)	40.9	29.6	46.7
		(-27.6)	(+57.8)
2. Copper Sheets and Circles Rolled Products	29.1	45.7	29.7
3. Brass Sheets and Circles Rolled Products		(+57.0)	(-35.0)

P : Provisional.

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

Source : Department of Industrial Development, Ministry of Industry.

Table IV-17A : Non-Ferrous Metals—Targets and Achievements

(Thousand tonnes)

Item	Target for 1989-90	Achievements in 1989-90	% Variation
1	2	3	4
1. Aluminium	499	431	-13.6
2. Copper	43	41	-4.7
3. Lead	27	23	-14.8
4. Zinc	89	69	-22.5

iv) Zinc

Production of zinc increased to 69.1 thousand tonnes in 1989-90 from 61.2 thousand tonnes in 1988-89. The growth rate in 1989-90 increased to 12.9 per cent from 1.0 per cent in 1988-89. The present indigenous production of zinc and lead metals is not sufficient to meet the demand. The gap between demand and production is being met by imports of concentrates and metals. With the commissioning of Rampura-Agucha and Chanderiya Integrated Project (Rajasthan) in 1991-92, the production is expected to increase by 63.0 thousand tonnes of zinc and 31.5 thousand tonnes of lead.

There has been no change in the installed capacity of lead; it continues to be at 30 million tonnes. The capacity utilisation ratio which had fallen from 63.7 per cent in 1987-88 to 62.0 per cent in 1988-89 improved to 76.7 per cent in 1989-90. As regards zinc the installed capacity increased from 96 million tonnes in 1988-89 to 99 million tonnes in 1989-90. The capacity utilization ratio was higher at 69.8 per cent in 1989-90 from 63.4 per cent in the previous year.

Although there was an increase in the production of the non-ferrous metals viz. aluminium, copper, lead and zinc in 1989-90 their output was short of the targets.

C. Intermediate Goods Industries

(a) Jute Textiles

Production of jute textiles at 13.04 lakh tonnes during 1989-90 (April-March) registered a decline of 6.1 per cent in contrast to an increase of 16.5 per cent in 1988-89 (Table IV-18.) This was due to the drop in sacking and carpet backing production which was in turn attributable to the sluggish demand during major part of the year. Production of hessian and other categories of jute goods registered increases during 1989-90. Total production of hessian at 347.2 thousand tonnes during 1989-90 was higher than in the previous year (313.7 thousand tonnes) by 10.7 per cent. Increase in output was attributed to good demand from fertiliser and other sectors in the country. Larger exports particularly to the USSR also aided the trend. The production of sacking and carpet backing at 670.6 thousand tonnes and 34.0 thousand tonnes during 1989-90 respectively, were lower than that of 792.7 thousand and 35.6 thousand tonnes during the previous year.

Domestic consumption of jute goods during 1989-90 at 1108.8 thousand tonnes showed a marginal fall of 3.5 per cent as compared to a noteworthy rise of 20.0 per cent during last year (1148.5 thousand tonnes). The decline in offtake of jute goods was due mainly to erratic purchase of jute bags by Government agencies for packing foodgrains as well as reduced usage of bags in cement sector. However, the Ministry of Food has laid down specific modalities for purchases to avoid the recurrence of the problems caused by unplanned purchases of jute bags for packing foodgrains. The proper phasing of purchases is expected not only to aid production planning but also stabilise jute goods market. In pursuance of the policy during the last quarter of 1989-90, the various foodgrains agencies gradually raised their requirement for jute bags

Table IV-18 : Jute Textiles

(Thousand tonnes)

Item	Year (April-March)	Hessian	Sacking	Carpet Backing	Others	Total
1	2	3	4	5	6	7
Production	1987-88	316.0	679.3	41.3	155.5	1192.1
		(-9.3)	(-18.3)	(-22.8)	(-3.4)	(-14.5)
	1988-89 (P)	313.7	792.7	35.6	246.6	1388.6
		(-0.7)	(+16.7)	(-13.8)	(+58.6)	(+16.5)
	1989-90 (P)	347.2	670.6	34.0	252.5	1304.3
		(+10.7)	(-15.4)	(-4.5)	(+2.4)	(-6.1)
Consumption**	1987-88	146.3	669.0	3.2	138.9	957.4
		(+2.0)	(-16.5)	(+14.3)	(-3.1)	(-12.2)
	1988-89 (P)	160.1	764.3	4.5	219.6	1148.5
		(+9.4)	(+14.2)	(+40.6)	(+58.1)	(+20.0)
	1989-90 (P)	178.1	684.0	6.3	240.4	1108.8
		(+11.2)	(-10.5)	(+40.0)	(+9.5)	(-3.5)
Year-end Stocks	1987-88	22.4	25.4	8.8	9.1	65.7
		(-3.0)	(-11.8)	(+1.1)	(-27.8)	(-10.1)
	1988-89 (P)	27.5	43.5	4.9	18.3	94.2
		(+22.8)	(+71.3)	(-44.3)	(+101.1)	(+43.4)
	1989-90 (P)	24.6	22.5	4.5	11.9	63.5
		(-10.5)	(-48.3)	(-8.2)	(-35.0)	(-32.6)

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

for packing rabi crop to unusually high level which initially created some problems of production scheduling and transportation but were subsequently resolved.

Since the fall in production of jute goods was larger than that of domestic consumption, their stocks at 63.5 thousand tonnes at end-March 1990 were lower by 30.7 thousand tonnes from the level observed during the previous year. Category-wise, the stocks of hessian, sacking and other jute goods declined sharply by 10.5 per cent, 48.3 per cent and 35.0 per cent, respectively, whereas that of carpet backing declined by about 8.2 per cent during the year.

Information on export of jute manufactures including twist and yarn and measures relating to exports implemented by the Government is covered in the Chapter X on "Developments in India's Foreign Trade" of this Report.

The Government of India constituted a committee in January 1990 for reviewing the various schemes related to modernisation and diversification in jute sector. This committee has examined in detail various aspects of implementation of the programmes under Jute Modernisations Fund Scheme and Special Jute Development Fund since 1986-87 and has made several recommendations not only to modify and broaden the scope of these schemes but to devise an integrated jute policy by the Government. For accelerating the process of modernisation in the industry, the Government has allowed duty free import of certain machinery embodying improved technology for a limited period valid upto December 1990.

* * *

(b) Rubber and Rubber Manufactures

The production of natural rubber touched an all-time high of 297.3 thousand tonnes in 1989-90 from 259.2 thousand tonnes in 1988-89, registering 14.7 per cent increase over the previous year compared to 10.2 per cent in 1988-

89. This increase could be attributed to the various measures taken by the Rubber Board for enhancing the production of natural rubber. The measures taken included: extensive and intensive cultivation of natural rubber and rendering financial and technical assistance for new planting and replanting and distribution of inputs. During 1989-90, an estimated 15,000 hectres of land was brought under the new planting and replanting schemes.

Consumption of natural rubber at 341.8 thousand tonnes also rose during 1989-90 though the rate of growth was marginally lower at 8.9 per cent than that of 9.1 per cent in 1988-89. Though the production of natural rubber has shown improvement, it has not been able to keep pace with the overall demand of the user-sector industry. Eighty per cent of the requirements are met from indigenous production and the balance of 20 per cent through imports to fill the gap between demand and supply. Imports of natural rubber in 1989-90 were lower at 44.9 thousand tonnes as compared with 59.8 thousand tonnes in 1988 89. State Trading Corporation of India Ltd. continued to import and distribute rubber to the manufacturers. The year-end stocks of natural rubber at 69.6 thousand tonnes were marginally higher by 0.4 per cent over the previous year's stock of 69.3 thousand tonnes (Table IV-19).

Table IV-19 : Rubber

(Thousand tonnes)

Item	April-March		
	1987-88	1988-89	1989-90
1	2	3	4
Production			
Natural	235.2	259.2	297.3
	(+7.2)	(+10.2)	(+14.7)
Synthetic	44.5*	53.8*	52.4*
	(+14.7)	(+20.9)	(-2.6)
Reclaimed	40.5	41.0	44.5
	(+3.8)	(+1.2)	(+8.5)
Imports			
Natural	53.7	59.8	44.9
	(+18.3)	(+11.4)	(-24.9)
Synthetic	30.1*	31.7*	37.5*
	(-7.7)	(+5.3)	(+18.3)
Consumption			
Natural	287.5	313.8	341.8
	(+11.7)	(+9.1)	(+8.9)
Synthetic	76.4	84.2	91.1
	(+6.4)	(+10.2)	(+8.2)
Reclaimed	41.1	41.2	43.9
	(+6.5)	(+0.2)	(+6.6)
Year-end Stocks			
Natural	64.1	69.3	69.6
	(+2.2)	(+8.1)	(+0.4)
Synthetic	13.2	14.5	13.4
	(-12.6)	(+9.8)	(-7.6)
Reclaimed	3.0	2.8	3.4
	(-18.9)	(-6.7)	(+21.4)

* : Provisional.

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

Source : Rubber Board, Government of India.

Production of synthetic rubber recorded a decline of 2.6 per cent to 52.4 thousand tonnes in 1989-90 as compared to 20.9 per cent increase in 1988-89. However, its consumption increased to 91.1 thousand tonnes from 84.2 thousand tonnes during 1988-89 recording an increase of 8.2 per cent. Owing to shortfalls in both production levels and increased rate of consumption during 1989-90, a total of 37.5 thousand tonnes of synthetic rubber was imported in order to bridge the gap between demand and supply. Due to increased demand, the year-end stocks of synthetic rubber fell by 7.6 per cent to 13.4 thousand tonnes during 1989-90 compared to 14.5 thousand tonnes in the year 1988-89 which had registered an increase of 9.8 per cent over 1987-88.

The price of RMA-4 rubber in Kottayam market fluctuated between Rs. 1,858 and Rs. 2,538 per quintal during the year. The average price at Rs. 2,131 during 1989-90 was higher by Rs. 316 than the average price of Rs. 1,815 quoted during the previous year.

Production trends in selected rubber goods industries are presented in Table IV-20. While production of automobile tyres, tubes and rubber footwear increased over the previous year's level, that of cycle tyres declined. Among the products for automobile industry, production of giant tyres increased by 2.7 per cent and tubes by 10.3 per cent during 1989-90, as against 24.0 per cent and 13.5 per cent, respectively, during 1988-89.

(c) Chemicals and Chemical Products

The substantial increase noticed in the production of chemicals and chemical products in 1988-89 could not be sustained in 1989-90 and this was largely on account of supply constraints in regard to certain inputs. The growth in the average monthly index of this group decelerated to 5.9 per cent in 1989-90 from 16.2 per cent in 1988-89 and 14.5 per cent in 1987-88.

Among the selected items in this group, the growth rate in fertilizers (nitrogenous and phosphatic) in 1989-90 decelerated to 4.5 per cent from 25.8 per cent in 1988-89. Total output which had increased substantially from 7.13 million tonnes in 1987-88 to 8.97 million tonnes in 1988-89 declined to 8.57 million tonnes in 1989-90. This decline in output was attributed to a fall in the production of phosphatic fertilizers. Nitrogenous fertilizers, however, registered a marginal rise. As a result, the output level (8.57 million tonnes) in 1989-90 fell short of the target set at 9.40 million tonnes. This shortfall necessitated import of about 0.63 million tonnes of fertilizers in 1989-90. During 1989-90, output of nitrogenous fertilizers at 6.76 million tonnes

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

(Lakh numbers)

Year (April-March)	Automobile Tyres		Automobile Tubes	Cycle Tyres	Rubber Footwear
	Total	*of which:* Giant Tyres			
1	2	3	4	5	6
1987-88	145.4	45.5	127.7	233.0	411.0
	(+14.4)	(-2.8)	(+0.5)	(-21.7)	(-2.0)
1988-89 (P)	167.0	56.4	145.0	260.0	353.0
	(+14.9)	(+24.0)	(+13.5)	(+11.6)	(-14.1)
1989-90 (P)	184.0*	57.9	160.0*	256.0	362.0
	(+10.2)	(+2.7)	(+10.3)	(-1.5)	(+2.5)

P : Provisional.
* : Estimated production.
Note : Figures in brackets represent percentage variations over preceding year.
Source : Department of Industrial Development, Ministry of Industry.

(against a target fixed at 7.00 million tonnes) increased at a lower rate of 0.8 per cent compared to an impressive growth of 22.8 per cent in 1988-89. Production of phosphatic fertilizers, on the other hand, declined sharply by 20.3 per cent to the level of 1.80 million tonnes during 1989-90 (target fixed at 2.40 million tonnes) as against the growth rate of 35.8 per cent in the preceding year. (Table IV-21).

The problem of low performance in the fertilizer industry is confined generally to the old and sick units, most of which are under the Fertilizer Corporation of India and Hindustan Fertilizer Corporation of India. Besides, they are also faced with problems of unstable power supply. Hence, remedial measures have been initiated which include modernisation of old units and setting up of modern plants based on proven technology and equipment.

Reflecting the problems faced by the various fertilizer units, the capacity utilization ratio of nitrogenous and phosphatic fertilizer plants declined to 82.3 per cent and 65.1 per cent in 1989-90 from 85.2 per cent and 86.9 per cent respectively, in 1988-89.

At present, there are 55 fertilizer units manufacturing a wide range of nitrogenous and complex/phosphatic fertilizers, including 8 units providing ammonium sulphate as a by-product. Besides, there are 87 units manufacturing single superphosphates. The fertilizer capacity as on December 1, 1989 was 81.48 lakh tonnes for production of nitrogen and 27.50 lakh tonnes for phosphates. Eight fertilizer projects are under implementation of which 5 are nitrogenous and 3 are phosphatic.

The Working Group set up by the Planning Commission to assess the supply and demand for fertilizers during the Eighth Plan period i.e., 1990-91 to 1994-95 has estimated the demand and supply of nitrogen and phosphate in 1990-91 at 8.31 million tonnes and 3.53 million tonnes respectively. As against these targets production levels are estimated at 7.06 million tonnes (N_2) and 2.55 million tonnes (P_2O_5), respectively leaving a gap of 1.25 million tonnes and 0.98 million tonnes. The Working Group has recommended that the demand-supply gap of nitrogen should not exceed more than one million tonne or about 10 per cent of output to be met by imports. In the case of phosphates, indigenous capacities of finished products should be created to the extent of 85 per cent of requirement. The present feedstock policy of fertilizer envisages development of additional fertilizer capacity based mainly on gas. The Working Group has recommended continuation of this policy.

Caustic soda output in 1989-90 registered a welcome turn around; it registered a positive growth rate of 2.6 per cent in 1989-90 in contrast to a decline of 6.1 per cent in 1988-89. Actual output which had declined from 958 thousand tonnes in 1987-88 to 899 thousand tonnes in 1988-89 improved to 922 thousand tonnes in 1989-90. At this level of output of 922 thousand tonnes, it exceeded the target set for it at 900 thousand tonnes in 1989-90. The output in 1990-91 is estimated to be around 960 thousand tonnes as against the current installed capacity of 1100 thousand tonnes per annum.

The output of soda ash rose to 1.38 million tonnes in 1989-90 from 1.18 million tonnes in the previous year. However, the growth rate decelerated to 16.6 per cent from 26.3 per cent. The output in 1989-90 at 1.38 million tonnes was higher than its estimated demand at 1.24 million tonnes. The existing installed capacity of the industry is estimated at 1.46 million tonnes. To encourage higher production the Government has delicensed the industry.

The drugs and pharmaceutical industry has shown steady growth over the last decade and this trend was maintained during 1989-90. Production in terms of value of bulk drugs and formulations in 1989-90 was estimated at Rs. 610 crore and Rs. 3,360 crore, respectively, registering a rise of 10.9 per cent and 6.7 per cent, over the previous year. The increased production of essential drugs facilitated the fulfilment of the goal of ensuring easy availability of good quality essential drugs at reasonable prices to the common man specifically in the case of Penicillin, Gentamycin, Ranitidine, etc.

Table IV-21 : Production of Major Chemicals and Chemical Products

(Thousand tonnnes)

Item	April-March		
	1987-88	1988-89	1989-90 (P)
1	2	3	4
1. Nitrogenous Fertilizers (N Content)	5466.0	6712.3	6764.6
		(+22.8)	(+0.8)
2. Phosphatic Fertilizers (P_2O_5)	1665.0	2261.6	1803.0
		(+35.8)	(-20.3)
3. Caustic Soda	957.7	899.3	922.3
		(-6.1)	(+2.6)
4. Soda Ash	935.6	1181.5	1377.5
		(+26.3)	(+16.6)
5. Paints and Varnishes (Organised Sector)*	317.2	336.0	342.9
		(+5.9)	(+2.1)
6. Soap (Organised Sector)*	1506.4	1478.7	1525.2
		(-1.8)	(+3.1)
7. Synthetic Detergents (Organised Sector)	171.6	182.9	239.4
		(+6.6)	(+30.9)
8. Drugs and Pharmaceuticals (Rs. crores)			
i) Bulk Drugs	480	550	610
		(+14.6)	(+10.9)
ii) Formulations	2350	3150	3360
		(+34.0)	(+6.7)

P : Provisional.
* : Includes production in Small Scale Sector.
Note : Figures in brackets represent percentage variations over the preceding year.
Sources: i) Department of Chemicals and Petrochemicals, Ministry of Industry.
ii) Department of Industrial Development, Ministry of Industry.

The pharmaceutical sector has also made noteworthy contribution to the country's exports. Pharmaceutical exports, which were at an all-time high of Rs. 467.50 crores in terms of value during 1988-89, are expected to be still higher at Rs. 600 crores during 1989-90.

Among consumer goods in the organised sector, production of soaps in 1989-90 registered a positive growth of 3.1 per cent in contrast to the decline of 1.8 per cent in 1988-89. The output of synthetic detergents registered a substantial increase of 30.9 per cent at 239 thousand tonnes in 1989-90 from 183 thousand tonnes in 1988-89.

D. Consumer Goods Industries

(a) Sugar

According to the latest estimates, sugar production in the 1989-90 season (October-September) is expected to exceed 109 lakh tonnes, highest ever produced in the country, as compared with 87.52 lakh tonnes in 1988-89 and the previous high of 91.10 lakh tonnes in 1987-88 season. The increase in sugar production could be attributed to the higher sugarcane production, better cane yield and measures taken by the Government to boost sugar production. These measures for increasing sugar production were: compensation for additional costs incurred by the factories in increasing production in the early or later part of the season and even during the main crushing season on account of higher cane transportation charges brought from outside its zone. The sugarcane production in 1989-90 is estimated higher at 210.4 million tonnes as compared to 204.6 million tonnes in 1988-89.

Sugar output during 1989-90 season upto June 1990 at 108.58 lakh tonnes was higher by 22.39 lakh tonnes or 26.0 per cent than the production of 86.19 lakh tonnes in the corresponding period of the previous year. Taking into account the

carryover stocks of 12.29 lakh tonnes from the previous season and an import of 2.42 lakh tonnes, total availability in 1989-90 (till June 30, 1990) was 123.29 lakh tonnes as against 110.50 lakh tonnes in the corresponding period of the previous season. During the current season, total offtake till June 1990 at 76.41 lakh tonnes was higher by 1.58 lakh tonnes or 2.1 per cent than the offtake of 74.83 lakh tonnes in the corresponding period of 1988-89 season. The stocks of sugar at end-June 1990 stood at 46.88 lakh tonnes as against 35.67 lakh tonnes at end-June 1989 (Table IV-22).

Policy Measures

At the beginning of the 1989-90 sugar season, the Government announced incentives to encourage mills to start crushing early for giving a boost to sugar production. Accordingly, sugar mills achieving excess production during the period October 1 to November 15, 1989 over the average output in the same period of the preceding three years qualified for a higher ratio of levy and free sale proportion of 20 : 80 as against the normal one of 45:55.

With a view to enabling sugar mills to extend crushing operations and compensating them for the loss of recovery in summer months, the Government announced a higher free sale quota of 80 per cent in respect of excess production in May-July 1990 over the production in May-July 1989 or the average production achieved during the corresponding period of the preceding three years. Besides, the factories with no sugar production during May-July 1989 were also entitled to 80 per cent free sale quota for the entire production during May-July 1990. Further, the Government decided that the factories utilising cane drawn from areas beyond their reserved zone as per State Government Orders will also be entitled to higher free sale quota of 80 per cent for excess sugar production attributed to this cane during the period November 16, 1989 to April 30, 1990.

With a view to promoting and expediting the expansion programme of sugar mills to give a boost to sugar production, the Government announced on April 19, 1990 incentives for encouraging early crushing during the 1990-91 sugar season. It increased the free sale quota of

Table IV-22 : Availability and Consumption of Sugar
(October—September)

(Lakh tonnes)

Item	1986-87	1987-88	1988-89	1988-89	1989-90
				Oct. 1, 1988 to June 30, 1989	Oct. 1, 1989 to June 30, 1990
1	2	3	4	5	6
1. Opening Stock	19.06	26.53	24.31	24.31	12.29
	(1.24)	(3.21)	(0.30)	(0.30)	
2. Production	85.01	91.10	87.52	86.19	108.58
3. Imports	9.53	0.71	—	—	2.42@
4. Total Supply (1+2+3)	113.60	118.34	111.83	110.50	123.29
5. Internal Consumption	86.87	93.85	99.36	74.72	76.31
	(7.56)	(3.62)	(0.30)	(0.15)	(1.92)
6. Exports	0.20	0.18	0.18	0.11	0.10
7. Total offtake (5+6)	87.07	94.03	99.54	74.83	76.41
8. Closing Stock (4-7)	26.53	24.31	12.29	35.67	46.88
	(3.21)	(0.30)		(0.15)	(0.50)

Note : Figures in brackets relate to imported sugar which has been included in the item.
@ : Derived.
Source : Indian Sugar Mills Association.

Table IV-23 : Sugar Release during the 1988-89 and 1989-90 seasons

(Lakh tonnes)

Month	1988-89			1989-90		
	Levy	Free Sale	Total	Levy	Free Sale	Total
1	2	3	4	5	6	7
October	3.82	5.35	9.17	4.32	6.00	10.32
November	3.82	5.50	9.32	3.32	6.00	9.32
December	3.32	5.20	8.52	3.32	5.50	8.82
January	3.32	5.00	8.32	3.32	5.00	8.32
February	3.32	4.75	8.07	3.32	5.50	8.82
March	3.32	4.60	7.92	3.32	5.50	8.82
April	3.32	4.50	7.82	3.32	6.00	9.32
May	3.32	5.00	8.32	3.32	6.50	9.82
June	3.32	5.50	8.82	3.32	6.00	9.32
July	3.32	5.00	8.32	3.32	6.00	9.32
August	3.32	5.25	8.57	3.32	6.00	9.32
September	3.32	5.50	8.82	3.82	6.25	10.07
Total	**40.84**	**61.15**	**101.99**	**41.34**	**70.25**	**111.59**
Monthly Average	3.4	5.1	8.5	3.4	5.9	9.3

sugar to 75 per cent, against the normal quota of 55 per cent, of the entire production during October 1 to November 15, 1990. In the case of new factories which are getting 100 per cent free sale quota, the production during the period from October 1 to November 15, 1990 would not be included in the ceiling for grant of normal incentives and on this production, to the extent of excess of the total production during the season over the ceiling, free sale quota at the rate of 75 per cent would be allowed. In the case of factories entitled to incentive free sale quota as an expansion project, the unit would have the option to claim incentive at the rate of 75 per cent on the production during the early period or included in the production during the season as usual for determining the additional production over pre-expansion production.

The Government continued the practice of announcing the Statutory Minimum Price (SMP) of sugarcane well in advance of the sowing season. For the 1989-90 season, SMP was raised by Rs. 2.50 per quintal to Rs. 22 per quintal linked to the basic recovery of 8.5 per cent, with proportionate premium for every 0.1 per cent increase above that level. However, under existing practice, the cane growers get much higher prices in view of the fact that the State advised prices are much higher than the SMP.

With a view to ensuring that the sugar is available at reasonable prices, the Government imported 2.42 lakh tonnes of sugar during 1989-90 season. The export of sugar was restricted to the preferential EEC and US quotas in addition to the export of a small quantity totalling 0.02 lakh tonnes to Nepal. Larger exports are envisaged during 1990-91 in view of bumper production. The monthly levy sugar releases were at the last year's level of 3.32 lakh tonnes during 1989-90 season except in October 1989 and September 1990 when additional releases of one lakh tonnes and 50,000 tonnes, respectively, were made to meet the festival demand.

Total releases of sugar during the season (October-September) 1989-90 stood at 111.59 lakh tonnes (comprising 41.34 lakh tonnes of levy sugar and 70.25 lakh tonnes of free sale sugar) as against 101.99 lakh tonnes (comprising 40.84 lakh tonnes of levy sugar and 61.15 lakh tonnes of free sale sugar) in the 1988-89 season.

The releases for free sale sugar of 70.25 lakh tonnes during 1989-90 were higher by 9.10 lakh tonnes or 14.88 per cent than in 1988-89. Data on sugar releases both for levy and free sale for 1989-90 season together with the data for earlier years are given in table IV-23.

During August-September 1989, sugar prices started rising in the wake of shortfall in sugar production in the 1988-89 season. The price rise was sought to be checked by the Government by releasing higher quantity of sugar during September and October 1989, announcing that it would import sugar to meet rising festival demand and also initiating a voluntary price control scheme which was in force from September 23, 1989 to November 30, 1989. These measures imparted some stability to sugar prices. However, in view of the expected bumper production during the 1989-90 season and the release of additional free sale quota for April and May 1990, the sugar prices remained subdued. The need to continuously monitor sugar prices was felt in view of speculative tendencies in the market. The Government issued an order effective May 1, 1990 requiring sugar factories to sell and despatch not less than 20 per cent of their monthly quota of free sale sugar during each week, including the first week of the month. Earlier, the factories were allowed to complete this minimum quota of 20 per cent in the first week upto the tenth of the month. Further, the Government also decided to convert the undespatched free sale sugar lying with mills into levy sugar.

With a view to augmenting the availability of sugar, the Khandsari (open pan sugar) units were asked to declare their stocks as on April 30, 1990 by May 7, 1990. The order also stipulated that the producers should dispose of 30 per cent of the declared stocks during each of the months of May and June 1990.

New Sugar Licensing Policy

The Government of India announced the new sugar licensing policy on June 1, 1990. The new policy, designed to give a boost to the sugar industry, makes four major changes in the guidelines governing the licensing of new sugar mills. These are:

i) The requirement that a minimum spatial distance of 40 km (relaxable to 25 km in case of higher productivity) be maintained between an existing mill and the proposed new one has been dispensed with.

ii) The earlier crushing capacity of 1,750 tonnes a day has been upgraded to a minimum economic size of 2,500 tonnes a day.

iii) Preference in licensing is to be given to proposals from the co-operative and the public sectors rather than to those from the private sector.

iv) Licences are to be given liberally for the manufacture of industrial alcohol through the conversion of molasses in a bid to boost production of the commodity and tap the buoyant export demand for the same.

The Government annnounced on July 24, 1990, fresh guidelines for licensing of new sugar factories and expansion of existing sugar factories during the Eighth Plan. Accordingly, new sugar factories would continue to be licensed for a minimum economic capacity of 2,500 tonnes of cane crush per day (TCD) but there would not be any maximum limit on such capacity. Secondly, licence for new sugar factories would be issued subject to the proviso that there is no sugar mill within a radial distance of 15 kms. Thirdly, it stipulated that all new licenses would be issued on the condition that cane price would be payable on the basis of sucrose content of the sugarcane. Fourthly, priority would be given to factories with capacity of less than 2,500 TCD to expand to 2,500 TCD minimum stipulated economic capacity.

Sugar Development Fund

The Sugar Development Fund, set up under the Sugar Development Act, 1982, is funded by transfer of proceeds of sugar cess imposed on sugar produced in the country. The Fund is utilised for advancing loans on soft terms for the rehabilitation and modernisation of sugar industry and development of sugarcane in the sugar factory area. Grants are also made from the Fund for undertaking research projects for development of sugar industry. Since November 1982, the Fund can also be utilised for defraying expenditure for the purpose of building up and

maintenance of buffer stocks of sugar with a view to stabilising the prices of sugar. Maintenance of buffer stock of 5 lakh tonnes of sugar created from October 1, 1982 continued to be financed from the Fund.

During 1989-90, a sum of Rs. 120 crore was credited to the Fund upto October 31, 1989, taking the total amount credited to the Fund to Rs. 721 crore. Since the inception of the Fund, till November 15, 1989, loans aggregating Rs. 236.16 crore were sanctioned to 203 sugar mills for sugarcane development in addition to Rs. 71.40 crore sanctioned to 46 sugar mills for modernisation/rehabilitation.

Levy Sugar Price Equalisation Fund

The Levy Sugar Price Equalisation Fund has been in force since April 1, 1976. During 1989-90, Rs. 0.40 crore has been recovered from sugar mills and credited to the Fund bringing total amount thus credited since the inception of the Fund to Rs. 14.10 crore . In addition, the Food Corporation of India has so far collected Rs. 19.62 crore by way of such recovery from the sugar mills.

(b) Textiles—Cotton and Synthetics

The composite index of cotton textile group (weight 12.31 per cent in IIP) registered a positive growth rate of 3.3 per cent in 1989-90 in contrast to a decline of 3.2 per cent in 1988-89. The turn-around in the output was brought about mainly by increase in production of the decentralised sector. The textile industry continued to contribute about one-fifth or 20 per cent of the total industrial output in the country.

Textile industry is one of the oldest industries in the country which requires appropriate restructuring. Hence, the process of restructuring in the industry is taking shape with the scrapping of unviable weaving capacity of plain looms and installation of sophisticated shuttleless looms instead. The total number of textile mills in the country declined to 1,051 at end-March 1990 from 1,054 at end-March 1989. Spindles installed increased only marginally to 26.55 (provisional) million in 1989-90 from 26.48 million in 1988-89 and 26.25 million in 1987-88 indicating a situation of near stagnation. However, capacity utilization of spindles rose marginally to 72 per cent in 1989-90 from 70 per cent in 1988-89. Installed capacity of looms declined to 1.84 million in 1989-90 from 1.98 million in 1988-89. Capacity utilization (mills) of looms remained generally stationary at the last year's level of 60 to 61 per cent. Further, during 1989, 14,000 plain looms were scrapped and 670 additional shuttleless looms were installed taking their number in the composite mills to 2,884.

Data on production, consumption and stock position of yarn for the years 1987-88 to 1989-90 are indicated in Table IV-24. The growth rate in the production of all yarn showed a significant rise of 4.9 per cent in 1989-90 as compared to 0.5 per cent during 1988-89. The share of cotton yarn in the production of all yarn showed an increase of 5.0 per cent against a decline of 1.4 per cent in 1988-89. The production of blended/mixed yarn moved up by 4.1 per cent in 1989-90 compared to 11.8 per cent in the last year. The increase in growth rate may be attributed to the reopening of 21 closed mills during the year resulting in the activation of about 0.5 million idle spindles.

Domestic consumption of all yarn increased by 4.9 per cent over the previous year. Both the mill and decentralised sectors in 1989-90 recorded higher increases in consumption of 4.8 per cent and 4.9 per cent, respectively, as compared to 0.4 per cent and 0.7 per cent increase observed in case of both these sectors in the previous year.

The year-end stocks of yarn (unsold) showed a rise of 16.3 per cent to 36.3 million kgs. at the end of 1989-90 from 31.2 million kgs. in 1988-89. The quantum of exports of cotton yarn which had declined to 40.4 million kgs. in 1988-89 from 85.6 million kgs. in 1987-88 evidenced an upward trend with an increase of 53.7 per cent over 1988-89.

The production of cloth (cotton fabrics, blended/mixed fabrics and man-made fibres) in

Table IV-24 : Production, Consumption and Stocks of Yarn

(Million kgs.)

Item	April-March		
	1987-88	1988-89 (P)	1989-90 (P)
1	2	3	4
A. Production (i+ii+iii)	**1555**	**1563**	**1639**
	(+1.9)	**(+0.5)**	**(+4.9)**
i) Cotton Yarn	1321	1302	1367
	(+1.5)	(-1.4)	(+5.0)
ii) Blended/Mixed Yarn	152	170	177
	(+5.6)	(+11.8)	(+4.1)
iii) 100 per cent Man-made Fibre Spun Yarn	82	91	95
	(+2.5)	(+11.0)	(+4.4)
B. Domestic Consumption (all yarn) (i+ii)	**1338**	**1346**	**1412**
	(+1.9)	**(+0.6)**	**(+4.9)**
i) Mill Sector †	480	482	505
	(+2.1)	(+0.4)	(+4.8)
ii) Decentralised Sector £	859	865	907
	(+1.9)	(+0.7)	(+4.9)
C. Exports (cotton yarn)			
i) Quantity	85.6	40.4	62.1
	(+205.7)	(-52.8)	(+53.7)
ii) Value (Rs. Crores)	343.1	236.2	364.4
	(+238.4)	(-31.2)	(+54.3)
D. Year-end Stocks (Unsold)	**36.7**	**31.2**	**36.3**
	(+5.6)	**(-15.0)**	**(+16.3)**

P : Provisional.

† : Relates to consumption for wearing cloth only.

£ : Excluding deliveries of yarn to hosiery and other purposes.

Notes: 1) Figures of yarn exclude filament yarn.

2) Figures in brackets represent percentage variation over the preceding year.

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

mill sector continued to show decline as in the preceding year (Table IV-25). Production of cotton fabrics was down by 1.6 per cent to 1,988 million metres in 1989-90 from 2,021 million metres in 1988-89 and blended/mixed fabrics declined by 16.0 per cent to 657 million metres in 1989-90 from 782 million metres in 1988-89. However, in decentralised sector, there was a turn-around in the production of cotton fabrics with a rise of 5.1 per cent to 7,424 million metres as against a fall of 1.5 per cent witnessed in 1988-89. Production of blended/mixed fabrics and man-made fabrics increased further by 4.1 per cent and 5.0 per cent, respectively, to 640 million metres and 2,939 million metres in 1989-90 from the level of 615 million metres and 2,798 million metres observed during 1988-89. The overall production of all cloth together in both the sectors indicated increase of 2.8 per cent to 13,652 million metres in 1989-90 as compared to an increase of 2.2 per cent observed last year. The share of decentralised sector in manufacture of all cloth increased to 80.6 per cent (11,003 million metres) in 1989-90 from 78.9 per cent (10,474 million metres) in 1988-89, whereas that of mill sector correspondingly decreased to 19.4 per cent (2,649 million metres) from 21.1 per cent (2,808 million metres).

Domestic consumption of cloth declined by 0.5 per cent to 11,429 million metres in 1989-90 from 11,492 million metres in 1988-89. The year-end stocks also decreased by 12.1 per cent to 123 million metres thus continuing a downward trend observed over the previous 3 years.

The number of closed mills as at the end of March 1989 were 142 accounting for 3.85 million spindles and 38,000 looms. By end of March 1990, this number came down to 121 with installed capacity of 3.39 million spindles and about 35,000 looms (Table IV-25A).

As envisaged in the Textile Policy (June 1985), the industry is being restructured. As on March 31, 1990, the amount sanctioned by financial institutions under the Textile Modernisation Fund (TMF) aggregated about Rs. 1,050 crore as against a total fund of Rs. 750 crore. The actual disbursements were about Rs. 530 crore. It is expected that the fund will be replenished and augmented during the Eighth Plan. The industry has also gained from favourable monsoons for two consecutive years which helped to stabilise the supply and prices of cotton and generate rural demand. As a consequence, there has occurred an all-round improvement in consumption of cotton, production of cloth and yarn and exports.

Of late, the process of restructuring has been somewhat hindered on account of short supply of textile machinery items, especially spinning machinery, owing to the untimely closure of a couple of textile machinery manufacturing units. As a result, the delivery period for some crucial components such as ring frames and other balancing equipments needed as

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

(Million metres)

Item	April-March		
	1987-88	1988-89 (P)	1989-90 (P)
1	2	3	4
A. Production (i+ii)	**12,992**	**13,282**	**13,652**
	(+0.03)	**(+2.2)**	**(+2.8)**
i) Mill Sector (a+b+c)	3,027	2,808	2,649
	(-8.7)	(-7.2)	(-5.7)
(a) Cotton Fabrics	2,234	2,021	1,988
	(—9.6)	(-9.5)	(-1.6)
(b) Blended/Mixed Fabrics	788	782	657
	(-6.0)	(-0.8)	(-16.0)
(c) 100 per cent Man-made-Fibre Fabrics	5	5	4
	(-44.4)	(—)	(-20.0)
ii) Decentralised Sector (a+b+c)	9,965	10,474	11,003
	(+3.0)	(+5.1)	(+5.1)
a) Cotton Fabrics	7,166	7,061	7,424
	(+1.6)	(-1.5)	(+5.1)
b) Blended/Mixed Fabrics	551	615	640
	(-0.2)	(+11.6)	(+4.1)
c) 100 per cent Man-made Fibre Fabrics	2,248	2,798	2,939
	(+8.8)	(+24.5)	(+5.0)
B. Domestic Consumption (all Cloth) †	**11,185**	**11,492**	**11,429**
	(-2.8)	**(+2.7)**	**(-0.5)**
C. Year-end Stocks (unsold) (all cloth) ††	**142**	**140**	**123**
	(-17.9)	**(-1.4)**	**(-12.1)**
D. Exports Cotton Fabrics (Mills/ Powerlooms, made up, handloom) (Rs. Crores)	**921.35**	**1,105.00**	**N.A.**
	(+47.4)	(+19.9)	

P : Provisional.
† : 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.

Table IV-25A : Closure of Cotton/Man-made Fibre Textile Mills

Year	No. of mills closed	Installed capacity		Workers on Roll (Lakhs)
		Spindles (Millions)	Looms (Lakhs)	
1	2	3	4	5
March 1985	70	1.81	0.20	1.07
March 1986	72	1.77	0.18	0.95
March 1987	90	2.38	0.26	1.27
March 1988	133	3.36	0.33	1.61
March 1989	142	3.85	0.38	1.86
March 1990	121	3.39	0.35	N.A.

Sources : 1) Office of the Textile Commissioner, Ministry of Textiles, Government of India.
2) Indian Cotton Mills Federation.

complements in the process of modernization and expansion programmes has been extended to about 3 to 4 years.

(c) Paper and Paper Boards and Newsprint

During 1989-90, the production of paper and paper boards at 22.30 lakh tonnes recorded a higher growth rate of 7.5 per cent as compared with an increase of 3.2 per cent in 1988-89 (Table VI-26). Of the 305 paper units in the country in 1989-90, the number of small paper and paper board units were 293 on January 1, 1989. The installed capacity and production of these small units has risen from 14.16 lakh tonnes and 7.47 lakh tonnes, respectively, to 16.09 lakh tonnes and 8.82 lakh tonnes, during the 3 year period January 1, 1986 to January 1, 1989. In the same period, their capacity utilisation ratio improved from 53 per cent to 55 per cent in 1989. The total effective installed capacity in the industry as at the end of March 1990 stood at 30.14 lakh tonnes. The capacity utilisation ratio at around 75.4 per cent in 1989-90 was higher than 72.1 per cent registered in 1988-89. It may, however, be added that though the production during 1989-90 was higher by over 1.5 lakh tonnes than in the previous year, quite a few integrated paper mills and small scale units together accounting for about 6 lakh tonnes capacity remained closed due to acute shortage of raw materials, infrastructure bottlenecks and rising cost of inputs resulting in uneconomical operations. Nevertheless, despite the lower rate of capacity utilisation in the industry the total production was found adequate to meet the indigenous demand. As against the Seventh Plan targets of 27.0 lakh tonnes of capacity and 18.0 lakh tonnes of production, actual capacity and production in 1989-90 at around 30.1 lakh tonnes and 22.3 lakh tonnes, respectively, exceeded the targets.

At present, the country is self-sufficient in respect of most of the varieties of paper and paper board and only certain varieties of papers are being imported. The major problem in the industry appears to be considerable under-utilisation of installed capacity. A number of concessions have been extended in recent years to help the industry to improve capacity utilisation and financial viability. These include: liberalised facility for import of raw materials, excise concessions for use of non-conventional raw materials, broadbanding of different varieties of paper and paper boards and delicensing the manufacture of certain varieties of paper, etc.

Newsprint

Production of newsprint during 1989-90 at 2.73 lakh tonnes registered a decline of 4.2 per cent as against a rise of 11.3 per cent recorded in the earlier year. There are at present 5 units in the country with an annual installed capacity of 3 lakh tonnes engaged in the production of newsprint.

Table IV-26 : Paper, Paper Boards and Newsprint

(Production and capacity in thousand tonnes)

Year April-March	No. of Units	Installed capacity	Production	Capacity Utilisation Ratio (percent)
1	2	3	4	5
A. Paper and Paper Boards				
1987-88	299	2,851	2,010 (+6.3)	71.7
1988-89	305	2,900	2,075 (+3.2)	72.1
1989-90 (P)	305	3,014	2,230 (+7.5)	75.4
B. Newsprint				
1987-88	4	280	256 (-5.5)	91.4
1988-89	5	280	285 (+11.3)	101.8
1989-90 (P)	5	300	273 (-4.2)	94.1

P : Provisional.

Notes : 1. Capacity Utilisation Ratio is worked out on the basis of the average installed capacity at the beginning and at the end of the relevant financial year.

2. Data for paper and paper boards include production of small scale sector.

3. Figures in brackets indicate percentage variations over the corresponding period of the preceding year.

Sources: Central Statistical Organisation and Indian Paper Mills Association.

To meet the demand for newsprint, a large part of which is currently being met through imports, the Government's new policy has allowed paper mills with a licensed capacity of 33,000 tonnes per annum to manufacture newsprint. Also an additional capacity of 5.43 lakh tonnes has been sanctioned by way of industrial licences/letters of intent.

Chapter V

Price Trends and Price Policy

Price Trends: *The Main Features*

The overall rate of price rise, which had slowed down in 1988-89, again accelerated in 1989-90 despite a good agricultural output in the *kharif* season on top of a bumper crop in the previous year. During the year under review, while the seasonal rise in prices was pronounced, the seasonal decline was delayed and weak; these trends reflected the underlying inflationary pressures. A striking feature of the price situation in 1989-90 was the generalised character of the upward pressure on prices with both the 'Manufactured Products' and 'Primary Articles' groups showing substantial and widespread price increases. A silver lining to this disquieting price scenario was the significant declines in the prices of wheat, jowar and raw cotton. The pressures on commodity prices intensified further during the first quarter April-June of 1990-91, particularly among 'Primary Articles'. This inflationary situation has been the cumulative result of a number of factors such as, supply-demand imbalances of some essential commodities like pulses, tea, sugar, oilseeds, edible oils and cement, constraints in augmenting supplies of commodities in short supply through imports owing to the tight foreign exchange reserves position, increases in administered prices of agricultural and industrial products, rise in import costs and high growth of liquidity during the past few years arising from the persistently high fiscal deficits.

The rise, on a point-to-point basis, in 'All Commodities' Index of Wholesale Prices (WPI) (base: 1981-82=100), which had decelerated to 5.7 per cent in 1988-89 from 10.7 per cent in the drought year of 1987-88, again accelerated to 9.1 per cent in 1989-90 despite a good *kharif* output following the bumper crop of 1988-89. On an average basis, the increase in WPI at 7.4 per cent was of the same order as that in the previous year. The Consumer Price Index (CPI) for Industrial Workers (base: 1982=100) recorded during 1989-90, both on a point-to-point and average basis, an increase of 6.6 per cent as compared with 8.6 per cent on a point-to-point basis and 9.1 per cent on an average basis in 1988-89.

An analysis of the seasonal behaviour of wholesale prices, on a point-to-point basis, shows that in the first phase covering the period between end-March and end-August 1989, the price rise was much sharper than that in the corresponding period of the previous year. In the second phase covering the period between end-August and end-December, which is normally characterised by a seasonal decline in WPI, there was only a marginal decline in prices (-0.4 per cent): in the comparable phase of the previous year, WPI had shown no variation. During the last phase, covering the period end-December to end-March, there was a somewhat higher price rise as compared with that in the last phase of 1988-89. Though the seasonal trends revealed by the index for the 'Primary Articles' group in 1989-90 were consistent with the usual seasonal pattern (it was not so in the previous year), the extent of the increases in the group's index in the two rising phases (i.e., 6.8 per cent in the first phase and 3.3 per cent in the last phase) were noticeably high.

Group-wise Trends

Group-wise, on a point-to-point basis, while the index of 'Primary Articles' experienced a sizeable increase in 1989-90 in contrast to a

marginal decline in 1988-89, the index of 'Manufactured Products' showed an acceleration in its rate of increase. The third major group 'Fuel, Power, Light and Lubricants' also experienced a slightly higher increase than in the previous year. Thus, while the rise in the index of 'Primary Articles' was markedly higher at 6.4 per cent in contrast to a decline of 0.2 per cent in the previous year, the index of 'Manufactured Products' rose by 11.1 per cent as against 9.2 per cent in 1988-89; the 'Fuel' group index rose by 6.3 per cent as against 5.1 per cent in the previous year (Table V-1). On an average basis, the trends revealed by the group-wise indices presented a different picture. The 'Primary Articles' group showed a rise of 2.1 per cent as compared with a rise of 4.9 per cent, the 'Manufactured Products' group showed a higher rise of 11.3 per cent as against a rise of 9.4 per cent, and the 'Fuel' group a smaller rise of 3.7 per cent as compared with 5.4 per cent, in the previous year.

Primary Articles

The 'Primary Articles' group experienced a sharp price rise of 6.4 per cent in contrast to a decline of 0.2 per cent in 1988-89 (Table V-2 a). This price rise was the result of the increases in all the three sub-groups. Although the rise in the prices of 'food articles' at 2.1 per cent was smaller than that of 3.6 per cent in the previous year, the rise of 13.4 per cent in the prices of 'non-food articles' was in sharp contrast to the decline of 7.0 per cent in the sub-group in the previous year Prices of 'minerals' also recorded a sharp rise of 10.8 per cent as compared with a fractional rise of 0.4 per cent in the previous year.

Among 'food articles', prices of cereals declined by 6.2 per cent as against an increase of 9.2 per cent in the previous year. There were sizeable declines in the prices of wheat and jowar (about 17 per cent each) and a modest rise in the price of rice owing to sustained peak level output in them. Prices of pulses which had increased by 11.1 per cent in 1988-89 registered a rise of almost the same magnitude (11.2 per cent) in 1989-90, reflecting the continuing supply-demand imbalances of pulses. Among other food articles, tea prices recorded a hefty rise of 29.7 per cent on top of a very sharp rise of 41.4 per cent in the previous year as a result of continued shortfall in production and reduced domestic availability following rising pressure of international demand. Prices of coffee, which had risen by 14.2 per cent in 1988-89, rose further by 7.9 per cent in 1989-90. Among 'non-food articles', raw cotton prices declined sharply by 17.6 per cent owing to bumper production, in contrast to a rise of 3.7 per cent in the previous year. As a result of shortfall in production, oilseeds prices rose sharply by 27.4 per cent in contrast to a decline of 23.3 per cent in the previous year. Prices of 'minerals', which had increased by 0.4 per cent in 1988-89, rose by 10.8

Table V-1 : Extent of Price Rise based on Index Numbers of Wholesale Prices

(Major Group-wise)

(Base: 1981-82 = 100)

Items	Weight	Percentage Variations				Weighted Contribution			
		Point-to-Point basis		Average basis		Point-to-Point basis		Average basis	
		1988-89	1989-90	1988-89	1989-90	1988-89	1989-90	1988-89	1989-90
1	2	3	4	5	6	7	8	9	10
ALL COMMODITIES	**100.000**	**5.7**	**9.1**	**7.4**	**7.4**	**100.0**	**100.0**	**100.0**	**100.0**
Primary Articles	32.295	-0.2	6.4	4.9	2.1	-1.2	23.0	22.9	9.6
Fuel, Power, Light & Lubricants	10.663	5.1	6.3	5.4	3.7	9.5	7.3	7.8	5.2
Manufactured Products	57.042	9.2	11.1	9.4	11.3	90.3	70.3	70.0	85.6

Source : Office of the Economic Adviser, Ministry of Industry, Government of India.

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

(Base : 1981-82 = 100)

Major Groups/ Groups/ Sub-Groups and Commodities	Weight	End March 1988	End March 1989	End March 1990	Percentage Variations (point-to-point basis) End March 1989 Over End March 1988	Percentage Variations (point-to-point basis) End March 1990 Over End March 1989	Weighted Contribution (approximate) 1988-89	Weighted Contribution (approximate) 1989-90
1	2	3	4	5	6	7	8	9
ALL COMMODITIES	**100.000**	**148.5**	**156.9**	**171.1**	**5.7**	**9.1**	**100.0**	**100.0**
I. PRIMARY ARTICLES	**32.295**	**157.1**	**156.8**	**166.9**	**-0.2**	**6.4**	**-1.2**	**23.0**
A. FOOD ARTICLES	**17.386**	**167.6**	**173.6**	**177.3**	**3.6**	**2.1**	**12.4**	**4.5**
(i) FOOD GRAINS	7.917	151.2	165.5	159.8	9.5	-3.4	13.5	-3.2
(a) CEREALS	6.824	148.3	161.9	151.9	9.2	-6.2	11.0	-4.8
Rice	3.685	152.6	162.8	165.4	6.7	1.6	4.5	0.7
Wheat	2.248	146.7	165.0	137.6	12.5	-16.6	4.9	-4.3
Jowar	0.420	110.9	156.9	130.0	41.5	-17.1	2.3	-0.8
Bajra	0.178	153.0	118.6	120.3	-22.5	1.4	-0.7	0.0
(b) PULSES	1.093	169.1	187.9	209.0	11.1	11.2	2.4	1.6
Gram	0.410	133.9	187.7	192.9	40.2	2.8	2.6	0.2
(ii) FRUITS AND VEGETABLES	4.089	183.9	161.5	167.3	-12.2	3.6	-10.9	1.7
Vegetables	1.291	125.3	139.2	166.3	11.1	19.5	2.1	2.5
Fruits	2.798	211.0	171.8	167.7	-18.6	-2.4	-13.1	-0.8
(iii) MILK	1.961	167.0	193.5	202.2	15.9	4.5	6.2	1.2
(iv) EGGS, FISH AND MEAT	1.783	163.8	170.7	181.4	4.2	6.3	1.5	1.3
Fish	0.507	161.4	162.0	179.4	0.4	10.7	0.0	0.6
Mutton	0.521	183.3	197.3	209.9	7.6	6.4	0.9	0.5
(v) CONDIMENTS AND SPICES	0.947	250.0	228.5	240.9	-8.6	5.4	-2.4	0.8
(vi) OTHER FOOD ARTICLES	0.689	157.5	214.1	269.9	35.9	26.1	4.6	2.7
Tea	0.564	153.9	217.6	282.3	41.4	29.7	4.3	2.6
Coffee	0.125	173.5	198.2	213.8	14.2	7.9	0.4	0.1

(Contd.)

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

Major Groups/Groups/Sub-Groups and Commodities	Weight	End March 1988	End March 1989	End March 1990	Percentage Variations (point-to-point basis) End March 1989 Over End March 1988	Percentage Variations (point-to-point basis) End March 1990 Over End March 1989	Weighted Contribution (approximate) 1988-89	Weighted Contribution (approximate) 1989-90
1	2	3	4	5	6	7	8	9
B. NON-FOOD ARTICLES	**10.081**	**167.4**	**155.6**	**176.4**	**-7.0**	**13.4**	**-14.2**	**14.8**
(i) **FIBRES**	1.791	150.5	168.6	161.9	12.0	-4.0	3.9	-0.8
Raw cotton	1.335	150.6	156.2	128.7	3.7	-17.6	0.9	-2.6
Raw Jute	0.160	157.4	249.8	374.2	58.7	49.8	1.8	1.4
(ii) OILSEEDS	3.861	171.1	131.3	167.3	-23.3	27.4	-18.3	9.8
Groundnut seed	1.296	178.0	133.3	180.3	-25.1	35.3	-6.9	4.3
Rape & mustard seed	0.661	149.9	117.6	155.5	-21.5	32.2	-2.5	1.8
Copra	0.111	236.9	185.0	177.7	-21.9	-3.9	-0.7	-0.1
(iii) OTHER NON—FOOD ARTICLES	4.429	170.9	171.5	190.3	0.4	11.0	0.3	5.9
Sugarcane	2.706	146.7	153.0	177.8	4.3	16.2	2.0	4.7
Tobacco	0.275	146.7	197.2	188.4	34.4	-4.5	1.7	-0.2
Rubber	0.114	124.7	122.4	145.1	-1.8	18.5	0.0	0.2
Logs & timber	0.571	219.6	237.2	248.7	8.0	4.8	1.2	0.5
C. MINERALS	**4.828**	**98.4**	**98.8**	**109.5**	**0.4**	**10.8**	**0.2**	**3.6**
(i) METALLIC MINERALS	0.231	157.8	159.1	164.8	0.8	3.6	0.0	0.1
Iron ore	0.154	163.1	164.3	170.3	0.7	3.7	0.0	0.1
(ii) OTHER MINERALS	0.323	158.3	188.1	196.6	18.8	4.5	1.1	0.2
Lime stone	0.070	207.3	231.4	222.8	11.6	-3.7	0.2	0.0
(iii) PETROLEUM CRUDE AND NATURAL GAS	4.274	90.7	88.8	99.9	-2.1	12.5	-1.0	3.3

Source : Office of the Economic Adviser, Ministry of Industry, Government of India.

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

(Base: 1981-82 = 100)

Major Groups/Groups/Sub-Groups and Commodities	Weight	End March 1988	End March 1989	End March 1990	Percentage Variations (point-to-point basis)		Weighted Contribution (approximate)	
					End March 1989 Over End March 1988	End March 1990 Over End March 1989	1988-89	1989-90
1	2	3	4	5	6	7	8	9
II FUEL, POWER, LIGHT & LUBRICANTS	**10.663**	**147.7**	**155.2**	**164.9**	**5.1**	**6.3**	**9.5**	**7.3**
A. COAL MINING	**1.256**	**205.9**	**231.6**	**232.6**	**12.5**	**0.4**	**3.8**	**0.1**
Coking coal	0.353	224.0	253.8	253.8	13.3	0.0	1.3	0.0
Non-coking coal	0.798	202.0	228.4	228.4	13.1	0.0	2.5	0.0
Coke	0.064	162.2	162.2	162.2	0.0	0.0	0.0	0.0
B. MINERAL OILS	**6.666**	**127.9**	**129.3**	**141.1**	**1.1**	**9.1**	**1.1**	**5.5**
Liquified petroleum gas	0.677	132.1	132.1	132.1	0.0	0.0	0.0	0.0
Petrol	0.806	145.2	145.2	168.3	0.0	15.9	0.0	1.3
Kerosene	0.868	129.9	129.9	129.9	0.0	0.0	0.0	0.0
Aviation turbine fuel	0.341	139.2	139.8	174.2	0.4	24.6	0.0	0.8
High speed diesel oil	2.154	122.3	119.8	140.7	2.0	17.4	0.6	3.2
Light diesel oil	0.203	124.5	124.5	125.1	0.0	0.5	0.0	0.0
Furnace oil	0.641	121.4	121.5	121.7	0.1	0.2	0.0	0.0
Lubricants	0.453	123.9	149.3	155.9	20.5	4.4	1.4	0.2
C. ELECTRICITY	**2.741**	**169.0**	**183.0**	**191.6**	**8.3**	**4.7**	**4.6**	**1.7**

Source : Office of the Economic Adviser, Ministry of Industry, Government of India

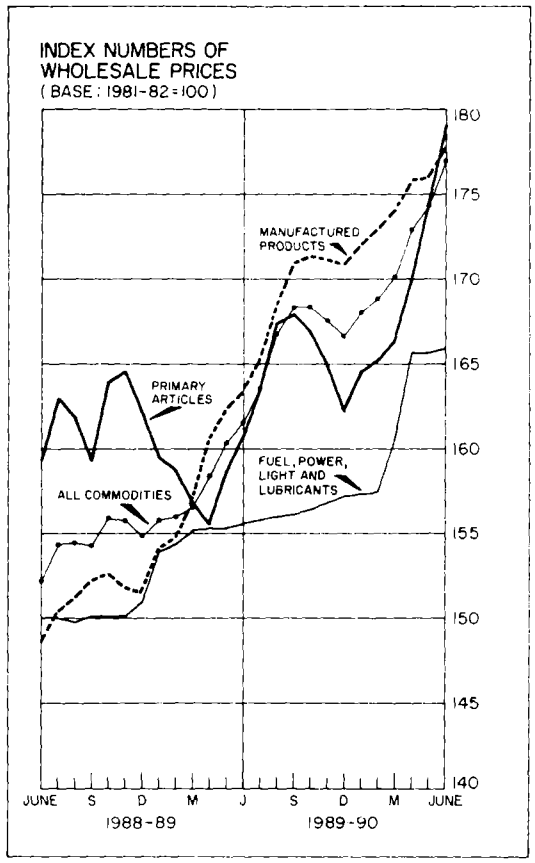
Table V-2(c) : Index Numbers of Wholesale Prices: Manufactured Products

(Base : 1981-82 = 100)

Major Groups/Groups/Sub-Groups and Commodities	Weight	End March 1988	End March 1989	End March 1990	Percentage Variations (point-to-point basis)		Weighted Contribution (approximate)	
					End March 1989 Over End March 1988	End March 1990 Over End March 1989	1988-89	1989-90
1	2	3	4	5	6	7	8	9
III. MANUFACTURED PRODUCTS	**57.042**	**143.9**	**157.2**	**174.7**	**9.2**	**11.1**	**90.3**	**70.3**
A. FOOD PRODUCTS	10.143	141.5	149.4	168.6	5.6	12.9	9.5	13.7
(a) DAIRY PRODUCTS	0.642	157.9	179.9	184.4	13.9	2.5	1.7	0.2
(b) GRAIN MILLS PRODUCTS	1.530	136.9	167.6	175.2	22.4	4.5	5.6	0.8
(c) SUGAR, KHANDSARI AND GUR	4.059	115.1	130.2	147.2	13.1	13.1	7.3	4.9
Sugar	2.013	121.6	128.7	142.2	5.8	10.5	1.7	1.9
Khandsari	0.300	98.2	106.6	145.4	8.6	36.4	0.3	0.8
Gur	1.746	110.5	136.0	153.3	23.1	12.7	5.3	2.1
(d) EDIBLE OILS	2.445	175.0	162.0	189.8	-7.4	17.2	-3.8	4.8
Hydrogenated *vanaspati*	0.517	173.7	176.2	203.0	1.4	15.2	0.2	1.0
Solvent extracted groundnut oil	0.021	171.2	139.8	190.7	-18.3	36.4	-0.1	0.1
Rape & mustard oil	0.276	155.8	123.3	147.9	-20.9	20.0	-1.1	0.5
Groundnut oil	0.526	167.0	133.1	184.2	-20.3	38.4	-2.1	1.9
B. BEVERAGES, TOBACCO & TOBACCO PRODUCTS	2.149	159.4	184.9	222.6	16.0	20.4	6.5	5.7
C. TEXTILES	11.545	134.7	144.2	168.8	7.1	17.1	13.1	20.0
(i) COTTON TEXTILES	6.093	135.0	146.1	170.4	8.2	16.6	8.1	10.4
Cotton yarn	1.232	157.1	172.2	192.5	9.6	11.8	2.2	1.8
Cotton Cloth (mills)	3.159	129.4	134.7	153.3	4.1	13.8	2.0	4.1
(ii) MAN-MADE TEXTILES	*2.921*	112.9	119.5	138.3	5.8	15.7	2.3	3.9
(iii) JUTE, HEMP & MESTA TEXTILES	0.689	171.2	208.9	284.4	22.0	36.1	3.1	3.7
D. PAPER AND PAPER PRODUCTS	1.988	176.9	192.4	212.6	8.8	10.5	3.7	2.8
Newsprint	*0.137*	175.1	175.1	213.1	0.0	21.7	0.0	0.4
E. LEATHER & LEATHER PRODUCTS	1.018	159.9	171.5	200.4	7.3	16.9	1.4	2.1
Footwear	*0.353*	183.5	202.4	232.1	10.3	14.7	0.8	0.7
F. RUBBER AND PLASTIC PRODUCTS	1.592	155.8	156.4	162.8	0.4	4.1	0.1	0.7
Tyres and tubes	*0.766*	134.5	140.9	152.0	4.8	7.9	0.6	0.6
G. CHEMICALS & CHEMICAL PRODUCTS	7.355	133.3	136.9	143.5	2.7	4.8	3.2	3.4
Fertilizers	1.748	104.6	99.1	99.1	-5.3	0.0	-1.1	0.0
Drugs and medicines	*1.065*	131.2	138.4	147.5	5.5	6.6	0.9	0.7
H. NON—METALLIC MINERAL PRODUCTS	2.477	145.9	158.1	177.3	8.4	12.1	3.6	3.3
CEMENT, LIME AND PLASTER	0.916	128.7	145.3	166.8	12.9	14.8	1.8	1.4
Cement	0.860	127.0	141.2	162.2	11.2	14.9	1.5	1.3
I. BASIC METALS, ALLOYS & METAL PRODUCTS	7.632	160.9	192.1	209.8	19.4	9.2	28.3	9.5
(a) BASIC METALS AND ALLOYS	4.784	164.1	185.3	201.0	12.9	8.5	12.1	5.3
(i) IRON & STEEL	2.441	158.0	174.4	195.0	10.4	11.8	4.8	3.5
Basic pig iron	0.023	222.0	262.1	279.1	18.1	6.5	0.1	0.0
Bars & rods	0.955	151.2	161.6	195.4	6.9	20.9	1.2	2.3
Stainless steel	0.113	N.A.	102.2	102.2	N.A.	0.0	N.A.	0.0
Heavy light structurals	0.215	213.5	245.9	250.9	15.2	2.0	0.8	0.1
Sheets	0.301	175.7	201.3	206.5	14.6	2.6	0.9	0.1
Axles, wheels & tyres	0.029	420.3	462.3	464.0	10.0	0.4	0.1	0.0
Pipes & tubes	0.569	185.5	200.4	214.1	8.0	6.8	1.0	0.5
(ii) FERRO ALLOYS	0.196	161.6	201.0	210.0	24.4	4.5	0.9	0.1
(iii) NON-FERROUS METALS & ALLOYS	1.025	170.6	234.3	244.0	37.3	4.1	7.8	0.7
Aluminium	0.454	152.4	209.1	214.6	37.2	2.6	3.1	0.2
(b) METAL PRODUCTS	1.823	147.2	186.2	213.5	26.5	14.7	8.5	3.5
J. MACHINERY & MACHINE TOOLS INCLUDING ELECTRICAL MACHINERY	6.268	138.5	158.2	171.0	14.2	8.1	14.7	5.7
(a) Non-electrical machinery & parts	3.277	140.5	162.8	179.7	15.9	10.4	8.7	3.9
(b) Electrical machinery	2.991	136.4	153.1	161.4	12.2	5.4	5.9	1.7
(c) Transport equipment & parts	2.705	140.4	157.5	174.2	12.2	10.6	5.5	3.2
K. OTHER MISC. MFG. INDUSTRIES	0.972	110.5	116.4	117.8	5.3	1.2	0.7	0.1

Source : Office of the Economic Adviser, Ministry of Industry, Government of India.

per cent following a hike in administered prices of petroleum crude.



Fuel, Power, Light and Lubricants

This group recorded a rise of 6.3 per cent in 1989-90 as against a rise of 5.1 per cent in the previous year, reflecting the impact of hikes in the administered prices of high-speed diesel oil and petrol by 17.0 per cent and 16.0 per cent, respectively (Table V-2 b).

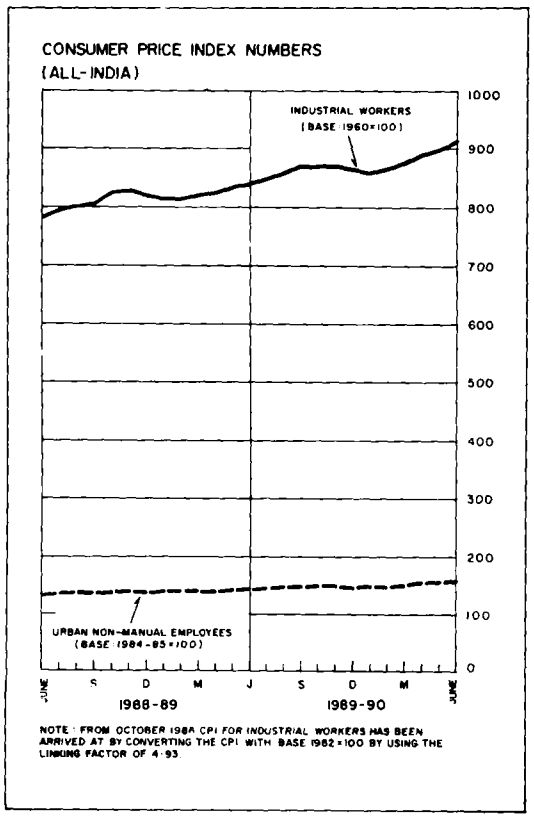
Manufactured Products

The price increase of 'Manufactured Products', which had risen by 9.2 per cent in 1988-89, rose further by 11.1 per cent in 1989-90 (Table V - 2 c). However, the weighted contribution of the 'Manufactured Products' group to the overall rise in prices during 1989-90 was, on a point-to-point basis, much lower at 70.3 per cent as compared with 90.3 per cent in the previous year; but within this group, the weighted contribution of commodities of mass consumption such as sugar, *khandsari* and *gur,* edible oils and cotton textiles, which together have a weight of 12.60 per cent in WPI, was significantly higher at 20.1 per cent as against 11.6 per cent in 1988-89. Sugar prices which had risen by 5.8 per cent in the previous year rose by 10.5 per cent in 1989-90 because of rising consumption demand and excessive speculative activity. Edible oil prices recorded a high rise of 17.2 per cent in contrast to a decline of 7.4 per cent in the previous year owing to shortfall in production and curtailment of imports. Cotton textile prices rose by 16.6 per cent in addition to a rise of 8.2 per cent in 1988-89. Prices of jute textiles increased sharply by 36.1 per cent on top of substantial increase of 15.5 per cent and 22.0 per cent in 1987-88 and 1988-89, respectively, reflecting primarily the rise in raw jute prices and speculative trading. Cement prices rose by 14.9 per cent over and above the rise of 11.2 per cent in 1988-89. Prices of non-ferrous metals rose by 4.1 per cent reflecting a rise in international prices of these metals and weakening of the rupee in relation to major foreign currencies. Among other sub-groups, there was acceleration in the rate of price increase in 1989-90 in the case of beverages, tobacco and tobacco products, paper and paper products, leather and leather products, rubber and plastic products, and chemicals and chemical products. On the other hand, there was deceleration in the rate of price increase in the case of machinery and machine tools and other miscellaneous industrial products.

Consumer Price Indices (CPI)

An analysis of trends in consumer price indices reveals that, as in 1988-89, the rise in the general index of wholesale prices was higher than the increase in the consumer price indices in 1989-90. As against the increase of 7.4 per cent on an average basis in the all-commodities WPI

in 1989-90, the increases on an average basis in All-India Consumer Price Indices were as follows: Consumer Price Index for Industrial Workers: 6.6 per cent; Consumer Price Index for Urban Non-manual Employees: 6.9 per cent; and Consumer Price Index for Agricultural Labourers: 5.4 per cent (Table V-3). The All-India Consumer Price Index (CPI) for Industrial Workers (base: 1982=100) recorded, both on a point-to-point and average basis, a rise of 6.6 per cent in 1989-90 as compared with a rise of 8.6 per cent, on a point-to-point basis, and 9.1 per cent, on an average basis, in the previous year. CPI rose from 167 in April 1989 to 176 in September, remained stationary at that level during October and November and then declined to 174 in January 1990; in March 1990 it again rose to 177.



Centre-wise, CPI recorded increases in all major centres. The highest increase in the index was registered in Bhavnagar (16.6%), followed by Indore (13.3%), Bhopal (12.9%), Ranchi (12.3%), Rajkot (11.8%) and Tiruchirapalli (11.4%).

The All-India Consumer Price Index for Urban Non-manual Employees (base: 1984-85=100) recorded, on a point-to-point basis, a rise of 8.0 per cent in 1989-90 as compared with a rise of 7.0 per cent in 1988-89. However, on an average basis, the increase was lower at 6.9 per cent as compared with 8.2 per cent in 1988-89. All centre-wise indices rose during the year; the highest increase was recorded in Bhavnagar (14.3 per cent) and the lowest in Calicut (1.5 per cent). The All-India Consumer Price Index for Agricultural Labourers (base: July 1960-June 1961=100) registered, on point-to-point basis, a marginal rise of 1.0 per cent as compared with a sharp rise of 10.8 per cent in 1988-89; on an average basis, this index registered a rise of 5.4 per cent as against a rise of 12.7 per cent in the previous year.

Comparison of WPI and CPI

A comparison of the behaviour of WPI *vis-a-vis* those of the three consumer price indices reveals certain interesting features. First, after many years of higher rates of increases, all the consumer price indices experienced lower increases than the rise in the wholesale price index during 1989-90 due to the fact that the price increases in the latter were much more generalised with substantially higher contribution from those industrial commodities which do not directly enter the consumption basket. Secondly, due to a relatively more diversified consumption basket, the CPI for Urban Non-manual Employees registered by far the highest increase in 1989-90; in contrast, due to a relatively high weightage for cereals (whose prices alone amongst consumer goods have fallen), the CPI for Agricultural Labourers registered the lowest rate of increase. The increase in the CPI for Industrial Workers fell mid-way between those of the other two consumer price indices.

Inflation rates as measured by all the price indices showed moderation during the Seventh Plan period (1985-86 to 1989-90) as compared with those during the Sixth Plan period (1980-81 to 1984-85). WPI rose at an annual rate of 6.6 per cent in the Seventh Plan as against 8.8 per cent in the Sixth Plan and the CPI for Industrial Workers at 8.0 percent as against 10.1 per cent (Table V-4). This relative moderation of inflation rate in the Seventh Plan was largely attributable to the drawing-down of the large food stocks and augmentation of supplies of certain essential commodities through imports, in some years, to mitigate excessive pressures on prices. The deceleration in the inflation rate in the Seventh Plan would have been still higher but for the high growth of overall liquidity emanating largely from fiscal imbalances. However, in the last three years of the Seventh Plan, the price rise has been substantially larger than in the first two years.

Price Trends during April-June Quarter of 1990-91

The first quarter (April-June) of the financial year 1990-91 witnessed further worsening of the price situation. Prices of articles of mass consumption such as rice, wheat, fruits and vegetables, condiments and spices, pulses, tea, *gur* and edible oils rose. The rise in the wholesale price index during the first quarter of 1990-91, on a point-to-point basis, at 4.1 per cent was higher than that (3.8 per cent) in the comparable quarter of the previous year. The rate of price rise was more than double of that in the corresponding quarter of the previous year in the case of the 'Primary Articles' group (8.7 per cent as against 3.7 per cent) while it was half of that in the previous year for the 'Manufactured Products' group (2.3 per cent as against 4.6 per cent). In the case of 'Fuel, Power, Light and Lubricants', the price rise was 0.7 per cent as compared with a fractional rise of 0.2 per cent in the corresponding quarter of 1989-90.

Table V-3 : Consumer Price Indices

Items	1987-88	1988-89	1989-90
1	2	3	4
1. Consumer Price Index for Industrial Workers (Average) (1960 = 100)	735.5	802.5*	855.1* (173.4)@
2. Per cent variation in (1)	+9.1	+9.1	+6.6
3. Consumer Price Index for Industrial Workers (In the last month of the financial year, *i.e.*, March) (point-to-point basis)	753	818.4* (166)@	872.6* (177)@
4. Per cent variation in (3)	+9.8	+8.6	+6.6
5. Consumer Price Index for Urban Non-manual Employees (Average) (1984-85 = 100)	125.4	135.8	145.2
6. Per cent variation in (5)	+8.9	+8.2	+6.9
7. Consumer Price Index for Urban Non-manual Employees (1984-85 = 100) (In the last month of financial year, i.e., March) (point-to-point basis)	129	138	149
8. Per cent Variation in (7)	+10.3	+7.0	+8.0
9. Consumer Price Index for Agricultural Labourers (Average) (July 1960 - June 1961 = 100)	628.8	708.4	746.5
10. Per cent variation in (9)	+9.9	+12.7	+5.4
11. Consumer Price Index for Agricultural Labourers (In the last month of financial year, i.e., March) (point-to-point basis).	658	729	736
12. Per cent variation in (11)	+14.8	+10.8	+1.0

* The indices from October 1988 onwards have been worked out by multiplying the indices on the new base of 1982 = 100 with the linking factor of 4.93.

@ According to the new base of 1982 = 100.

Sources: Labour Bureau, Ministry of Labour and Central Statistical Organisation, Government of India.

Table V-4 : Annual Rates of Price Increases as Reflected in Different Price Indices
(Based on Annual Averages)

(Percentage)

Year	WPI	CPI for Industrial Workers	CPI for Urban Non-manual Employees	CPI for Agricultural Labourers	Indices of Food Items	
					Composite Food Index of WPI (Weight : 27.53%)	Food Index of CPI (Weight : 60.92%)
1	2	3	4	5	6	7
1980-81	+17.7	+11.4	+11.8	+14.2	+22.4	+12.3
1981-82	+9.8	+12.5	+12.1	+12.4	+6.5	+13.6
1982-83	+4.9	+7.8	+8.0	+5.2	+6.1	+6.7
1983-84	+7.5	+12.6	+10.2	+11.3	+12.7	+14.4
1984-85	+6.5	+6.4	+8.2	+0.2	+4.7	+4.5
Average for Sixth Plan	+8.8	+10.1	+10.1	+8.7	+9.1	+10.3
1985-86	+4.4	+6.4	+6.7	+4.8	+2.2	+5.1
1986-87	+5.8	+8.8	+7.9	+4.8	+10.2	+9.7
1987-88	+8.2	+9.1	+8.9	+10.0	+8.9	+8.4
1988-89	+7.4	+9.1	+8.2	+12.7	+8.3	+10.5
1989-90	+7.4	+6.6	+6.9	+5.4	+4.9	+5.0
Average for Seventh Plan	+6.6	+8.0	+7.7	+7.5	+6.9	+7.7

Note: In the years for which indices as per the current series are not available, indices as per the previous series have been used, for computing the variations.

Amongst 'Primary Articles', both food articles and non-food articles experienced sharper price increases of 11.5 per cent and 6.5 per cent as compared with those of 5.1 per cent and 1.8 per cent, respectively, in the comparable quarter of the previous year. The minerals sub-group recorded a decline of 0.5 per cent in contrast to a rise of 1.2 per cent. Among food articles, prices of wheat, pulses, fruit and vegetables and tea recorded sharp increase; all these commodities excepting wheat had recorded sharp spurt in the first quarter of 1989-90 also. Raw cotton prices, which had declined in 1989-90 owing to bumper production, rose again markedly in the first quarter of 1990-91. During the first quarter of 1990-91, the Consumer Price Index for Industrial Workers (base: 1982=100) rose from 177 in March 1990 to 185 in June 1990 reflecting a sharp rise of 4.5 per cent as against a rise of 2.4 per cent in the corresponding quarter of the previous year. On an average basis, the rise at 8.1 per cent was marginally higher than that of 7.7 per cent in the comparable quarter of the previous year. The Consumer Price Index for Urban Non-manual Employees (base: 1984-85=100) moved up from 149 in March 1990 to 155 in June 1990 recording a rise of 4.0 per cent as compared with a rise of 2.9 per cent in the comparable quarter of 1989. The Consumer Price Index for Agricultural Labourers (base: July 1960-June 1961=100) rose from 736 in March 1990 to 759 in June 1990, registering a rise of 3.1 per cent as against a rise of 1.0 per cent in the comparable quarter of the previous year.

Price Policies

With a view to containing inflationary pressures, supply and demand management measures continued to be taken during 1989-90. Fiscal management was directed at correcting the growing imbalances between revenues and expenditures. The basic thrust of the Reserve Bank's credit policy during 1989-90 was on providing necessary support to production and trade while ensuring restraint on excess liquidity

growth and keeping inflationary pressures under check. Selective credit controls were also tightened by the Reserve Bank. On the supply side, the Government maintained supply of foodgrains and other essential commodities through the public distribution system and arranged for imports, to the extent feasible, of commodities in short supply such as, edible oils, pulses, rice and sugar. In the case of some essential commodities, appropriate price bands were determined and suitable market intervention operations were undertaken with the objective of ensuring that ruling prices remained within the price bands. The administered prices of industrial items like mineral oils, iron and steel and non-ferrous metals, were changed. However, substantial upward revisions were effected in support/procurement prices of major agricultural commodities mainly with a view to providing remunerative price environment and augmenting production and procurement of various agricultural commodities. The policy changes relating to agricultural prices have already been noted in Chapter III. The changes in price policies with regard to industrial products are reviewed below.

Effective June 2, 1989, the Joint Plant Committee (JPC) hiked by 1.5 per cent the administered prices of iron and steel items, following the increase in railway freight. Consequent to the enhancement of excise duty envisaged in the Central Budget for 1990-91, JPC again hiked, effective March 20, 1990, the administered prices of iron and steel items by 1.5 per cent.

With effect from March 20, 1990, the price of motor spirit was raised by Rs. 1.25 per litre ex-storage, that of high-speed diesel oil by 54 paise per litre and of aviation turbine fuel by Rs. 1,320.45 per kilolitre; the import duty on crude oil was increased from Rs. 1,060 to Rs. 1,500 per tonne. These changes, announced by the Finance Minister while presenting the Union Budget for 1990-91, were made in view of the hardening of petroleum prices abroad and greater dependence on imports of petroleum products which had led to a large outflow of foreign exchange.

In December 1989, the Government revised the price band, for the oil-year 1989-90 for groundnut oil from Rs. 20,000—Rs. 25,000 per tonne to Rs. 22,000—Rs. 28,000 per tonne. The price band for mustard oil was maintained unchanged at Rs. 17,000—Rs. 23,000 per tonne. Price of imported oil distributed through the public distribution system (PDS) was kept unchanged keeping in view the price trend of indigenous oil in the market and the need to provide edible oils to consumers at a reasonable price.

With a view to checking rise in sugar prices, larger releases of free-sale and levy sugar were made during 1989-90. As a supplementary measure to ease pressure on sugar prices, the limits for holding of sugar and *khandsari* stocks by all recognised dealers, other than those authorised to hold stocks for distribution through fair prices shops, were reduced. In order to maximise sugar production and to help cane growers in areas where there was surplus cane to get better price for their cane, incentives were provided during the year in the form of higher free-sale quota of sugar related to production in excess of certain stipulated norms.

Following a study made by the Bureau of Industrial Costs and Prices of the cost of production of paraxylene—an input for DMT-and update study of DMT costs, based on the revised cost of paraxylene, the Government advised DMT prducers to sell, effective March 1990, their product at an interim price not exceeding Rs. 23,500 per tonne as against the pre-revised price of Rs. 23,000 per tonne.

In July 1989, the Centre removed 26 bulk drugs from price control as their turnover was

Table V-5 : Variations in Index Numbers of Wholesale Prices

(Base : 1981-82 = 100)

Items	Weight	Percentage Variations (point-to-point basis)	
		1989-90 End-June over End-March	1990-91 End-June over End-March
1	2	3	4
ALL COMMODITIES	**100.000**	**3.8**	**4.1**
I. Primary Articles	32.295	3.7	8.7
Food articles	17.386	5.1	11.5
Cereals	6.824	-0.6	7.8
Rice	3.685	4.8	5.6
Wheat	2.248	-10.1	14.0
Pulses	1.093	8.8	6.7
Fruits & Vegetables	4.089	15.7	25.8
Milk	1.961	5.8	3.6
Other food articles	0.689	9.9	13.0
Tea	0.564	11.9	11.8
Non-food articles	10.081	1.8	6.5
Fibres	1.791	0.8	5.9
Raw cotton	1.335	-3.4	9.9
Oilseeds	3.861	7.5	10.5
Minerals	4.828	1.2	-0.5
II. Fuel, Power, Light & Lubricants	10.663	0.2	0.7
Coal mining	1.256	0.0	0.0
Mineral oils	6.666	-0.2	0.4
III. Manufactured Products	57.042	4.6	2.3
Sugar, *khandsari & gur*	4.059	16.1	6.3
Sugar	2.013	6.3	-0.9
Khandsari	0.300	30.4	-2.8
Gur	1.746	25.0	15.5
Edible Oils	2.445	5.5	9.4
Textiles	11.545	4.9	-0.6
Paper & paper products	1.988	9.5	1.8
Cement	0.860	-0.4	-0.7
Chemicals and chemical products	7.355	0.3	0.8
Iron & steel	2.441	4.2	0.8
Ferro alloys	0.196	1.1	0.9

Source : Office of the Economic Adviser, Ministry of Industry, Government of India.

marginal. In August 1989, drug price increases on the basis of new conversion and packaging norms were approved for companies which had submitted price revision applications for their entire range of products, and price adjustments based on maximum allowable post-manufacturing expenses in case of formulations were announced. Prices of 164 pharmaceutical formulation packs were reduced by the Centre on March 9, 1990 based on prices of 21 bulk drugs which were brought under drug price control in February 1990. With the extension of drug control to 21 more drugs, the market share of controlled formulations increased to about 70 per cent. The Government set up in February 1990 a permanent 12-member Standing Committee under the Chairmanship of the Secretary, Department of Chemicals and Petrochemicals to review the Drug (Price Control) Order, 1987.

Chapter VI

Monetary Developments

Overall Trends

The financial year 1989-90 experienced a significantly large acceleration in growth of liquidity mainly as a result of substantial rise in net bank credit to Government. In the credit policy announced in March 1989, it was envisaged that expansion of broad money or M_3 in 1989-90 should be contained to a level lower than the average of the preceding four years (16.7 per cent). The actual rate of expansion in M_3 during the year, however, turned out to be significantly higher at 19.9 per cent—the highest since 1978-79 when it was 21.2 per cent. The high pace of liquidity expansion in 1989-90 was even more manifest in narrow money or M_1 growth which was substantially higher at 22.5 per cent as compared with 15.2 per cent in the previous year (Table VI-1). The rates of growth of the other two money stock measures, viz., M_2 and M_4, were also higher during 1989-90 than in 1988-89.

For the Seventh Five Year Plan period (1985-86) to 1989-90), the average annual rate of expansion in M_1 and M_3 worked out to 15.6 per cent and 17.7 per cent, respectively.

Money supply with the public or M_1 (comprising currency with the public, demand deposits with banks and 'other' deposits with the Reserve Bank) expanded during 1989-90 by Rs. 14,973 crore (22.5 per cent) as against an expansion of Rs. 8,805 crore (15.2 per cent) in 1988-89. Broad money or M_3 (comprising M_1 and time deposits with banks) increased by Rs. 38,244 crore or 19.9 per cent as compared with an increase of Rs. 29,425 crore or 18.1 per cent in 1988-89.

The expansion in M_2 (M_1 plus post office savings deposits) at Rs. 14,787 crore (21.0 per cent) was larger than that of Rs. 8,960 crore (14.6 per cent) in 1988-89. The expansion of M_4 (M_3 plus total post office deposits) was also larger at Rs. 37,939 crore (18.6 per cent) than that of Rs. 29,782 crore (17.1 per cent) in 1988-89. Post office savings deposits and total post office deposits, which constitute a small proportion of M_2/M_4 relative to the other components of these measures, declined during 1989-90 in contrast to an increase in the preceding year.

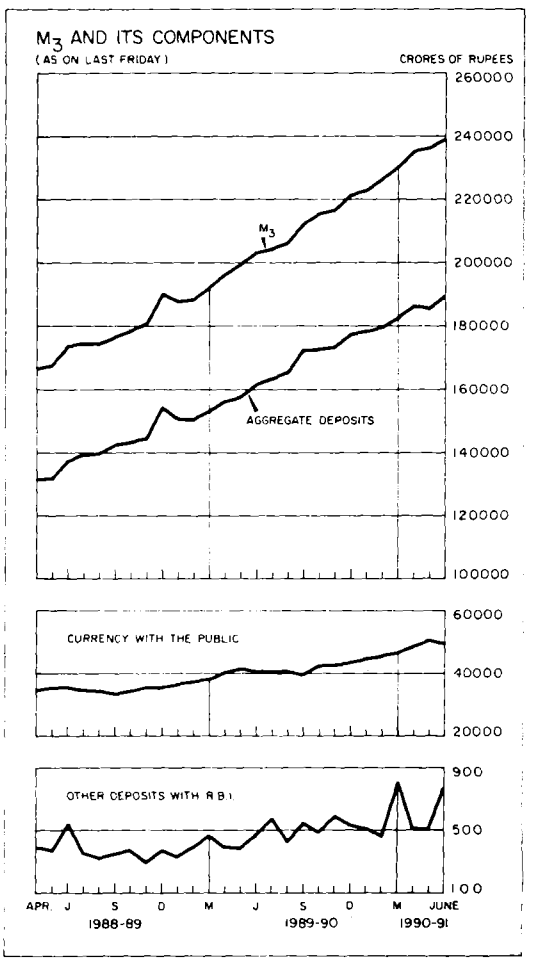


Table VI-1: Money Supply and its Components

(Rupees crore)

Items	Variations during financial year*						Outstanding as on the last reporting Friday of March 1990@*	Variations during the quarter*			
	1987-88		1988-89		1989-90@			April-June 1989		April-June 1990@	
	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)	6,625	12.9	8,805	15.2	14,973	22.5	81,580	4,739	7.1	3,664	4.5
(a) Currency with the public	5,065	17.7	4,765	14.2	8,153	21.2	46,568	2,412	6.3	2,491	5.3
(b) Demand deposits with banks	1,615	7.3	3,875	16.2	6,476	23.4	34,206	2,323	8.4	1,202	3.5
(c) 'Other' deposits with RBI	—55	—15.6	165	55.6	344	74.5	806	4	0.9	—29	—3.6
Post Office Savings Bank Deposits	405	12.5	155	4.3	—186	—4.9	3,608	—292	—7.7	—	—
M_2(M_1 + Post Office Savings Bank Deposits)	7,030	12.9	8,960	14.6	14,787	21.0	85,188	4,447	6.3	3,664	4.3
Time deposits with banks	15,402	17.2	20,620	19.7	23,251	18.5	1,48,729	6,431	5.1	5,073	3.4
M_3(M_1 + Time deposits with banks)	22,027	15.7	29,425	18.1	38,224	19.9	2,30,309	11,170	5.8	8,737	3.8
Total Post Office Deposits	67	0.6	357	3.1	—285	—2.4	11,657	—350	—2.9	—	—
M_4(M_3 + Total Post Office Deposits)	22,094	14.5	29,782	17.1	37,939	18.6	2,41,966	10,820	5.3	8,737	3.6

@ Data are provisional.

* Based on the last reporting Friday of March.

Reserve money increased during 1989-90 by Rs. 10,770 crore (17.3 per cent) on top of a rise of Rs. 9,081 crore (17.0 per cent) in 1988-89.

Money Supply—Components

A notable feature of the money supply growth in 1989-90 was sharp acceleration in growth of both the major components of M_1, viz., currency with the public and demand deposits with banks. There was an unprecedented expansion of Rs. 8,153 crore or 21.2 per cent in currency with the public during 1989-90; in 1988-89, currency with the public had increased by Rs. 4,765 crore or 14.2 per cent. Demand deposits with banks increased substantially by Rs. 6,476 crore (23.4 per cent) as against an increase of Rs. 3,875 crore (16.2 per cent) in the previous year.

Monetary expansion, as measured in terms of M_3 was higher at Rs. 38,224 crore or 19.9 per cent in 1989-90 as compared with Rs. 29,425 crore or 18.1 per cent in 1988-89. With the unprecedented expansion in currency, the share of currency in M_3 expansion rose to 21.3 per cent in 1989-90 from 16.2 per cent in 1988-89; the share of aggregate (demand and time) deposits with banks in incremental M_3 declined to 77.8 per cent from 83.2 per cent during the same period. While the share of demand deposits in M_3 expansion rose from 13.2 per cent to 16.9 per cent, that of time deposits declined from 70.1 per cent to 60.8 per cent during the said period. Although in absolute terms the increase in time deposits with banks in 1989-90 at Rs. 23,251 crore was higher than that of Rs. 20,620 crore in 1988-89, in percentage terms the increase at 18.5 per cent was smaller than that of 19.7 per cent. The increase in 'other' deposits with the Reserve Bank at Rs. 344 crore in 1989-90 was more than double that of Rs. 165 crore in 1988-89.

During the Seventh Five Year Plan period, M_1 rose by 15.6 per cent and M_3 by 17.7 per cent. Currency with the public increased by 15.5 per cent and demand deposits and time deposits with banks increased by 16.0 per cent and 19.0 per cent, respectively, during the plan period.

Sources of Change in Broad Money

The sources of change in broad money in 1989-90, as reflected by point-to-point variations, show a picture different from that in the previous year; bank credit to commercial sector recorded slower growth in 1989-90 as against a faster growth in 1988-89, while net bank credit to Government recorded acceleration in 1989-90 as against deceleration in 1988-89. These trends based on year-end data, however, understate the expansionary impulses emanating from both of these domestic credit components. As in the previous year, net Reserve Bank credit to Government ruled at a phenomenally high level throughout 1989-90 before dropping somewhat at the close of the financial year. Bank credit to commercial sector during the first half of 1989-90 expanded at a faster pace than in 1988-89 but slowed down significantly in the second half, with the result the overall pace of expansion in commercial credit in 1989-90 as a whole turned out to be lower in percentage terms. This deceleration in bank credit to commercial sector has, however, to be viewed against the slowing down of the growth of the economy, particularly in the manufacturing sector for the major part of the year, and an extra-ordinarily large increase in bank credit in the previous year; the slowing down of expansion of bank credit to commercial sector in 1989-90 also reflects the impact of the policy of credit restraint sought from banks during the second-half of the year.

Net bank credit to Government recorded a marked increase both in absolute and percentage terms—Rs. 19,686 crore or 20.3 per cent as compared with Rs. 12,771 crore or 15.2 per cent in the previous year (Table VI-2). The increase in net Reserve Bank credit to Government in 1989-90 at Rs. 13,031 crore (21.7 per cent) was conspicuously higher than that of Rs. 7,225 crore (13.7 per cent), largely on account of an increase of Rs. 12,672 crore (21.2 per cent) in net Reserve Bank credit to Central Government as compared with Rs. 7,310 crore (13.9 per cent) in the previous year. It is pertinent to point out here that a part of the increase in net Reserve Bank

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

(Rupees crore)

Items	Variations during financial year*						Outstanding as on the last reporting Friday of March 1990*@	Variations during the quarter*			
	1987-88		1988-89		1989-90@			April-June 1989		April—June 1990@	
	Absolute	Percentage	Absolute	Percentage	Absolute	Percentage		Absolute	Percentage	Absolute	Percentage
1	2	3	4	5	6	7	8	9	10	11	12
Sources of Money Stock (M_3) (1+2+3+4—5)	**22,027**	**15.7**	**29,425**	**18.1**	**38,224**	**19.9**	**2,30,309**	**11,170**	**5.8**	**8,737**	**3.8**
1. Net Bank Credit to Government (A+B)	**12,811**	**18.0**	**12,771**	**15.2**	**19,686**	**20.3**	**1,16,566**	**8,433**	**8.7**	**9,815**	**8.4**
A. RBI's net credit to Government (i + ii)	7,025	15.3	7,225	13.7	13,031#(a)	21.7	73,049	6,079	10.1	6,661#(b)	9.1
(i) Net claims on Central Government (a—b)	7,049	15.5	7,310	13.9	12,672	21.2	72,544	6,186	10.3	7,172	9.9
(a) Claims on Central Government	7,071	15.5	7,334	13.9	12,626	21.1	72,598	6,168	10.3	7,259	10.0
(b) Deposits of Central Government	22	40.7	24	31.6	—46	—46.0	54	—18	—18.0	87	161.1
(ii) Net claims on State Governments (a—b)	—24	—9.4	—85	—36.8	359	245.9	505	—107	—73.3	—511	—101.2
(a) Claims on State Governments	—24	—8.9	—90	—36.6	362	232.1	518	—102	—65.4	—507	—97.9
(b) Deposits of State Governments	—	—	—5	—33.3	3	30.0	13	5	50.0	4	30.8
B. Other banks' credit to Government	5,786	22.7	5,546	17.7	6,655	18.1	43,517	2,354	6.4	3,154	7.2
2. Bank Credit to Commercial Sector (A+B)	**12,389**	**13.3**	**21,687**	**20.5**	**22,630**	**17.8**	**1,49,852**	**4,531**	**3.6**	**2717**	**1.8**
A. RBI's credit to commercial sector $	377	11.0	1,144	30.1	257	5.2	5,207	—528	—10.7	—246	—4.7
B. Other banks' credit (i+ii+iii)	12,012	13.4	20,543	20.2	22,373	18.3	1,44,645	5,059	4.1	2,963	2.0
(i) Bank credit by commercial banks	7,234	11.4	14,190	20.1	16,734	19.7	1,01,486	4,360	5.1	2,899	2.9
(ii) Bank credit by co-operative banks	2,491	20.8	3,436	23.8	2,228	12.5	20,103	175	1.0	—257	—1.3
(iii) Investments by commercial and co-operative banks in other approved securities	2,287	15.8	2,917	17.4	3,411	17.4	23,056	524	2.7	321	1.4
3. Net Foreign Exchange Assets of the Banking Sector (A+B)	**735**	**15.4**	**1,146**	**20.7**	**85**	**1.3**	6,754	**64**	**1.0**	**—352**	**—5.2**
A. RBI's net foreign exchange assets (i-ii)	673	14.6	637	12.1	85	1.4	5,989	64	1.1	—352	—5.9
(i) Gross foreign assets	—480	—6.1	—830	—11.2	—593	—9.0	5,989	—233	—3.5	—352	—5.9
(ii) Foreign iiabilities	—1,153	—35.0	—1,467	—68.4	—678	—100.0	—	—297	—43.8	—	
B. Other banks' net foreign exchange assets	62	32.0	509	198.8	—	—	765	—	—	—	—
4. Government's Currency Liabilities to the Public	**188**	**15.8**	**95**	**6.9**	**42**	**2.8**	**1,517**	**31**	**2.1**	**—**	**—**
5. Banking Sector's Net Non-monetary Liabilities other than Time Deposits (A+B)	**4,096**	**13.7**	**6,274**	**18.5**	**4,219**	**10.5**	**44,380**	**1,889**	**4.7**	**3,443**	**7.8**
A. Net non-monetary liabilities of RBI	1,019	7.9	2,415	17.4	1,952	12.0	18,246	298	1.8	218	1.2
B. Net non-monetary liabilities of other banks (residual)	3,077	18.2	3,859	19.3	2,267	9.5	26,134	1,591	6.7	3,225	12.3

@ Provisional.
* Based on the last reporting Friday of March.
$ RBI's credit to commercial sector excludes, since the establishment of NABARD, its refinance to banks.
# Includes an amount of (a) Rs. 722 crore and (b) Rs. 240 crore representing the replacement of non-negotiable non-interest bearing securities issued to IMF by RBI claims on Central Government for facilitating repurchases from the Fund.

credit to Central Government in 1989-90, viz., Rs. 722 crore was on account of the replacement of non-negotiable non-interest bearing securities issued to the International Monetary Fund (IMF) by the Reserve Bank's claims on the Central Government for facilitating repurchases from the Fund.* Even so, the average of successive fortnightly figures of financial year variations in net Reserve Bank credit to Central Government at Rs. 10,635 crore for 1989-90 was much higher than that of Rs. 7,309 crore for 1988-89 and Rs. 5,326 crore for 1987-88. Other banks' credit to Government increased by Rs. 6,655 crore (18.1 per cent) as against Rs. 5,546 crore (17.7 per cent) in the preceding year. In the case of bank credit to commercial sector—another major source of monetary expansion—the increase in absolute terms at Rs. 22,630 crore in 1989-90 was somewhat higher than that of Rs. 21,687 crore in 1988-89 but in percentage terms, the increase was much lower at 17.8 percent as compared with 20.5 per cent for the reasons stated earlier. Net foreign exchange assets of the banking sector recorded a small increase of Rs. 85 crore as compared with an increase of Rs. 1,146 crore in 1988-89.

Seasonal Trends

During the 1989 slack season (end-April to end-October), both M_1 and M_3 growth was higher as compared with that in the 1988 slack season, M_1 growth at 9.3 per cent was much higher as compared with 2.6 per cent in the 1988 slack season. M_3 increased by 9.3 per cent as compared with 7.1 per cent in the previous slack season (Table VI-3). Among the components of M_3, currency with the public increased substantially as compared to a fractional decline and accretion to aggregate deposits with banks was also larger than in the 1988 slack season. Source-wise, both net bank credit to Government and bank credit to commercial sector recorded larger increases than in the 1988 slack season. Net foreign exchange assets of the banking sector, however, recorded a smaller increase than in the previous slack season.

During the 1989-90 busy season, M_1 recorded a higher increase of 13.9 per cent compared with 13.0 per cent in the previous busy season. M_3, however, recorded a smaller increase of 9.4 per cent than that of 10.5 per cent in the previous busy season. Component-wise, while currency and time deposits grew at a slower rate, demand deposits grew at a faster rate than in the previous busy season. Source-wise, growth of net bank credit to Government accelerated, while that of bank credit to commercial sector decelerated. Net foreign exhange assets of the banking sector decreased in contrast to an expansion in the previous busy season.

Reserve Money

There was an acceleration in the pace of growth of reserve money from 17.0 per cent in 1988-89 to 17.3 per cent in 1989-90. In absolute terms, the increase in reserve money was Rs. 10,770 crore in 1989-90 as against Rs. 9,081 crore in the previous year. There was a sharp acceleration in growth of currency with the public which is a major component of reserve money. Currency expansion in 1989-90 was 21.2 per cent as against 14.2 per cent in 1988-89. Bankers' deposits with Reserve Bank increased by 9.5 per cent as against a sharp rise of 21.9 per cent in 1988-89 (Table VI-4). The annual average growth rate of reserve money during the Seventh Plan period was 18.4 per cent.

Net Reserve Bank credit to Government continued to be the main factor responsible for the growth of reserve money. The increase in Reserve Bank's claims on Government during 1989-90 was substantially larger (both in absolute and in percentage terms) than in the previous year. The Reserve Bank's claims on scheduled commercial banks declined in contrast to a sizeable increase in 1988-89, while its claims on financial institutions registered a smaller increase as compared with that in the previous year. Accretion to net foreign exchange assets of the Reserve Bank was much lower than that in the previous year. Increase in net non-monetary liabilities of Reserve Bank, an off-

* With the depletion of the IMF Account no. 1 balances with the Reserve Bank of India, constituting mainly the repurchase obligations with the IMF, due to maintenance of value provisions under the Fund's Articles of Agreement, the special securities created by the Government in favour of the Fund had to be encashed leading to an equivalent rise in the Reserve Bank's claims on the Government of India.

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

(Rupees crore)

Items	Variations during							
	Slack Season				Busy Season			
	1988		1989@		1988-89		1989-90@	
	Absolute	Percentage	Absolute	Percentage	Absolute	Percentage	Absolute	Percentage
1	2	3	4	5	6	7	8	9
I. M_1 (a+b (i)+c)	**1,520**	**2.6**	**6,425**	**9.3**	**7,881**	**13.0**	**10,409**	**13.9**
II. M_3 (a+b+c)	**11,809**	**7.1**	**18,410**	**9.3**	**18,701**	**10.5**	**20,284**	**9.4**
(a) Currency with the public	**—19**	**—0.1**	**2,223**	**5.5**	**5,417**	**15.6**	**6,419**	**15.2**
(b) Aggregate deposits with banks	**11,851**	**9.0**	**16,084**	**10.3**	**13,265**	**9.3**	**13,851**	**8.0**
(i) Demand deposits	**1,562**	**6.5**	**4,099**	**14.5**	**2,445**	**9.5**	**3,976**	**12.3**
(ii) Time deposits	**10,289**	**9.6**	**11,985**	**9.3**	**10,820**	**9.2**	**9,875**	**7.0**
(c) 'Other' deposits with RBI	**—23**	**—5.8**	**103**	**26.3**	**19**	**5.1**	**14**	**2.8**
III. Sources of change in M_3 (1+2+3+4-5)								
1. Net Bank Credit to Government (A+B)	**7,014**	**8.0**	**8,928**	**8.8**	**7,246**	**7.6**	**11,365**	**10.2**
A. RBI's net credit to Government (i+ii)	3,755	**6.8**	**5,465#(a)**	**8.6**	**4,260**	**7.2**	**8,148#(b)**	**11.8**
(i) Net claims on Central Government (a-b)	3,596	6.5	5,590	8.8	4,363	7.4	7,911	11.5
(a) Claims on Central Government	3,592	6.5	5,588	8.8	4,366	7.4	8,093	11.7
(b) Deposits of Central Government	—4	—7.3	—2	—3.7	3	5.9	182	350.0
(ii) Net claims on State Governments (a-b)	158	149.1	—126	—79.2	—105	—39.8	247	748.5
(a) Claims on State Governments	159	176.7	—125	—85.6	—103	—41.4	237	1,128.6
(b) Deposits of State Governments	—1	—6.3	—1	—7.7	—2	—13.3	10	83.3
B. Other banks' credit to Government	3,259	10.1	3,463	9.0	2,986	8.4	3,217	7.7
2. Bank Credit to Commercial Sector (A+B)	**8,590**	**8.1**	**9,438**	**7.3**	**14,730**	**12.8**	**13,179**	**9.5**
A. RBI's credit to commercial sector*	440	11.5	386	8.0	561	13.2	260	5.0
B. Other banks' credit to commercial sector (i+ii+iii)	8,150	8.0	9,052	7.3	14,169	12.8	12,919	9.7
(i) Bank credit by commercial banks	5,098	7.2	6,322	7.3	11,055	14.6	10,399	11.1
(ii) Bank credit by co-operative banks	1,485	10.1	764	4.3	1,828	11.3	1,016	5.4
(iii) Investments by commercial and co-operative banks in other securities	1,567	9.3	1,966	10.0	1,286	7.0	1,504	6.9
3. Net Foreign Exchange Assets of the Banking Sector (A + B)	**373**	**7.0**	**51**	**0.8**	**522**	**9.2**	**—90**	**—1.4**
A. RBI's net foreign exchange assets (i-ii)	—136	—2.7	51	0.9	522	10.6	—90	—1.6
(i) Gross foreign assets	—864	—12.1	—570	—9.4	—222	—3.5	—90	—1.6
(ii) Foreign liabilities	—728	—34.8	—621	—100.0	—744	—54.5	—	—
B. Other banks' net foreign exchange assets	509	198.8	—	—	—	—	—	—
4. Government's Currency Liabilities to Public	**49**	**3.5**	**23**	**1.5**	**47**	**3.3**	**6**	**0.4**
5. Banking Sector's Net Non-monetary Liabilities other than Time Deposits (A+B)	**4,217**	**12.3**	**30**	**0.1**	**3,844**	**10.0**	**4,176**	**9.9**
A. Net non-monetary liabilities of RBI	1,178	8.6	1,030	6.5	1,024	6.9	419	2.5
B. Net non-monetary liabilties of other banks (residual)	3,039	14.8	—1,000	—3.8	2,820	12.0	3,757	14.8

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

\# Includes an amount of (a) Rs.104 crore and (b) Rs.643 crore representing the replacement of non-negotiable non-interest bearing securities issued to IMF by RBI claims on Central Government for facilitating repurchases from the Fund.

setting item, was also smaller than that in 1988-89.

Some Monetary Relationships

The ratio of currency to aggregate deposits which, on a point-to-point basis, had declined from 0.261 in 1987-88 to 0.251 in 1988-89, again increased to 0.255 in 1989-90 (Table VI-5). On an average basis, however, the ratio continued to show a downward movement during 1989-90 also. On a point-to-point basis, while the ratio of currency to M_3 increased from 0.200 in 1988-89 to 0.202 in 1989-90, that of aggregate deposit to M_3 declined from 0.798 to 0.794 during the same period. On an average basis, the ratio of currency to M_3 remained unchanged at 0.201 and that of aggregate deposits to M_3 declined marginally from 0.797 to 0.796 between 1988-89 and 1989-90.

Money multiplier ratios, i.e., the ratio of M_1 or M_3 to reserve money both on point-to-point and average basis (unadjusted for changes in reserve requirements), are also presented in Table VI-5. The period 1985-86 to 1989-90 witnessed a decline in the M_1 /reserve money ratio from 1.152 to 1.115 on an end-year basis and from 1.185 to 1.081 on an average basis. During the same period, the ratio of M_3/reserve money increased from 3.126 to 3.149 on an end-year basis but declined from 3.204 to 3.084 on an average basis. The incremental ratios of M_1/RM and M_3/RM both on an end-year basis and average basis, which had declined in 1987-88, again rose in 1988-89 and 1989-90.

The movements in money multiplier after adjustment* of reserve money for changes in cash reserve requirements are indicated in the table below. The 'adjusted' average money multiplier shows a marginal increase during 1989-90. However, the incremental money multiplier, which had risen markedly in 1988-89, declined marginally in 1989-90.

Income Velocity of Money

The income velocity of narrow-money, i.e., the ratio of GDP at current market prices to average M_1, which had risen from 6.174 in 1987-88 to 6.341 in 1988-89, decreased to 5.970 in 1989-90. The income velocity of M_3 also showed a similar trend; it rose from 2.186 in 1987-88 to 2.197 in 1988-89 and fell to 2.092 in 1989-90.

Monetary Trends during April-June 1990

During the first quarter of the current financial year 1990-91, M_3 growth at Rs. 8,737 crore (3.8 per cent) was lower than that of Rs. 11,170

* The series are based on the 'average daily balances' maintained by banks during the reporting weeks/fortnights. The adjusted reserve money is derived by adjusting for over 3 per cent in cash reserve ratio and incremental reserve requirements as also for net defaults of commercial banks with respect to average and incremental reserve requirements. For details of the concept and methodology of working out the adjusted reserve money series, reference may be made to 'Reserve Money—Concepts and Policy Implications for India' in Reserve Bank of India Occasional Papers (Vol. 5, No. 1), June 1984.

	Averages of reporting weeks/fortnights				
	1985-86	1986-87	1987-88	1988-89	1989-90@
1	2	3	4	5	6
Average Money Multiplier (M_3/RM) (adjusted)	4.195	4.203	4.146	4.231	4.308
Incremental Money Multiplier $\Delta M_3/\Delta$ RM (adjusted)	5.338	4.251	3.845	4.808	4.764

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crore (5.8 per cent) in the corresponding period of 1988-89. M_1 growth at Rs. 3,664 crore (4.5 per cent) was also lower than that of Rs. 4,739 crore (7.1 per cent) in April-June 1989. Component-wise, in absolute terms, currency with the public increased but its growth rate was smaller than in April-June 1989. Accretion to aggregate deposits with banks was smaller both in absolute and percentage terms than in the corresponding period of the previous year. Source-wise, the increase in net bank credit to Government and bank credit to commercial sector was lower in percentage terms; in absolute terms, the increase in net bank credit to Government was, however, larger than in the first quarter of 1989-90. Net foreign exchange assets of the banking sector registered a sizeable fall in contrast to a modest rise in April-June 1989. Reserve money recorded a higher increase of Rs. 5,954 crore or 8.1 per cent as against Rs. 3,888 crore or 6.2 per cent.

Component-wise, both currency with the public and bankers' deposits with the Reserve Bank showed higher increases. The main source of

Table VI-4: Reserve Money: Components and its Sources of Change

(Rupees crore)

Items	Variations during the financial year*				Outstanding as on the last reporting Friday of March 1990@*	Variations during the quarter*			
	1988-89		1989-90@			April-June 1989		April-June 1990@	
	Absolute	Percentage	Absolute	Percentage		Absolute	Percentage	Absolute	Percentage
1	2	3	4	5	6	7	8	9	10
Reserve Money (1+2+3+4)	**9,081**	**17.0**	**10,770**	**17.3**	**73,147**	**3,888**	**6.2**	**5,954**	**8.1**
1. Currency with the public	4,765	14.2	8,153	21.2	46,568	2,412	6.3	2,491	5.3
2. 'Other' deposits with RBI	165	55.6	344	74.5	806	4	0.9	—29	—3.6
3. Cash on hand with banks	247	16.0	207	11.6	1,995	530	29.6	545	27.3
4. Bankers' deposits with RBI	3,904	21.9	2,066	9.5	23,778	942	4.3	2,947	12.4
Sources of change in Reserve Money (1+2+3-4)									
1. Reserve Bank's claims on (a+b+c+d)	**10,763**	**17.8**	**12,596**	**17.7**	**83,887**	**4,091**	**5.7**	**6,524**	**7.8**
(a) Government (Net)	7,225	13.7	13,031#(a)	21.7	73,049	6,079	10.1	6,661#(b)	9.1
(b) Scheduled commercial banks	1,769	82.5	—1,127	—28.8	2,787	—1,352	—34.5	59	2.1
(c) State co-operative banks	10	76.9	—	—	23	1	4.3	13	56.5
(d) Financial institutions (i+ii+iii)	1,759	31.5	692	9.4	8,028	—637	—8.7	—209	—2.6
(i) NABARD	616	34.8	434	18.2	2,821	—109	—4.6	37	1.3
(ii) IDBI	343	10.7	281	7.9	3,822	—13	—0.4	—	—
(iii) Others	800	131.6	—23	—1.6	1,385	—515	—36.6	—246	—17.8
2. Net Foreign Exchange Assets of RBI	**637**	**12.1**	**85**	**1.4**	**5,989**	**64**	**1.1**	**—352**	**—5.9**
3. Government's Currency Liabilities to the Public	**95**	**6.9**	**42**	**2.8**	**1,517**	**31**	**2.1**	**—**	**—**
4. Net Non-monetary Liabilities of RBI	**2,415**	**17.4**	**1,952**	**12.0**	**18,246**	**298**	**1.8**	**218**	**1.2**

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* Based on the last reporting Friday of March.

\# Includes an amount of (a) Rs. 722 crore and (b) Rs. 240 crore representing the replacement of non-negotiable non-interest bearing securities issued to IMF by RBI claims on Central Government for facilitating repurchases from the Fund.

Table VI-5 : Monetary Ratios

Items	1985-86	1986-87	1987-88	1988-89	1989-90@
1	2	3	4	5	6
A. Point-to-point basis on last reporting Friday of March					
a) Currency/Aggregate deposits	0.271	0.256	0.261	0.251	0.255
b) Currency/M3	0.213	0.203	0.207	0.200	0.202
c) Aggregate deposits/M3	0.785	0.794	0.791	0.798	0.794
d) Bank reserves/Aggregate deposits	0.134	0.142	0.150	0.153	0.141
Incremental Ratios					
a) Δ Currency/ Δ Aggregate deposits	0.176	0.182	0.298	0.195	0.274
b) Δ Currency/ Δ M3	0.153	0.153	0.230	0.162	0.213
c) Δ Aggregate deposits/ Δ M3	0.869	0.842	0.773	0.832	0.778
d) Δ Bank reserves/ Δ Aggregate deposits	0.297	0.183	0.204	0.169	0.076
Money Multiplier					
a) M1/RM*	1.152	1.142	1.085	1.068	1.115
b) M3/RM*	3.126	3.138	3.052	3.079	3.149
Incremental Money Multiplier					
a) Δ M1/Δ RM*	0.619	1.090	0.781	0.970	1.390
b) Δ M3/Δ RM*	2.567	3.206	2.597	3.240	3.549
B. Average of all reporting Fridays of months from April-March					
a) Currency/Aggregate deposits	0.280	0.264	0.261	0.253	0.252
b) Currency/M3	0.218	0.208	0.207	0.201	0.201
c) Aggregate deposits/M3	0.780	0.790	0.791	0.797	0.796
d) Bank reserves/Aggregate deposits	0.118	0.130	0.150	0.155	0.151
Incremental Ratios					
a) Δ Currency/ Δ Aggregate deposits	0.183	0.180	0.245	0.206	0.250
b) Δ Currency/ Δ M3	0.155	0.153	0.197	0.171	0.199
c) Δ Aggregate deposits/ Δ M3	0.851	0.847	0.801	0.827	0.796
d) Δ Bank reserves/ Δ Aggregate deposits	0.124	0.197	0.261	0.180	0.135
Money Multiplier					
a) M1/RM*	1.185	1.153	1.083	1.061	1.081
b) M3/RM*	3.204	3.192	3.057	3.063	3.084
Incremental Money Multiplier					
a) Δ M1/ Δ RM*	1.206	0.972	0.771	0.933	1.189
b) Δ M3/ Δ RM*	3.918	3.129	2.453	3.099	3.204

RM = Reserve Money.

* Not adjusted for changes in reserve requirements.

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Notes : 1. Bank reserves comprise of cash with banks and bankers' deposits with RBI.

2. Reserve money comprises of currency with the public, bank reserves and 'other' deposits with RBI.

3. Money multiplier is ratio of money supply or aggregate monetary resources to reserve money.

Table VI-6 : Income Velocity of Narrow Money (M_1) and Broad Money (M_3)

(Rupees crore)

Financial Year	Gross Domestic Product (at current market prices)		Currency with the public*		Narrow Money (M_1)*		Broad Money (M_3)*		Average Income Velocity of		
	Amount	Annual percentage increase	Amount	Annual average percentage increase	Amount	Annual average percentage increase	Amount	Annual average percentage increase	Currency	Narrow Money (M_1)	Broad Money (M_3)
1	2	3	4	5	6	7	8	9	10	11	12
1985-86	2,62,507	13.8	24,058	11.6	40,824	13.9	1,10,372	17.1	10.911	6.430	2.378
1986-87	2,93,408	11.8	27,011	12.3	46,835	14.7	1,29.713	17.5	10.863	6.265	2.262
1987-88	3,32,553	13.3	31,410	16.3	53,866	15.0	1,52,096	17.3	10.587	6.174	2.186
1988-89	3,91,158	17.6	35,842	14.1	61,688	14.5	1,78,080	17.1	10.913	6.341	2.197
1989-90@	4,42,769	13.2	42,528	18.7	74,169	20.2	2,11,679	18.9	10.411	5.970	2.092

* Average of all reporting Fridays of months from April-March.

@ Provisional.

Table VI-7 : Details of Currency in Circulation

(Rupees crore)

Financial year	Notes in circulation		Circulation of rupee coins*		Circulation of small coins		Currency in circulation		Of which with banks	
	Out-standing	Variation over the previous year	Out-standing	Variation over the previous year	Out-standing	Variation over the previous year	Out-standing	Variation over the previous year	Out-standing	Variation over the previous year
1	2	3	4	5	6	7	8	9	10	11
1987-88	33,812 (96.1)	+5,050	839 (2.4)	+130	541 (1.5)	+58	35,192 (100.0)	+5,238	1,542	+173
1988-89	38,728 (96.3)	+4,916	893 (2.2)	+54	582 (1.5)	+41	40,203 (100.0)	+5,011	1,788	+246
1989-90@	47,046 (96.9)	+8,318	914 (1.9)	+21	602 (1.2)	+20	48,562 (100.0)	+8,359	1,995	+207
Quarter ended June 1989	41,639 (96.5)	+2,911	904 (2.1)	+11	602 (1.4)	+20	43,145 (100.0)	+2,942	2,318	+530
Quarter ended June 1990@	50,082 (97.1)	+3,036	915 (1.8)	+1	602 (1.1)	—	51,599 (100.0)	+3,037	2,540	+545

* Including one rupee notes

@ Provisional.

Note—1. Figures in brackets are proportions to total currency.
2. Data relate to last reporting Friday.

reserve money growth was net Reserve Bank credit to Government.

Currency and Coinage

During the financial year 1989-90, the expansion in currency in circulation (comprising currency with the public and cash with banks) at Rs. 8,359 crore (20.8 per cent) was considerably higher than that of Rs. 5,011 crore (14.2 per cent) in 1988-89 (Table VI-7). Notes in circulation, the major component of currency, showed an increase of Rs. 8,318 crore (21.5 per cent) which was substantially larger than the increase of Rs. 4,916 crore (14.5 per cent) in the previous year. The proportion of bank notes in total currency in circulation increased marginally from 96.3 per cent as at the end of March 1989 to 96.9 per cent as at the end of March 1990. The increase in circulation of rupee coins as well as small coins was smaller during 1989-90 than in 1988-89. The share of both rupee coins and small coins in total currency was also lower at 1.9 per cent and 1.2 per cent, respectively, as at the end of March 1990 as compared with 2.2 per cent and 1.5 per cent, respectively, a year ago.

During the first quarter (April-June) of 1990-91, the expansion in currency in circulation at Rs. 3,037 crore was higher than that of Rs. 2,942 crore in the corresponding quarter of 1989-90.

Data on denomination-wise share of notes and total notes issued during the period 1978 to 1987 are presented in Table VI-8. These indicate the secular shift in the composition of notes in circulation from lower denomination (Rs. 5 to Rs. 20) to higher denomination (Rs. 50 to Rs. 100) notes, reflecting *inter alia* the gradually receding purchasing power of the rupee. Thus, between March 1978 and March 1987, the share of Rs. 50 and Rs. 100 denomination notes in total notes issued has shown a striking increase from 11.7 per cent to 18.3 per cent and from 50.4 per cent to 59.5 per cent, respectively. On the other hand, the share of Rs. 20 denomination fell from 8.1 per cent to 6.6 per cent during the same period. There was also a significant decline in the share of Rs. 10 denomination from 21.4 per cent in 1978 to 8.7 per cent in 1987. The share of Rs. 2 denomination increased during the said period from 1.7 per cent to 2.4 per cent, while that of Rs. 5 denomination fell from 6.7 per cent to 4.5 per cent.

Table VI-8: Denomination-wise Share of Notes in Total Notes Issued

(Percentage)

End of March	Rs. 2	Rs. 5	Rs. 10	Rs. 20	Rs. 50	Rs. 100	Rs. 500	Total (2 to 8)	Share of Total Notes Issued in Total Currency Issued*
1	2	3	4	5	6	7	8	9	10
1978	1.7	6.7	21.4	8.1	11.7	50.4	—	100.0	93.8
1979	1.7	5.6	19.0	7.6	14.0	52.1	—	100.0	94.7
1980	1.8	5.0	18.0	8.1	16.8	50.3	—	100.0	95.5
1981	2.2	4.6	15.3	7.9	16.1	53.9	—	100.0	95.8
1982	2.6	4.7	13.4	8.2	18.4	52.7	—	100.0	95.9
1983	2.5	4.7	10.4	8.3	17.5	56.6	—	100.0	96.3
1984	2.3	5.0	8.8	7.3	18.1	58.5	—	100.0	96.7
1985	2.4	5.3	9.4	7.0	16.7	59.2	—	100.0	96.9
1986	2.5	5.1	9.9	7.0	16.8	58.7	—	100.0	96.5
1987	2.4	4.5	8.7	6.6	18.3	59.5	—	100.0	96.1

* Inclusive of issue of small coins.

Issue of Notes and Coins

During the financial year 1989-90, decimal coins of various denominations valued at Rs. 53.03 crore were minted. Commemorative coins of Re. 1/- on the theme 'Food and Environment' were issued for general circulation on the occasion of '9th World Food Day' on October 16, 1989.

The Reserve Bank issued notes of Rs. 10/- (Yatch design) in slightly modified design giving prominance to Hindi over English, incorporating 'Satyameva Jayate' below the Ashoka Pillar emblem and the bilingual common seal of the Bank.

Withdrawal of Coins

It has been decided by Government of India to withdraw Re. 1/- coins of weight 8 gms. and diameter of 28 mm to facilitate introduction of Rs. 2/- coins in the same weight and diameter.

Lost, Destroyed and Mutilated Notes

During 1989-90, the offices of the Reserve Bank received about 2.49 lakh claims in respect of mutilated notes involving 252.30 lakh piece. The total amount involved in these claims was Rs. 26.04 crore and claims approved for payment (including amount approved/paid during the year in respect of claims received/approved in the previous year) amounted to Rs. 25.63 crore. Payments against approved claims totalled Rs. 22.76 crore. From June 1985, branches of public sector banks with currency chest have also been granted power to accept all types of mutilated notes from members of the public and pay exchange value where applicable under the Reserve Bank of India (Note Refund) Rules. (For details refer statement No. 134 of VOLUME—II of this report).

Note Forgeries

The total number of forged notes including one rupee notes detected at the issue offices of the Reserve Bank, branches of other banks and seized by the police throughout the country increased from 10,338 pieces in 1988 to 12,221 pieces in 1989. The value of the forged notes detected during the year went up to Rs. 3.27 lakh as compared with Rs. 2.71 lakh in the previous year (for details, reference may be made to Statement 135 of Vol. II of this Report).

New Note Press Project

The New Note Press Project, a venture initiated by the Government of India was transferred to the Reserve Bank for implementation and subsequent management. The Reserve Bank took over the project in January 1990. A wholly-owned subsidiary company of the Reserve Bank is proposed to be set up for the purpose. The project envisages

setting up of two bank-note printing presses—one at Salboni in Midnapur district (West Bengal) and the other at Mysore (Karnataka). Both the presses will have comparable facilities, each having printing capacity of the order of 5,000 million pieces of notes of various denominations. The total cost of the project is estimated at Rs. 1,500 crore (inclusive of customs duty on plant and equipment required for the presses). The project is likely to be completed in about four years' time with an initial line of production becoming operational in 24 months.

Committee on Currency Management

Mention was made in the last year's Report about contribution of the Committee on Currency Management in December 1988 under the chairmanship of a Deputy Governor of the Reserve Bank to go into the entire gamut of currency management. The Committee submitted its report on September 30, 1989. In regard to the recommendations in sofar as they relate to matters coming within the purview of the Government of India, the Ministry of Finance has formed a standing group to take early steps for their implementation. Regarding public sector banks, a meeting of the Chairmen of the banks was convened under the aegis of the Indian Banks' Association and the salient features of the Committee's report were placed before them and subsequently explained to Cash Officers of the banks at meetings held at the four metropolitan centres. In respect of remaining recommendations which relate to work procedures and internal arrangments in the Reserve Bank, a small In-House Group has been constituted for examining the same and their implementation.

Trends in Bullion Prices

*Gold**

Gold price displayed a mixed trend in the domestic market during the financial year 1989-90 but the undertone remained firm. No doubt, following the announcement on March 19, 1990 by the Union Finance Minister (while presenting the Union Budget for 1990-91) of the proposal to abolish gold control, the quotation for standard gold in the Bombay bullion market declined sharply from Rs. 3,420 to Rs. 3,050 on March 24, 1990, but it soon recovered, albeit partially, to Rs. 3,200 on March 31, 1990. The average price of gold in the Bombay market in March 1990 recorded an increase of 5.2 per cent over the average price in March 1989; over the previous comparable period, the average gold price had registered a decline of 1.7 per cent. The increase in annual average price of gold in the Bombay market in 1989-90 was lower at 1.7 per cent as compared with a rise of 3.0 per cent in 1988-89. Gold price continued to show a mixed trend in the first quarter (April-June) of 1990-91. The premium of average gold price in Bombay over the average price in London narrowed from 62.3 per cent in March 1989 to 52.9 per cent in March 1990 but widened to 67.8 per cent in June 1990.

Silver

Silver price in the domestic market ruled firm during greater part of the financial year 1989-90 owing to good demand and restricted supply of raw silver. In international markets, silver prices depicted an easy trend. The average price of silver (0.999 fineness) in the Bombay market in March 1990 recorded a marginal fall of 1.8 per cent over the average price in March 1989, in contrast to a sharp rise of 10.6 per cent in the previous one-year period. It is pertinent to note here that the decline in silver price in Bombay in March 1990 was partly a sympathetic decline attributed to the fall in gold price following the announcement about abolition of gold control. The average price of silver in the Bombay market in 1989-90, however, recorded a rise of 7.5 per cent on top of a sharp rise of 15 per cent in 1988-89. The premium of monthly average silver price in Bombay over the average price in New York widened from 131.5 per cent in March 1989 to 140.9 per cent in March 1990 and further to 143.7 per cent in June 1990.

* Trends in gold prices in international markets are reviewed in chapter XI.

Table VI-9: Gold Prices in Bombay and London
(Monthly Averages)

(Rupees per 10 grammes)

Month	Bombay	London	London (US dollars per troy ounce)	Spread between Bombay and London Prices	
				Absolute	Percentage
1	2	3	4	5	6
March 1976	535.04	388.71	132.68	+146.33	+37.6
March 1985	2097.27	1256.06	303.20	+841.21	+67.0
March 1986	2128.43	1365.92	346.09	+762.51	+55.8
March 1987	2606.42	1700.23	408.85	+906.19	+53.3
March 1988	3209.09	1851.25	443.49	+1357.84	+73.3
March 1989	3153.25	1943.13	390.27	+1210.12	+62.3
March 1990	3316.92	2169.93	393.66	+1146.99	+52.9
1989-90					
April 1989	3203.10	1946.04	384.72	+1257.06	+64.6
May ,,	3219.08	1928.27	371.35	+1290.81	+66.9
June ,,	3086.04	1945.00	367.73	+1141.04	+58.7
July ,,	3081.04	1981.03	375.21	+1100.01	+55.5
August ,,	3158.26	1957.94	365.55	+1200.32	+61.3
September ,,	3121.59	1948.72	361.80	+1172.87	+60.2
October ,,	3161.57	1989.03	366.80	+1172.54	+59.0
November ,,	3235.45	2146.83	394.36	+1088.62	+50.7
December ,,	3290.00	2231.25	409.66	+1058.75	+47.5
January 1990	3383.21	2236.45	410.12	+1146.76	+51.3
February ,,	3495.71	2275.58	416.54	+1220.13	+53.6
March ,,	3316.92	2169.93	393.66	+1146.99	+52.9
1990-91					
April 1990	3416.50	2083.41	374.93	+1333.09	+64.0
May ,,	3431.40	2055.34	368.85	+1376.06	+67.0
June ,,	3314.35	1975.57	352.66	+1338.78	+67.8

Notes: 1. Based on closing quotations for Bombay market and morning fixing for London market.
2. The conversion factor is 1 ounce = 0.0311035 kg.
3. The quotation in dollars per troy ounce in London market have been converted into rupees per 10 grammes at the cross rates based on daily average of spot buying and selling rates of US dollar in London and average of Reserve Bank's spot buying and selling rates of sterling.

Sources: 1. Bombay Bullion Association, Bombay.
2. Press Trust of India.

Table VI-10: Gold Prices in Bombay and London
(Financial Year Averages)

(Rupees per 10 grammes)

Year	Bombay	London	London (US dollars per troy ounce)	Spread between Bombay and London prices	
				Absolute	Percentage
1	2	3	4	5	6
1970-71	184.96	88.71	36.81	+96.25	+108.5
1975-76	544.99	416.06	149.48	+128.93	+31.0
1980-81	1522.44	1484.67	584.92	+37.77	+2.5
1981-82	1719.17	1209.94	420.95	+509.23	+42.1
1982-83	1722.54	1250.38	401.43	+472.16	+37.8
1983-84	1858.47	1342.06	404.15	+516.41	+38.5
1984-85	1983.92	1293.78	340.01	+690.14	+53.3
1985-86	2125.47	1289.72	327.75	+835.75	+64.8
1986-87	2323.49	1577.02	383.33	+746.47	+47.3
1987-88	3082.43	1912.54	458.84	+1169.89	+61.2
1988-89	3175.22	1960.38	422.01	+1214.84	+62.0
1989-90	3229.33	2063.01	384.79	+1166.32	+56.5

Notes: 1. Based on closing quotations for Bombay market and morning fixing for London market.
2. The conversion factor is 1 ounce = 0.0311035 kg.
3. The quotations in dollars per troy ounce in London market have been converted into rupees per 10 grammes at the cross rates based on daily average of spot buying and selling rates of US dollar in London and average of Reserve Bank's spot buying and selling rates of sterling.

Table VI-11: Silver Prices in Bombay and New York (Monthly Averages)

(Rupees per Kg.)

Year	Bombay	New York	New York (Cents per troy ounce)	Spread between Bombay and New York prices	
				Absolute	Percentage
1	2	3	4	5	6
March 1976	1,163.56	1,227.30	418.90	—63.74	—5.2
March 1985	3,937.05	2,490.48	601.36	+1,446.57	+58.1
March 1986	3,999.00	2,226.34	564.13	+1,772.66	+79.6
March 1987	4,778.50	2,366.40	568.98	+2,412.10	+101.9
March 1988	6,175.95	2,676.86	641.28	+3,499.09	+130.7
March 1989	6,833.63	2,951.56	592.98	+3,882.07	+131.5
March 1990	6,712.08	2,795.75	505.82	+3,925.49	+140.9
1989-90					
April 1989	6,692.52	2,929.13	579.08	+3,763.39	+128.5
May ,,	6,783.20	2,821.99	544.55	+3,961.21	+140.4
June ,,	6,654.00	2,792.70	528.02	+3,861.30	+138.3
July ,,	6,717.17	2,767.03	524.00	+3,950.14	+142.8
August ,,	6,788.74	2,772.39	518.23	+4,016.35	+144.9
September ,,	6,813.50	2,765.06	513.30	+4,048.44	+146.4
October ,,	6,916.61	2,783.40	513.30	+4,133.21	+148.5
November ,,	7,004.95	2,975.17	546.60	+4,029.78	+135.4
December ,,	7,054.92	3,019.20	554.28	+4,035.72	+133.7
January 1990	6,998.96	2,858.99	524.30	+4,139.97	+144.8
February ,,	6,966.29	2,884.04	527.84	+4,082.25	+141.5
March ,,	6,712.08	2,786.59	505.82	+3,925.59	+140.9
1990-91					
April 1990	6,755.80	2,803.84	504.58	+3,951.96	+140.9
May ,,	6,734.40	2,828.98	507.39	+3,905.42	+138.1
June ,,	6,696.77	2748.28	490.60	+3,948.49	+143.7

Notes: 1. Based on closing quotations for Bombay market and afternoon fixing for New York market.
2. The conversion factor is 1 ounce = 0.0311035 kg.
3. The quotation in cents per troy ounce in New York market have been converted into rupees per kg. at the cross rates based on the daily average of spot buying and selling rates of U.S. dollar in London and average of Reserve Bank's spot buying and selling rates of sterling.

Source: 1. Bombay Bullion Association.
2. Press Trust of India.

Table VI-12: Silver Prices in Bombay and New York (Financial year Averages)

(Rupees per Kg.)

Year	Bombay	New York	New York (Cents per troy ounce)	Spread between Bombay and New York Prices	
				Absolute	Percentage
1	2	3	4	5	6
1970-71	536.08	412.18	170.90	+123.90	+30.1
1975-76	1,169.36	1,221.33	437.36	—51.97	—4.3
1980-81	2,616.63	4,020.30	1,585.14	—1,403.67	—34.9
1981-82	2,636.06	2,627.05	914.52	—9.01	+0.3
1982-83	2,798.34	2,829.74	906.49	—31.40	—1.1
1983-84	3,505.80	3,516.66	1,060.64	—10.86	—0.3
1984-85	3,593.59	2,810.19	740.98	+783.40	+27.9
1985-86	3,918.35	2,396.35	609.00	+1,522.00	+63.5
1986-87	4,247.10	2,220.03	539.87	+2,027.07	+91.3
1987-88	5,538.83	3,016.70	721.53	+2,522.13	+83.6
1988-89	6,366.76	2,971.52	639.65	+3,395.24	+114.3
1989-90	6,841.91	2,846.31	531.61	+3,995.60	+140.4

Notes: 1 Based on closing quotations for Bombay market and afternoon fixing for New York market.
2. The conversion factor is 1 ounce = 0.0311035 kg.
3. The quotations in cents per troy ounce in New York market have been converted into rupees per kg. at the cross rates based on the daily average of spot buying and selling rates of US dollar in London and average of Reserve Bank's spot buying and selling rates of sterling.

CHAPTER VII

Banking Developments

OVERALL REVIEW

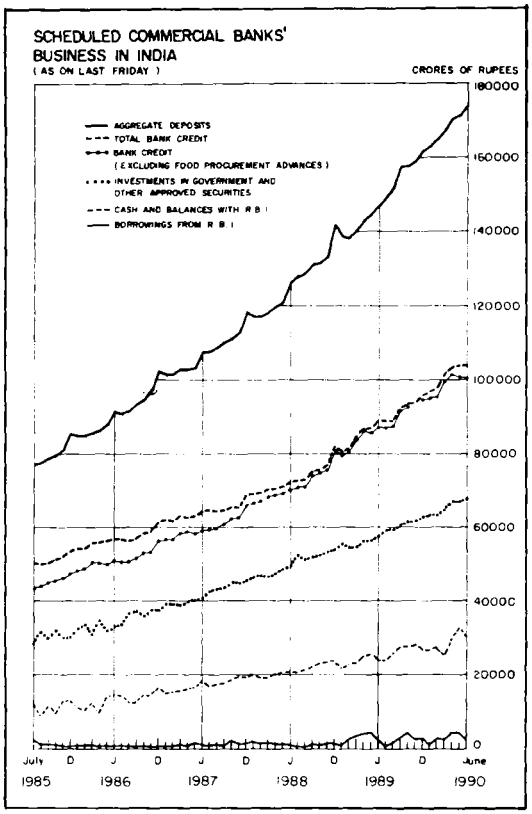
This chapter covers developments in commercial banking and rural credit. The total number of bank offices as on June 30, 1990 was 59,388 of which 58.1 per cent were rural branches. During the period July 1989 to June 1990 banks opened 1594 branches, of which 1474 or 92.5 per cent were in rural areas.

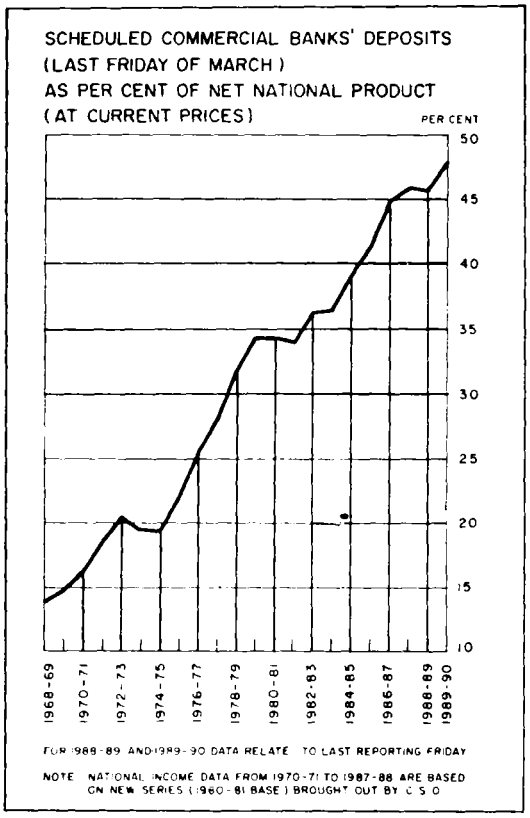
During 1989-90 (April-March), scheduled commercial banks' aggregate deposits rose, on a point-to-point basis, by 19.1 per cent as compared with 18.7 per cent in 1988-89. During the same period, credit extended by banks increased by 19.8 per cent as compared with 20.1 per cent in 1988-89. Average of month end aggregate deposits constituted 35.3 per cent of gross national product at current market prices in 1989-90.

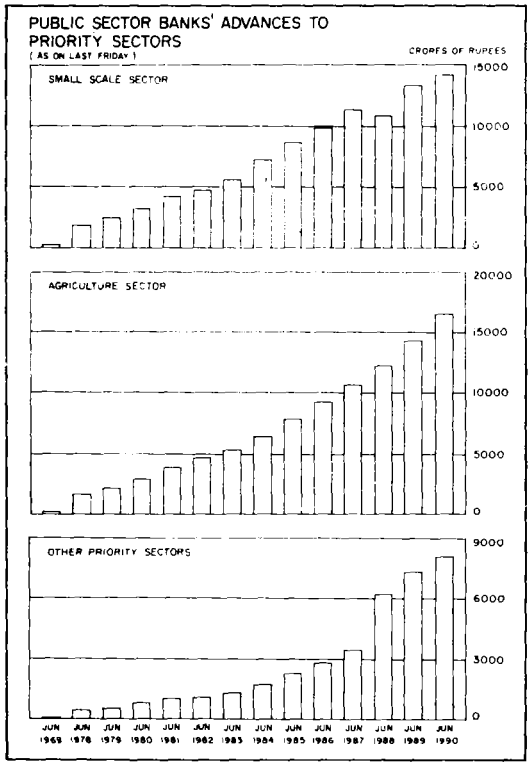
The priority sector advances of the public sector banks increased from Rs. 34,874 crore as at the end of June 1989 to Rs. 38,649 crore as at the end of June 1990 and constituted 42.3 per cent (target 40 per cent) of their total advances. Within the priority sectors, advances to weaker sections aggregated Rs. 10,086 crore constituting 11.0 per cent of total advances of these banks as against the target of 10 per cent. Assistance to beneficiaries under the 20-Point Programme from the public sector banks amounted to Rs. 12,848 crore in 369.44 lakh borrowal accounts, as at the end of June 1990. The outstanding advances of public sector banks under the Differential Rate of Interest (DRI) scheme amounted to Rs. 708.03 crore as at the end of June 1990 covering 42.87 lakh accounts as against Rs. 664.94 crore in 47.0 lakh accounts as at the end of June 1989. The advances under the scheme as at the end of June 1990 formed 0.9 per cent (target 1.0 per cent) of total advances. The advances granted under the scheme to the beneficiaries belonging to Scheduled Castes/Scheduled Tribes amounted to Rs. 327.62 crore as at the end of June 1990 and formed 46.3 per cent of total DRI advances, stipulated target being at 40 per cent. By the end of December 1989, public sector banks had almost attained the target of 60 per cent of credit-deposit ratio for rural branches; their attainment in respect of semi-urban branches at 49.9 per cent was, however, below the target.

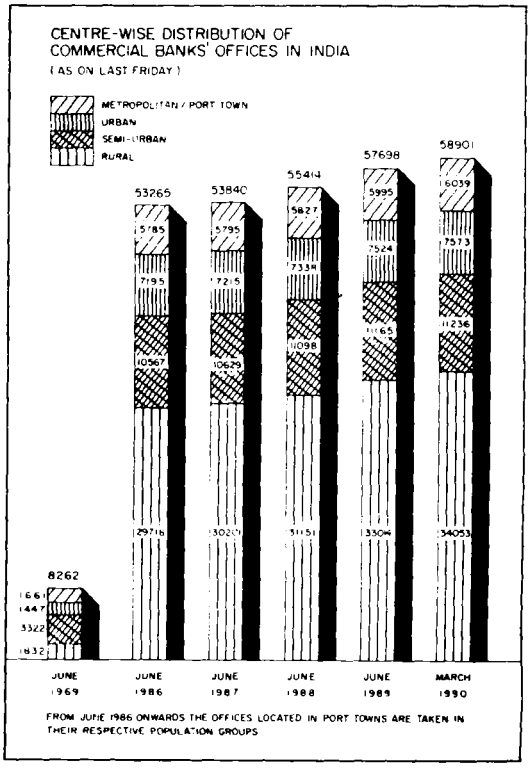
CREDIT POLICY

An overriding consideration in the conduct of monetary policy during the period July 1989 to June 1990 was the containment of inflationary pressures without jeopardising the growth potential of the economy. The heightened concern for price stability arose from a number of macro-economic developments. Despite two successive good agricultural crops and satisfactory real income growth, inflationary pressures continued to remain strong. Apart from the sectoral pressures on several goods of common consumption such as cereals, pulses, tea, sugar, oilseeds and edible oils, milk and milk products, the inflationary pressures were getting generalised. Furthermore, with the large draw-down of foodgrains stocks and foreign exchange reserves, the cushion for augmenting domestic supplies of critical goods was getting substantially depleted. Concurrently, on the demand side (on top of the overhang of large liquidity without which such persistent inflation over a long period could not have been sustained) the fiscal deficit of the Central Government


SCHEDULED COMMERCIAL BANKS' BUSINESS IN INDIA
(AS ON LAST FRIDAY)
CRORES OF RUPEES
AGGREGATE DEPOSITS
TOTAL BANK CREDIT
BANK CREDIT (EXCLUDING FOOD PROCUREMENT ADVANCES)
INVESTMENTS IN GOVERNMENT AND OTHER APPROVED SECURITIES
CASH AND BALANCES WITH R B I
BORROWINGS FROM R B I
180000
160000
140000
120000
100000
80000
60000
40000
20000
0
July D J D J D J D J D June
1985 1986 1987 1988 1989 1990


SCHEDULED COMMERCIAL BANKS' DEPOSITS
(LAST FRIDAY OF MARCH)
AS PER CENT OF NET NATIONAL PRODUCT
(AT CURRENT PRICES)
PER CENT
50
45
40
35
30
25
20
15
10
1968-69
1970-71
1972-73
1974-75
1976-77
1978-79
1980-81
1982-83
1984-85
1986-87
1988-89
1989-90
FOR 1988-89 AND 1989-90 DATA RELATE TO LAST REPORTING FRIDAY
NOTE NATIONAL INCOME DATA FROM 1970-71 TO 1987-88 ARE BASED ON NEW SERIES (1980-81 BASE) BROUGHT OUT BY C S O


PUBLIC SECTOR BANKS' ADVANCES TO PRIORITY SECTORS
(AS ON LAST FRIDAY)
CRORES OF RUPEES
SMALL SCALE SECTOR
15000
10000
5000
0
AGRICULTURE SECTOR
20000
15000
10000
5000
0
OTHER PRIORITY SECTORS
9000
6000
3000
0
JUN 1969
JUN 1978
JUN 1979
JUN 1980
JUN 1981
JUN 1982
JUN 1983
JUN 1984
JUN 1985
JUN 1986
JUN 1987
JUN 1988
JUN 1989
JUN 1990


CENTRE-WISE DISTRIBUTION OF COMMERCIAL BANKS' OFFICES IN INDIA
(AS ON LAST FRIDAY)
METROPOLITAN / PORT TOWN
URBAN
SEMI-URBAN
RURAL
8262
1667
1447
3322
1832
53265
5785
7195
10567
29716
53840
5795
7215
10679
30201
55414
5827
7338
11098
31151
57698
5995
7524
11165
33014
58901
6039
7573
11238
34053
JUNE 1969
JUNE 1986
JUNE 1987
JUNE 1988
JUNE 1989
MARCH 1990
FROM JUNE 1986 ONWARDS THE OFFICES LOCATED IN PORT TOWNS ARE TAKEN IN THEIR RESPECTIVE POPULATION GROUPS

widened very sharply, to a historical high, leading to excessively high primary money growth as well as growth in overall liquidity.

The above scenario of rapid growth of liquidity, originating in fiscal deficits, was aggravated by the fact that the traditional instrument of liquidity control in the armoury of the Reserve Bank, viz., the cash reserve ratio, had reached the statutory ceiling.

There was a large expansion of non-food credit by scheduled commercial banks during the first half of the year on top of the very large growth in such credit during the fiscal year 1988-89. It was perceived that the extent of additional credit support required in 1989-90 was not as large as that extended in the previous year. Industrial growth had slowed down during the major part of 1989-90 and increased recourse to the capital market and other sources of non-banking funds, especially by large-sized companies, would reduce the demand for bank credit. Against such a background, the stance of credit policy had to be clearly one of restraint on the pace of expansion of non-food credit. As the traditional instruments of monetary control could not be used because of the statutory ceiling on the cash reserve ratio, reliance was placed on other measures to moderate the pace of growth of reserve money. These measures included a reduction in access to the export refinance facility, increase in the statutory liquidity ratio and the stipulation of an incremental non-food credit-deposit ratio. The measure introduced in 1989-90 was qualitatively different from the guidelines on overall credit which were in vogue till 1981-82 as any increase in credit over the stipulated level entailed additional cost on the refinance obtained from the Reserve Bank. It was perceived that with the large reserve money growth there would be a substantial expansion in bank deposits. While credit requirement for genuine productive purposes would be met, it was the over-extension of credit, beyond the resource capabilities of scheduled commercial banks, that was sought to be curbed. What was stipulated was that the cost of refinance from the Reserve Bank would go up in the event of a bank exceeding the incremental non-food credit-deposit ratio of 60 per cent. Thus, this measure operated on the cost of refinance linked to the credit expansion of a bank. The measures relating to the export refinance facility were essentially to moderate the use of such refinance which had reached very high levels. The upward revision in the statutory liquidity ratio (SLR) was also intended to moderate the pace of reserve money creation.

The other policy measures undertaken during the year could be broadly categorised under three heads: first, those measures which aim at imparting greater discipline and prudence in the banks' operations; second, those which seek to carry forward the several measures already put in place with a view to introducing greater flexibility and reducing rigidities, and in general promoting a more competitive environment in the money and financial markets; and third, measures in response to price and output developments relating to sensitive commodities wherein more frequent modifications of minimum margins and credit ceilings on bank advances against sensitive commodities have been effected. In the first category of measures are: additional charge imposed if banks lend in the call money market when on any day they have a borrowed position with the Reserve Bank under standby and/or discretionary refinance facilities; shut-out period prescribed for discretionary refinance facility to ensure that monetary aggregates are not distorted at the end of March; insistence on strict observance of instructions regarding the use of the bill mechanism in relation to credit purchases and credit sales so as to inculcate the bill culture, particularly in the context of the Government having granted remission of stamp duty on such usance bills; the downward revision of interest paid on cash balances with the Reserve Bank beyond 3 per cent of DTL along with revisions in the scheme of graduated penalties for shortfalls in the CRR; and the increase in interest rate on 182 Days Treasury Bill refinance. In the second category are a series of measures conferring greater freedom to the banks in their operations such as, the extension of the measure of flexibility to interest rates on term loans charged by banks, the raising of the short-term deposit

rate such that all domestic fixed deposits for 46 days and above but less than one year will carry 8.0 per cent of interest and similar rationalisation of interest rate for NRE deposits fixed at 8.5 per cent, increase in the number of participants as lenders in the call/notice money market and liberalisation of the guidelines for the issuance of Certificates of Deposit (CDs) and Commercial Paper (CP) with a view to broad-basing the primary market and also providing a fillip to the development of secondary markets for these instruments.

The details of the credit policy measures taken during the period are given below in chronological order.

In the credit policy area, a major development after the closure of the reporting year relates to the rationalisation of the lending rate structure of scheduled commercial banks with effect from September 22, 1990, whereby a new rate structure linking interest rates to the size of loan has been prescribed (except for DRI advances and export credit), the rates ranging from 10.0 per cent to 16.0 per cent (minimum). All loans above Rs. 2 lakhs, irrespective of the purpose, would have a minimum interest rate of 16 per cent (except for export credit and some adjustments for term loans). Furthermore, with effect from October 10, 1990, scheduled commercial banks have been allowed the freedom to determine rates of interest applicable to loans for consumer durables, to individuals against shares and debentures/bonds and other non-priority sector personal loans. As for deposit rates, a new category of bank deposits of 3 years and above has been introduced with a rate of interest of 11.0 per cent per annum, with effect from October 10,1990; this will apply only to fresh deposits and on renewals of maturing deposits.

October 1989

Measures for the Second Half of 1989-90

It was perceived that despite favourable developments in the real sector, the upsurge in prices was a matter of concern. Thus, against the backdrop of strong inflationary pressures and the large monetary expansion in the first half of 1989-90, the stance of credit policy for the second half of 1989-90 had necessarily to be one of restraint. In particular, there was an urgent need for moderating the pace of expansion of non-food credit in the second half of 1989-90. It was in this context that the policy measures enumerated below were announced in October 1989.

(a) Export Credit Refinance

Export credit refinance limits as on September 22, 1989 amounted to Rs. 3,770 crore or 52 per cent of outstanding export credit. Considering the overall monetary and credit situation and the need to curtail the growth of reserve money, it was felt necessary to reduce the very large refinance limits. Accordingly, with effect from November 4, 1989, banks were provided export credit refinance equivalent to 75 per cent of the increase in export credit over the monthly average for 1987, instead of 100 per cent hitherto till then.

(b) Incremental Net Non-food Credit-Deposit Ratio

It had been observed in 1988-89 that the incremental net non-food credit-deposit ratio of a number of banks was much higher than what could be supported by their own resources. In the context of the prevailing monetary and credit situation, it was felt necessary to moderate the non-food credit expansion of banks. It was, therefore, stipulated that each bank should ensure that during the fiscal year 1989-90, its incremental net non-food credit-deposit ratio did not exceed 60 per cent. Banks which exceeded this ratio were charged additional interest of 3 percentage points on the refinance drawn from the Reserve Bank under all facilities (export credit, standby, discretionary and 182 Days Treasury Bill) to the extent of the excess net non-food bank credit over the stipulated ratio or the refinance drawn, whichever was lower. This charge was imposed with effect from the fortnight beginning November 4, 1989. The incremental net non-food credit-deposit ratio was worked out each fortnight with reference to March 24, 1989 as the base and the additional

charge, where applicable, was imposed on a fortnightly basis.

Given the cash reserve requirement of 15 per cent and the statutory liquidity ratio of 38 per cent, only 47 per cent of incremental deposits would be available for meeting food and non-food credit requirements. The stipulation of an incremental net non-food credit-deposit ratio of 60 per cent for 1989-90 left sufficient leeway for the banks to marshal additional resources through refinance and money market borrowings from other sources. As the incremental net non-food credit-deposit ratio of scheduled commercial banks was 35 per cent in the first half of 1989-90, the 60 per cent stipulation for the whole of the year implied that in the second half of the year, the banking system could have an incremental net non-food credit-deposit ratio of 85 per cent. In the event, the incremental net non-food credit-deposit ratio for the banking system in 1989-90 was 57.8 per cent; a few banks exceeded the 60 per cent stipulation and were charged a higher rate on refinance from the Reserve Bank.

(c) Interest Rates on Term Loans

In consonance with the measure introduced in October 1988 regarding lending rates on working capital loans provided by banks, and with a view to imparting a further measure of flexibility to the administered structure of interest rates as also promoting efficiency in the use of term loans, all term loans which carried a rate of interest of 15.0 per cent (fixed) were subjected to a minimum of 15.0 per cent without any ceiling stipulation. The changes in term loans rates of scheduled commercial banks, effective October 11, 1989, were as indicated in Table VII-1.

Banks were advised to use this discretion to charge varying rates judiciously so as to ensure that interest rates charged remain within reasonable limits. The rates of interest which were below 15 per cent, based on priority considerations, remained unaltered; these related to term loans to agriculture, small-scale industry, road transport operators (up to 2 vehicles), wasteland development, term loans to professionals and self-employed persons belonging to scheduled castes/scheduled tribes and term loans to professionals and self-employed women and special programmes.

(d) Interest Rates on Term Loans for Housing

On term loans for housing of over Rs. 1 lakh, an interest rate range of 14.5 to 16.0 per cent was prescribed till March 1989 and according to stipulations, banks could not give such loans for amounts exceeding Rs. 3 lakh to individuals. Recognising that the thrust for financing smaller houses must continue and also that there might be genuine cases for granting loans of over Rs. 3 lakh to individuals, the aforesaid ceiling of Rs. 3 lakh was withdrawn. Simultaneously, as it was felt appropriate to allow banks the discretion to charge a higher interest rate on housing loans exceeding Rs. 3 lakh, such loans were made subject to a minimum interest rate of 16.0 per cent and no interest rate ceiling was prescribed for such advances (Table VII-2).

Table VII-1: Interest Rates on Term Loans

(Per cent per annum)

Categories	Effective upto October 10, 1989	Effective from October 11, 1989
1	2	3
All other term loans	15.0 (fixed)	15.0 (minimum)
Road transport operators with 3 or more vehicles	15.0 (fixed)	15.0 (minimum)

Table VII-2: Interest Rates on Housing Loans

Effective upto October 10, 1989		Effective from October 11, 1989	
Amount of loan	Rate of interest (per cent per annum)	Amount of loan	Rate of interest (per cent per annum)
1	2	3	4
Above Rs. 1 lakh*	14.5–16.0	Above Rs. 1 lakh and upto Rs. 3 lakh	14.5—16.0
		Above Rs. 3 lakh	16.0 (minimum)

* The maximum amount of loan to an individual was Rs. 3 lakh.

(e) Deposit Rates

For better alignment of the return on short-term deposits, effective October 11, 1989, the interest rate on scheduled commercial banks, term deposits (excluding FCNR/NRE accounts) for 46 days to 90 days was raised from 6.0 per cent to 8.0 per cent. As a result of this change, the deposit rate for 46 days and above but less than one year became 8.0 per cent.

(f) Refinance and Money Market Operations

Banks had been cautioned in October 1987 that they should not simultaneously draw refinance from the Reserve Bank and also lend in the money market. It was decided that effective October 21, 1989, if banks lent in the call money market (overnight call money and short notice money for periods up to and including 14 days) on any day when they also had outstanding borrowings from the Reserve Bank under standby and/or discretionary refinance facilities, an additional interest charge would be levied on such borrowings. The additional charge is so determined that the effective refinance rate would be 3 percentage points above the call money lending rate of the Discount and Finance House of India (DFHI). The additional charge is imposed on the amount of refinance drawn or the lending in the money market, whichever is lower. In cases of flagrant violations of the stipulation, the standby and discretionary refinance facilities would be withdrawn.

(g) Shut-out Period for Discretionary Refinance Facility

Banks had reported a phenomenally large increase in both deposits and credit during the year-end closing in the last week of March 1989. To ensure that the monetary aggregates were not distorted at the end of March, it was decided that the facility to draw discretionary refinance *without prior sanction* from the Reserve Bank would not be available to scheduled commercial banks during the entire fortnight from March 24 to April 6, 1990. Banks which had outstanding borrowings under the discretionary refinance facility were required to repay any outstandings under this facility on or before March 24, 1990 and no drawals were permitted without prior sanction during the period March 24 to April 6, 1990.

April 1990: Measures for the First Half of 1990-91

The credit policy for the first half of the financial year 1990-91 was set out in April 1990 against the background of the cumulative impact on the economy of large expansion in reserve money and overall liquidity in recent years and the attendant pressures on prices. Over the five years ending 1989-90 (April-March), the annual average rate of real GDP growth was estimated at that stage at 5.6 per cent, while overall liquidity increased by 17.6 per cent. Non-food credit provided by the banking system rose

by 17.4 per cent in 1989-90 and by 22.8 per cent in 1988-89. With a strong growth in deposits, despite statutory pre-emptions, the credit made available by the banking system to the commercial sector has been more than adequate. In fact, considered against the background of the growth rate in industry during the major part of the year, it was excessive.

Assuming that the 1990 monsoon would not be adverse and industrial output in 1990-91 would show some increase over the rate of growth in 1989-90, it was felt that it would be best to plan on the basis of an overall rate of growth of the economy of around 5 per cent in 1990-91. Given the large overhang of liquidity and the resurgence of inflation in 1989-90, it was necessary to bring about a sharp break in inflationary expectations. Consistent with the objective on the fiscal side, to cut back the overall budget deficit in 1990-91 to Rs. 7,206 crore as against a revised estimate of Rs. 11,750 crore in 1989-90, the objective of monetary management was to bring about a sharp reduction in the pace of overall monetary expansion (M3) in 1990-91 by about 4 percentage points below the extremely high figure of 19.4 per cent (since revised to 19.9 per cent) in 1989-90.

Scheduled commercial banks were advised to plan their credit budgets on the basis of a working estimate of aggregate deposit growth of Rs. 27,500 crore (16.6 per cent) during 1990-91. Based on the seasonal pattern of deposit growth, the increase in aggregate deposits during the first half of 1990-91 was estimated at Rs. 13,700 crore including Rs. 6,800 crore in the first quarter (April-June 1990). As the 1990 *Rabi* wheat crop was good, a large procurement of around 11 million tonnes was expected. It was, therefore, estimated that food credit would increase by about Rs. 1,600 crore during the quarter ended June 1990 and decline by about Rs. 700 crore in the quarter ended September 1990. The increase in non-food credit during the first half of 1990-91 was expected to be around Rs. 4,800 crore (4.9 per cent) and the increase in the quarter April-June 1990 at Rs. 2,400 crore (2.4 per cent).

The package of measures for the first half of 1990-91 were aimed at controlling the growth of liquidity and moderating credit expansion while ensuring that the genuine credit requirements of a growing economy were met.

The stipulation of an incremental net non-food credit-deposit ratio which was introduced in the second half of 1989-90 was continued in 1990-91 and the base date was brought forward to March 23, 1990. The 3 percentage point additional interest charge on refinance drawn from the Reserve Bank under all facilities in the case of banks which exceed the stipulated ratio became effective from fortnight beginning April 21, 1990.

(a) Statutory Liquidity Ratio (SLR)

To help moderate the pace of reserve money creation and monetary expansion, from the fortnight beginning September 22, 1990, the SLR will be raised by one-half of one percentage point from 38.0 per cent to 38.5 per cent of net demand and time liabilities (DTL). The statutory liquidity ratio of 25 per cent in respect of Non-Resident (External) Rupee Accounts and Foreign Currency (Non-Resident) Accounts was raised to 30 per cent from the fortnight beginning July 28, 1990. These two measures would enhance the SLR requirements by about Rs. 1,800 crore or one percentage point of net demand and time liabilities. To the extent the market borrowing programme is not altered, the increase in the SLR would operate as an effective instrument of monetary control.

(b) Refinance Facilities

(i) Export Credit Refinance

As on March 23, 1990, export credit refinance limits amounted to Rs. 3,564 crore, equivalent to 43.6 per cent of outstanding export credit. It has been the normal practice to bring forward each year the base for determining export refinance. Effective August 25, 1990, banks would be provided export credit refinance equivalent to 75 per cent of the increase in export credit over the monthly average level of export credit for the financial year 1988-89 instead of the monthly average level for the calendar year 1987. Although the banks' refinance limits would

initially be reduced, the experience in the past has shown that their access to export credit refinance would be quickly recouped as they expand export credit and as such banks' refinance limits would once again rise before the busy season gets under way.

(ii) '182 Days Treasury Bill' Refinance

In view of the rise in the cut-off yields in the auctions for 182 Days Treasury Bills, effective April 16, 1990, the interest rate on refinance under this facility was increased from 10.75 per cent to 11.25 per cent per annum.

(c) Interest Rates on Deposits under Non-Resident (External) Rupee Accounts

In alignment with the rationalisation of the interest rates and maturities on domestic term deposits for periods under one year, the term deposit rates and maturities for Non-Resident (External) Rupee (NRE) Accounts were also rationalised. Effective April 16, 1990, the maturity range of 15 days to 45 days was abolished and a uniform rate of 8.5 per cent was made applicable on all term deposits for maturities of 46 days to less than one year. Interest rates applicable to longer maturities remained unaltered.

(d) Interest on Banks' Cash Balances held with the Reserve Bank

Hitherto interest was paid on all eligible cash balances held by banks with the Reserve Bank at a rate of 10.5 per cent per annum. With effect from the fortnight beginning April 21, 1990, interest is paid on a two-tier formula: (i) on the eligible cash balances based on the net DTL as of March 23, 1990, interest would be paid at the rate of 10.5 per cent per annum; (ii) on the eligible cash balances maintained on the increase in net DTL after March 23, 1990 interest would be paid at the rate of 8.0 per cent per annum. The payment of interest on cash balances attenuates monetary control which the instrument of the cash reserve ratio attempts to achieve and the reduced interest rate on the eligible cash balances would provide for a more effective CRR though the impact of this measure would be very gradual.

(e) Amendment to the Scheme of Graduated Penalties for Shortfalls in CRR

The two-tier structure of interest rate on cash balances, introduced as above, had implications for the scheme of graduated penalties for shortfalls in the cash reserve ratio (CRR). The scheme was, therefore, amended and the key elements of the amended scheme are as follows: first, in case of a CRR shortfall, banks would not lose any interest on their eligible cash balances maintained on the increase in net DTL after March 23, 1990 provided the shortfall was not at a level where penal interest was charged in addition to the loss of interest on eligible cash balances. Secondly, the scheme of graduated penalties was extended from 5 per cent to 10 per cent of the absolute amount of CRR required to be maintained. Thirdly, the graduated loss of interest was made less steep. Fourthly, in cases where the shortfall was in excess of 10 per cent of the absolute amount of CRR required to be maintained, no interest would be paid on any of the eligible cash balances (inclusive of such balances relating to the increase in net DTL after March 23, 1990) and the penalty would also be applicable on the amount of default. The revised scheme provides for a softening of the cost of a shortfall provided the shortfall is within reasonable limits. The revised schedule of graduated interest rates on cash balances is as indicated in Table VII-3.

(f) Access to the Call Money Market

With a view to widening the call and notice money market, effective May 2, 1990, the General Insurance Corporation of India (GIC), the Industrial Development Bank of India (IDBI) and the National Bank for Agriculture and Rural Development (NABARD) were permitted to participate in the call/notice money market only as lenders. Until then, while scheduled commercial banks and cooperative banks as well as the DFHI were permitted to act both as lenders and borrowers in the call/notice money market, LIC and UTI were allowed to operate only as lenders.

There was considerable volatility in the call money market particularly towards the end of

Table VII-3: Shortfall in Maintenance of Cash Reserve Ratio-Schedule of Graduated Interest Rates on Cash Balances with effect from April 7, 1990

Upto April 6, 1990		Effective April 7, 1990	
Shortfall during a fortnight as percentage of the absolute amount of cash reserves required to be maintained (upto and inclusive of)	Rate of Interest payable on the amount above the statutory minimum of 3 per cent actually maintained (per cent per annum)	Shortfall during a fortnight as percentage of the absolute amount of cash reserves required to be maintained (upto and inclusive of)	Rate of Interest payable on the amount above the statutory minimum of 3 per cent actually maintained on net demand and time liabilities as on March 23, 1990
1	2	3	4
0	10.50	0	10.50
0.5	10.25	2.0	10.00
1.0	10.00	4.0	9.25
1.5	9.50	6.0	8.50
2.0	8.75	8.0	7.00
2.5	7.75	10.0	6.00
3.0	6.50	Over 10.0	0
3.5	5.00		
4.0	3.00		
4.5	1.25		
5.0	0.50		
Over 5.0	0		

March 1990. This was largely due to the over-extended credit position of certain banks which sought to borrow large amounts on certain days. Banks with over-extended credit position have been advised to undertake structural adjustments to correct their chronic and large dependence on the call money market. The increase in the participants in the call money market and the softening of the penalties on CRR shortfalls should also help to moderate the interest rate peaks in the money market. Illustratively, the cost of a shortfall on the basis of the earlier schedule of graduated penalties was around 150 per cent for a shortfall of 5 per cent while the penalty under the revised schedule would be around 30 per cent.

(g) Certificates of Deposit

In order to broad-base the primary market for Certificates of Deposit (CDs) as also to provide a fillip to the development of a secondary market, the limit for issue of CDs by scheduled commercial banks (excluding regional rural banks) was enhanced from 1 per cent of the fortnightly average outstanding aggregate deposits in 1988-89 to 2 per cent of the fortnightly average outstanding aggregate deposits in 1989-90. Thus, the overall limits for the banking system would be increased from Rs. 1,264 crore to Rs. 3,018 crore. Furthermore, the denomination of CDs could be in multiples of Rs. 10 lakh as against Rs. 25 lakh specified earlier subject to the minimum size of an issue to a single investor being Rs. 50 lakh (Rupees one crore earlier).

(h) Commercial Paper

Guidelines for the issue of Commercial Paper (CP) were relaxed to broad-base the primary market and also to widen the scope for the secondary market. The following changes in the guidelines were made with effect from April 24, 1990:

(i) The tangible net worth of the company issuing CP should not be less than Rs. 5 crore as per the latest audited balance sheet as against Rs. 10 crore as specified earlier.

(ii) Working capital (fund-based) limits of the company should not be less than Rs. 15

crore instead of not less than Rs. 25 crore specified earlier.

(iii) The minimum credit rating from CRISIL can be P1 instead of P1 + specified as per earlier guidelines.

(iv) The denomination of CP could be in multiples of Rs. 10 lakh instead of Rs. 25 lakh subject to the minimum size of an issue to a single investor being Rs. 50 lakh (face value) instead of Rs. 1 crore (face value).

Deposit and Lending Rates

The changes effected in interest rates on deposit and term loans of banks in October 1989 have already been noted. The domestic deposit rates effective from October 11, 1989 are indicated in Table VII-4. The interest rates structure relating to advances prevailing as on March 31, 1990 is indicated in Annexure I to this Chapter.

number of occasions taking cognizance of developments in interest rates abroad. The changes effected during the period under review are indicated in Table VII-6.

BANKING TRENDS

Data on a point-to-point basis on operations of scheduled commercial banks in 1989-90 show a higher increase in aggregate deposits and bank credit than in the previous year. Data on an average basis also indicate higher increases in these banking aggregates during the year as compared with those in the preceding year. However, in the case of both food and non-food credit, trends based on point-to-point and on average basis show significant differences.

Banking Trends

(on a point-to-point basis)

Deposit Growth

Accretion to aggregate deposits in 1989-90 at Rs. 26,809 crore (19.1 per cent) was higher than that of Rs. 22,105 crore (18.7 per cent) in 1988-89. Deposit growth rates alternated between deceleration and acceleration in the four quarters of 1989-90 as compared with those in the corresponding quarters of the previous year. The higher increase was marked in the second quarter (July-September) while the deceleration was even more striking in the third quarter (October-December). In the last quarter (January-

Table VII-4 : Scheduled Commercial Banks' Interest Rates on Deposits (Excluding FCNR/NRE Accounts)

(Per cent per annum)

Category of Account	Rates effective October 11, 1989
1	2
1. Current Accounts	Nil
2. Savings Accounts	5.0
3. Term Deposits	
a) 15 days to 45 days	*
b) 46 days to 90 days	6.0
c) 91 days to less than one year	8.0
d) 1 year to less than two years	9.0
e) 2 years and above+	10.0

* This maturity has been discontinued.

\+ With effect from October 10, 1990 a new category of deposits of three years and above attracting a rate of interest of 11.5 per cent per annum has been introduced.

Interest Rates on NRE Deposits

The rates of interest on deposits under the Non-Resident (External) Account Scheme which were revised on April 16, 1990 are indicated in Table VII-5.

Interest Rates on FCNR Deposits

The interest rates on Foreign Currency (Non-Resident) Account Scheme were revised on a

Table VII-5: Scheduled Commercial Banks' Interest Rates on Deposits under Non-Resident (External) Rupee Accounts

(Per cent per annum)

Maturity	Existing	Revised (effective April 16, 1990)
1	2	3
1. 15 days to 45 days	3.0	*
2. 46 days to 90 days	4.0	
3. 91 days to less than 6 months	6.5	8.5@
4. 6 months to less than 1 year	8.5	
5. 1 year and above but below 2 years	10.5	10.5
6. 2 years and above but below 3 years	11.0	11.0
7. 3 years and above but below 5 years	12.0	12.0
8. 5 years and above	13.0	13.0

* This maturity has been discontinued.

@ This rate is applicable to deposits for 46 days and above but less than 1 year.

March), there was an increase in deposits in contrast to a decline in the last quarter of 1988-89 (Table VII-7).

Component-wise, demand deposits recorded a larger rise of Rs. 5,514 crore (23.6 per cent) in 1989-90 as against an increase of Rs. 3,095 crore (15.3 per cent) in 1988-89. Time deposits registered a higher absolute increase of Rs. 21,295 crore as compared with that of Rs. 19,010 crore but in percentage terms the increase at 18.2 per cent was lower than that of 19.4 per cent in the previous year.

The share of demand deposits in total deposits, which had shown a declining trend from around 19 per cent in the early eighties to 16.7 per cent at the end of 1988-89, improved to 17.3 per cent at the end of 1989-90 (Table VII-8).

The see-saw pattern of acceleration/ deceleration in annual growth rate of demand deposits witnessed during the eighties was halted in 1989-90 when there was a further acceleration in the rate of increase in such deposits. The annual growth rate of time deposits has, however, continued to remain relatively stable at around 17 to 19 per cent (Table VII-9).

The break-up of scheduled commercial banks' deposits according to type of deposits is presented from 1977 to 1990 (end-March) in Table VII-10. The share of current deposits in total deposits, which had declined from 18.0 per cent in 1985 to 14.7 per cent in 1988, rose to 16.9 per cent in 1989 and fell marginally to 16.8 per cent in 1990. The share of savings deposits in total deposits which had declined from 27.0 per cent in 1980 to 21.3 per cent in 1987, again rose to 26.7 per cent in 1988; in 1989 and 1990 it was around 25 per cent each. The share of term deposits which was around 60 per cent from 1981 to 1985 rose to around 62 per cent in 1986 and 1987 and then stabilised at around 58 per cent between 1988 and 1990.

Expansion in bank credit

The expansion in bank credit in 1989-90 at Rs. 16,734 crore (19.8 per cent) was higher than that of Rs. 14,183 crore (20.1 per cent) in the preceding year (Table VII-11). Food credit rose by Rs. 1,237 crore as against a decline of Rs. 1,421 crore reflecting higher foodgrains procurement and stocks with the public distribution system. Non-food credit registered a lower rise of Rs. 15,497 crore (18.5 per cent) than that of Rs. 15,604 crore (22.8 per cent) in the previous year which is attributable partly to the deceleration in the growth of industrial and agricultural output and partly to the measures taken by the Reserve Bank to moderate non-

Table VII—6: Interest Rates of FCNRA Deposits

(In percentage)

Effective Dates	US $				Pound Sterling				DM				Yen			
	6 months to 1 year	1 year to 2 years	2 years to 3 years	3 years only	6 months to 1 year	1 year to 2 years	2 years to 3 years	3 years only	6 months to 1 year	1 year to 2 years	2 years to 3 years	3 years only	6 months to 1 year	1 year to 2 years	2 years to 3 years	3 years only
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
June 16, 1989	9.50	9.75	10.00	10.00	11.50	11.75	12.00	12.00	7.50	7.75	7.75	8.00	5.75	6.00	6.25	6.25
August 1, 1989	9.25	9.25	9.50	9.50	11.50	11.75	12.00	12.00	7.50	7.75	7.75	8.00	5.75	6.00	6.25	6.25
August 24, 1989	9.50	9.50	9.75	10.00	11.50	11.75	12.00	12.00	7.75	7.75	8.00	8.00	6.00	6.00	6.25	6.25
September 18, 1989	9.50	9.50	9.75	10.00	11.50	11.75	12.00	12.00	8.00	8.00	8.25	8.25	6.25	6.25	6.50	6.50
October 11, 1989	9.50	9.50	9.75	10.00	11.50	11.75	12.00	12.00	8.50	8.50	8.50	8.50	6.25	6.50	6.50	6.50
October 23, 1989	9.00	9.00	9.25	9.50	11.50	11.75	12.00	12.00	8.50	8.50	8.50	8.50	6.75	6.75	7.00	7.00
November 9, 1989	9.00	9.00	9.25	9.50	11.50	11.75	12.00	12.00	8.75	8.75	8.75	8.75	7.00	7.00	7.25	7.25
December 13, 1989	8.75	8.75	9.25	9.50	11.50	11.75	12.00	12.00	8.50	8.75	9.00	9.00	7.00	7.00	7.25	7.25
December 27,1989	8.75	8.75	9.25	9.50	11.50	11.75	12.00	12.00	8.75	8.75	9.00	9.00	7.25	7.25	7.25	7.25
January 17, 1990	8.75	9.00	9.50	9.75	11.50	11.75	12.00	12.00	9.00	9.00	9.00	9.00	7.50	7.50	7.50	7.50
January 31, 1990	8.75	9.00	9.50	9.75	11.50	11.75	12.00	12.00	9.00	9.25	9.25	9.25	7.75	8.00	8.00	8.00
February 21, 1990	8.75	9.00	9.50	9.75	11.50	11.75	12.00	12.00	9.25	9.75	9.75	9.75	7.75	8.00	8.00	8.00
March 12, 1990	9.00	9.25	9.75	10.00	11.50	11.75	12.00	12.00	9.25	9.75	10.00	10.00	8.00	8.25	8.25	8.25
March 27,1990	9.25	9.50	10.00	10.25	11.50	11.75	12.00	12.00	9.25	9.75	9.75	9.75	8.25	8.50	8.50	8.50
May 4, 1990	9.25	9.75	10.25	10.50	11.50	11.75	12.00	12.00	9.25	9.75	9.75	9.75	8.00	8.25	8.25	8.25
May 30, 1990	9.00	9.50	10.00	10.25	11.50	11.75	12.00	12.00	9.00	9.50	9.75	9.75	7.75	8.00	8.00	8.00
July 19, 1990	9.00	9.50	10.00	10.25	11.50	11.75	12.00	12.00	9.00	9.50	9.75	9.75	8.25	8.25	8.25	8.25

Table VII—7: Quarterly Variations in Deposits of Scheduled Commercial Banks

(Rupees crore)

Quarter	Demand Deposits		Time Deposits		Total Deposits	
	1988-89	1989-90	1988-89	1989-90	1988-89	1989-90
1	2	3	4	5	6	7
April—June	1,724	1,766	7,548	5,938	9,272 (7.9)	7,704 (5.5)
July—September	482	3,113	3,071	6,537	3,553 (2.8)	9,650 (6.5)
October—December	3,409	866	7,726	3,543	11,135 (8.5)	4,409 (2.8)
January—March	—2,520	—231	665	5,277	—1,855 (—1.3)	5,046 (3.1)
Total	**3,095**	**5,514**	**19,010**	**21,295**	**22,105 (18.7)**	**26,809 (19.1)**
	1989-90	1990-91	1989-90	1990-91	1989-90	1990-91
April—June	1,766	1,204@	5,938	5,203@	7,704 (5.5)	6,407@ (3.8)

@ Data relating to last Friday of June 1990 is partially revised.

Note: 1. Figures in brackets indicate percentage growth rates.

2. No sign is indicated for positive variations.

Source: Returns submitted by banks under Section 42(2) of the R.B.I. Act, 1934.

Table VII—8: Share of Demand and Time Deposits to Total Deposits of Scheduled Commercial Banks (As on the last Friday of March)

(In percentage)

	1982-83*	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
1	2	3	4	5	6	7	8	9
Demand Deposits	19.4	18.7	19.6	18.3	18.7	17.2	16.7	17.3
Time Deposits	80.6	81.3	80.4	81.7	81.3	82.8	83.3	82.7

* Based on data for March 31, 1983.

Table VII—9: Percentage Growth in Demand, Time and Total Deposits of Scheduled Commercial Banks

	1982-83*	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90
1	2	3	4	5	6	7	8	9
Total Deposits	+17.4	+18.0	+19.2	+18.2	+20.3	+14.9	+18.7	+19.1
Demand Deposits	+19.1	+13.3	+24.9	+10.5	+23.2	+5.3	+15.3	+23.6
Time Deposits	+17.0	+19.1	+17.9	+20.1	+19.6	+17.1	+19.4	+18.2

* Based on data for March 31, 1983.

food credit expansion particularly in the second half of 1989-90. As it is, the expansion in non-food credit in the previous year was already of a high order. Data on seasonal variations in bank credit show that during the slack season of 1989 non-food credit expansion was higher than that in the slack season of 1988. In the 1989-90 busy season, however, non-food credit expansion at Rs. 9,074 crore was lower than that of Rs. 11,176 crore in the 1988-89 busy season (Table VII-11) which is attributable to the reasons mentioned earlier.

The credit-deposit ratio as on March 23, 1990 at 60.8 per cent was marginally higher by 0.4 percentage point than that a year ago. The incremental non-food credit-deposit ratio in 1989-90 at 57.8 per cent was significantly lower than 70.6 per cent in 1988-89.

Table VII—10: Deposits of All Scheduled Commercial Banks (excluding RRBs) According to Type

(Rupees crore)

As on the last Friday of March	Current * Deposits	Savings Deposit	Term* Deposits	Total Deposits
1	2	3	4	5
1977	3,385	4,422	10,315	18,122
	(18.7)	(24.4)	(56.9)	(100.0)
1978	4,409	5,717	12,792	22,918
	(19.2)	(24.9)	(55.8)	(100.0)
1979	5,175	7,303	15,239	27,717
	(18.7)	(26.3)	(55.0)	(100.0)
1980	5,799	8,834	18,060	32,693
	(17.7)	(27.0)	(55.2)	(100.0)
1981	6,900	9,045	22,941	38,886
	(17.7)	(23.3)	(59.0)	(100.0)
1982	7,683	10,427	26,721	44,831
	(17.1)	(23.3)	(59.6)	(100.0)
1983	8,886	11,940	31,458	52,284
	(17.0)	(22.8)	(60.2)	(100.0)
1984	10,680	14,056	37,538	62,274
	(17.2)	(22.6)	(60.3)	(100.0)
1985	13,310	16,980	43,805	74,095
	(18.0)	(22.9)	(59.1)	(100.0)
1986	14,582	19,113	53,717	87,412
	(16.7)	(21.9)	(61.4)	(100.0)
1987	17,471	22,370	65,194	1,05,035
	(16.6)	(21.3)	(62.1)	(100.0)
1988	17,551	31,987	70,170	1,19,708
	(14.7)	(26.7)	(58.6)	(100.0)
1989	25,142	36,911	86,640	1,48,693
	(16.9)	(24.8)	(58.3)	(100.0)
1990	29,376	43,476	1,01,971	1,74,823
	(16.8)	(24.9)	(58.3)	(100.0)

* Current and Term Deposits include inter-bank deposits.

Source: Returns in Form X submitted by banks under Section 27 of the Banking Regulations Act, 1949.

Trends in investments

Scheduled commercial banks' investments in Government and other approved securities rose by Rs. 9,707 crore (17.8 per cent) in 1989-90 as compared with a rise of Rs. 8,158 crore (17.5 per cent) in 1988-89. The investment-deposit ratio as on March 23, 1990 at 38.6 per cent was lower than that of 39.0 per cent a year ago.

Variations in Other Assets and Liabilities

Scheduled commercial banks' cash in hand and balances with the Reserve Bank registered a smaller rise of Rs. 2,291 crore than that of Rs. 3,858 crore in the comparable period of the previous year. The cash-deposit ratio at 15.0 per cent as on March 23, 1990 was lower as compared with 16.3 per cent a year ago. Banks' borrowings from the Reserve Bank declined by Rs. 1,128 crore as against a rise of Rs. 1,774 crore in the previous year.

Trends During the Quarter April-June 1990

During the first quarter (March 23, 1990 to June 29, 1990) of 1990-91, accretion to aggregate deposits at Rs. 6,407 crore (3.8 per cent) was lower compared with that of Rs. 7,704 crore (5.5 per cent) in the first quarter of 1988-89. Bank credit expansion was much lower at Rs. 2,899 crore (2.9 per cent) as compared with an expansion of Rs. 4,361 crore (5.1 per cent) in the

corresponding quarter of the previous year. While the increase in food credit at Rs. 1,911 crore was more than double the increase in the first quarter of 1989-90, non-food credit expansion at Rs. 988 crore was substantially smaller than that of Rs. 3,471 crore. Banks' investments rose by Rs. 3,368 crore as compared with a rise of Rs. 2,898 crore in the previous year (Table VII-11).

Banking Trends
(on an average basis)

Data on banking variables on the basis of average of months for 1988-89 and 1989-90 are presented in Table VII-12. Aggregate deposits increased on an average basis by Rs. 24,097 crore (18.3 per cent) during 1989-90 as compared with Rs. 20,067 crore (18.0 per cent) in the previous year. The proportion of average aggregate deposits to GNP at current market prices has been rising continuously during the 1980s, reflecting the growing institutionalisation of savings (Table VII-13). This ratio which had risen successivly from 25.7 per cent in 1980-81 to 33.8 per cent in 1988-89, rose further to 35.3 per cent in 1989-90.

On an average basis, expansion in bank credit in 1989-90 at Rs. 16,187 crore (21.2 per cent) was

Table VII—11: Variations in Scheduled Commercial Banks' Data (Seasonal, Annual and Quarterly)

(Rupees crore)

Items	Seasonal Variations				Annual Variations		Quarterly Variations	
	Slack Season 1988	Busy Season 1988-89	Slack Season 1989	Busy Season 1989-90*	(April-March)		(April-June)	
					1988-89	1989-90	1989	1990@
1	2	3	4	5	6	7	8	9
Aggregate Deposits	11,536	11,927	13,946	13,877	22,105	26,809	7,704	6,407
					(18.7)	(19.1)	(5.5)	(3.8)
(a) Demand deposits	1,556	1,878	3,626	3,896	3,095	5,514	1,766	1,204
					(15.3)	(23.6)	(7.6)	(4.2)
(b) Time deposits	9,980	10,049	10,320	9,981	19,010	21,295	5,938	5,203
					(19.4)	(18.2)	(5.1)	(3.8)
Borrowings from the Reserve Bank	370	2,796	—94	152	1,774	—1,128	—1,353	59
					(101.2)	(—32.0)	(—38.4)	(2.5)
Cash in hand and Balances with the Reserve Bank	2,786	2,077	2,644	2,056	3,858	2,291	1,115	3,020
Money at Call and Short Notice	—737	329	—450	722	1,324	—1,172	—1,528	—340
Investments	4,668	4,107	5,250	4,564	8,158	9,707	2,898	3,368
					(17.5)	(17.8)	(5.3)	(5.2)
(a) Government securities	3,150	2,831	3,354	3,239	5,298	6,477	2,345	3,144
					(17.4)	(18.1)	(6.5)	(7.4)
(b) Other approved securities	1,518	1,276	1,896	1,325	2,860	3,230	553	224
					(17.9)	(17.1)	(2.9)	(1.0)
Bank Credit	5,096	11,050	6,321	10,399	14,183	16,734	4,361	2,899
					(20.1)	(19.8)	(5.1)	(2.9)
(a) Food Procurement Advances	—898	—126	—59	1,325	—1,421	1,237	890	1,911
					(—64.9)	(160.8)	(115.7)	(95.3)
(b) Other Advances	5,994	11,176	6,380	9,074	15,604	15,497	3,471	988
					(22.8)	(18.5)	(4.1)	(1.0)

* Provisional.

@ Data relating to last Friday of June 1990 is partially revised.

Notes: 1. The seasonal variations are based on outstanding as on the last Friday of April and October; annual variations are based on the data as on the last Friday of March (except March 24, 1989 and March 23, 1990 which are reporting Fridays).

2. Figures in brackets indicate percentage change over the corresponding period.

3. No sign has been indicated for positive variations.

Source: Returns submitted by banks in terms of Section 42(2) of the R.B.I Act, 1934.

Table VII—12: Variations in Scheduled Commercial Banks' Data
(Average of last Friday of months)

(Rupees crore)

Items	Outstanding			Variations	
	1987-88	1988-89	1989-90	1988-89	1989-90
1	2	3	4	5	6
Aggregate Deposits	1,11,319	1,31,386	1,55,483	20,067	24,097
				(18.0)	(18.3)
(a) Demand deposits	19,167	22,163	26,784	2,996	4,621
				(15.6)	(20.9)
(b) Time deposits	92,152	1,09,223	1,28,699	17,071	19,476
				(18.5)	(17.8)
Borrowings from the Reserve Bank	1,365	1,513	2,633	148	1,120
				(10.8)	(74.0)
Cash in hand and Balances with the Reserve Bank	18,194	21,918	26,071	3,724	4,153
				(20.5)	(18.9)
Money at Call and Short Notice	1,927	2,282	1,842	355	—440
				(18.4)	(—19.3)
Investments	43,615	52,087	60,591	8,472	8,504
				(19.4)	(16.3)
(a) Government securities	28,590	34,563	40,150	5,973	5,587
				(20.9)	(16.2)
(b) Other approved securities	15,025	17,524	20,441	2,499	2,917
				(16.6)	(16.6)
Bank Credit	66,131	76,438	92,625	10,307	16,187
				(15.6)	(21.2)
(a) Food Procurement Advances	3,711	1,412	1,384	—2,299	—28
				(—62.0)	(—2
(b) Other Advances	62,420	75,026	91,241	12,606	16,215
				(20.2)	(21.6)

Notes: 1. Data relate to the average of 12-months period that is last Friday of April to last Friday of March (except March 24, 1989 and March 23, 1990 which are reporting Fridays).
2. Figures in brackets indicate percentage change over the corresponding period.
3. No sign has been indicated for positive variations.

Source: Returns submitted by banks in terms of Section 42(2) of the R.B.I. Act, 1934.

Table VII—13: Percentage of Aggregate Deposits to GNP at current market prices

Fiscal years	Average # Aggregate Deposits	GNP at Current Market Prices @	Deposits as % of GNP
1	2	3	4
1980-81	35,030	1,36,157	25.7
1981-82	41,795	1,59,460	26.2
1982-83	48,233	1,76,954	27.3
1983-84	56;923	2,05,913	27.6
1984-85	67,062	2,29,255	29.3
1985-86	79,862	2,61,174	30.6
1986-87	95,126	2,91,556	32.6
1987-88	1,11,319	3,29,934	33.7
1988-89	1,31,386	3,88,539*	33.8
1989-90	1,55,483	4,40,150**	35.3

* Quick Estimate.
** Estimated.
# Average of 12 months' period i.e. last Friday of April to last Friday of March (except March 24, 1989 and March 23, 1990 which are reporting Fridays).
@ Data from 1980-81 to 1987-88 are based on new series (1980-81 base) brought out by C.S.O.

much larger than that of Rs. 10,307 crore (15.6 per cent) in 1988-89. Food credit declined by Rs. 28 crore as against a sharp decline of Rs. 2,299 crore, while non-food credit expansion was substantially larger at Rs. 16,215 crore (21.6 per cent) compared with Rs. 12,606 crore (20.2 per cent).

Banks' investments in Government and other approved securities were marginally higher by Rs. 8,504 crore than an increase of Rs. 8,472 crore in the previous year. Cash in hand and balances with the Reserve Bank showed larger increase of Rs. 4,153 crore than that of Rs. 3,724 crore. The average of banks' borrowings from the Reserve Bank during 1989-90 was markedly higher at Rs. 1,120 crore as against Rs. 148 crore in the previous year.

Year-End Bulge in Banking Variables

Mention was made in the last year's Report about very sharp and unusual increases in aggregate deposits and credit of scheduled commercial banks in the last week of their financial year which ended on March 31, 1989. During the comparable period of the banks' financial year 1989-90, there were similar sharp increases in aggregate deposits and credit. Thus, between March 23 and March 31, 1990, aggregate deposits rose by Rs. 8,169 crore (4.9 per cent) and bank credit by Rs. 4,999 crore (4.9 per cent) respectively; these compare with the increases of Rs. 7,010 crore (5.0 per cent) in aggregate deposits and Rs. 4,651 crore (5.5 per cent) in bank credit during the last week of 1988-89. Demand deposits rose markedly by Rs. 5,428 crore (18.8 per cent) and time deposits also rose significantly by Rs. 2,741 crore (2.0 per cent) between March 23 and March 31, 1990. The increase in aggregate deposits during this period ended-March 31, 1990 formed about 30.5 per cent of the increase in deposits during 1989-90 on reporting Friday basis; likewise, the accruals of demand deposits during the same eight-day period was almost equivalent to (i.e., 99 per cent) the total accruals during the whole of the year 1989-90 on reporting Friday basis (Table VII-14).

The increase in a single day between March 30 and March 31, 1990 was still more striking; it

Table VII—14: Variations in Selected Items of Scheduled Commercial Banks: Last week of March 1990 data

(Rupees crore)

Items	Outstanding as on			Variations		
	March 24,1989	March 23,1990	March 31,1990 (PR)	March 23,1990 over March 24,1989	March 31,1990 over March 23,1990	(6) as percentage of (5)
1	2	3	4	5	6	7
1. Aggregate Deposits (a + b)	1,40,150	1,66,959	1,75,128	+26,809 (+19.1)	+8,169 (+4.9)	+30.5
a) Demand Deposits	23,342	28,856	34,284	+5,514 (+23.6)	+5,428 (+18.8)	+98.4
b) Time Deposits	1,16,808	1,38,103	1,40,844	+21,295 (+18.2)	+2,741 (+2.0)	+12.9
2. Bank Credit (a + b)	84,719	1,01,453	1,06,452	+16,734 (+19.8)	+4,999 (+4.9)	+29.9
a) Food Credit	769	2,006	1,867	+1,237 (+160.8)	—139 (—6.9)	—11.2
b) Non-food Credit	83,950	99,447	1,04,585	+15,497 (+18.5)	+5,138 (+5.2)	+33.2

PR: Partially revised.
Note: Figures in brackets indicate precentage variations.

was Rs. 1,613 crore (0.9 per cent) in aggregate deposits and Rs. 1,002 crore (1.0 per cent) in bank credit. That March 31 data are not meaningful for purposes of assessment of the basic underlying monetary and credit developments in 1989-90 should be clear particularly in view of the fact that the decline of deposits and credit in the first week ending April 6, 1990 was nearly one-half of the increases in deposits and credit between March 23 and March 31, 1990. The analysis in this Report is, therefore, based on data relating to reporting Fridays and not to March 31.

SELECTIVE CREDIT CONTROL

During the year, Selective Credit Controls were under continuing review and changes were made in response to emerging commodity balances and trends in prices. Thus, in view of the comfortable supply position, cotton and wheat were exempted from all the provisions of Selective Credit Controls while higher prices of oilseeds and vegetable oils necessitated increase in margins on advances against these commodities. For commodities where there are stipulations on the level of credit ceilings, the base period was brought forward by two years to the three year period ending 1988-89. The modifications in Selective Credit Controls effected on the basis of price-output developments during the year are detailed below in a chronological order.

LEVEL OF CREDIT CEILING ON ADVANCES AGAINST COTTON AND WHEAT

Effective December 30, 1989, the level of credit ceiling on bank advances against wheat and cotton and kapas was raised from the existing level of 85 per cent to 100 per cent of the peak level of credit maintained by a party in any of the three-year period ending 1986-87 (November-October).

MINIMUM MARGINS ON ADVANCES AGAINST COTTON AND KAPAS

Effective December 30, 1989, the minimum margins on advances against cotton and kapas were lowered in the case of 'others' by 15 percentage points setting them uniformly at 30 per cent on advances against stocks of cotton to 'others' and against warehouse receipts covering stocks of cotton.

MINIMUM MARGINS ON UNRELEASED STOCKS OF SUGAR

The minimum margins on bank advances against unreleased stocks of sugar in the case of processing units/mills were lowered, effective December 30, 1989, from the level of 25 per cent to 20 per cent. All other stipulations exemptions on the bank advances against sugar, gur and khandsari remained unchanged.

MINIMUM MARGINS ON ADVANCES AGAINST WHEAT

The minimum margins on all bank advances against wheat (including advances to roller flour mills) were reduced, effective April 16, 1990 by 15 percentage points, setting them at 30 per cent for mills/processing units and against warehouse receipts covering stocks of wheat and 45 per cent for 'others'.

EXEMPTION FOR ADVANCES AGAINST COTTON AND KAPAS

Effective April 16, 1990, all advances against cotton and kapas were exempt from all the provisions of Selective Credit Controls.

LEVEL OF CREDIT CEILINGS

For commodities where there was a stipulation of level of credit ceiling based on the three-year period, 1984-85 through 1986-87 (November-October), the base was brought forward by two years to the three year period 1986-87 through 1988-89 with effect from April 16, 1990.

MINIMUM MARGINS ON ADVANCES AGAINST OILSEEDS AND VEGETABLE OILS (INCLUDING VANASPATI)

The minimum margins on advances against oilseeds and vegetable oils (including vanaspati) were raised across the board, effective May 4, 1990, by 15 percentage points setting them at 45 per cent to mills/processing units and against

Table VII-15 : Minimum Margins and Level of Credit Ceilings on Bank Advances against Commodities subject to Selective Credit Controls (Effective July 2, 1990)

(Percentages)

Items	Minimum margins			Level of credit ceilings (Base years 1986-87, 1987-88 and 1988-89)
	Mills/ Processing Units	Others	Warehouse Receipts	
1	2	3	4	5
1. Paddy/Rice	45	60	45	85
2. Wheat	x	x	x	x
3. Other foodgrains	45	60	45	85
4. Pulses	45	60	45	85
5. Oilseeds (groundnut, rapeseed/mustard, cottonseed, linseed, castorseed and all imported oilseeds)	60	75	60	100
6. Vegetable oils (groundnut oil, rapeseed/ mustard oil, linseed oil, castor oil, cottonseed oil, vanaspati and all imported vegetable oils)	60@	75	60	100
7. Cotton and Kapas	x	x	x	x
8. Sugar				
a) Buffer	0	—	—	—
b) Unreleased	20	—	—	—
c) Released	75	75	60	—
9. Gur and Khandsari	45	75	60	—

@ : Applicable to registered oil mills and vanaspati manufacturers.

x : Exempt from the stipulations of Selective Credit Control.

— : Not applicable.

Table VII-16: Scheduled Commercial Banks' Outstanding Advances against Selected Commodities

(Rs. crores)

Commodities	AS ON THE LAST FRIDAY OF					
	March 1988		March 1989		March 1990*	
	Amount	Percentage to total	Amount	Percentage to total	Amount	Percentage to total
1	2	3	4	5	6	7
1. Foodgrains (excluding food procurement advances)	**397.5**	**23.1**	**594.7**	**27.9**	**635.8**	**26.2**
(a) Paddy/Rice	275.0	16.0	437.7	20.6	427.0	17.6
(b) Wheat	49.6	2.9	64.9	3.2	77.1	3.2
(c) Pulses	31.8	1.8	38.8	1.8	65.0	2.7
(d) Other foodgrains	41.1	2.4	53.3	2.5	66.7	2.8
2. Sugar (including Khandsari and Gur)	**579.2**	**33.6**	**590.9**	**27.8**	**563.5**	**23.2**
(a) Sugar	559.9	32.5	559.6	26.3	536.0	22.1
(b) Khandsari	17.2	1.0	28.3	1.3	24.3	1.0
(c) Gur	2.1	0.1	3.0	0.1	3.2	0.1
3. Major Oilseeds	**68.4**	**4.0**	**123.4**	**5.8**	**173.0**	**7.1**
(a) Groundnut	13.0	0.8	33.2	1.6	31.7	1.3
(b) Rapeseed/Mustard	10.1	0.6	15.8	0.7	17.0	0.7
(c) Linseed	0.6	—	1.9	0.1	0.6	—
(d) Castorseed	2.2	0.1	2.4	0.1	4.3	0.2
(e) Cottonseed	11.7	0.7	10.4	0.5	10.3	0.4
(f) Soyabean	24.2	1.4	48.4	2.3	93.7	3.9
(g) Other Oilseeds	6.6	0.4	11.3	0.5	15.4	0.6
4. Major Vegetable Oils and Vanaspati	**146.2**	**8.5**	**192.4**	**9.0**	**234.3**	**9.7**
(a) Groundnut Oil	16.4	1.0	23.6	1.1	41.2	1.7
(b) Rapeseed/Mustard Oil	19.3	1.1	22.5	1.0	37.9	1.6
(c) Castor Oil	9.2	0.5	14.9	0.7	20.8	0.9
(d) Linseed Oil	0.9	—	1.6	0.1	2.2	0.1
(e) Cottonseed Oil	7.6	0.4	9.8	0.5	12.0	0.5
(f) Soyabean Oil	11.1	0.7	28.0	1.3	17.2	0.7
(g) Other Vegetable Oils	20.5	1.2	25.9	1.2	26.9	1.1
(h) Vanaspati	61.2	3.6	66.1	3.1	76.1	3.1
5. Cotton and Kapas	**465.4**	**27.0**	**516.1**	**24.2**	**670.0**	**27.6**
6. Raw Jute	**65.7**	**3.8**	**110.3**	**5.2**	**147.0**	**6.1**
7. Total	**1,722.4**	**100.0**	**2,127.8**	**100.0**	**2,423.6**	**100.0**

* : Data are provisional.

— : Nil or negligible.

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

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

Table VII-17 : Security-wise advances to mills/factories & industrial users (As percentage to total credit against sensitive commodities)

Commodities	LAST FRIDAY OF		
	March 1990	March 1989	March 1988
1	2	3	4
1. Soyabean Oil	99.4	98.6	99.0
2. Vanaspati	97.1	97.1	97.4
3. Groundnut Oil	96.1	91.1	89.6
4. Cottonseed Oil	95.8	86.7	96.0
5. Raw Jute	95.4	92.9	93.9
6. Soyabean	93.8	90.9	98.8
7. Sugar	93.5	91.4	98.2
8. Castorseed	93.0	91.7	86.4
9. Castor Oil	92.3	99.3	100.0
10. Linseed Oil	90.9	100.0	100.0
11. Wheat	90.4	89.4	88.3
12. Khandsari	90.1	89.8	87.8
13. Other Vegetable Oils	89.6	76.8	62.4
14. Rapeseed/Mustard Oil	89.2	87.1	91.7
15. Other Oilseeds	87.0	94.7	51.5
16. Groundnut	83.3	90.7	67.7
17. Paddy/Rice	82.6	83.2	85.1
18. Cottonseed	81.6	88.5	96.6
19. Pulses	78.6	61.1	80.2
20. Rapeseed/Mustard	77.1	77.2	84.2
21. Cotton & Kapas	67.0	77.6	78.8
22. Other foodgrains	56.7	60.8	66.2
23. Linseed	50.0	89.5	83.3
24. Gur	15.6	16.7	42.9
All Selected Commodities	**82.5**	**84.9**	**87.7**

Source : Basic Statistical Return-3.

warehouse receipts and 60 per cent for 'others'. These margins were raised further by 15 percentage points across the board, effective July 2, 1990, setting thereby the minimum margins at 60 per cent to mills/processing units and against warehouse receipts and 75 percent for 'others'.

EXEMPTION FOR ADVANCES AGAINST WHEAT

Effective July 2, 1990, all advances against wheat were exempt from all the provisions of Selective Credit Controls. The exemption is applicable in the case of all parties including roller flour mills.

The new structure of minimum margins and level of credit ceilings on advances against commodities covered under Selective Credit Controls, effective July 2, 1990 is set out in Table VII-15. Scheduled commercial banks' outstanding advances against selected commodities are indicated in Table VII-16. Security-wise advances to mills/factories and industrial users as a percentage to total credit against sensitive commodities are set out in Table VII-17.

The provisions of the directives on Selective Credit Control in force as on July 2, 1990 are given in Annexure II.

QUALITATIVE CHANGES IN BANK CREDIT DISTRIBUTION

Sectoral Deployment of Funds

Data relating to sectoral deployment of credit of scheduled commercial banks are presented in Table VII-18. The share of priority sectors in outstanding gross bank credit (inclusive of bills rediscounted with RBI, IDBI, Exim Bank and other financial institutions) continued to be the largest (39.3 per cent) followed by that of industry (medium and large) (37.3 per cent). Bank credit for food procurement recorded a substantial increase of over two and half times the level in 1988-89 as against the sharp decline of more or less of an identical magnitude in 1988-89 over 1987-88. On the other hand,the rise in non-food gross bank credit in percentage terms in 1989-90 over 1988-89 was lower at 18.5 per cent, as compared with the increase of 24.8 per cent in 1988-89 over 1987-88. The broad sectors which accounted for the deceleration in the growth of non-food gross bank credit were medium and large industries, export credit and wholesale trade (other than food). The share of priority sectors in incremental non-food gross bank credit however was higher at 39.3 per cent in 1989-90, as against 30.5 per cent in 1988-89. Advances to this sector constituted 42.4 per cent of net bank credit as on the last reporting Friday of March 1990, as compared with the slightly higher proportion of 43.2 per cent of the net bank credit as on the last reporting Friday of March 1989. Within the priority sectors, advances to agriculture, small scale industries and other priority sectors constituted 16.1 per cent, 15.1 per cent and 8.1 per cent, respectively, of gross bank credit during 1989-90- more or less the same proportion as in the previous year.

Data available up to December 1987 from the Basic Statistical Returns on sectoral classification of scheduled commercial banks' advances (Table VII-19) show that between December 1986 and December 1987, the share of agriculture and allied activities in total bank credit rose from 16.8 to 17.7 per cent and that of small-scale industries from 11.7 per cent to 12.9 per cent. While the share of large and medium industries edged up from 32.3 per cent to 33.1 per cent, that of internal trade declined from 20.3 per cent to 16 per cent during the same period.

Industry-wise Deployment of Credit

Details of industry-wise deployment of gross bank credit are presented in Table VII-20. Industries which accounted for significant deceleration in incremental non-food gross bank credit were: chemical group (Rs. 865 crore), engineering group (Rs. 1,887 crore), other metal and metal products (Rs.215 crore), other textiles (Rs. 557 crore), tea (Rs. 46 crore), vegetable oils (including vanaspati) (Rs. 98 crore) and paper and paper products (Rs. 203 crore). Advances to sugar industry showed a decline of Rs. 21 crore in 1989-90 as against an increase of Rs. 29 crore in 1988-89. However expansion in non-food gross bank credit was noticed mainly under iron and steel (Rs. 592 crore) and leather and leather products (Rs. 241 crore). Advances to petroleum and jute textiles showed increases of Rs. 107 crore and Rs. 64 crores in 1989-90 as against declines of Rs. 133 crore and Rs. 29 crore respectively in 1988-89.

The percentage share of selected industries in total advances of scheduled commercial banks is indicated in Table VII-21. Important industries such as, basic metals and metal products, chemicals and chemical products, engineering, and textiles, accounted for relatively higher share of bank credit.

The behaviour of certain financial ratios as revealed by the Reserve Bank's sample studies on company finance, provide some corroborative evidence regarding the trends in bank credit in favour of medium and large-scale industries. Table VII-22 indicates that during 1988-89 when there was a sizeable increase in bank credit absorbed by the medium and large scale industries, inventory to sales ratio of the large-sized companies rose from 25.0 per cent to 26.0 per cent and short-term bank borrowings to inventories ratio from 44.4 per cent to 45.6 per cent.

Advances to Priority Sectors

Public Sector Banks

The progress made by the public sector banks in financing the priority sectors during last three years is shown in Table VII-23. The number of priority sector borrowal accounts of public sector banks increased from 310 lakhs as at the end of June 1988 to 331 lakhs by end-June 1989 and further to 365 lakhs by end-June 1990. Total priority sector advances of the public sector banks increased from Rs. 34,874 crore as at the end of June 1989 to Rs. 38,649 crore as at the end of June 1990 constituting 42.3 per cent of total net bank credit of public sector banks as at the end of June 1990 as against the stipulated target of 40 per cent.

During 1989-90, agricultural advances of public sector banks increased by Rs. 2,065 crore accounting for 54.7 per cent of incremental priority sector advances. Scheduled commercial banks were advised to step up direct finance to agriculture (including allied activities) from 17 per cent to at least 18 per cent of their outstanding credit by March 1990. Direct agricultural advances of public sector banks formed 16.7 per cent of total net bank credit at the end of June 1990. Advances of these banks to small-scale industries constituted 15.5 per cent of their net bank credit.

Table VII-18 : Sectoral Deployment of Gross Bank Credit@
(As on the last reporting Friday)

(Rupees crore)

SECTORS	Outstanding			Variations over the year	
	March 1988	March 1989	March 1990	1988-89	1989-90
1	2	3	4	5	6
I. Public Food Procurement Credit	**2,190 (3.1)**	**769 (0.9)**	**2,006 (2.0)**	**—1,421**	**+1,237**
II. A. Priority Sectors	**29,070 (41.4)**	**34,219 (39.9)**	**40,387 (39.3)**	**+5149**	**+6,168**
i) Agriculture	12,009 (17.1)	13,950 (16.3)	16,534 (16.1)	+1,941	+2,584
ii) Small Scale Industries	10,820 (15.4)	13,135 (15.3)	15,550 (15.1)	+2,315	+2,415
iii) Other Priority Sectors	6,241 (8.9)	7,134 (8.3)	8,303 (8.1)	+893	+1,169
B. Industry (medium and large)	**25,153 (35.8)**	**32,185 (37.5)**	**38,272 (37.3)**	**+7,032**	**+6,087**
C. Wholesale Trade (other than food procurement)	**3,598 (5.1)**	**4,767 (5.6)**	**5,472 (5.3)**	**+1,169**	**+705**
D. Other Sectors	**10,249 (14.6)**	**13,788 (16.1)**	**16,534 (16.1)**	**+3,539**	**+2,746**
III. Non-food Gross Bank Credit	**68,070 (96.9)**	**84,959 (99.1)**	**1,00,665 (98.0)**	**+16,889**	**+15,706**
Export Credit (included under item III)	3,917 (5.6)	6,141 (7.2)	8,245 (8.0)	+2,224	+2,104
IV. Gross Bank Credit	**70,260 (100.0)**	**85,728 (100.0)**	**1,02,671 (100.0)**	**+15,468**	**+16,943**

@ *Provisional.*

Note: 1. Data relate to 50 scheduled commercial banks (49 from March 1990 due to merger) which account for about 95 per cent of bank credit of all scheduled commercial banks. Further, these gross bank credit include bills rediscounted with RBI, IDBI, EXIM Bank, other approved financial institutions and inter-bank participations.

2. Figures in brackets are percentage to total gross bank credit.

Source: Credit Planning Cell, RBI.

Within the priority sectors, advances to weaker sections at Rs. 10,086 crore at the end of June 1990 formed 11.0 per cent of total outstanding advances as against the prescribed target of 10 per cent.

Outstanding advances of public sector banks to scheduled castes/scheduled tribes increased from Rs. 2,658 crore in 85 lakh borrowal accounts in June 1989 to Rs. 3,201 crore in 92.58 lakh borrowal accounts in June 1990; such advances formed 3.5 per cent of net bank credit at the end of June 1990.

As at the end of June 1990, advances of these banks to agriculture and allied activities constituted the largest portion (42.5 per cent) of their total priority sector advances, followed by

Table VII-19 : Sectoral Classification of Scheduled Commercial Banks' Advances

(Rupees crore)

Sector	Outstanding as on the last Friday of									
	March 31, 1968		December 1984		December 1985		December 1986		December 1987	
	Amount	% to total	Amount	% to total	Amount	% to total	Amount	% to total	Amount	% to total
1	2	3	4	5	6	7	8	9	10	11
I. Industry	**2,068**	**67.5**	**19,103**	**41.5**	**21,911**	**42.0**	**26,465**	**44.0**	**31,386**	**46.0**
a) Large and medium industries	1,857	60.6	12,877	28.0	15,749	30.2	19,400	32.3	22,586	33.1
b) Small-scale industries	211	6.9	6,226	13.5	6,162	11.8	7,065	11.7	8,800	12.9
II. Agricultural and allied activities	**67**	**2.2**	**8,073**	**17.5**	**8,850**	**16.9**	**10,105**	**16.8**	**12.112**	**17.7**
Of which:										
a) Direct finance	—	—	6,502	14.1	7,540	14.4	8,587	14.3	10,337	15.1
b) Plantations	58	1.9	473	1.0	512	1.0	649	1.1	739	1.1
III. Internal trade	**588**	**19.2**	**10,865**	**23.6**	**12,003**	**23.0**	**12,216**	**20.3**	**10,932**	**16.0**
a) Wholesale trade	541	17.7	8,940	19.4	9,617	18.4	9,293	15.4	7,268	10.6
Of which:										
Food procurement	109	3.5	5,642	12.2	6,085	11.6	5,589	9.3	3,722	5.5
b) Retail trade	47	1.5	1,925	4.2	2,387	4.6	2,923	4.9	3,664	5.4
IV. Services	**—**	**—**	**1,359**	**2.9**	**1,674**	**3.2**	**2,080**	**3.5**	**2,519**	**3.7**
V. Personal Loans	**—**	**—**	**1,581**	**3.4**	**1,751**	**3.4**	**2,283**	**3.8**	**3.034**	**4.4**
VI. All Others*	**341@**	**11.1**	**5,094**	**11.1**	**6,039**	**11.5**	**7,067**	**11.6**	**8,294**	**12.1**
VII. Total	**3,064**	**100.0**	**46,075**	**100.0**	**52,228**	**100.0**	**60,216**	**100.0**	**68,278**	**100.0**

— Not available.

@ Includes services and personal loans.

* Includes advances to transport operators also.

Source: March 31, 1968 data are based on Survey of Advances of Scheduled Commercial Banks according to purpose. Data from 1984 to 1987 are based on BSR-1 Surveys conducted by the Banking Statistics Division, DESACS, R.B.I.

advances to small-scale industries (36.6 per cent).

Private Sector Banks and Foreign Banks

Private sector commercial banks are also required to achieve various targets and sub-targets for priority sector advances and lending under the Differential Rate of Interest (DRI) Scheme. As at the end of March 1990, priority sector advances of private sector commercial banks formed 36.2 per cent of their total advances. Direct finance to agriculture and advances to small scale industries formed 8.8 per cent and 15.7 per cent, respectively, of their net bank credit.

Foreign banks operating in India were advised in August 1988 that they should achieve a priority sector lending level of 10 per cent of their total advances by the end of March 1989. They are required to progressively raise this level to 12 per cent by March 1990 and to 15 per cent by March 1992. Priority sector advances of foreign banks increased from 7.6 per cent at the end of March 1989 to 8.4 per cent at the end of September 1989 and further to 9.8 per cent as at the end of March 1990.

20-Point Programme

The Government of India revised the earlier 20-Point Programme in August 1986. Fifteen out of the twenty points have relevance to the banking system. Provisional data indicate that the 28 public sector banks had extended financial assistance under the revised 20-Point Programme to the extent of Rs. 12,847.87 crore for 369.44 lakh borrowal accounts at the end of June 1990 which formed 33.2 per cent of their total priority sector advances.

Regional and Rural/Urban Pattern of Credit Deployment in terms of Credit-Deposit Ratios

Public sector banks were directed to attain by

Table VII-20 : Industry-wise Deployment of Gross Bank Credit@
(As on the last reporting Friday)

(Rupees crore)

Industry	Outstanding as on			Variations over the year	
	March 25, 1988	March 24, 1989	March 23, 1990	1988-89	1989-90
1	2	3	4	5	6
1) Coal	248	210	178	—38	—32
	(0.4)	(0.2)	(0.2)		
2) Iron & Steel	1,824	2,245	2,837	+421	+592
	(2.6)	(2.6)	(2.7)		
3) Other Metals & Metal Products	1,203	1,624	1,839	+421	+215
	(1.7)	(1.9)	(1.8)		
4) All Engineering	8,697	10,623	12,510	+1,926	+1,887
	(12.4)	(12.4)	(12.1)		
5) Electricity (Gen. and Trans.)	785	1,042	1,264	+257	+222
	(1.1)	(1.2)	(1.2)		
6) Cotton Textiles	2,752	3,216	3,657	+464	+441
	(3.9)	(3.8)	(3.6)		
7) Jute Textiles	305	276	340	—29	+64
	(0.4)	(0.3)	(0.3)		
8) Other Textiles	2,152	2,742	3,299	+590	+557
	(3.1)	(3.2)	(3.2)		
9) Sugar	640	669	648	+29	—21
	(0.9)	(0.8)	(0.6)		
10) Tea	411	524	570	+113	+46
	(0.6)	(0.6)	(0.5)		
11) Vegetable Oils (including Vanaspati)	440	599	697	+159	+98
	(0.6)	(0.7)	(0.7)		
12) Tobacco & Tobacco Products	235	297	379	+62	+82
	(0.3)	(0.3)	(0.4)		
13) Paper & Paper Products	854	1,142	1,345	+288	+203
	(1.2)	(1.3)	(1.3)		
14) Rubber and Rubber Products	557	750	913	+193	+163
	(0.8)	(0.9)	(0.9)		
15) Chemicals, Dyes, Paints, etc.	4,210	5,922	6,787	+1,712	+865
	(6.0)	(6.9)	(6.6)		
Of which : Fertiliser	(913)	(1,019)	(1,075)	(+106)	(+56)
	(1.3)	(1.2)	(1.0)		
16) Cement	503	689	843	+186	+154
	(0.7)	(0.8)	(0.8)		
17) Leather & Leather Products	565	691	932	+126	+241
	(0.8)	(0.8)	(0.9)		
18) Construction	448	759	1,092	+311	+333
	(0.6)	(0.9)	(1.1)		
19) Petroleum	163	30	137	—133	+107
	(0.2)	(—)	(0.1)		
20) SAFAUNS*	231	191	149	—40	—42
	(0.3)	(0.2)	(0.1)		
21) Other Industries	8,750	11,079	13,406	+2,329	2,327
	(12.5)	(12.9)	(13.1)		
Total Credit to Industry	**35,973**	**45,320**	**53,822**	**+9,347**	**+8,502**
	(51.2)	**(52.9)**	**(52.4)**		
Total Gross Bank Credit	**70,260**	**85,728**	**1,02,671**	**+15,468**	**+16,943**
	(100.0)	**(100.0)**	**(100.0)**		

@ Provisional.

* Ships acquired from abroad under new scheme.

Note: Figures in brackets are percentages to total gross bank credit.

Source: Credit Planning Cell, RBI.

March 1979 a credit-deposit ratio of 60 per cent in rural and semi-urban areas separately, so as to achieve the twin objectives of reducing intra-State imbalances in utilisation of deposit resources and restraining migration of credit from rural to urban areas. This stipulation was later extended to private sector banks. Though scheduled commercial banks as a whole have succeeded in attaining the target in respect of rural branches, they have fallen short of the target in the case of semi-urban branches. The credit-deposit ratio of rural branches of scheduled commercial banks (including Regional Rural Banks) rose from 56.7 per cent as on last Friday of March 1980 to 66.9 per cent as on last Friday of March 1985. Although the ratio gradually declined thereafter and stood at 63.9 per cent as on last Friday of March 1990, it was higher than the target of 60 per cent (Table VII-24). However, the performance of banks in attaining the target for semi-urban branches continued to remain below the target; the credit-deposit ratio of semi-urban branches rose from 49.1 per cent as on last Friday of March 1980 to 53.9 per cent by March 1985 but subsequently declined steadily to 51.6 per cent by March 1990.

Region-wise and State-wise credit-deposit ratios in respect of scheduled commercial banks (including RRBs) classified according to public and private sector banks and population groups as on the last Friday of December 1989 are presented in Table VII-25. In the case of public sector banks (excluding RRBs), the credit-deposit ratio was 59.4 per cent and 49.9 per cent for rural and semi-urban areas, respectively, while in the case of private sector banks, the corresponding ratios were 51.4 per cent and 48.5 per cent.

Region-wise, bank branches in the Southern region only surpassed the target of 60 per cent both in rural (103.4 per cent) and semi-urban (64.9 per cent) areas. Bank branches in the North-Eastern and Western regions attained the target for rural areas. The Northern, Eastern and Central regions lagged behind the target both in rural and semi-urban areas.

State-wise, the performance of banks both in rural and semi-urban areas has been very uneven. In the case of rural areas, the 60 per cent target was exceeded in Haryana, Rajasthan, Assam, Manipur, Tripura, Orissa, Madhya Pradesh, Gujarat, Maharashtra, Andhra Pradesh, Karnataka, Kerala, Pondicherry and Tamil Nadu. In contrast in Himachal Pradesh, Jammu and Kashmir, Punjab, Delhi, Arunachal Pradesh, Sikkim, Andaman and Nicobar Islands, Goa, Daman and Diu and Lakshadweep credit-deposit ratios were below 40 per cent. In the case of semi-urban areas, only in six States/Union Territories the target was exceeded while in 14 States/Union Territories credit-deposit ratios were below 40 per cent.

Table VII—21: Advances of Scheduled Commercial Banks to Major Industries

(Percentage to total bank credit)

Industry	March 31,1968	As on the last Friday of December			
		1984	1985	1986	1987
1	2	3	4	5	6
Basic metals and metal products	..	5.2	4.9	4.6	4.8
Of which: Iron and steel	3.7	3.1	2.4	2.6	2.5
Beverage and tobacoo	..	0.6	0.6	0.7	0.7
Cement	1.3	0.6	0.7	0.8	0.8
Chemical and chemical products	6.0	4.6	4.9	5.6	5.9
Of which:					
Heavy industrial chemicals	..	0.7	0.8	0.9	0.8
Drugs and pharmaceuticals	..	0.9	1.0	1.2	1.1
Fertilizers	..	0.8	0.9	1.2	1.4
Coal	0.8	0.2	0.1	0.2	0.1
Edible Oils and vanaspati	1.4	0.6	0.5	0.6	0.6
Engineering	15.7	7.7	8.1	8.3	8.3
Heavy engineering	8.9	3.2	3.5	3.5	3.3
Light engineering	6.8	2.1	2.0	2.0	2.0
Others	..	2.4	2.7	2.8	3.0
Leather and leather products	..	0.6	0.6	0.7	0.8
Manufacturing of basic minerals	..	0.5	0.5	0.3	0.3
Paper, paper products and printing	1.6	1.7	1.6	1.7	1.7
Rice, flour and dal mills	..	0.9	1.0	1.0	0.9
Rubber and rubber products	0.7	0.8	0.8	0.8	0.7
Sugar	5.3	0.6	0.5	0.5	0.5
Textiles	15.5	6.9	6.7	7.0	7.2
Of which:					
Cotton textiles	10.3	3.2	3.2	3.2	3.3
Jute textiles	3.1	0.4	0.4	0.5	0.3
Vehicles, vehicle parts and transport equipments	..	2.1	1.9	2.1	2.3
Other industries	..	7.9	8.6	9.1	5.7
Total Credit to Industry	**67.5**	**41.5**	**42.0**	**44.0**	**46.0**
Total Bank Credit	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

.. Not available.

Source: March 31, 1968 data are based on Survey on Advances of Scheduled Commercial Banks according to purpose. Data from 1984 to 1987 are based on BSR-1 Surveys conducted by the DESACS, R.B.I.

Table VII—22: 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
1	2	3	4	5
1953 Public Limited Companies +				
1985-86	25.6	28.1	44.4	57.3
1986-87	25.7	27.1	48.0	60.8
1987-88	25.2	27.6	48.8	61.1
622 Large Public Limited Companies£				
1986-87	25.6	28.6	42.8	55.4
1987-88	25.0	29.1	44.4	56.1
1988-89	26.0	31.0	45.6	57.3

@ Net of rebates, discounts, excise duty and cess.
+ Including small companies, each with a paid-up capital of less than Rs. 5 lakh.
£ Each with a paid-up capital of Rs. 1 crore and above.

Source: RBI Studies on Company Finances

Table VII—23: Public Sector Banks' Advances to Priority Sectors (As on the last Friday)

Sector	No. of Accounts (in '000)			Amount outstanding (Rupees Crore)		
	June 1988	June 1989@	June 1990@	June 1988	June 1989@	June 1990@
1	2	3	4	5	6	7
I. Agriculture	18,959	19,748	22,280	12,170	14,369	16,434
(i) Direct finance	18,225	19,026	21,548	10,660	12,920	15,283
(ii) Indirect finance	734	722	732	1510	1449	1151
II. Small-scale sector*	3,006	N.A.	N.A.	12,986	N.A.	N.A.
(i) Road and water transport operators	691	N.A.	N.A.	2101	N.A.	N.A.
(ii) Small-scale industries	2,314	2,707	2,798	10,798	13,248	14,127
(iii) Setting up of industrial estates	1	N.A.	N.A.	87	N.A.	N.A.
III. Other priority sectors	8,597	10,646	11,422	3,926	7,257	8,088
(i) Retail trade and small business	6,384	N.A.	N.A.	2,829	N.A.	N.A.
(ii) Professional and self-employed persons	2,137	N.A.	N.A.	1,037	N.A.	N.A.
(iii) Education	72	N.A.	N.A.	49	N.A.	N.A.
(iv) Indirect finance to other priority sectors (Lending to SC/ST/Corporations/Organisations)	4	N.A.	N.A.	11	N.A.	N.A.
IV. Housing loans to SC/ST and weaker sections +	226	N.A.	N.A.	210	N.A.	N.A.
V. Consumption loans +	167	N.A.	N.A.	34	N.A.	N.A
Total Priority Sector Advances	**30,965£**	**33,101**	**36,500**	**29,332£**	**34,874**	**38,649**
VI. Exports	—	—	—	—	—	—
Net Bank Credit	—	—	—	**64,479**	**78,178**	**91,302**
Percentage of priority sector advances to Net Bank Credit	—	—	—	45.5	44.6	42.3

* Relate to number of Units.
@ June 1989 and June 1990 data are provisional.
+ Data available from December 1981 only.
N.A. Not available
— Nil or negligible.
£ Total Priority Sector Advances is inclusive of data in respect of advances to State Sponsored Organisations (S.S.O.) for SC/ST for purchase and supply of inputs, etc.

Source: Rural Planning and Credit Department, R.B.I.

Table VII—24: Population Group-wise Credit-Deposit Ratio of Scheduled Commercial Banks

(Rupees crore)

Last Friday of March	RURAL			SEMI-URBAN			URBAN			METROPOLITAN			TOTAL		
	Deposit	Credit	Credit-Deposit Ratio	Deposit	Credit	Credit-Deposit Ratio	Deposit	Credit	Credit-Deposit Ratio	Deposit	Credit	Credit-Deposit Ratio	Deposit	Credit	Credit-Deposit Ratio
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1980	3,745	2,124	56.7	7,220	3,548	49.1	7,908	4,747	60.0	12,872	11,655	90.5	31,745	22,073	69.5
1981	4,854	2,846	58.6	8,882	4,533	51.0	9,450	5,793	61.1	14,881	12,779	85.9	38,067	25,930	68.1
1982	6,097	3,725	61.1	10,328	5,415	52.4	10,917	6,763	61.9	16,799	14,491	86.3	44,141	30,394	68.9
1983	7,212	4,432	61.5	12,226	6,371	52.1	12,592	7,610	60.4	19,360	17,287	89.3	51,390	35,700	69.5
1984	8,892	5,698	64.1	14,516	7,692	53.0	13,921	8,334	59.9	23,538	20,639	87.7	60,867	42,364	69.6
1985	9,918	6,632	66.9	16,077	8,669	53.9	18,840	11,533	61.2	27,913	23,906	85.6	72,748	50,740	69.7
1986	11,987	7,947	66.3	18,264	9,712	53.2	22,252	13,153	59.1	33,138	27,163	82.0	85,641	57,974	67.7
1987	14,698	9,673	65.8	21,698	11,271	51.9	26,232	14,861	56.7	40,485	30,868	76.2	103,112	66,673	64.7
1988	17,382	11,201	64.4	25,822	13,388	51.8	30,517	16,980	55.6	44,956	33,335	74.2	118,678	74,903	63.1
1989	21,669	13,972	64.5	30,952	16,017	51.7	36,845	21,329	57.9	57,424	44,690	77.8	146,890	96,008	65.4
1990	26,016	16,627	63.9	36,053	18,610	51.6	42,301	24,619	58.2	68,389	53,736	78.6	172,759	113,592	65.8

Source: Quarterly Return on Aggregate Deposits and Gross Bank Credit, Banking Statistics Division, DESACS, R.B.I.

Table VII—25: 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 December 1989)

(Per cent)

Region/State Union Territory	Rural			Semi-Urban			Urban/Metropolitan			Total		
	Public*	Private@	Total+	Public*	Private@	Total+	Public*	Private@	Total+	Public*	Private@	Total+
1	2	3	4	5	6	7	8	9	10	11	12	13
Northern Region	**43.6**	**34.0**	**45.6**	**45.9**	**39.5**	**45.7**	**56.7**	**84.2**	**59.3**	**52.9**	**75.8**	**55.0**
Haryana	65.1	34.0	67.0	51.2	57.3	51.3	62.3	70.5	62.4	59.1	66.7	59.9
Himachal Pradesh	34.7	—	34.9	35.9	11.0	35.1	—	—	—	35.1	11.0	34.9
Jammu and Kashmir	22.7	27.6	27.0	25.5	41.3	32.0	37.9	42.0	39.7	32.6	37.0	34.8
Punjab	35.0	20.0	35.7	44.1	11.1	44.0	51.8	35.3	51.5	44.5	33.3	44.5
Rajasthan	74.8	56.5	78.3	52.2	42.2	51.3	61.8	48.2	60.1	61.2	47.8	61.2
Chandigarh	42.9	—	42.9	25.2	—	25.2	87.5	33.9	87.0	85.3	33.9	84.8
Delhi	25.1	—	25.1	13.1	—	13.1	54.9	100.4	59.6	54.1	100.4	58.8
North-Eastern Region	**56.4**	**41.9**	**66.7**	**41.4**	**28.8**	**41.3**	**49.9**	**47.7**	**49.8**	**48.3**	**39.9**	**50.9**
Arunachal Pradesh	20.2	22.1	20.5	8.1	—	8.1	—	—	—	19.9	22.1	20.2
Assam	64.6	48.1	72.0	41.7	34.5	41.0	60.1	53.6	59.8	54.0	46.3	55.4
Manipur	133.4	—	134.9	111.4	—	111.7	47.8	—	48.4	67.2	—	68.6
Meghalaya	49.6	—	52.1	18.3	45.8	18.6	18.6	12.6	18.1	23.1	15.4	23.8
Mizoram	36.5	—	43.5	27.8	—	30.2	—	—	—	29.5	—	33.6
Nagaland	53.9	—	54.4	40.7	10.2	38.8	—	—	—	43.0	10.2	41.5
Tripura	67.9	—	115.0	67.0	—	73.6	38.2	45.7	39.2	49.3	45.7	66.3
Eastern Region	**50.0**	**—**	**56.9**	**33.5**	**2.1**	**33.7**	**54.7**	**93.8**	**58.2**	**49.2**	**93.1**	**52.9**
Bihar	47.9	—	54.4	32.9	—	33.2	34.3	33.6	34.2	37.2	33.6	39.5
Orissa	88.6	—	105.8	65.1	—	65.2	83.2	46.8	82.8	79.2	46.8	84.0
Sikkim	29.3	—	29.3	19.8	—	19.8	—	—	—	22.1	—	22.1
West Bengal	40.9	—	44.5	26.1	2.1	26.3	58.3	94.4	62.7	51.4	93.7	55.5
Andaman and Nicobar Islands	33.0	—	33.0	34.8	—	34.8	—	—	—	34.4	—	34.4
Central Region	**49.0**	**25.9**	**53.2**	**44.9**	**40.6**	**44.4**	**52.7**	**41.7**	**52.4**	**49.8**	**39.8**	**50.5**
Madhya Pradesh	69.0	—	76.0	53.6	34.2	52.4	72.6	55.0	72.1	66.3	49.1	67.1
Uttar Pradesh	42.8	25.9	46.5	41.0	41.1	41.0	44.8	40.3	44.8	43.4	39.0	44.3
Western Region	**63.3**	**72.1**	**66.0**	**49.6**	**64.3**	**49.9**	**74.7**	**79.9**	**75.6**	**69.7**	**79.4**	**71.3**
Goa	20.8	23.2	20.8	38.1	61.7	38.7	—	—	—	32.6	59.6	33.1
Gujarat	59.8	—	60.7	47.1	43.9	47.0	64.5	62.5	64.4	58.5	62.3	58.6
Maharashtra	81.4	72.9	85.1	59.5	64.8	59.8	77.2	80.1	77.8	76.1	79.7	77.0
Dadra and Nagar Haveli	56.0	—	56.0	—	—	—	—	—	—	56.0	—	56.0
Daman and Diu	29.5	—	29.5	22.9	—	22.9	—	—	-	23.0	—	23.0
Southern Region	**100.2**	**60.5**	**103.4**	**66.5**	**49.8**	64.9	**96.0**	**91.4**	**95.4**	**87.5**	**72.5**	**87.0**
Andhra Pradesh	103.7	53.2	111.5	71.8	38.4	70.8	92.5	53.0	89.6	88.3	50.1	88.1
Karnataka	102.2	54.1	108.0	79.4	47.0	76.0	93.3	70.5	90.9	91.7	62.2	90.7
Kerala	66.7	52.7	72.9	48.1	49.9	50.3	90.8	73.8	87.7	62.5	56.0	63.1
Tamil Nadu	105.5	76.0	102.8	78.4	54.4	75.0	103.2	120.9	105.7	97.8	100.2	98.4
Lakshadweep	16.1	—	16.1	—	—	—	**—**	**—**	**—**	**16.1**	**—**	**16.1**
Pondicherry	67.4	36.4	66.3	43.0	22.2	42.4	53.1	40.4	51.8	53.9	39.2	52.7
All India	**59.4**	**51.4**	**63.8**	**49.9**	**48.5**	**50.0**	**68.1**	**83.2**	**69.8**	**62.8**	**76.6**	**64.7**

\+ Including Regional Rural Banks.

@ Excluding Regional Rural Banks.

* Public sector banks comprise State Bank of India, its 7 Associate Banks and 20 Nationalised Banks.

— Nil or negligible.

Note: Data are provisional.

Source: Quarterly Return on Aggregate Deposits and Gross Bank Credit, Banking Statistics Division, DESACS, R.B.I.

Credit-Deposit Ratios According to Sanction and Utilisation

Credit-deposit ratios of scheduled commercial banks (including RRBs), based separately on sanction and utilisation of credit, as on last Friday of December 1986 and 1987 are presented in Table VII-26 on a region-wise and State-wise basis. Both in terms of sanction and utilisation, the credit-deposit ratios of the Northern, North-Eastern, Eastern and Central regions were much below the ratios of the Western and Southern regions. Among the States/Union Territories, the ratios were lower than 40 per cent in the case of Himachal Pradesh, Jammu and Kashmir, Meghalaya, Bihar, Goa, Daman and Diu and Lakshadweep.

Investment + Credit-Deposit Ratios

Deployment of funds by the banking system in any State/region cannot be assessed merely in terms of credit-deposit ratio because apart from extending credit, banks also invest in securities and bonds of State Governments and State-level institutions like electricity boards, local boards, etc. When both bank credit and banks' investments are taken into account (Table VII-26), a much higher deployment of funds by banks than that indicated by credit-deposit ratios is revealed, particularly in the case of relatively underdeveloped States like Himachal Pradesh, Jammu and Kashmir, Meghalaya, Bihar and Uttar Pradesh.

Frequency Distribution of Credit-Deposit Ratio

The frequency distribution of the number of districts according to credit-deposit ratios of rural and semi-urban offices of scheduled commercial banks as on the last Friday of December for the last three years is furnished in Table VII-27. While the number of districts with credit-deposit ratio of 60 per cent and above in respect of rural offices rose marginally from 261 in 1988 to 263 in 1989, the percentage of districts with credit-deposit ratio of 60 per cent and above declined marginally from 59.2 per cent in 1988 to 58.7 per cent in 1989. In the case of semi-urban offices credit-deposit ratio of 60 per cent was reached in four more districts raising the total number of districts in this category to 137 at the end of December 1989.

Deposit and Credit of Scheduled Commercial Banks: Area-wise and State-wise

The improvement in banking facilities, especially in unbanked/under-banked centres, has been reflected in banks' performance in the sphere of deposit mobilisation and credit deployment. Between end-December 1988 and end of December 1989, the share of rural offices in total deposits of scheduled commercial banks rose from 14.7 per cent to 15.0 per cent but their share in total credit declined from 15.3 per cent to 14.8 per cent (Table VII-28). In the case of semi-urban offices their share in total deposits and declined marginally from21.2 per cent to21.1 per cent and in total credit from 17.2 per cent to 16.3 per cent during the same period. The share of urban and metropolitan offices together in total deposits declined from 64.1 per cent to 63.9 per cent but their share in total credit increased from 67.5 per cent to 68.9 per cent during the above period.

During the post-nationalisation period upto December 1989, the share of rural offices in incremental deposits and credit was 15.4 per cent and 15.3 per cent, respectively. The corresponding proportions for semi-urban, urban and metropolitan offices, were : 21.1 and 16.5; 24.6 and 21.9; and 39.0 and 46.3 per cent, respectively.

State-wise, Uttar Pradesh accounted for the maximum share of incremental deposits in respect of rural areas (Rs. 4,382 crore) followed by Punjab (Rs. 2,362 crore) and Bihar (Rs. 2,129 crore). Uttar Pradesh also claimed the maximum share of incremental deposits in respect of semi-urban areas (Rs. 4,079 crore), followed by Kerala (Rs. 3,739 crore), Gujarat (Rs. 2,798 crore) and Punjab (Rs. 2,629 crore). Maharashtra accounted for the highest share (Rs. 26,328 crore) in incremental deposits of urban and metropolitan offices.

Uttar Pradesh accounted for the highest share (Rs. 2,033 crore) of incremental credit of rural offices, followed by Andhra Pradesh (Rs. 1,691 crore). In the case of semi-urban offices, the

Table VII—26: Credit-Deposit Ratio and Investment + Credit—Deposit Ratio of Scheduled Commercial Banks (As on the last Friday of)

(Per cent)

Region/State/Union Territory	Credit-Deposit Ratio				Investment + Credit-Deposit Ratio			
	December 1986		December 1987		December 1986		December 1987	
	As per Sanction	As per Utilisa-sation	As per Sanction	As per Utilisa-sation	As per Sanction	As per Utilisa-sation	As per Sanction	As per Utilisa-sation
1	2	3	4	5	6	7	8	9
Northern Region	**49.4**	**48.9**	**47.2**	**46.6**	**56.3**	**55.8**	**54.3**	**53.7**
Haryana	61.0	84.7	59.8	85.4	76.4	100.1	74.2	99.8
Himachal Pradesh	36.9	39.5	36.3	39.1	51.6	54.2	49.9	52.7
Jammu and Kashmir	36.0	37.1	35.4	36.8	51.0	52.1	51.4	52.8
Punjab	43.0	47.8	42.6	45.4	48.4	53.2	48.6	51.4
Rajasthan	61.5	64.9	55.7	58.9	87.2	90.6	80.8	84.0
Chandigarh	105.6	54.0	99.0	40.7	105.8	54.2	99.2	40.9
Delhi	45.5	40.3	42.9	38.1	46.1	40.9	43.4	38.6
North-Eastern Region	**42.6**	**54.8**	**45.2**	**56.4**	**66.5**	**78.7**	**69.6**	**80.8**
Arunachal Pradesh	41.3	49.0	38.5	47.4	41.3	49.0	38.5	47.4
Assam	43.5	58.6	45.7	58.8	67.7	82.8	70.0	83.1
Manipur	82,1	82.3	74.0	75.1	149.9	150.1	138.7	139.8
Meghalaya	35.4	41.8	28.5	32.8	68.4	74.8	57.2	61.5
Mizoram	13.2	25.3	44.9	83.0	13.2	25.3	44.9	83.0
Nagaland	41.7	51.6	39.2	44.1	82.0	91.9	76.6	81.5
Sikkim	14.7	23.6	32.5	52.1	14.7	23.6	32.5	52.1
Tripura	70.8	72.1	66.1	67.6	95.6	96.9	88.8	90.3
Eastern Region	**48.1**	**46.6**	**46.1**	**45.0**	**62.5**	**61.0**	**61.2**	**60.1**
Bihar	33.8	34.9	31.3	32.6	52.3	53.4	49.7	51.0
Orissa	76.9	82.2	88.9	92.2	112.7	118.0	126.3	129.6
West Bengal	51.0	47.5	47.9	45.1	61.0	57.5	58.4	55.6
Andaman and Nicobar Islands	37.1	38.3	33.1	41.1	37.1	38.3	33.1	41.1
Central Region	**44.0**	**46.0**	**43.7**	**45.8**	**59.3**	**61.3**	**59.5**	**61.6**
Madhya Pradesh	58.7	60.1	59.3	60.8	77.7	79.1	78.5	80.0
Uttar Pradesh	38.9	41.1	37.9	40.1	52.9	55.1	52.4	54.6
Western Region	**69.9**	**68.5**	**65.7**	**64.3**	**77.6**	**76.2**	**73.7**	**72.3**
Goa	30.3@	31.3@	31.6	36.8	30.8@	31.8@	32.0	37.2
Gujarat	55.6	59.4	53.5	58.0	68.5	72.3	67.1	71.6
Maharashtra	76.4	73.2	71.4	67.7	82.8	79.6	77.9	74.2
Dadra and Nagar Haveli	80.7	117.9	68.1	119.6	80.7	117.9	68.1	119.6
Daman and Diu	@	@	22.2	4.8	@	@	22.2	4.8
Southern Region	**78.2**	**79.1**	**80.7**	**81.5**	**91.2**	**92.1**	**94.5**	**95.3**
Andhra Pradesh	77.7	78.8	73.9	75.0	91.5	92.6	88.9	90.0
Karnataka	84.2	86.5	87.1	88.7	97.8	100.1	100.9	102.5
Kerala	60.2	61.1	67.4	68.4	73.2	74.1	81.1	82.1
Tamil Nadu	86.3	85.8	90.9	90.6	90.3	97.8	104.0	103.7
Lakshadweep	28.8	31.2	24.3	24.8	28.8	31.2	24.3	24.8
Pondicherry	46.4	48.2	50.9	54.1	46.5	48.3	50.9	54.1
All India	**59.6**	**59.6**	**58.0**	**58.0**	**70.7**	**70.7**	**69.6**	**69.6**

@ Data for Daman and Diu are included in the data for Goa.

Note: Deposits and Credit (Sanction and Utilisation) data are based on BSR-1 and 2 Surveys.
The investment figures are estimated on the basis of BSR-5 Survey for March 1987 and March 1988 respectively.

Source: Banking Statistics Division, DESACS, R.B.I.

Table VII-27: Frequency distribution of districts based on Credit-Deposit Ratios of Scheduled Commercial Banks
(As on the last Friday of)

(Rupees crore)

Credit-Deposit Ratio	December 1987			December 1988			December 1989		
	No. of Districts	Deposits@	Advances	No. of Districts	Deposits@	Advances	No. of Districts	Deposits@	Advances
1	2	3	4	5	6	7	8	9	10
Rural Offices									
Upto 20%	20	1,139	182	24	2,053	342	27	2,055	329
		(57)			(86)			(76)	
20% to 30%	33	2,069	501	25	1,422	342	25	2,093	532
		(63)			(57)			(84)	
30% to 40%	40	2,488	904	49	3,326	1,191	50	4,319	1,536
		(62)			(68)			(72)	
40% to 50%	53	2,667	1,199	45	3,248	1,479	45	3,221	1,433
		(50)			(72)			(72)	
50% to 60%	48	1,718	934	37	1,661	915	38	2,093	1,156
		(36)			(45)			(55)	
60% and above	245	7,446	7,407	261	9,197	9,183	263	10,601	10,561
	(55.8)*	(30)		(59.2)*	(35)		(58.7)*	(40)	
Total	**439**	**17,527**	**11,127**	**441**	**20,907**	**13,452**	**448**	**24,383**	**15,546**
Semi-Urban Offices									
Upto 20%	22	1,976	312	22	1,783	286	24	2,431	395
		(90)			(81)			(101)	
20% to 30%	54	3,347	812	50	4,955	1,174	58	5,165	1,321
		(62)			(99)			(89)	
30% to 40%	77	4,850	1,753	79	5,070	1,783	87	6,012	2,122
		(63)			(64)			(69)	
40% to 50%	67	3,748	1,681	67	5,173	2,322	55	5,466	2,433
		(56)			(77)			(99)	
50% to 60%	52	3,803	2,081	55	4,336	2,420	51	4,786	2,610
		(73)			(79)			(94)	
60% and above	131	7,573	6,025	133	8,797	7,126	137	10,337	8,213
	(32.5)*	(58)		(32.8)*	(66)		(33.3)*	(75)	
Total	**403**	**25,297**	**12,664**	**406**	**30,113**	**15,110**	**412**	**34,197**	**17,094**

@ Figures in brackets indicate amount of deposits per district under each size of class.
* As percentage of total number of districts.
Source: Quarterly Return on Aggregate Deposits and Gross Bank Credit, Banking Statistics Division, DESACS, R.B.I.

highest share of incremental credit was accounted for by Kerala (Rs. 1,889 crore). As in the case of deposits, Maharashtra accounted for the highest share (Rs. 20,251 crore) of incremental credit of urban and metropolitan offices.

Distribution of Deposits by Population Groups/Type of Deposits

A classification of deposits of scheduled commercial banks according to population groups and type of deposits as on the last Friday on December 1987 is furnished in Table VII-29. While the proportion of total number of current deposit accounts to total number of deposit accounts was small in the case of all population groups, it was particularly small (1.9 per cent) in the case of rural offices. The proportion of savings accounts to total deposit accounts was highest in all population groups—74.6 per cent for rural offices, 69.2 per cent for semi-urban offices and 64.8 per cent and 64.4 per cent for urban and metropolitan offices, respectively. In the case of term deposit accounts, their ratio to total deposit accounts ranged from 23.5 per cent

Table VII—28: Distribution of Deposits and Advances of Scheduled Commercial Banks according to Population Groups
(As on the last Friday of)

(Rupees crore)

Population Group	June 1969		December 1988		December 1989		Increase (June 1969-December 1989)	
	Deposits	Advances	Deposits	Advances	Deposits	Advances	Deposits	Advances
1	2	3	4	5	6	7	8	9
Rural	**145**	**54**	**20907**	**13452**	**24383**	**15546**	**24238**	**15492**
Percentage to total	3.1	1.5	14.7	15.3	15.0	14.8	15.4	15.3
Average amount per office	0.10	0.04	0.66	0.43	0.73	0.46	—	—
Semi-Urban	**1024**	**407**	**30113**	**15110**	**34197**	**17094**	**33173**	**16687**
Percentage to total	22.0	11.3	21.2	17.2	21.1	16.3	21.1	16.5
Average amount per office	0.31	0.12	2.69	1.35	3.04	1.52	—	—
Urban	**1209**	**722**	**35953**	**19649**	**39855**	**22875**	**38646**	**22153**
Percentage to total	25.9	20.0	25.4	22.4	24.6	21.8	24.6	21.9
Average amount per office	0.63	0.38	4.53	2.48	4.93	2.83	—	—
Metropolitan	**2287**	**2426**	**54850**	**39535**	**63602**	**49351**	**61315**	**46925**
Percentage to total	49.0	67.2	38.7	45.1	39.3	47.1	39.0	46.3
Average amount per office	1.53	1.62	9.91	7.15	11.25	8.73	—	—
Total	**4665**	**3609**	**141823**	**87746**	**162036**	**104866**	**157371**	**101257**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**
Average amount per office	0.57	0.44	2.52	1.56	2.77	1.79	—	—

Source: For June 1969, Banking Statistics, Volume 2; and for December 1988 and December 1989, Quarterly Return on Aggregate Deposits and Gross Bank Credit, Banking Statistics Division, DESACS, R.B.I.

for rural offices to 29.8 per cent for urban offices. As regards amount of deposits, the proportion of current account deposits to total deposits was higher in the case of urban and metropolitan offices at 14.6 per cent and 19.3 per cent, respectively, than in the case of rural and semi-urban offices (6.3 per cent and 9.5 per cent, respectively). The proportion of savings deposits to total deposits was the highest in the case of rural offices at 38.3 per cent. In the case of term deposits, their proportion to total deposits remained within a narrow range between 55 and 59 per cent in the four population groups.

Region-wise Distribution of Deposits and Advances

With the spread of banking facilities after nationalisation of major banks in 1969, the shares of the Eastern and Western regions in aggregate deposits fell from June 1969 to December 1989, while that of the Northern, North-Eastern, Central and Southern regions increased during the same period. The shares of the Western and Eastern regions in bank credit declined and those of the Northern, North-Eastern, Central and Southern regions increased significantly (Table VII-30).

Distribution of Credit According to Interest Rate Range

Data on scheduled commercial banks' credit classified according to interest rate range for the four-year period 1984 to 1987 are presented in Table VII-31. The data for December 1987 show concentration of credit in two interest rate ranges, viz., above 12 and up to 14 per cent, and above 16 and up to 17 per cent (as against concentration between 17 to 18 per cent in December 1986). The former category covers the bulk of priority sector advances and food and export credit. The latter category captures advances subject to fixed rates and those subject to ceiling.

Table VII—29: Distribution of Deposits of Scheduled Commercial Banks According to Population Group and Type of Deposits (As on the last Friday of December 1987)

(No. of accounts in thousands)
(Amount in Rupees lakh)

Population Group	Current			Savings			Term			Total		
	No. of Accounts	Amount Outstanding	Average per Account (Rs.)	No. of Accounts	Amount Outstanding	Average per Account (Rs.)	No. of Accounts	Amount Outstanding	Average Per Account (Rs.)	No. of Accounts	Amount Outstanding	Average Per Account (Rs.)
1	2	3	4	5	6	7	8	9	10	11	12	13
Rural	**14,55**	**1105,33**	**7597**	**583,28**	**6684,50**	**1146**	**183,79**	**9657,35**	**5255**	**781,62**	**17447,18**	**2232**
Percent to total deposits category	13.1	6.6		31.6	20.0		25.4	14.2		29.2	14.7	
Percent to total deposits	1.9	6.3		74.6	38.3		23.5	55.4		100.0	100.0	
Semi-Urban	**28,89**	**2405,89**	**8328**	**521,00**	**8308,30**	**1595**	**203,47**	**14480,44**	**7117**	**753,35**	**25194,63**	**3344**
Percent to total deposits category	26.0	14.4		28.2	24.8		28.1	21.2		28.1	21.3	
Percent to total deposits	3.8	9.5		69.2	33.0		27.0	57.5		100.0	100.0	
Urban	**34,09**	**4520,51**	**13261**	**409,41**	**8606,33**	**2102**	**188,18**	**17771,02**	**9444**	**631,68**	**30897,86**	**4891**
Percent to total deposits category	30.6	27.1		22.2	25.7		26.0	26.0		23.6	26.1	
Percent to total deposits	5.4	14.6		64.8	27.9		29.8	57.5		100.0	100.0	
Metropolitan	**33,73**	**8678,63**	**25730**	**331,13**	**9879,90**	**2984**	**149,56**	**26310,23**	**17592**	**514,42**	**44868,77**	**8722**
Percent to total deposits category	**30.3**	**51.9**		**17.9**	**29.5**		**20.6**	**38.6**		**19.2**	**37.9**	
Percent to total deposits	**6.6**	**19.3**		**64.4**	**22.0**		**29.1**	**58.6**		**100.0**	**100.0**	
Total	**111,26**	**16710,36**	**15019**	**1844,82**	**33479,03**	**1815**	**724,99**	**68219,05**	**9410**	**2681,07**	**118408,44**	**4416**
Percent to total deposits category	**100.0**	**100.0**		**100.0**	**100.0**		**100.0**	**100.0**		**100.0**	**100.0**	
Percent to total deposits	**4.1**	**14.1**		**68.8**	**28.3**		**27.0**	**57.6**		**100.0**	**100.0**	

Source: BSR-2 Survey, BSD, DESACS, R.B.I.

Table VII—30: Region-wise Distribution of Deposits and Advances of All Scheduled Commercial Banks (As on the last Friday)

(Rupees crore)

Region/State Union Territory	Aggregate Deposits			Gross Bank Credit		
	June 1969	December 1989	Variation	June 1969	December 1989	Variation
1	2	3	4	5	6	7
I. Northern Region	**869.78**	**35642.08**	**34772.30**	**493.80**	**19587.84**	**19094.04**
	(18.6)	**(22.0)**	**(22.7)**	**(13.7)**	**(18.7)**	**(18.9)**
i) New Delhi	449.25	15954.33	15505.08	291.22	9388.31	9097.09
	(9.6)	(9.8)	(9.9)	(8.1)	(9.0)	(9.0)
II. North-Eastern Region	**49.05**	**2742.48**	**2693.43**	**16.90**	**1395.99**	**1379.09**
	(1.1)	**(1.7)**	**(1.7)**	**(0.5)**	**(1.3)**	**(1.4)**
III. Eastern Region	**844.27**	**25773.25**	**24928.98**	**768.62**	**13638.16**	**12869.54**
	(18.1)	**(15.9)**	**(15.8)**	**(21.3)**	**(13.0)**	**(12.7)**
i) West Bengal	643.45	15814.85	15171.40	699.71	8777.23	8077.52
	(13.8)	(9.8)	(9.6)	(19.4)	(8.4)	(8.0)
IV. Central Region	**476.06**	**22876.81**	**22400.75**	**238.23**	**11547.27**	**11309.04**
	(10.2)	**(14.1)**	**(14.2)**	**(6.6)**	**(11.0)**	**(11.2)**
i) Uttar Pradesh	364.90	16678.12	16313.22	172.95	7385.18	7212.23
	(7.8)	(10.3)	(10.4)	(4.8)	(7.0)	(7.1)
V. Western Region	**1575.79**	**41777.12**	**40201.33**	**1285.86**	**29784.40**	**28498.54**
	(33.8)	**(25.8)**	**(25.5)**	**(35.6)**	**(28.4)**	**(28.1)**
i) Gujarat	401.99	9789.97	9387.98	195.43	5738.78	**5543.35**
	(8.6)	(6.0)	(6.0)	(5.4)	(5.5)	**(5.5)**
ii) Maharashtra	1124.42	30688.20	29563.78	1070.62	23617.57	**22546.95**
	(24.1)	(18.9)	(18.8)	(29.7)	(22.5)	**(22.3)**
VI. Southern Region	**850.24**	**33224.22**	**32373.98**	**805.45**	**28912.68**	**28107.23**
	(18.2)	**(20.5)**	**(20.6)**	**(22.3)**	**(27.6)**	**(27.8)**
i) Tamil Nadu	293.49	10403.11	10109.62	380.63	10232.85	9852.22
	(6.3)	(6.4)	(6.4)	(10.5)	(9.8)	(9.7)
All India	**4665.19**	**162035.96**	**157370.77**	**3608.86**	**104866.34**	**101257.48**

Note: Figures in brackets indicate percentage to total.

Source: Quarterly Return on Aggregate Deposits and Gross Bank Credit, Banking Statistics Division, DESACS, R.B.I.

Composition and Ownership Pattern of Bank Deposits

Data on ownership pattern of bank deposits as at the end of March 1986 and March 1988 are furnished in Table VII-32A. The share of 'Individuals' in total deposits rose significantly from 71.9 per cent in 1986 to 75.1 per cent in 1988. During the same period, there was a decline in the percentage shares of all other sectors. The share of non-residents in total deposits increased from 6.7 per cent in 1986 to 8.3 per cent in 1988. Amongst the residents, while the share of farmers and wage and salary earners increased modestly, that of businessmen and traders rose significantly.

The share of 'Individuals' in incremental deposits during 1986 to 1988 rose sharply while the shares of other sectors declined (Table VII-32B).

Maturity Pattern of Deposits

Data on maturity pattern of term deposits of scheduled commercial banks (Table VII-32C) reveal that while there was a decline in the percentage share of term deposits in the ranges of 6 months or less, more than 3 years and up to 5 years, and 5 years and above between end-March 1986 and end-March 1988, there was a rise in the percentage share of all other maturities. There was a sharp decline in the

Table VII—31: Distribution of Loans and Advances* of Scheduled Commercial Banks According to Interest Range (As on the last Friday)

(Rupees crore)

Interest Range	December 1984		December 1985		December 1986		December 1987	
	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding	No. of Accounts	Amount Outstanding
1	2	3	4	5	6	7	8	9
6 percent and less	70,672	443	91,997	596	113,207	730	144,807	1,105
	(5.6)	(1.6)	(6.3)	(1.8)	(6.9)	(2.0)	(7.6)	(2.6)
Above 6 and up to 10 percent	51,574	1,218	66,281	1,144	88,512	2,037	133,718	3,270
	(4.1)	(4.4)	(4.5)	(3.4)	(5.4)	(5.6)	(7.0)	(7.7)
Above 10 and up to 12 percent	99,331	2,451	112,972	2,498	110,480	2,171	126,101	2,224
	(7.9)	(8.8)	(7.7)	(7.4)	(6.8)	(6.0)	(6.6)	(5.2)
Above 12 and up to 14 percent	604,311	8,047	737,404	11,307	816,424	10,053	924,714	11,362
	(47.9)	(29.0)	(50.2)	(33.5)	(50.0)	(27.6)	(48.7)	(26.7)
Above 14 and up to 15 percent	120,024	2,581	117,920	3,017	115,031	2,863	123,610	3,394
	(9.5)	(9.3)	(8.0)	(9.0)	(7.0)	(7.9)	(6.5)	(8.0)
Above 15 and up to 16 percent	40,768	964	38,427	1,101	44,962	1,526	72,416	2,255
	(3.2)	(3.5)	(2.6)	(3.3)	(2.8)	(4.2)	(3.8)	(5.3)
Above 16 and up to 17 percent	57,017	1,472	76,908	3,252	96,932	4,239	287,776	14,141
	(4.5)	(5.3)	(5.2)	(9.6)	(5.9)	(11.7)	(15.2)	(33.2)
Above 17 and up to 18 percent	190,074	9,537	212,406	10,133	235,563	12,162	80,513	4,565
	(15.1)	(34.3)	(14.5)	(30.1)	(14.4)	(33.5)	(4.2)	(10.7)
Above 18 percent	26,974	1,067	15,329	657	12,445	558	5,179	215
	(2.2)	(3.8)	(1.0)	(1.9)	(0.8)	(1.5)	(0.3)	(0.5)
Total	**1260,745**	**27,780**	**1469,644**	**33,705**	**1633,556**	**36,340**	**1898,834**	**42,532**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**

* Relate to accounts with credit limit over Rs. 25,000, exclude inland and foreign bills purchased and discounted.

Note: Figures in brackets indicate percentage to total.

Source: Basic Statistical Returns, Banking Statistics Division, DESACS, R.B.I.

Table VII-32A : Ownership Pattern of Bank Deposits (As on the last Friday of March)

(Percent)

Sector	1986	1988
1	2	3
1. Government Sector	6.3	5.2
2. Corporate Sector—Non-financial	6.5	6.0
3. Corporate Sector—Financial	6.0	5.3
Of which : Banks	3.4	3.0
4. Other Institutions	9.3	8.5
5. Individuals Including Hindu Undivided Families	71.9	75.1
(a) Non-residents	6.7	8.3
(b) Residents	65.2	66.8
(i) Farmers	10.1	11.7
(ii) Businessmen and Traders	16.1	18.7
(iii) Wage and Salary Earners	17.8	18.3
(iv) Others (Not elsewhere classified)	21.2	18.1
Total	**100.0**	**100.0**

Source : Department of Statistical Analysis and Computer Services, R.B.I.

Table VII-32B : Relative Shares in Incremental Deposits
(As on the last Friday of March)

(Percent)

Sector	1984-86	1986-88
1	2	3
1. Government Sector	5.5	2.4
2. Corporate -Non-financial	7.0	4.7
3. Corporate-Financial	6.5	3.4
4. Other Institutions	7.0	6.4
5. Individuals	73.9	83.1
Of which : Non-residents	10.4	12.3
Total	**100.0**	**100.0**
Incremental Deposits (Rs. crore)	26,947	35,174

Source : Department of Statistical Analysis and Computer Services, R.B.I.

Table VII-32C : Maturity Pattern of Term Deposits with the Scheduled Commercial Banks, 1982-1988
(As on the last Friday of March)

(No. of accounts in thousands)
(Rupees crore)

Period of Maturity	1982		1984		1986	1988£
	No. of Accounts	Amount	No. of Accounts	Amount	Amount	Amount
1	2	3	4	5	6	7
6 months or less	260	839.1 (3.8)	444	1283.6 (3.9)	2669.7 (5.5)	3094.0 (4.5)
More than 6 months but upto 1 year	550	443.9 (2.0)	803	878.6 (2.6)	1860.5 (3.9)	2996.0 (4.4)
More than 1 year but upto 2 years	5015	2709.1 (12.2)	5654	3844.8 (11.6)	5225.2 (10.9)	9574.9 (14.0)
More than 2 years but upto 3 years	3438	2115.9 (9.5)	4241	2580.6 (7.8)	3297.7 (6.9)	13172.1 (19.3)
More than 3 years but upto 5 years	31170@	16079.6@ (72.5)	12934	9629.6 (28.9)	11499.8 (23.9)	15239.0 (22.3)
5 years and above			23770	15055.2 (45.2)	23502.9 (48.9)	24221.7 (35.5)
Total	**40433**	**22187.6 (100.0)**	**47846**	**33272.4 (100.0)**	**48055.8 (100.0)**	**68297.8 (100.0)**

£ : Provisional.
@ : Break-up not available.

Notes : 1) Data are based on returns received from the branches of the banks and exclude inter-bank deposits.
2) Figures in brackets are percentages to total.
3) Data for number of accounts for 1986 and 1988 are not available.

percentage share of 5 years and above and an increase of almost the same magnitude in the category of more than 2 years but up to 3 years; this is mainly attributable to the reduction in April 1987 in the maximum deposit rate from 11 per cent, which was applicable to the former category, to 10 per cent which became applicable to the latter category.

GEOGRAPHICAL AND FUNCTIONAL COVERAGE OF BANKS

Branch Expansion

In recent years there has been considerable emphasis on the consolidation of the banking system. Towards that end, the Branch Licensing Policy for the period April 1985 to March 1990 was formulated keeping in view the need for banks to concentrate on consolidation of their position and achieving a coverage of 17,000 population (1981 Census) per bank office in rural and semi-urban areas of each block and providing banking facilities in those pockets of rural areas where wide spatial gaps existed. With the adoption of the Service Area Approach (SAA), it had become necessary to allow opening of additional branches in the rural areas so that the number of villages allocated to a rural branch was within a manageable limit of 15 to 25 villages per bank/branch. In other areas, opening of branches is allowed purely on viability criteria.

The Branch Licensing Policy, which was co-terminus with the Seventh Five-Year Plan, came to an end on March 31, 1990.* Under the Policy, 5,360 rural/semi-urban centres were allotted to banks. Besides, banks were allotted 1,454 centres under SAA. In addition, banks were allotted 635 centres, of which 309 are in urban and 326 are in metropolitan/port towns. Of the 6,814 rural/urban centres allotted under BLP and SAA, 4,624 centres were allotted to public sector banks, 2,038 centres to RRBs and 152 centres to private sector banks@.

Up to the end of June 1990, out of the total 7,449 centres allotted, banks were able to open offices at 6,224 centres, of which 4,905 were in rural/semi-urban areas under BLP, 721 under SAA, and 598 in urban/metropolitan/port town centres. Banks were allowed time up to September 1990 to open offices at the remaining centres,@ which has been further extended upto March 1991.

The total number of branches operating in the country as on June 30, 1990 was 59,388. Rural branches constituted 58.1 per cent of total branches. The average population per branch office with reference to the 1981 Census came down from 65,000 as at the end of June 1969 to 11,500 as at the end of June 1990.

The impressive performance of banks with regard to geographical coverage of branches since nationalisation is evident from the fact that there was over seven-fold rise in the number of offices from 8,262 in June 1969 to 59,388 as at the end of June 30, 1990 (Table VII-33). Out of 51,126 offices opened since nationalisation, 34,105 (66.7 per cent) have been opened in unbanked areas. Data on State-wise distribution of commercial banks' branches and average population per bank office in June 1969, June 1989 and June 1990 are presented in Table VII-33.

Out of total 1,594 offices opened during the period July 1989 to June 1990, 1,474 (92.5 per cent) were opened in rural areas (Table VII-34). Bank group/population group-wise distribution of offices is shown in Table VII-35. As at the end of June 1990, 50.1 per cent of offices of the State Bank of India, 40.6 per cent offices of its associate banks, 48.9 per cent of offices of nationalised banks, and 32.0 per cent offices of other commercial banks were in rural areas. RRB offices which are mostly located in rural areas, accounted for 24.3 per cent of total offices of the commercial banks.

*In September 1990, the Reserve Bank circulated among the Chairmen of all Indian commercial banks (including RRBs) its 'Approach to Future Branch Expansion' in terms of which the phase of consolidation has to continue with emphasis on all-out efforts to improve operational efficiency, quality of assets and financial strength of banks and the future growth of bank offices will depend on well-established need, business potential and financial viability of the proposed offices.

@ With a view to ensuring that identified centres are not allowed to be cancelled, it was decided in September 1990 to allow extension in the validity period of licences for a further period of maximum six months up to March 31, 1991.

Table VII—33 : State-wise Distribution of Commercial Bank Offices and Population per Bank Office as at the end of June 1969, June 1989 and June 1990

	Number of offices at the end of			Number of offices opened during				Average population per bank office (in thousands) as at the end of		
	June 1969	June 1989	June 1990	July 88 to June 89	of which at un-banked centres	July 89 to June 90	Of which at un-banked centres	June 1969*	June 1989@	June 1990@
1	2	3	4	5	6	7	8	9	10	11
Andhra Pradesh	567	4460	4553	152	116	90	81	75	12	12
Arunachal Pradesh		61	66	4	2	5	5	..	10	10
Assam	74	1094	1167	63	54	72	70	198	18	17
Bihar	273	4493	4690	175	149	188	183	207	16	15
Goa	85£	256	257	3	1	1		8	4	4
Gujarat	752	3273	3346	110	82	72	62	34	10	10
Haryana	172	1250	1256	30	18	5	1	57	10	10
Himachal Pradesh	42	670	704	46	46	31	30	80	6	6
Jammu and Kashmir	35	744	764	13	8	18	18	114	8	8
Karnataka	756	4172	4230	145	106	54	48	38	9	9
Kerala	601	2805	2829	30	11	19	9	35	9	9
Madhya Pradesh	343	4187	4295	267	252	95	91	116	12	12
Maharashtra	1118	5379	5507	263	210	114	86	44	12	11
Manipur	2	67	79			12	11	497	21	18
Meghalaya	7	142	148	7	7	6	6	147	9	9
Mizoram	..	63	70	13	13	6	6	—	8	7
Nagaland	2	69	70	1	1	1	1	205	11	11
Orissa	100	1886	1992	74	56	102	98	212	14	13
Punjab	346	2103	2134	44	38	28	23	42	8	8
Rajasthan	364	2905	3032	109	95	123	116	70	12	11
Sikkim		26	29	5	5	3	3	..	12	11
Tamil Nadu	1060	4187	4261	150	125	70	62	37	12	11
Tripura	5	157	159	12	11	2	2	276	13	13
Uttar Pradesh	747	8066	8355	309	258	273	254	119	14	13
West Bengal	504	3868	4058	210	186	185	178	87	14	13
Andaman and Nicobar Islands	1	20	21	5	3	1	1	82	9	9
Chandigarh	20	108	108	1			..	7	4	4
Dadra and Nagar Haveli	—	7	7	1	1		..	..	15	15
Daman and Diu	..	10	10	..	—	..	..	..	8	8
Delhi	274	1096	1114	34	1	15	2	10	5	6
Lakshadweep	..	6	8	1	1	2	2	..	5	5
Pondicherry	12	68	69	5	1	1	..	31	10	9
Total	**8262**	**57698**	**59388****	**2282**	**1864**	**1594**	**1449**	**65**	**12**	**12**

* Average population per bank office as per 1961 census.

** Includes 96 offices opened before June 1989 but advices received later

@ Average population per bank office as per 1981 census.

£ Includes figures for Union Territory of Daman and Diu.

.. Nil or negligible.

Source: Department of Banking Operations and Development, R.B.I.

Indian Banks Abroad

The nine Indian banks have 115 branches, 11 representative offices operating abroad as at the end of June 1990 with the opening of Mauritius branch of Bank of Baroda and State Bank of India's representative office at Manila, Phillipines. The number of deposit-taking companies and subsidiaries remained at three and seven respectively. (Table VII-36).

Table VII—34: Percentage of Rural Offices to total number of newly opened offices

Period (July to June)	Total number of offices opened during the year (1)	Of which, those opened in rural areas (2)	(2) as percentage of (1)
1	2	3	4
1970-71	1882	1217	64.7
1975-76	2490	881	35.4
1980-81	3287	2550	77.6
1983-84@	3253	2694	82.8
1984-85	6222	5061	81.3
1985-86	1266	936	73.9
1986-87	587	529	90.1
1987-88	1519	1346	88.6
1988-89	2282	1942	85.0
1989-90	1594	1474	92.5

@ Adjusted for offices closed.
Source: Department of Banking Operations and Development, R.B.I.

Foreign Banks in India

The total number of branches of 22 foreign banks operating in India remained unchanged at 138 with 22 representative offices as at the end of June 1990.

Primary (Urban) Co-operative Banks

Progress of PCBs

The number of Primary Urban Co-operative Banks (PCBs) in the country as on June 30, 1990 was 1,342 (including 92 Salary Earners' Banks) as compared with 1,331 (including 92 Salary Earners' Banks) at end-June 1989 (excluding banks under liquidation). There were 3,283 offices of PCBs at end-December 1989 including 258 offices of Salary Earners' Banks. The deposits mobilised by the PCBs rose to Rs 7,232 crore at end-June 1989 from Rs.5,789 crore at end-June 1988, registering an increase of 24.9 per cent over the year. During the same period, loans and advances increased by 25.5 per cent to Rs.5,820 crore from Rs.4,636 crore. The progress made by PCBs over the years 1985-86 onwards is presented in Table VII-37.

Licensing and Inspection

During the period of July 1989 to June 1990, 31 Primary Co-operative Banks (17 new banks and 14 existing banks) were issued licences to commence and/or carry on banking business, while two licensed banks' names were deleted on account of their merger/liquidation, taking the total number of licensed PCBs to 1,013 at end-June 1990 against 982 at end-June 1989. Licences for opening 52 branches were issued to 50 Urban Co-operative Banks during the period. Also, licences were issued to two Salary Earners' Banks to open a branch each and six urban co-operative banks were permitted to open seven extension counters for the same period.

During the year ended June 30, 1990, statutory inspection of 502 PCBs were conducted under Section 35 of the Banking Regulation Act, 1949 (as applicable to Co-operative Societies).

Rehabilitation of weak banks

A number of weak banks were characterised by heavy erosion in their owned funds, high level of overdues, non-compliance with minimum share capital requirements, not satisfying the

Table VII—35 : Bank Group-wise/Population Group-wise Distribution of Commercial Bank Offices in India.

Bank Group	19.07.1969*					30.06.1989					30.06.1990				
	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	16
State Bank of India	462	797	163	150	1571	3915	2163	1118	792	7988	4116	2173	1122	805	8216
	(29.4)	(50.7)	(10.4)	(9.5)	(100.0)	(49.0)	(27.1)	(14.0)	(9.9)	(100.0)	(50.1)	(26.5)	(13.6)	(9.8)	(100.0)
Associate Banks of SBI	358	375	86	75	894	1416	1173	583	399	3571	1489	1185	591	406	3671
	(40.0)	(42.0)	(9.6)	(8.4)	(100.0)	(39.7)	(32.8)	(16.3)	(11.2)	(100.0)	(40.6)	(32.3)	(16.1)	(11.0)	(100.0)
Nationalised Banks	703	1465	928	1072	4168@	13177	5510	4826	4061	27574	14216	5706	4953	4171	29046
	(16.9)	(35.1)	(22.3)	(25.7)	(100.0)	(47.8)	(20.0)	(17.5)	(14.7)	(100.0)	(48.9)	(19.6)	(17.1)	(14.4)	(100.0)
Regional Rural Banks	—	—	—	—	—	13083	908	141	4	14136	13390	915	144	4	14453
						(92.6)	(6.4)	(1.0)	—	(100.0)	(92.6)	(6.4)	(1.0)	—	(100.0)
Other Commercial Banks	337	708	279	364	1688	1423	1411	856	739	4429	1283	1276	772	671	4002
	(20.0)	(41.9)	(16.5)	(21.6)	(100.0)	(32.1)	(31.9)	(19.5)	(16.7)	(100.0)	(32.0)	(32.0)	(19.0)	(17.0)	(100.0)
Total	**1860**	**3344**	**1456**	**1661**	**8321**	**33014**	**11165**	**7524**	**5995**	**57698**	**34494**	**11255**	**7582**	**6057**	**59388**
	(22.5)	**(40.2)**	**(17.5)**	**(20.0)**	**(100.0)**	**(57.2)**	**(19.4)**	**(13.0)**	**(10.4)**	**(100.0)**	**(58.1)**	**(18.9)**	**(12.8)**	**(10.2)**	**(100.0)**

* Classification of branches according to population groups based on 1961 census.

@ Figures of 14 nationalised banks only.

Note: Figures in brackets indicate percentage to total in each group.

Source: Department of Banking Operations and Development, R.B.I.

Table VII—36: Offices of Indian Scheduled Commercial Banks outside India
(As on 30th June 1990)

Country	State Bank of India	Bank of India	Bank of Baroda	Indian Bank	Indian Overseas Bank	UCO Bank	Canara Bank	Syndicate Bank	Bharat Overseas Bank	Total
1	2	3	4	5	6	7	8	9	10	11
1. Sri Lanka	2	—	—	2	2	—	—	—	—	6
2. UK	5	13	11	—	—	2	1	1	—	33
3. USA	4	2	1	—	—	—	—	—	—	7
4. Japan	2	2	—	—	—	—	—	—	—	4
5. Maldive Islands	1	—	—	—	—	—	—	—	—	1
6. West Germany	1	—	—	—	—	—	—	—	—	1
7. Bangladesh	1	—	—	—	—	—	—	—	—	1
8. Bahamas	1	—	1	—	—	—	—	—	—	2
9. Bahrain	1	—	1	—	—	—	—	—	—	2
10. Belgium	1	—	1	—	—	—	—	—	—	2
11. Singapore	1	1	—	1	1	3	—	—	—	7
12. Hongkong	1	2	—	—	2	2	—	—	—	7
13. Cayman Islands	—	1	—	—	—	—	—	—	—	1
14. Panama	1	—	—	—	—	—	—	—	—	1
15. France	1	1	—	—	—	—	—	—	—	2
16. Channel Islands	—	1	—	—	—	—	—	—	—	1
17. Fiji Islands	—	—	9	—	—	—	—	—	—	9
18. Guyana	—	—	1	—	—	—	—	—	—	1
19. Kenya	—	2	6	—	—	—	—	—	—	8
20. Mauritius	—	—	7	—	—	—	—	—	—	7
21. Dubai	—	—	6	—	—	—	—	—	—	6
22. Seychelles	—	—	1	—	—	—	—	—	—	1
23. South Korea	—	—	—	—	1	—	—	—	—	1
24. Thailand	—	—	—	—	—	—	—	—	1	1
25. Oman	—	—	3	—	—	—	—	—	—	3
Total	**23**	**25**	**48**	**3**	**6**	**7**	**1**	**1**	**1**	**115**

Source: Department of Banking Operations and Development, R.B.I.

norms of viability etc. The number of weak primary co-operative banks at 266 as on March 31, 1990 was lower than that in the previous year when they numbered 296.

Directions were issued to two urban co-operative banks whose financial position and methods of operation were considered unsatisfactory and they were facing liquidity problems. Further, two co-operative banks were allowed to be liquidated and two banks were permitted to be amalgamated with other financially sound banks.

Short-term credit limits

During 1989-90 (April-March), short-term credit limits aggregating Rs. 21 crore were sanctioned at a concessional rate of interest i.e., 2.5 per cent below the Bank Rate to five State Co-operative Banks on behalf of 53 PCBs as against Rs. 26 crore sanctioned on behalf of 52 PCBs in 1988-89 (April-March). These limits were intended for financing working capital requirements of 22 broad groups of cottage/small scale industrial units. The outstanding against these limits which amounted to Rs. 21 crore as on March 31, 1990 was lower than that of Rs 22 crore in the preceding year.

Opening and Maintaining Non-Resident (External/Ordinary) Accounts in Rupees

As at end-June 1990, 49 PCBs were authorised to open and maintain Non-Resident (External) and/Non-Resident (Ordinary) Accounts in Rupees.

Credit Authorisation Scheme

During the period (July 1989-June 1990), 7 proposals for 3 PCBs involving an aggregate amount of Rs. 6.72 crore seeking authorisation for grant of advances were cleared.

Priority Sector Lending

The PCBs have been advised that their lendings to priority sector should reach a level of 60.0 per cent of the total loans and advances outstanding, of which, at least 25.0 per cent should be advanced to weaker sections. Of the 532 reporting banks, 359 have achieved the targets specified for priority sector lendings as at end-June 1989. Overall, the priority sector advances of these banks stood at Rs. 1,769 crore at end-June 1989, forming 58.0 per cent of their total outstanding advances.

Miscellaneous

i) The PCBs are also allowed to sanction advances against the security of 'Kisan Vikas

Table VII-37 : Progress of Primary (Urban) Co-operative Banks

(Rupees crore)

Items	Co-operative Year (July-June)				
	1985-86	1986-87	1987-88	1988-89	1989-90
1	2	3	4	5	6
Number of PCBs* (July-June)	1,306£	1,314£	1,325£	1,331	1,342
	(97)	(94)	(92)	(92)	(92)
Number of offices of PCBs*	2,985£	3,014£	3,119£	3,279£	3,283@
	(243)	(249)	(250)	(258)	(258)
Deposits	3,939	4,838	5,789	7,232	7,267††
Loans outstanding	3,046	3,693	4,636	5,820	5,894††

* = Figures for Salary Earners' Banks are indicated in brackets.
@ = As on December 31,1989.
£ = Revised.
†† = As on September, 1989.

Patra', after taking into account the purpose and in accordance with the directives issued by the Reserve Bank of India on interest rates from time to time. ii) The PCBs are free to sanction advances against pledging of National Savings Certificates (VIII issue) subject to usual terms and conditions and as per the various guidelines issued earlier. iii) The urban co-operative banks have been permitted to deal with the Discount and Finance House of India Ltd. (DFHI) in the inter-bank market both as lenders and borrowers. In view of this, deposits received by UCBs from DFHI are exempted from the provision of the directives issued by the Bank on June 25, 1987 (as modified from time to time).

Regional Rural Banks

Branch Expansion Programme

Priority continued to be accorded to RRBs in allotment of identified centres for opening of branches in districts covered by them. With the introduction of the Service Area Appoach, it was felt that non-target groups in the service areas of RRBs may face some difficulties in

Table VII-38 : State-wise Branches of Regional Rural Banks
(As on March 1990@)

State/Union Territory	No. of RRBs	Number of districts covered	Number of branches
1	2	3	4
Arunachal Pradesh	1	4	17
Andhra Pradesh	16	23	1,124
Assam	5	21	393
Bihar	22	38	1,865
Gujarat	9	17	425
Haryana	4	11	329
Himachal Pradesh	2	4	128
Jammu and Kashmir	3	10	256
Karnataka	13	20	1,095
Kerala	2	6	269
Madhya Pradesh	24	44	1,600
Maharashtra	10	17	636
Manipur	1	8	29
Meghalaya	1	3	50
Mizoram	1	3	50
Nagaland	1	7	8
Orissa	9	13	819
Punjab	5	10	199
Rajasthan	14	27	1,068
Tamil Nadu	3	7	208
Tripura	1	3	88
Uttar Pradesh	40	58	3,134
West Bengal	9	18	816
Total	**196**	**372***	**14,651**

@: Data are provisional.
* After bifurcation of existing districts.
Source : National Bank for Agriculture and Rural Development.

obtaining finance. It was, therefore, decided by the Reserve Bank that further allotment of identified centres would be made to RRBs only if they did not have 25/40 branches when they cover one/more than one district.*

As on March 31, 1990, there were 196 RRBs which together covered 372 districts of the country. The names of the sponsor banks and the number of RRBs sponsored by them are as under:

SPONSOR BANKS	No. of RRBs
1. STATE BANK OF INDIA	30
2. CENTRAL BANK OF INDIA	23
3. BANK OF BARODA	19
4. PUNJAB NATIONAL BANK	18
5. BANK OF INDIA	16
6. UNITED BANK OF INDIA	11
7. UCO BANK	11
8. SYNDICATE BANK	10
9. CANARA BANK	8
10. ALLAHABAD BANK	7
11. STATE BANK OF HYDERABAD	4
12. DENA BANK	4
13. INDIAN BANK	4
14. UNION BANK OF INDIA	4
15. STATE BANK OF BIKANER & JAIPUR	3
16. STATE BANK OF SAURASHTRA	3
17. ANDHRA BANK	3
18. BANK OF MAHARASHTRA	3
19. INDIAN OVERSEAS BANK	3
20. STATE BANK OF MYSORE	2
21. JAMMU & KASHMIR BANK LTD.	2
22. STATE BANK OF PATIALA	1
23. STATE BANK OF INDORE	1
24. CORPORATION BANK	1
25. NEW BANK OF INDIA	1
26. PUNJAB & SIND BANK	1
27. VIJAYA BANK	1
28. BANK OF RAJASTHAN LTD.	1
29. THE UP STATE CO-OP. BANK LTD.	1

As at the end of March 1990, RRBs had 14,651 branches as against 14,090 as at the end of March 1989. Uttar Pradesh had the largest number of RRB branches (3,134), followed by Bihar (1,865), Madhya Pradesh (1,600) and Andhra Pradesh (1,124). The number of RRB branches varied between 800 and 1,100 in Karnataka, Orissa, Rajasthan and West Bengal and between 200 and 600 in Assam, Gujarat, Haryana, Jammu and Kashmir, Kerala, and Tamil Nadu. The state-wise position of branches is furnished in Table VII-38.

Operations of RRBs

As at the end of March 1990, the outstanding deposits and advances of 196 RRBs amounted to Rs. 4,151 crore and Rs. 3,554 crore, respectively, as compared with Rs. 3,119 crore and Rs. 2,933 crore, respectively, a year ago. Purpose-wise break-up of outstanding advances as at the end of March 1990 was as follows:

Purpose	Amount (Rs. in crore)
Short-term (crop loans)	618
Term loans for agricultural activities	703
Allied activities	566
Rural artisans, village and cottage industries	281
Retail trade and self-employed, etc.	1019
Consumption loans	35
Other purposes	283
Indirect advances	49
Total	3554

Indirect advances of RRBs amounted to Rs. 49 crore as on March 31, 1990 as against Rs. 47 crore as on March 31, 1989. RRBs disbursed a sum of Rs. 1,306 crore in 37.44 lakh accounts during the year ended March 1990, out of which Rs. 420 crore were disbursed under Government-sponsored programmes such as IRDP, DRI, etc. Approximately 92 per cent of RRB advances were to weaker sections of society.

Refinance from NABARD

During 1989-90 (up to March 1990), NABARD sanctioned to 158 RRBs short-term credit limits aggregating Rs. 436 crore [i.e Rs. 23.56 crore for National Oilseeds Development Programme purposes, Rs. 412.49 crore for short term (seasonal agricultural operations), short-term (other than seasonal agricultural operations)]

*According to the new approach to Future Branch Expansion, applications from RRBs for new branches in their areas of operation will be considered on merits of each case, specially working into the viability of such branches, the Service Area Approach forward lending and the existing number of branches of concerned RRBs.

and medium-term (non-schematic lending) limits of Rs. 83.18 crore to 112 RRBs. The outstandings against these limits at the end of March 1990 were short-term Rs. 393.95 crore and medium-term (non-schematic lending)— Rs. 245.48 crore. NABARD also sanctioned medium-term (conversion) loans of Rs. 11.88 crore and the outstanding balance against the same was Rs. 15.96 crore as at the end of March 1990. Besides, NABARD provided schematic refinance to RRBs.

Refinance from Sponsor Banks and Other Institutions

The amount of refinance availed of by RRBs from their respective sponsor banks aggregated Rs. 305.97 crore at the end of March 1990 as against Rs. 272.56 crore as at the end of March 1989. RRBs had also availed of refinance from IDBI to the tune of Rs. 54.91 crore.

R and D Fund

NABARD continued to offer assistance to RRBs from its R and D Fund for setting up technical cells for preparation and evaluation of schemes under project lending. Out of 196 eligible RRBs, 65 have taken advantage of the schemes.

WORKING OF VARIOUS SCHEMES

A synoptic review of several schemes in respect of which banks were directed to pay special attention is spelt out below.

(a) Credit Monitoring Arrangement

Mention was made in last year's Report about the introduction from October 10, 1988, of the Credit Monitoring Arrangement (CMA) in place of the Credit Authorisation Scheme (CAS) and the delegation of authority to banks to sanction credit proposals of large borrowers with a requirement that the proposals be submitted to the Reserve Bank for post-sanction scrutiny. During the 15-month period since the withdrawal of CAS, the number of credit proposals received under the CMA for post-sanction scrutiny showed an increase of 47 percent as compared with the CAS proposals in the 15-month period preceding the withdrawal of the scheme. This increase was mainly on account of the lowering of the cut-off point from Rs. 6 crore (for authorisation) to Rs. 5 crore (for post-sanction scrutiny).

The number of parties in whose cases proposals were sanctioned and reported by banks under CMA by the end of March 1990 increased to 1,637 from 931 under CMA at the end of March 1989. Total working capital limits in force relating to these parties were Rs. 31,479 crore as at the end of March 1990, of which the share of public sector undertakings was Rs. 15,061 crore or 47.8 per cent. The facility-wise distribution pattern of total limits at the end of March 1990 was as follows: working capital purposes (including packing credit, inland and foreign bills) 89.5 per cent; term finance 9.8 per cent; and sale of machinery on deferred payment basis 0.7 per cent.

During 1989-90 (July-June), enhancement in credit limits sanctioned by banks and reported under CMA showed an increase of 16.72 per cent over enhancements sanctioned in the previous year. Number of proposals reported under CMA showed an increase of 7.11 per cent over the same period.

Reviews carried out by the Reserve Bank suggest scope for improvement in appraisal of working capital as well as term loan requirements and post-disbursement follow-up on the part of banks. Even though specific norms have been prescribed for inventory and receivables for a large category of industries, compliance by the borrowing companies with the norms has been only about 60 per cent. The response to the bills discipline, in terms of which 25 per cent of credit sales and credit purchases are to be financed through drawal of bills/acceptances, was also found to be lukewarm. Such adverse features were brought to the notice of the banks concerned for rectification and future guidance. Banks have also been advised to strictly comply with the detailed operational instructions regarding CMA issued by the Reserve Bank from time to time and also to review, and wherever necessary,

strengthen the organisational and administrative set-up to ensure improvement in their appraisal and post-disbursement follow-up procedures.

(b) Duty Drawback Credit Scheme, 1976

During the period November 1989 to October 1990 the Reserve Bank sanctioned limits aggregating Rs. 83.35 crore to 24 banks to enable them to avail of interest free refinance admissible under the Duty-Drawback Credit Scheme.

(c) Housing Finance

In terms of the instructions issued to banks in November 1988, term loans granted by them to housing finance companies other than HUDCO, HDFC and companies promoted/sponsored by commercial banks, were restricted to their net owned funds. As the housing finance companies, barring the exemptions quoted above, were finding it difficult to mobilise resources from public, financial institutions and others and also keeping in view the thrust for housing, it was decided in January 1990 to make such companies eligible for term loans from banks to the extent of three times their net owned funds.

As regards housing finance allocations for the year 1990-91, each scheduled commercial bank has been asked to compute its share at 1.5 per cent of incremental deposits between the last reporting Fridays of March 1989 and March 1990. There is, however, no objection to banks exceeding this level up to a reasonable limit having regard to their resources position and compliance with the statutory reserve requirements. Housing finance provided by banks for which refinance is availed of from the National Housing Bank (NHB) will now form part of housing finance allocation.

Banks will continue to allocate 30 per cent of their total housing finance allocation by way of direct lending. Of this, at least one-half should be lent as direct housing loans in rural and semi-urban areas. Furthermore, 30 per cent of the allocation is intended for indirect lending as stipulated in earlier instructions issued in November 1988. Banks have to ensure that this credit is channelled by way of term loans to housing finance institutions, housing boards, other public housing agencies, etc., primarily for augmenting the supply of serviced land and constructed units. Banks have also to ensure that the supply of plots/houses is time-bound and public agencies do not utilise the loans merely for land acquisition. Similarly, serviced plots have to be sold by these agencies to co-operative societies, professional developers and individuals with the stipulation that the houses should be constructed thereon within a reasonable time, not exceeding 3 years. The balance 40 per cent of the allocation will be available for subscription to the guaranteed bonds and debentures of NHB and HUDCO.

As part of the package of credit policy measures announced in October 1989, the restrictions on the quantum of housing loan per individual was removed. While continuing the present thrust on financing smaller houses, it was felt that there may be genuine cases with need for loans of over Rs. 3 lakh. The aforesaid ceiling of Rs. 3 lakh was, therefore, withdrawn with effect from October 11, 1989. It was left to the banks to charge a higher rate of interest over the minimum rate of 16 per cent on housing loans exceeding Rs. 3 lakh per individual. Such housing loans exceeding Rs. 3 lakh per individual will, however, not form part of the housing finance allocation.

National Housing Bank

The share capital of the National Housing Bank (NHB) was raised from Rs. 100 crore to Rs. 150 crore on September 7, 1989. During the year under review, NHB issued its second series of bonds and the total subscription amounted to Rs. 60 crore. These bonds, guaranteed by the Central Government, carry an interest rate of 11.5 per cent per annum.

The Reserve Bank sanctioned a long-term loan of Rs. 25 crore to NHB out of the National Housing Credit (Long-Term Operations) Fund.

Mention was made in the last year's Report about the approval by USAID of the programme to provide a loan guarantee for US $50 million to NHB under the USAID

Government Housing Guarantee Programme: under this programme, financial institutions from developing countries can borrow in the US capital market with a guarantee of the US Government for periods upto 30 years. Under the agreement signed on March 9, 1990, a loan guarantee of US $25 million is available to NHB as the first part of the loan guarantee programme. The funds will be utilised to support housing finance companies (HFCs) in making long-term shelter finance available to households below the median income. The programme will also assist HFCs in better management of their loan portfolios.

Based on the feedback received, refinancing by NHB of direct housing loans by primary lending agencies was liberalised during the year. Effective January 1, 1990, scheduled commercial banks, scheduled state co-operative banks, scheduled urban co-operative banks, HFCs and State-level apex co-operative housing finance societies are eligible for refinance from NHB to the extent of 100 per cent of their direct loans to individuals (including co-operative societies) up to Rs. 1 lakh for acquisition/construction of a housing unit with built-up area not exceeding 40 sq. m. or cost (including cost of land) not exceeding Rs. 1.5 lakh. The rate of interest on refinance was made uniform for rural and urban areas. Consequently, the loan slabs were reduced to three, common to both types of areas. The relaxations are applicable to housing loans sanctioned and disbursed on or after January 1, 1990. Refinance will continue to be available as before, to the extent of 100 per cent of loans up to Rs. 30,000 sanctioned for major repairs and upgradation.

Till the end of June 1990, NHB had disbursed refinance aggregating Rs. 131.69 crore to seven HFCs and scheduled commercial banks, one scheduled state co-operative bank, one scheduled urban co-operative bank, one apex co-operative housing finance society and one agricultural rural development bank (by way of subscription to its Special Rural Housing Debentures).

The Home Loan Account Scheme (HLAS), the details of which were given in last year's Report, was launched by NHB on July 1, 1989 with the cooperation of scheduled banks. All scheduled public sector banks, 24 scheduled commercial banks in the private sector, 5 scheduled state co-operative banks and 8 scheduled urban co-operative banks agreed to implement the Scheme. RRBs can operate the scheme as agents of their respective sponsor banks. It is estimated that till the end of June 1990 about 2 lakh accounts were opened under HLAS since its introduction in July 1989. Certain changes have been effected in the

The interest rates on refinance will be as under:

Purpose and amount of loan	Rate of interest (per cent per annum)	
	To be charged by NHB	To be charged by primary lender to borrower
1. For acquisiting/construction of new housing unit with built-up area not exceeding 40 sq. m. or cost of accommodation including cost of land not exceeding Rs. 1.5 lakh		
i) Upto Rs. 20,000	10.5	12.5
ii) Above Rs. 20,000 and upto Rs. 50,000	12.0	13.5
iii) Above Rs. 50,000 and upto Rs. 1,00,000	13.0	14.0
2. Upgradation including major repairs irrespective of built-up area		
i) upto Rs. 20,000	10.5	12.5
ii) above Rs. 20,000 and upto Rs. 30,000	12.0	13.5

HLAS. The minimum period of saving has been reduced from the present 5 years, to 3 years in the case of purchase of a flat/house in projects financed by NHB. The ceiling of Rs. 3 lakh on the amount of HLA loan has been removed, but loans above Rs. 2 lakh are to be limited to one and a half times the accumulated savings. The amount of loan is now related to the accumulated savings (and not to the size of accommodation) as shown in the table below. For instance, accumulated savings (including interest) upto Rs. 12,500 will give a loan eligibility upto Rs. 50,000, i.e., four times the savings.

Amount of Loan and Rate of Interest under the Home Loan Account Scheme

Loan amount as a multiple of accumulated savings	Amount of loan (Rs.)	Rate of Interest (per cent per annum)
Four times	Upto 50,000	10.5
Three times	50,001-1,00,000	12.0
Two times	1,00,001-2,00,000	13.5
One and a half times	Above 2,00,000	14.5

In April 1989, guidelines formulated by NHB for providing financial assistance for Land Development and Shelter Projects undertaken by public agencies such as Housing Boards and Area Development Authorities were made applicable with certain modifications to co-operative societies, professional developers and also rental housing schemes.

Up to June 1990, NHB had cleared, in principle, 56 project proposals for land development and shelter construction involving a total outlay of Rs. 413.80 crore.

(d) Lead Bank Scheme

As on June 30, 1990, the Lead Bank Scheme covered 458 districts in the country. During the period July 1, 1989 to June 30, 1990, Lead Bank responsibility in respect of 14 new districts formed as a result of re-organisation/renaming of some of the districts in the various States in the country was allotted to public sector banks.

(e) Self- Employment Scheme for Educated Unemployed Youth(SEEUY)

The number of beneficiaries to be assisted under this scheme in 1989-90 was fixed at 1.25 lakh. According to the available data, banks sanctioned to 0.97 lakh beneficiaries loans aggregating Rs.190.00 crore during 1989-90 (April-March); in 1988-89 as against the target of 2.50 lakh beneficiaries, 1.91 lakh beneficiaries were sanctioned loans aggregating Rs. 404.32 crore.

(f) Self-Employment Progamme for Urban Poor (SEPUP)

This scheme introduced by the Government of India during 1986-87 was continued during 1989-90. As per data available total loans amounting to Rs. 126.25 crore were sanctioned

by banks under this scheme during 1989-90 to 3.56 lakh beneficiaries.

(g) Credit to Minority Communities

As at the end of March 1990, priority sector advances of public sector banks to the five specified minority communities in the 40 identified districts amounted to Rs. 721.02 crore in 12.25 lakh borrowal accounts.

(h) Integrated Rural Development Programme (IRDP)

Under the Integrated Rural Development Programme (IRDP) in 1989-90, as per available data, banks assisted 33.51 lakh beneficiaries as compared with 37.72 lakh beneficiaries in the preceding year. A total amount Rs. 1,221 crore as loans and Rs. 765 crore as subsidy was disbursed to the beneficiaries under IRDP in 1989-90. Out of 33.51 lakh beneficiaries assisted during the year 1989-90, 15.45 lakh belonged to Scheduled Castes/Scheduled Tribes and 8.59 lakh were women. During the Seventh Plan period, banks assisted 182 lakh beneficiaries of which 81.97 lakh belonged to Scheduled Castes/Scheduled Tribes and 34.32 lakh were women beneficiaries. Even though it was envisaged that 20 million families would be covered during the Seventh Plan period under IRDP; Government of India have fixed the total target at 16.04 million families to be assisted. As against this target, 18.18 million families were actually assisted during the Plan period. Against the sub-target of 30 per cent each of actual assisted beneficiaries fixed for SC/ST and women beneficiaries, the achievement was 45 per cent and 18.9 per cent, respectively. Loans and subsidy disbursed during the Seventh Plan amounted to Rs. 5,373 crore and Rs. 3,316 crore, respectively. The recovery of public sector banks of their IRDP loans was 39.0 per cent of demand in 1989 as compared with 40.8 per cent in 1988. (Table VII-39.)

(i) DRI Scheme

The oustanding advances of public sector banks under the Differential Rate of Interest Scheme as at the end of March 1990 amounted to Rs. 703.59 crore in 42.29 lakh accounts as against Rs. 679.59 crore in 47.67 lakh accounts as at the end of March 1989. The advances of these banks under this scheme as at the end of March 1990 formed 0.9 per cent of total advances outstanding as at the end of the previous year (the stipulated target is 1.0 per-cent). The outstanding advances under the scheme to the beneficiaries belonging to Scheduled Castes/Scheduled Tribes amounted to Rs. 335.85 crore as at the end of March 1990, forming 47.7 per cent of total DRI advances which exceeded the prescribed target of 40 per cent (Table VII-40).

(j) Agricultural and Rural Debt Relief Scheme, 1990

The Agricultural and Rural Debt Relief

Table VII—39: Progress in Assistance provided by Banks under IRDP during 7th Five Year Plan

	1985-86	1986-87	1987-88	1988-89	1989-90
1	2	3	4	5	6
1. Subsidy allocated @ (Rupees crore)	407.36	543.83	613.38	687.95	747.75
2. Subsidy utilised @ (Rupees crore)	441.10	613.38	727.44	768.47	765.43
3. Term loans disbursed (Rupees crore)	730.15	1014.88	1175.35	1231.62	1220.53
4. Number of SC/ST families assisted (in lakh)	13.23	16.80	18.99	17.50	15.45
5. Total number of families assisted (in lakh)	30.61	37.47	42.47	37.72	33.51
6. Target-number of families to be assisted (in lakh)	24.71	35.00	39.64	31.94	29.09
7. Number of women beneficiaires (in lakh)	3.03	5.67	8.30	8.74	8.59

@ Indicates share of Central and State Governments.

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

Table VII—40: Progress of lending under the DRI Scheme (Public Sector Banks)

As at the end of December	No. of borrowal Accounts (000's)	Amount oustanding (Rupees crore)	Percentage of DRI advances to total advances at the end of previous year
1	2	3	4
1972	26	0.87	0.02
1975	465	20.99	0.31
1980	2510	193.56	1.04
1984	4272	441.38	1.22
1985	4318	462.70	1.10
1986	4717	561.78	1.17
1987	4814	597.65	1.09
1988	4619	646.58	1.00
1989	3939	675.22	0.94
1990 (March)@	4229	703.59	0.89

@ Data are provisional.

Source: Rural Planning and Credit Department, R.B.I.

Scheme, 1990, providing debt relief up to Rs. 10,000 to the borrowers of public sector banks and RRBs, which was announced by the Union Finance Minister in his budget speech for the year 1990-91, has been finalised and communicated to banks for implementation; the scheme came into force from May 15, 1990. For banks in the cooperative sector, a scheme on similar pattern will be framed and put into operation by the State Governments. The scheme for borrowers of public sector banks covers those engaged in agriculture and other allied activities and artisans engaged in any activity of rural development relating to cottage and village industry, handicrafts, weaving, etc. The eligible loans for debt relief under this scheme cover (i) that part of the short-term loans, including converted/rescheduled medium term loans, availed of by an individual borrower on or after April 1, 1986, and instalments of a term loan falling due after October 2, 1986, which were overdue to a bank on October 2, 1989; the relief will be available to a "non-wilful defaulter" who did not repay loan or loan instalments due, and experienced two or more years, whether consecutive or not, which were bad crop years resulting in crop yield being less than fifty per cent or less of the normal yield on the basis of *Annawari* declarations and one of which was the year in which the default occurred; (ii) 'chronic overdues', i.e., overdues, including overdue interest of an individual farmer, weaver or artisan or landless cultivator who borrowed a loan or loans from one or more banks, and had overdues with such bank(s), aged more than 3 years as on the effective date, i.e. October 2, 1989; (iii) the loans taken by a borrower who died on or before October 2, 1989; and (iv) the overdue loan of a borrower who has been declared insolvent or whose petition is pending in the court on or before October 2, 1989 for being declared insolvent.

In the Budget for 1990-91 the Central Government has made a provision of Rs. 1,000 crore towards the debt relief scheme and has committed to underwrite the entire burden of the relief which will be provided by commercial banks and RRBs. In addition, the Central Government is committed to providing 50 per cent assistance for the relief to be provided by the co-operative credit insitutions.

(k) Export Credit (Interest Subsidy) Scheme, 1968

Under the Export Credit (Interest Subsidy) Scheme, 1968, the interest subsidy to commercial banks and eligible co-operative banks was revised in October 1989 to 5.0 per cent per annum in respect of pre-shipment credit and 3.85 per cent per annum in respect of post-

shipment credit relating to cash exports on payment terms of not exceeding 180 days with retrospective effect from March 1, 1989. Till then, a uniform subsidy rate of 3 per cent per annum was applicable to both pre-shipment and post-shipment credit.

(l) Comprehensive Crop Insurance Scheme (CCIS)

A Comprehensive Crop Insurance Scheme (CCIS) was introduced by the Government of India throughout the country from *Kharif* 1985, which covers major cereal crops, oilseeds and pulses. The Government of India had decided to continue the CCIS for *Kharif* 1989 and *Rabi* 1989-90 with the condition that the sum insured continue to be limited to Rs. 10,000 per farmer irrespective of quantum of crop loan and the total sum insured would also be limited to 100 per cent of the crop loan disbursed. The level of indemnity for various crops would remain as follows:

Category	Variation in Yield	Indemnity
Low	Upto 15%	90%
Medium	16 to 30%	80%
High	Above 30%	60%

Data relating to coverage under CCIS are presented in Table VII-41.

(m) Financial assistance to ex-servicemen-scheme of preparing ex-servicemen for self-employment (EXSEM)

During 1983-84 the Government of India formulated a special scheme called "preparing ex-servicemen for self-employment venture" for the training, guidance and financial assistance to retiring and retired defence personnel who wish to start a small self-employment venture in rural areas. The scheme which was initially confined to six districts during 1983-84 is now in operation in 46 districts of 13 states in the country.

(n) Recovery of direct agricultural advances

The recovery of public sector banks in respect of their direct agricultural advances as a percentage to demand was 57.1 per cent for the year 1987, 56.8 per cent for 1988 and 58.0 per cent for 1989.

OTHER BANKING DEVELOPMENTS

Action Plans for Banks—1989-90

The banks continued implementation of the action plans drawn by them with a view to bringing about improvement in their overall performance. Progress in the implementation of these plans was reviewed quarterly with the Chairmen and senior executives of public sector banks. Banks have been asked to draw up action plans for a further period of two years, i.e., from April 1990 to March 1992, on the existing pattern but with special emphasis on the measures needed to improve credit management and profitability, organisation and control arrangements, manpower utilisation, upgrading the quality of customer service, modernisation of technology, and consolidation of the Service

Table VII—41: Coverage under Comprehensive Crop Insurance Scheme

Season	No. of farmers (in lakh)	Area covered (in hectares) (in lakh)	Sum insured (Rs. in lakh)	Insurance charges (inclusive of subsidy) (Rs. in lakh)
1	2	3	4	5
Kharif 1988*	29.64	52.35	54788.63	881.91
Rabi 1988-89*	8.72	10.12	16386.79	312.02
Kharif 1989@	5.80	8.72	14600.70	246.61

* As on 28.6.1989.
@ As on 15.9.1989.
Source: General Insurance Corporation.

Area Approach to rural lending.

Financial Diversification by Banks

The banks continued to diversify their activities in new areas like merchant banking, equipment leasing, housing finance, venture capital, mutual funds, etc. through their subsidiaries. By virtue of a notification issued by the Government of India under the Banking Regulation Act, 1949 factoring activity has also become a permissible form of business for banks to engage in. Banks have been advised that the activity may not be undertaken departmentally, but only through their subsidiaries. With the setting up of a wholly-owned subsidiary by Indian Bank, the number of equipment leasing and merchant banking subsidiaries of banks stood at eight as at the end of May 1990 (seven established by public sector banks and one by a private sector bank). In addition, there is one wholly-owned housing finance subsidiary and two joint venture housing finance companies set up by banks. In all, five public sector banks have set up mutual funds. Detailed guidelines to banks on important aspects of mutual fund business have been issued. Proposals from some more banks for setting up of subsidiaries for various types of financial diversification are under consideration.

During the period under reference, inspection of two subsidiaries, viz. BOB Fiscal Services Ltd. and Punjab National Bank Capital Services Ltd. were also arranged. A decision has since been taken by Bank of Baroda to wind up its subsidiary.

COMMITTEES AND WORKING GROUPS RELATING TO BANKING

Committee of Direction (COD)

Revision of Inventory/Receivable Norms

In the light of representations made by manufacturers of paints and varnishes, who are required to hold a variety of finished products to cater to consumer preferences, banks were advised in July 1989, to permit flexibility in the holding of finished goods and receivables by allowing a combined norm of 3.5 months in individual cases wherever interchangeability was found necessary and in other cases to continue the existing norms of 1.5 months for finished goods and of 2.0 months for receivables. The relaxation in assessing working capital limits under Method I of lending in the case of units of the National Textile Corporation and the State Textile Corporations, which have availed of financial assistance from financial institutions for modernisation, initially allowed for one year in January 1989, has been further extended upto the end of February 1991. Keeping in view the continued difficulties faced by polyester staple fibre manufacturing units, the relaxation in norms in respect of finished goods and receivables (from two months to three months) originally allowed in July 1988, was further extended up to December 1990. Based on a review of the situation prevailing in the textile industry, the norms for finished goods and receivables for composite textile mills have been allowed to continue at 3.5 months up to June 30, 1990 on a selective basis on merits of individual cases instead of the regular norm of 3 months. Decision regarding further extension will be taken on receipt of comments called for from banks. In the light of recommendations of the Sub-Group constituted by the Reserve Bank in October 1988 for the purpose of review of norms, the norms for finished goods and receivables for the fertiliser industry were revised upwards in September 1989. Based on the recommendations of the Sub-Committee which was set up to suggest norms for holding of inventory and receivables by units in the electronics industry; the norms for the following six product groups of the electronics industry have been prescribed for the first time: (1) consumer electronics; (ii) communication equipment; (iii) computers; (iv) control, instrumentation and industrial electronics; (v) components; and (vi) aerospace and defence.

Revised guidelines were issued in November 1989 to banks for assessing working capital requirements of large borrowers in the tea industry, in terms of which the existing method of cash budget has to be followed but the cash budget format has been revised so as to indicate

capital and revenue flows of borrowing units separately. Net working capital of tea units should be at least 25 per cent (15 per cent for sick units) of the peak deficit. Tea units should submit the actuals in the same proforma of monthly cash budget for drawings within 4 weeks after the end of the month. If due to some genuine difficulties the units are unable to furnish actuals within the prescribed time limit of 4 weeks, banks are allowed to grant 2 weeks' extension at their discretion. Beyond the outer limits of 6 weeks, banks are required to charge penal interest of one per cent on total advances for the month in which data on actuals was not received. As tea units have to submit monthly cash budget, they are not required to submit quarterly/half-yearly statements prescribed under the information system.

WORKING OF GUARANTEE CORPORATIONS

Deposit Insurance and Credit Guarantee Corporation

During the year under review, the Deposit Insurance and Credit Guarantee Corporation (DICGC) continued to provide insurance cover to small depositors in banks and guarantee support for the entire priority sector advances by banks and other approved financial institutions. Besides the Deposit Insurance Scheme, the DICGC operates five credit guarantee schemes—four for small borrowers and one for the SSI sector.

The number of insured banks increased from 1,908 as on June 30, 1989 to 1,917 as on June 30, 1990 comprising 79 commercial banks, 196 RRBs, and 1,642 cooperative banks in 16 states and 3 Union Territories. The insured deposits at Rs. 1,01,682 crore formed 72.2 per cent of total assessable deposits at the end of June 1989. The fully protected deposit accounts formed 97.4 per cent of the total number of deposit accounts.

The number of banks participating in the Small Loans Guarantee Scheme, 1971 at the end of June 1990 was 263 which included 67 commercial banks and 196 RRBs. The number of State Financial Corporations (including State Industrial Development Corporations) participating in the Small Loans (Financial Corporations) Guarantee Scheme, 1971 remained unchanged at 20. At the end of June 1990, the number of credit institutions participating in the Service Co-operative Societies Guarantee Scheme, 1971 was 175, while the number of primary urban cooperative banks participating in the Small Loans (Co-operative Banks) Guarantee Scheme was 90. Total guaranteed advances under the above four schemes aggregated Rs. 26,153 crore at the end of March 1990 showing a rise of 2.2 per cent over the level at the end of March 1989.

The number of institutions participating in the Corporation's Small Loans (Small-Scale Industries) Guarantee Scheme, 1981 rose from 545 at the end of June 1989 to 555 at the end of June 1990. The guaranteed advances to small-scale industrial sector increased from Rs. 14,094 crore at the end of March 1989 to Rs. 16,026 crore at the end of March 1990, indicating a rise of 13.7 per cent.

During the period April 1989 - March 1990, the Corporation received 15.03 lakh claims for Rs. 356 crore in respect of the guarantee schemes relating to small borrowers and 0.75 lakh claims for Rs. 193 crore in respect of its scheme for small-scale industries. During the same period, 15.99 lakh claims for Rs. 347 crore in respect of small borrowers and 1.02 lakh claims for Rs. 368 crore in respect of the SSI scheme were disposed of by the Corporation.

The guarantee claims received by the Corporation had been exceeding its guarantee fee receipts from 1984 till 1988-89. However, consequent on increase in the guarantee fee rate to 1.5 per cent per annum w.e.f. 1st April 1989, the guarantee fee receipts exceeded the guarantee claims receipts by Rs. 45.5 crore.

Export Credit Guarantee Corporation of India Limited

During the financial year 1989-90, the Export

Credit Guarantee Corporation of India Ltd. (ECGC) issued 9,038 policies and guarantees (excluding long-term) as against 8,235 in 1988-89. Including long-term policies and guarantees, the number stood at 9,282 during 1989-90 as against 8,546 during 1988-89. The total number of policies and guarantees (excluding long-term) in force at the end of March 1990 at 15,174 was larger compared to 11,855 at the end of March 1989; including long-term policies and long-term guarantees, it stood at 17,073 at the end of March 1990 as against 13,744 at the end of March 1989. Value covered under insurance policies during 1989-90 was higher at Rs. 5,041 crore as against Rs. 3,563 crore in 1988-90. Export finance (excluding long-term) covered under financial guarantees was also higher at Rs. 26,473 crore as against Rs. 18,080 crore during 1988-89; including long-term guarantees it stood at Rs. 26,668 crore during 1989-90 as against Rs. 18,229 crore in 1988-89. Scheme-wise details are furnished in Table VII-42. The premium earned during 1989-90, excluding that under Exchange Fluctuation Risk Cover Scheme, aggregated to Rs. 47.46 crore as against Rs. 31.40 crore during 1988-89 indicating a rise of 51.15 per cent over the year. During 1989-90, total value of gross claims paid amounted to Rs. 43.97 crore and value of claims recovered amounted to Rs. 9.39 crore, resulting in net claims paid of Rs. 34.58 crore.

The Corporation has been concentrating on effective customer service. In this direction number of steps such as on line computerisation between Head Office and Regional Offices, further decentralisation of powers to Regional and Branch Offices, increasing strength of field staff, etc. have been taken. Further, in order to remove the communication gap between the banks and ECGC, the Corporation established a machinery to co-ordinate the efforts at a high level. At its suggestion, each bank nominated a senior officer as a liaison officer. Periodical meetings with Liaison Officers were held to review the problems if any with regard to services offered by ECGC to the banks and to find out ways in improving the quality of services further.

During the year, a number of seminars/ meetings were organised at various export centres for creating better awareness of our schemes amongst the exporters and banks.

Table VII—42 : ECGC 's Guarantees to Bank and Policies to Exporters

(Rs. crore)

Type of Scheme	No. of Policies and Guarantees (April-March)					
	Issued during		In force at the end of		Value of Business Covered	
	1988-89	1989-90	1988-89	1989-90	1988-89	1989-90
1	2	3	4	5	6	7
Standard Policies including Transfer Guarantees	5,199	5,567	8,775	10,840	3,329	4,561
Long-term Policies	118	76	655	678	334	480
Packing Credit Guarantees	412	385	342	431	12,340	19,137
Post-shipment Guarantees	935	922	841	1,111	5,560	6,858
Export Finance Guarantees	249	359	230	360	54	90
Export Production Finance Guarantees	17	16	16	18	29	72
Export Performance Guarantees (short-term)	1,423	1,789	1,651	2,414	97	316
Export Performance Guarantees (long-term)	193	168	1,234	1,221	149	195
Total (excluding long-term policies and long-term guarantees)	**8,235**	**9,038**	**11,855**	**15,174**	**21,309**	**31,034**
Total (including long-term policies) and long-term guarantees)	**8,546**	**9,282**	**13,744**	**17,073**	**21,792**	**31,709**

Source: Export Credit Guarantee Corporation of India Ltd.

Non-Banking Companies—Regulations Governing Acceptance of Deposits

Further to the amendment made to Section 58A of the Companies Act, 1956 empowering the Company Law Board to take cognizance of non-payment of deposits by non-banking non-financial companies, the Department of Company Affairs has issued a notice in the press informing the members of the public of the said amendment so that aggrieved depositors of defaulting companies may approach the respective offices of the Company Law Board for redressal of their grievances. With a view to giving effect to certain changes made in the Non-Banking Financial Companies (Reserve Bank) Directions, 1977 in March 1989, the First Schedule, i.e., the format for submission of statutory return of deposits, has been amended vide Notification issued on February 1, 1990.

Chit Funds Act, 1982

The Chit Funds Act, 1982 has so far come into force in nineteen States/Union Territories including the States of Assam and Rajasthan where the Act has become operative during the year under review. Necessary follow-up action is being taken to bring the Act into force in other States/Union Territories.

Acceptance of Deposits by Un-incorporated Bodies

During the year under review, four more States/Union Territories have issued notifications authorising suitable officers to take action against unincorporated bodies as envisaged in Sections 45T and 58E of the Reserve Bank of India Act, 1934. Twenty-three States/Union Territories have thereby empowered themselves to enforce the prohibitory provisions of Chapter IIIC of the Act.

Of the 120 bodies located in Gujarat, Karnataka, Kerala, Tamil Nadu and Delhi which were investigated by the Bank with the assistance of State Police/Government Officials, prosecution proceedings have been initiated against eighteen such bodies for violation of the provisions of Chapter IIIC. Two cases have been disposed off by levy of fine while the Supreme Court has stayed the proceedings in respect of four cases and another case has been quashed. The remaining cases are at various stages of trial.

Trends in Growth of Deposits with Non-Banking Corporate Sector

As per provisional data available, during the year ended March 31, 1989, the aggregate deposits of 10,088 reporting non-banking companies rose by Rs. 4,445 crore and stood at Rs. 28,649 crore as against Rs. 24,204 crore held by 10,323 companies in 1988. During 1988-89, the regulated deposits recorded an increase of Rs. 566 crore and stood at Rs. 5,301 crore while exempted deposits rose by Rs. 3,879 crore to Rs. 23,348 crore. Non-financial companies accounted for 62.9 per cent of aggregate deposits while financial companies accounted for 34.1 per cent and miscellaneous non-banking companies 3.0 per cent. Regulated deposits of the non-banking corporate sector rose from Rs. 4,735 crore in 1987-88 to Rs. 5,301 crore, an increase of 12.0 per cent and the deposits were equivalent to 3.8 per cent of the total deposits of all scheduled commercial banks. The regulated deposits of the financial companies rose from Rs. 1,136 crore at the end of March 1988 to Rs. 1,494 crore (provisional) at the end of March 1989. The bulk of this increase is accounted for by leasing and hire purchase companies. Of the 6,355 reporting financial companies in March 1989, 192 companies accounted for about 77.4 per cent of regulated deposits. The sharp increase in the exempted deposits of financial companies between March 1988 and March 1989 is largely attributable to certain institutions like Industrial Credit and Investment Corporation of India, Discount and Finance House of India and SBI Capital Market Ltd. which are classified as financial companies.

Quite apart from the various types of companies covered in these data, there are a number of Residuary Non-Banking Companies whose deposits are broadly estimated to be in the region of Rs. 1,200 crore. Details of deposits held by different categories of companies as at the end of March 1988 and 1989 are presented in the Table VII-43.

Table VII—43: Deposits with the Non-Banking Corporate Sector
(As at the end of March)

(Rupees crore)

Category	1987-88				1988-89 (Provisional)			
	No. of reporting companies	Regulated deposits	Exempted deposits	Total	No. of reporting companies	Regulated deposits	Exempted deposits	Total
1	2	3	4	5	6	7	8	9
Aggregate Deposits	10,323	4,735	19,469	24,204	10,088	5,301	23,348	28,649
Of which held by								
i) Non-financial Companies	2,725	3,599	13,106	16,705	2,498	3,805	14,211	18,016
	(26.4)	(76.0)	(67.3)	(69.0)	(24.8)	(71.8)	(60.9)	(62.9)
ii) Financial Companies	6,442	1,136	5,590	6,726	6,355	1,494	8,284	9,778
	(62.4)	(24.0)	(28.7)	(27.8)	(63.0)	(28.2)	(35.5)	(34.1)
iii) Miscellaneous Non-banking Companies	1,156	—	773	773	1,235	2	853	855
	(11.2)	—	(4.0)	(3.2)	(12.2)	—	(3.6)	(3.0)

Notes:

1) The figures for 1987-88 have been revised largely in terms of coverage and classification to facilitate comparison with the figures for 1988-89.

2) Figures in brackets are percentages to total number of reporting companies/regulated/exempted/aggregate deposits as the case may be.

Source: Department of Financial Companies, R.B.I.

RURAL CREDIT

Institutional Finance for Agriculture

The rural credit delivery system in the country under the multi-agency approach comprises the Co-operatives, Scheduled Commercial Banks and Regional Rural Banks (RRBs). At the apex level, active financial support is extended by both the Central and State Governments and by the national level institutions such as the National Bank for Agriculture and Rural Development (National Bank) and the Reserve Bank of India (RBI). The State Governments also provide 'Taccavi loans' to farmers besides extending financial support to State Co-operative Banks (SCBs) and the Land Development Banks (LDBs). At the grass-root level, Primary Agricultural Credit Societies (PACS) provide mainly short-term and medium-term loans to agriculture, while long-term credit is granted by State Land Development Banks (SLDBs). Commercial banks and RRBs provide multi-purpose and multi-term credit for agriculture and allied activities. The National Bank for Agriculture and Rural Development, being the apex financial institution at the national level for agricultural credit, is responsible for providing refinance facilities to the agencies disbursing rural credit. The Reserve Bank of India, as the Central Bank of the country, plays a crucial role in this sphere by giving overall direction to rural credit and financial support to the National Bank for its operations.

New Strategy for Rural Lending-Service Area Approach

The genesis of the Service Area Approach and its salient features were described in detail in the previous Reports. In brief, the Service Area Approach to rural lending which is operative since April 1, 1989 has envisaged that each semi-urban and rural branch of commercial banks would be assigned a specific area comprising a cluster of villages within which they will operate, adopting a planned approach for its economic growth and thus avoiding duplication of efforts and scattered lending over wide areas. This is expected to ensure compactness in the area of

operation for lending, with a view to making access to credit easier for the clientele. This would also help ensure credit planning and close monitoring of the end-use of funds at the grass-root level.

Under the new approach, the Annual Credit Plans were prepared by the bank branches. For the year 1989-90 (April-March), the total credit target amounted to Rs. 15,319 crore, which is higher by Rs. 2,529 crore or 19.8 per cent over that for the year 1988. The All-India sector-wise data on targets and achievements for the year 1988 and targets for the year 1989-90 under the approach are given below:

TARGETS AND ACHIEVEMENTS

(Rupees crore)

	1988 @		1989-90*
Sectors	Targets	Achieve-ments	Targets
Agriculture	8,208.07	8,988.02	10,283.68
Industry	2,247.52	2,132.14	2,544.48
Services	2,334.32	2,589.99	2,491.29
Total	12,789.91	13,710.15	15,319.45

* Relate to financial year April-March
@ Calender year

With a view to ascertaining the manner of implementation of the Service Area Approach in the rural branches, the public sector banks, at the instance of the RBI, undertook field studies in December 1989. In pursuance of these studies which analysed the problems encountered in effective implementation and steps needed to improve the operational aspects of the scheme, a meeting of the Chief Executives of the Public Sector Banks was convened by the Governor of the RBI and the consensus reached in it was that the scheme holds promise for improving productivity of rural credit and that efforts should be made towards stabilising it early. In order to prevent disruption in the credit flow, it was decided that the relaxations already granted to bank branches to lend to their old clientele residing in the service area of other bank branches may continue for some more time.

Co-operative banks have been advised to fall in line with commercial banks in preparing credit plans. Appropriate training will also be given to their staff to enable them to acquire the required skill in this direction. The Bankers' Institute for Rural Development (BIRD) of the National Bank has been entrusted with the task of training the faculty members of banks so that they, in turn, will train the Lead Bank Officers, branch managers of commercial/co-operative banks etc., on a continuous basis. Guidelines have also been issued to banks for the preparation of branch credit plans for the year 1990-91 keeping in view the deficiencies observed in the credit plans prepared for the previous year and the need to remove these shortcomings.

With a view to improving the quality of credit plans prepared by bank branches and also to plan, co-ordinate and effectively monitor the credit plans, the National Bank will be setting up district level offices in all the districts in the country in a phased manner in the next three to four years. Already, 43 such offices have been opened in the first phase. These offices would also prepare a potential-linked credit plan for each district which could serve as the basis for preparation of credit plans by the branches of commercial banks.

In order to tone up the operational efficiency of the rural and semi-urban branches of commercial banks which implement the service area credit plans and guidelines for lending to the priority sector categories of borrowers in particular, the RBI would be enlarging the coverage in terms of number of branches inspected and also make it comprehensive.

Finance for Agricultural and Allied Activities

Complete data on institutional finance for agriculture and allied activities are not available for 1988-89 and 1989-90. Data in respect of loans issued by co-operatives for 1987-88 and 1988-89 are provisional and estimates are available for 1989-90. In the case of Scheduled Commercial

Banks, the data relating to loans issued are available upto 1987-88 and for loans outstanding upto end-June 1989. Tables VII-44 and VII-45 contain data on institutional finance for agriculture and allied activities.

(a) Direct Finance

Among the various agencies catering to the needs of rural credit, direct finance disbursed for agriculture by the co-operatives rose by 14.3 per cent to Rs. 5,570 crore (estimates) in 1989-90 (July-June) from Rs. 4,873 crore in 1988-89. The short-term loans disbursed by PACS went up by Rs. 539 crore (15.0 per cent) to Rs. 4,133 crore in 1989-90 from Rs. 3,594 crore in 1988-89. State Governments disbursed an estimated amount of Rs. 304 crore loans in 1989-90, as against Rs. 275 crore estimated for the year 1988-89, an increase of Rs. 29 crore or 10.5 per cent over the preceding year. Loans disbursed by Scheduled Commercial Banks amounted to Rs. 3,526 crore in 1987-88. Figures for 1988-89 and 1989-90 are, however, not available. Disbursements by RRBs in the year 1989-90 recorded an increase of Rs. 17 crore to an estimated amount of Rs. 437 crore in 1989-90 from Rs. 420 crore in 1988-89. Total direct finance disbursed for agriculture and allied activities by the institutional agencies aggregated Rs. 9,198 crore at the end of June 1988 as against Rs. 7,720 crore during the preceding year, recording a rise of 19.1 per cent.

The amount of direct loans outstanding by co-operatives aggregated Rs. 10,345 crore (estimated) at end-June 1990 which showed an increase of Rs. 937 crore or 10.0 per cent over the outstanding of Rs. 9,408 crore at the end of June 1989. The estimated outstanding short-term loans of PACS recorded an increase of 15.0 per cent from Rs. 4,668 crore at the end of June 1989 to Rs. 5,368 crore at end-June 1990. The medium and long-term loans by PACS and LDBs showed an increase of Rs. 237 crore or 5.0 per cent to Rs. 4,977 crore at end-June 1990. The outstanding amount of direct loans of Scheduled Commercial Banks (excluding RRBs) moved up from Rs. 9,355 crore at end-June 1987 to Rs. 11,424 crore at end-June 1988 showing an increase of 22.0 per cent over the period. Loans outstanding by RRBs at end-June 1989 increased from Rs. 1,552 crore to Rs. 1,838 crore at end-June 1990 registering an increase of 18.4 per cent.

The total direct finance outstanding for agriculture and allied activities by institutional agencies viz., Co-operatives, Scheduled Commercial Banks and State Governments together aggregated Rs. 21,084 crore at the end of June 1988 as against Rs. 17,881 crore as at end-June 1987. However, data for the subsequent years are not available (Table VII-44).

*(b) Indirect Finance**

Data on indirect finance to agriculture are given in Table VII-45. Loans disbursed by co-operatives in 1989-90 aggregated Rs. 9,667 crore (estimates) as against Rs. 7,635 crore (estimates) in 1988-89, showing a rise of Rs. 2,032 crore or 26.6 per cent over the year. Loans disbursed by Scheduled Commercial Banks (excluding RRBs) amounted to Rs. 266.3 crore in 1987-88. RRBs disbursed loans amounting to Rs. 10.7 crore in 1987-88. However, figures for the year 1988-89 and 1989-90 are not available.

The Rural Electrification Corporation Ltd., (REC) disbursed loans to the tune of Rs. 713 crore for the financial year 1989-90 as against Rs. 805 crore in 1988-90, showing a decline of 11.3 per cent.

The co-operative loans outstanding at end-June 1990 aggregated Rs. 7,848 crore (estimates) as compared with Rs. 6,314 crore (estimates) a year ago, representing a rise of 24.3 per cent over the year. The outstandings of scheduled commercial banks stood at Rs. 1,510 crore at the end of June 1988, as against Rs. 1,424 crore as at end-June 1987. In the case of RRBs, the loans outstanding at Rs. 45 crore (estimates) at end-June 1990 represented an increase of Rs. 1.4 crore or 3.2 per cent over that of Rs. 43.6 crore as at end-June 1989. The loans outstanding by Rural Electrification Corporation moved up from Rs. 3,458 crore at end-March 1989 to Rs. 4,110 crore at end-March 1990 or by 18.9 per cent.

NATIONAL BANK AND RURAL CREDIT

Sources and Uses of Funds**

Resources of the National Bank

The National Bank could replenish its

* Indirect finance includes credit for distribution of fertilizers, loans to Electricity Boards, loans to farmers through PACS/FSS/LAMPS and advances to State-Sponsored Corporations for on-lending to weaker sections in the agricultural sector.

** The National Bank has changed its accounting year from July-June to April-March with effect from July, 1988. The material/data in this chapter, therefore, cover the period April 1989 to March 1990, unless stated otherwise.

Table VII-44 : Direct Institutional Finance for Agriculture and Allied Activities

(Rupees crore)

Source of Finance	Loans issued during the year (July-June)					Loans outstanding as on June 30				
	1985-86	1986-87	1987-88	1988-89	1989-90	1986	1987	1988	1989	1990
1	2	3	4	5	6	7	8	9	10	11
I. Co-operatives	**3,674.0**	**3,701.0**	**4,710.4^{P}**	**4,873.1^{P}**	**5,570.1^{E}**	**6,947.0**	**7,465.1**	**8,346.6^{P}**	**9,407.7^{P}**	**10,344.8^{E}**
of Which:										
(a) Short-term loans by PACS[1]	2,747.0	2,619.9	3,119.8	3,594.2	4,133.3	3,237.0	3,293.0	3,870.8	4,667.7	5,367.8
	(52.2)	(58.0)	(66.7)	(73.4)	(84.4)	(114.5)	(125.0)	(136.0)	(152.3)	(172.1)
(b) Medium and long-term loans by PACS/LDBs[2]	927.0	1,081.1	1,590.6	1,278.9	1,436.8	3,710.0	4,172.1	4,475.8	4,740.0	4,977.0
	(533.0)	(551.7)	(1,023.8)	(676.4)	(774.0)	(2,624.0)	(2,829.4)	(3,084.4)	(3,167.3)	(3,325.7)
II. State Governments[3]	**353.6**	**209.6**	**478.4**	**274.5**	**303.6^{RE}**	..	..	..	..	..
III. Scheduled Commercial Banks (excluding RRBs)	**2,728.9**	**3,332.4**	**3,526.2**	..	..	**8,416.0**	**9,354.8**	**11,424.0^{R}**	..	..
Of which:										
(a) Short-term loans	1,252.4	1,481.5	1,671.7	..	..	2,355.4	2,619.1	3,071.0	..	..
(b) Term Loans	1,476.5	1,850.9	1,854.5	..	..	6,060.6	6,735.7	8,353.0	..	..
IV. Regional Rural Banks	**402.0**	**476.9**	**483.2^{R}**	**419.9**	**437.0^{E}**	**871.0^{R}**	**1,061.2**	**1,313.4**	**1,551.8**	**1,837.9^{E}**
Of which:										
(a) Short-term Loans	176.1	201.1	245.8	250.1	260.3	265.1^{R}	324.0	400,4	479.1	574.8
(b) Term Loans	225.9	275.8	237.4	169.8	176.7	605.9	737.2	913.0	1,072.7	1,263.1
V. Total Direct Finance (I to IV)	**7,158.5**	**7,719.9**	**9,198.2**	..	..	**16,234.0^{R}**	**17,881.1**	**21,084.0^{R}**	..	..
Of Which:										
(a) Short-term Loans	4,529.1	4,512.1	5,515.7	..	..	5,857.5^{R}	6,236.1	7,342.2	..	..
(b) Medium and Long-term Loans	2,629.4	3,207.8	3,682.5	..	..	10,376.5	11,645.0	13,741.8	..	..

E = Estimates. RE = Revised Estimates. P = Provisional. .. = Not available. R = Revised.

1. Figures in brackets relate to short-term finance provided by RRBs and other commercial 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.

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

Table VII-45 : Indirect Institutional Finance for Agriculture and Allied Activities

(Rupees crore)

Source of Finance	Loans issued during the year (July-June)					Loans outstanding as on June 30				
	1985-86	1986-87	1987-88	1988-89	1989-90	1986	1987	1988	1989	1990
1	2	3	4	5	6	7	8	9	10	11
I. Co-operatives[1]	**3,744.2**	**4,803.0^{E}**	**6,047.0^{E}**	**7,635.0^{E}**	**9,667.0^{E}**	**2,885.5**	**3,937.0^{E}**	**5,202.0^{E}**	**6,314.0^{E}**	**7,848.0^{E}**
Of which:										
(a) State-Co-operative Banks[2]	2,619.5	3,497.0	4,546.0	5,909.0	7,682.0	1,562.5	2,064.0	2,580.0	2,644.0	2,710.0
(b) Central Co-operative Banks[2]	1,124.7	1,306.0	1,501.0	1,726.0	1,985.0	1,323.0	1,873.0	2,622.0	3,670.0	5,138.0
II. Scheduled Commercial Banks (excluding RRBs)[3]	**260.7**	**252.1**	**266.3**	..	..	**1,366.4**	**1,424.2^{R}**	**1,510.2**	..	..
III. Regional Rural Banks	..	..	**10.7**	..	..	**33.3**	**34.2**	**35.4**	**43.6**	**45.0^{E}**
IV. Rural Electrification Corporation[4]	**354.5**	**440.0^{+}**	**654.6^{+}**	**804.5^{+}**	**713.0^{+}**	**1,920.6^{+}**	**2,291.7^{+}**	**2,828.6^{+}**	**3,457.7^{R+}**	**4,110.1^{+}**
V. TOTAL INDIRECT FINANCE	..	..	**6,978.6**	..	..	**6,205.8**	**7,687.1^{R}**	**9,576.2^{R}**	..	..

.. = Not available. E = Estimates. + = Financial Year (April-March). R = Revised.

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 levels.
3. The outstanding are as on the last Friday of June; break-up of these data into short-term and term loans are not available.
4. Taken as long-term loans.

Source: i) National Bank for Agriculture and Rural Development.
ii) Reserve Bank of India.
iii) Rural Electrification Corporation Ltd.

financial resources during 1989-90 (April-March), mainly by borrowings from the Reserve Bank of India under the General Line of Credit (GLC), contributions from the Reserve Bank of India (RBI) and the National Bank to the National Rural Credit (Long-term Operations) Fund and National Rural Credit (Stabilisation) Fund. The aggregate net resources thus mobilised by the National Bank during 1989-90 (April-March), amounted to Rs. 1,422 crore as indicated in Table VII-46.

During 1989-90, the Reserve Bank contributed Rs. 330 crore to NRC (LTO) Fund and Rs. 10 crore to NRC (Stabilisation) Fund out of its profits at the same level as in the previous year. Similarly, the contributions of the National Bank were Rs. 350 crore to NRC (LTO) Fund and Rs. 10 crore to NRC (Stabilisation) Fund during the year as compared with Rs. 235 crore and Rs. 10 crore, respectively, in the previous year. Net borrowings from the Reserve Bank during the period April 1989 to March 1990 amounted to Rs. 524 crore under the General Line of Credit (GLC) for short-term lending operations for agriculture and other purposes, as against those of Rs. 1,010 crore during 1988-89 (July-March), under Section 17 (4E) of the Reserve Bank of India Act, 1934. The limit under this line of credit sanctioned by the Reserve Bank during 1989-90 (April-March), was Rs. 3,350 crore (Rs. 2,700 crore under GLC-I for Seasonal Agricultural Operations (SAO) and Rs. 650 crore under GLC-II for purposes other than SAO, as against Rs. 2,700 crore (Rs. 2,100 crore under GLC-I for SAO and Rs. 600 crore under GLC-II for purposes other than SAO) during 1988-89 (July-March).

The gross borrowings from the Government of India during the period 1989-90 (April - March), amounted to Rs. 171 crore. If repayments of Rs. 147 crore during the period is taken into account, there was a net borrowing of Rs. 24 crore in contrast to a net repayment of Rs. 6 crore during 1988-89 (July - March).

The National Bank resorted to market borrowings during 1989-90 (April-March) to the extent of Rs. 89 crore by issuing the Ninth Series of NABARD Bonds at par having a maturity period of 20 years and carrying an interest rate of 11.5 per cent per annum. The bonds of the erstwhile Agricultural Refinance Development Corporation (ARDC) XV Series for Rs. 39 crore were redeemed during the period. There was, therefore, a net borrowing of Rs. 50 crore during 1989-90 in sharp contrast to a net market repayment of Rs. 44 crore in 1988-89 (July-March).

The National Bank continued to receive

Table VII-46 : Resources (Net) Mobilised by the National Bank

(Rupees crore)

Resources	1988-89 (July-March)	1989-90 (April-March)
1	2	3
Reserves and Surplus	34	58
N.R.C. (L.T.O.) Fund	565	680
N.R.C. (Stabilisation) Fund	20	20
Deposits	(—) 6	3
Bonds & Debentures	(—) 44	50
Borrowings from Government of India	(—) 6	24
Borrowings from RBI	1,010	524
Other Liabilities	23	63
Total	**1,596**	**1,422**

deposits from tea companies under the Tea Development Account Scheme, 1985 and Investment Deposit Account Scheme, 1986 (Tea). The balances under the schemes as at the end of March 1990 were Rs. 9 crore and Rs. 23 crore, respectively, as against the balances of Rs. 14 crore and Rs. 16 crore in the respective schemes at the end of March 1989. Deposits are also received by the National Bank from the Central Government and State Governments under the Special Loan Account for financing ineligible farmers under Command Area Development Authority (CADA) projects. The balances outstanding as on March 31, 1990 under this head of account were Rs. 19 crore from the Central Government and Rs. 11 crore from State Governments as against Rs. 18 crore and Rs. 11 crore, respectively, at the end of March 1989.

Progress of Externally Aided Projects

The National Bank has been associated with implementation of 46 projects (of which 41 have been completed/closed as on March 31, 1990) with the external assistance from international aid agencies since 1969. Out of these 46 projects, 41 were assisted by the World Bank Group (including 5 General Lines of Credit); another two were supported by the International Fund for Agricultural Development (IFAD), and one each by Kreditanstalt fur Wiederaufbau (KfW) of the Federal Republic of Germany, the Organisation of Petroleum Exporting Countries (OPEC) Fund for International Development and the Swiss Development Co-operation (SDC). The total credit to be routed through the National Bank in respect of these projects aggregated US $ 2,818 million (including bilateral credits) as on March 31, 1990, as against US $ 2,783 million as on March 31, 1989. The percentage of utilisation of credit component in respect of completed projects by the National Bank had been 93.0 per cent of the allocated US $1.616 million.

Besides the assistance received from the World Bank, the National Bank has also received assistance from seven donor countries/agencies by way of co-financing of general lines of credit. As on March 31, 1990, the National Bank has, so far, received assistance under 29 bilateral credits in various currencies aggregating to an amount equivalent to US $ 774 million. Of these 29 credits, 28 have already been closed.

As on March 31, 1990, the progress of on-going projects viz., NABARD Credit Project-I, the V Indo-Swiss NABARD Project, the National Seeds Project-III, OPEC Fund Assistance and the National Sericulture Project were as follows:

The NABARD Credit Project-I was closed on June 30, 1989 excepting the pilot project component that has been extended by the World Bank till December 1990. An amount of US $ 369 million was utilised for this project upto March 31, 1990, as against the allocated US $375 million. The IDA – assisted National Seeds Project-III covering 11 States has been made effective from September 28, 1989 for a period of six and a half years. A total assistance of US $29.9 million is to be routed through the National Bank under the project component for National Seeds Project-III. Under OPEC Fund, an assistance of US $8 million will be made available upto June 30, 1991 in support of Minor Irrigation Schemes in specified districts of Uttar Pradesh. Upto end-March 1990, about US $3.50 million have been utilised under this project. However, no credit assistance from the World Bank was available for National Sericulture Project operative in 17 States and the National Bank has been extending financial support to the project out of its own resources.

PROJECTS IN PIPELINE

National Bank Credit Project-II

A draft project report of the National Bank Credit Project-II which covers various credit activities where refinance assistance is provided by the National Bank, has been submitted to the Government of India for presenting the same to the World Bank to secure financial assistance of US $ 640 million (Rs. 10,500 million) for 3 years.

VI Indo-Swiss NABARD Project

A proposal for assistance amounting to SW. Fr. 100 million under Sixth Line Indo-Swiss

NABARD Project has been submitted to the Government of India/Swiss Development Co-operation (SDC) for their consideration. SDC had indicated that assistance of SW. Fr. 30 to 40 million might be available under this project to support the National Bank's operations for Non-farm sector activities.

Assistance from Overseas Economic Co-operation Fund (OECF), Japan, for Minor Irrigation

A project envisaging financial assistance of Rs. 450 crore for development of Minor Irrigation has been submitted to the Government of India for consideration of OECF, Japan.

Project for Wastelands Development

A project involving a total outlay of Rs. 11,780 million with a credit assistance of Rs. 9,140 million for developing 1.0 million hectares of privately owned wastelands over a period of 5 years (1990-95) has been submitted to the Government of India with a request to seek assistance from the World Bank. In addition, an assistance of Rs. 255 million has been sought by the National Bank for training, Reserach and Development (R&D) support, creation of data base and market infrastructure etc., as grant.

KfW (FRG) Assistance for Watershed Development Programme in Maharashtra

The Watershed Development projects to be implemented in Maharashtra by the National Bank with an assistance of DM 2 million from KfW would be in the nature of an Action Operation Research Project and test some variable parameters that will provide useful insights into some important aspects of the project as an instrument for dryland farming development.

KfW (FRG) Assistance for Poverty Alleviation Programme

An amount of DM 26 million is expected to be made available exclusively for poverty alleviation programmes from KfW as an assistance under the Industry, Services and Business (ISB) component of the Integrated Rural Development Programme.

Dutch Assistance

A proposal covering the National Bank's refinance commitment with projections for the years 1990-91 and 1991-92 in animal husbandry sector has been submitted to the Government of India with a request to seek the assistance from the Royal Government of Netherlands.

The National Bank's Assistance for Agriculture and Allied Activities

The National Bank, as an apex institution in the organised rural credit structure, extends assistance and supports a broad spectrum of productive activities in the rural sector. Special mention may be made of the provision of refinance facilities for agriculture and allied activities offered through the major financial intermediaries of the organised banking sector dispensing rural credit, namely, the co-operatives and commercial banks including RRBs. There has been a progressive institutionalisation of rural credit with adequate and timely flow of credit not only to the weaker sections of the rural population but also to the less-developed regions.

The National Bank is actively involved in providing short-term credit to SCBs/RRBs for financing seasonal agricultural operations (crop loans), marketing of crops, purchase and distribution of fertilisers and working capital requirements of the co-operative sugar factories.

Medium-term credit is also provided to SCBs/RRBs for approved agricultural purposes, purchase of shares of processing societies and conversion of short-term crop loans into medium-term loans in areas affected by natural calamities.

Long-term credit for a period of 25 years is provided to SCBs, LDBs, RRBs and commercial banks for investment in agriculture under schematic lending. Long-term loans for periods not exceeding 20 years are provided to

State Governments to enable them to contribute to the share capital of the co-operative credit institutions. The details of financial assistance provided by the National Bank to co-operatives and State Governments as well as the rates of interest charged are presented in Table VII-47. The progress of credit facilities are reviewed in the following paragraphs.

Credit Limits

Short-term Credit

During 1989-90 (July-March), the National Bank sanctioned short-term credit limits for Seasonal Agricultural Operations (SAO) aggregating Rs. 2,807 crore as against Rs. 2,554 crore in 1988-89 (July-June). The sanctions during the year under review also included an amount of Rs. 285 crore under the National Oilseeds Development Project (NODP). The drawals against these limits during 1989-90 (July-March) were Rs. 2,279 crore as compared with Rs. 3,677 crore in 1988-89 (July-June). Total repayments during the same period were to the extent of Rs. 1,721 crore as against Rs. 2,935 crore in 1988-89 (July-June). The outstanding amount registered a rise from Rs. 1,652 crore as at the end of June 1989 to Rs. 2,210 crore by the end of March 1990. The details of term-wise/purpose-wise financial accomodation provided by the National Bank for agriculture and other activities such as marketing of crops and distribution of fertilisers etc., are set out in Table VII-47.

Medium-term Credit

During the calendar year 1989, credit limits for medium-term agricultural purposes sanctioned by the National Bank to SCBs on behalf of CCBs and drawals against these limits amounted to Rs. 16 crore and Rs. 4 crore, respectively, as against Rs. 18 crore and Rs. 10 crore, respectively, in 1988. The outstanding amount at the end of December 1989 was Rs. 19 crore as against Rs. 27 crore, at the end of December 1988 (Table VII-47). The reduction in drawals could be attributed to a gradual switch-over by banks to financing medium-term (MT) agricultural loans under schematic lending.

Conversion Loans

During 1989-90 (July-March), SCBs/CCBs were sanctioned credit limits of Rs. 91 crore to convert short-term agricultural loans (including rephasing and rescheduling of loans) granted to farmers into medium-term loans, due to the occurrence of widespread crop failure following drought, floods or other natural calamities. The drawals against these limits during the period upto March 1990 amounted to Rs. 44 crore and that the amount of outstanding credit under this head stood at Rs. 283 crore as at end-March 1990 as against Rs. 302 crore at end-June 1989. The under-utilisation of limits was primarily due to the delay in completion of formalities by the CCBs and State Governments. During 1989-90 (July-March), repayments amounted to Rs. 63 crore as against Rs. 131 crore made during 1988-89 (July-June).

Long-term Credit

During the financial year 1989-90 (April-March), long-term credit limits amounting to Rs. 37 crore were sanctioned to State Governments for contribution to the share capital of co-operative credit institutions as against Rs. 51 crore sanctioned during 1988-89. The drawals against these limits during 1989-90 amounted to Rs. 30 crore as against Rs. 45 crore in the previous year. The amount outstanding against these loans, however, recorded a rise of Rs. 18 crore over the year to Rs. 213 crore as on March 31, 1990.

Important Policy Changes

Farm Sector

Short-term credit

Financing of Seasonal Agricultural Operations (SAO)

Pursuance to the reduction in interest rate on short-term agricultural loans to the ultimate borrower, the National Bank reduced the refinance rate from 7.0 per cent to 3.0 per cent, 4.0 per cent and 5.0 per cent depending on the average borrowings from the National Bank, as a percentage of average outstandings against PACS at CCB level so as to compensate the

Table VII-47 : The National Bank's Credit to Co-operatives and State Governments During 1988-89 and 1989-90

(Rupees crore)

Section of the NABARD Act, 1981	Term-wise / Purpose-wise Finance	Period for which limits are sanctioned	1988-89				1989-90			
			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**	**3015**	**4576**	**3719**[R]	**1989**[R]	**3257***	**3609***	**3036***	**2562***
21(1)(i)/2(i)	(i) (a) Seasonal Agricultural Operations@ (at 3% below Bank Rate from March 1978)	July-June	2554	3677	2935	1652	2807*	2279*	1721*	2210*
21(1)(i)/3	(b) Out of which: for National Oilseeds Development Project/Oilseeds Production Thrust Project	July-June	243	538	486	120	285*	142*	78*	184*
	(c) Interim limits for creation of non-overdue cover in respect of SAO	July-June	33	25	28	—	—*	—*	—*	—*
21(1)(i)/3(b)	(ii) Marketing of crops other than cotton and kapas (at Bank Rate from June 1978) [Includes Produce (Marketing) Loan Scheme].	July-June	9	5	2[R]	4[R]	2*	—*	4*	—*
	(iii) Marketing of cotton and kapas including monopoly procurement of cotton (at Bank Rate from June 1978)	July-June	1	—	—	—	1*	—*	—*	—*
21(1)(ii)/3(b)	(iv) Purchase and distribution of fertilisers (at 1% above Bank Rate from June 1978)	January-December	42	19	19	15	47	46	50	11
21(1)(v)/3(a)	(v) (a) Production and Marketing of handloom products (at 2½% below Bank Rate from March 1978)	April-March	338	796	689	290	351	1156	1145	301
	(b) Interim limits for creation of non-overdue cover in respect of weavers' societies	April-March	—	—	—	—	—	—	—	—
	(vi) Financing of other cottage and small scale industries (2½% below Bank Rate from March 1978)£	April-March	16	12	9	12	21	14	12	14

(Contd.)

Table VII-47 : The National Bank's Credit to Co-operatives and State Governments During 1988-89 and 1989-90 (Concld.)

(Rupees crore)

Section of the NABARD Act, 1981	Term-wise / Purpose-wise Finance	Period for which limits are sanctioned	1988-89 Limits sanctioned	1988-89 Drawals	1988-89 Repayments	1988-89 Outstandings	1989-90 Limits sanctioned	1989-90 Drawals	1989-90 Repayments	1989-90 Outstandings
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	15	42	34	9	18	106	101	14
21(1)(iii)/21(3)(a) & (b)	(viii) Against pledge of sugar (at 5% above Bank Rate)	July-June	—	—	—	—	—*	—*	—*	—*
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)	Specified period	7	—	3	7	8	8	3	12
21(1)(iii)/21(3)(a)	(x) Collection and marketing of minor forest produce (Bank Rate)	July-June	—	—	—	—	2*	—*	—*	—*
	II. Medium-term	**Total**	**174**	**135**	**145**	**329**	**107**	**48**	**75**	**302**
24	(i) Agricultural purposes (3% below Bank Rate)@	January-December	18	10	14	27	16	4	12	19
	(ii) Purchase of shares in co-op. processing societies/sugar factories (Bank Rate)	January-December	—	—	—	—	—	—	—	—
22	(iii) Conversion of Short-term loans into Medium-term loans in scarcity affected areas including rephasement and reschedulement (at 3% below Bank Rate from January 1979)	July-June	156	125	131	302	91*	44*	63*	283*
	III. Long-term	**Total**	**51**	**45**	**19**	**195**	**37**	**30**	**12**	**213**
27	Loans to State Governments for contribution to share capital of co-op. credit institutions (at 6% per annum)	April-March	51	45	19	195	37	30	12	213
	Total Credit (I+II+III)		**3240**	**4756**	**3883R**	**2513R**	**3401**	**3687**	**3123**	**3077**

* : April-March.
— : Nil or Negligible.
£ : Includes financing of individual rural artisans through PACS.
@ : Includes limits sanctioned and operations for NODP/OPTP which is separately indicated at 'b'.
R : Revised.
Source : National Bank for Agriculture and Rural Development.

losses of co-operative banks on their own involvement in agricultural lending. The banks which had adequate resources of their own to support the agricultural lending operations were not sanctioned credit limits and were, thus, not getting the benefit of reduction in the rate of interest on refinance to compensate losses on their agricultural lendings. In order to help such banks, the National Bank decided to sanction credit limits on the basis of difference between realistic lending programme and minimum involvement from the year 1989-90.

Instant Fresh Finance

The scheme of 'Instant Fresh Finance', introduced for the benefit of the borrowers who repay their dues in full envisaged the passing of funds to the ultimate borrower within a period of 3 months. The period was found to be too long and, therefore, it has been decided to reduce the period for utilising the drawals under the scheme from 3 months to 45 days. It has been observed that consequent upon the announcement made by the Government of India regarding debt relief, recoveries of the loan have come to a grinding halt. This has adversely affected the resources position of the Bank. With a view to making available credit to the newly enrolled members, the National Bank has decided to extend the Instant Fresh Finance Scheme for providing finance to new and non-borrowing members.

National Oilseeds Development Programme (NODP)

The National Bank has decided to extend the facility of financing small farmers having a default upto 20 per cent of their loan eligibility, arising due to reasons beyond the farmers' control and also to those farmers covered under NODP.

Produce Marketing Loan Scheme

On advice from the Government of India which has decided to increase the number of districts to be covered under the Produce Marketing Loan Scheme, the National Bank had recommended to the Government of India, names of 5 districts in each of the 14 States covered under the Scheme, selected on the basis of criteria prescribed. Thus the scheme is now in operation in 14 States covering 60 districts.

Medium-term Credit

Loans from NRC (Stabilisation) Fund—Medium-term (Conversion) Loans

Keeping in view, the changes in the interest rate on short-term agricultural loans, it was decided that the National Bank would charge interest on medium-term conversion loans provided to SCBs on behalf of CCBs at the same rate at which the corresponding short-term loans converted/proposed to be converted were charged.

Medium-term Credit Limits to SCBs for Approved Investment Purposes (Schematic)

The security norms for medium-term (MT) agricultural loans provided by CCBs were revised so as to be on par with those applicable for commercial banks and RRBs. Effective May 1989, it has, therefore, been decided that the co-operative banks should not obtain collateral security by way of mortgage of land/charge on land or third party guarantee for term loans upto Rs. 10,000 where moveable assets are created. However, primary security by way of hypothecation of the moveable assets created out of bank loan should be taken. Besides, wherever there are difficulties in getting mortgage on land, with effect from July 1, 1989, the banks should take third party guarantee or such other security as considered appropriate for the purpose. The revised interest rates to be charged on the investment loan to the ultimate borrower are given below:

Purpose	Interest Rate
1. Minor Irrigation and Land Development	10.00
2. Other purposes	
a) Small farmers	10.00
b) Others	12.50
3. Advances by way of loans for purchases of equipment based on new and renewable source of energy for agricultural purposes.	10.00

State Land Development Banks (SLDBs)

Lending Programmes and Resources of SLDBs

The total lending programme of SLDBs for the year 1989-90 (April-March) was fixed at Rs. 826 crore as compared with that of Rs. 840 crore for the previous year. The resources for the programme were to be raised by floatation of special development debentures to the extent of Rs. 728 crore, subscribed to by the National Bank and the Central and State Governments and by issue of ordinary debentures for Rs. 98 crore, subscribed to by institutional investors, viz., LIC, SBI Group, Commercial Banks, Central and State Governments, besides mutual support/self help by SLDBs themselves. The support availed of from institutional investors under the ordinary debenture programme together with the overall achievements under both normal and special programmes for the years 1988-89 and 1989-90 are indicated in Table VII-48.

During the financial year 1989-90, SLDBs continued to float ordinary debentures in two sets of 15 and 20 years maturity instead of 10 and 15 years maturity as in the past. The rates of interest on 15 and 20 years debentures were retained at 11 and 11.5 per cent per annum, respectively.

Policy Initiatives

Assessment of Bad and Doubtful Debts in Land Development Banks

Keeping in view the recommendations made by a Committee constituted by the National Co-operative Agriculture and Rural Development Banks' Federation and the findings of the National Bank studies, guidelines were issued to Registrar of Co-operative Societies in all States in regard to estimation of bad and doubtful debts, creation/augmentation of bad and doubtful debts reserves, procedure for treatment of estimated bad and doubtful debts in computation of demand, collection and balance position. This was done in the context of overdues in LDBs and the consequent need to evolve measures to be adopted by all SLDBs and Primary Land Development Banks to assess and augment bad and doubtful debts reserves.

Issue of Long-term Loans by Land Development Banks to Agriculturists for Purchase of Shares in Co-operative Sugar Factories

According to the clarification issued by the National Bank, LDBs can advance long-term loans to agriculturists for purchase of shares in co-operative sugar factories only under their ordinary lending programme and that such loans can be issued by LDBs for a period of 9 years and repayment of first instalment may commence at the end of 24 months from the date of disbursements, interest, however, being payable by the borrowers during the first two years. The LDBs have also been instructed to charge the same rate of interest to the ultimate borrower as is charged by the banks in their respective States on medium-term loans for the purpose.

Issue of Loans by SLDBs—Regulation of Advances

The existing eligibility criteria (in respect of regulation of advances) applicable to PLDBs and branches of SLDBs effective upto June 30,

Table VII-48 : Resources of SLDBs
(April-March)

(Rupees crore)

Item	1988-89 (Achievements)	1989-90 (Achievements)	1990-91 Target
1	2	3	4
Lending Programme/Resources	**840**	**826**	—
a) Special Development Debentures			
1) Programme	746	728	793
2) Achievements	552	616	—
b) Internal Resources	—	—	—
c) Ordinary Debentures			
1) Target	94	98	94
2) Actual Flotation	98	91	—
i) Subscription to Ordinary Debentures received from Central and State Governments	18	18	—
ii) LIC	35	35	—
iii) SBI Group	15	20	—
iv) Commercial Banks	13	13	—
v) Mutual Support/Self-help	17	5	—
Total Amount Raised [(a(2)+b+c(2)]	**650**	**707**	—

Source : National Bank for Agriculture and Rural Development.

1989 under NABARD Credit Project has been extended till further advice from the National Bank. The banks were also advised to continue Demand, Collection and Balance (DCB) data at PLDBs/SLDBs branch level as at the end of June every year notwithstanding the change in the accounting year of the National Bank.

Report of the High Level Working Group to Examine the Scope and Functions of State Co-operative Land Development Banks

The important recommendations of the High Level Working Group (Rajgopal Committee) set up by the National Bank to examine the scope and functions of State Co-operative Land Development Banks requiring action to be taken were communicated to the Government of India, State Governments and SLDBs.

Rehabilitation Programme of Weak Primary Units

The 10-Point Action Programme sanctioned for rehabilitation of 139 weak Primary Land Development Banks (PLDBs)/branches of SLDBs identified on the basis of their overdues etc., position as on June 10, 1985, in 8 States viz., Gujarat (61), Himachal Pradesh (3), Karnataka (33), Rajasthan (8), Tamil Nadu (14), Tripura (2), Uttar Pradesh (12), and West Bengal (6) was in progress during the year. Financial assistance aggregating Rs. 6.08 crore out of Rs. 14 crore sanctioned under the programme was released to the State Governments/SLDBs by the National Bank upto March 31, 1990 towards additional share capital contribution (Rs. 5.80 crore), assistance towards technical staff (Rs. 0.10 crore) and staff rehabilitation cell (Rs. 0.18 crore).

Organisation and Management Studies of SLDBs

In order to strengthen the Credit Delivery System, the National Bank continued to pursue with the State Governments/SLDBs concerned with the implementation of the recommendations of Organisation and Management (O&M) Studies conducted in respect of all the 19 SLDBs in the country. Many important recommendations made by Expert Groups, such as restoration of elected boards, appointment and tenure of Chief Executives, performance evaluation of primary units, rationalisation of loan policy and procedures etc., are yet to be implemented.

National Bank's Long-term Refinance Assistance Under Various Schemes

During the period 1989-90 (April-March), the

Table VII-49 : Purpose-wise Sanctions and Disbursements of Refinance Assistance by the National Bank@

(Rupees crore)

Purpose	1988-89 (July-March)			1989-90 (April-March)			Cumulative position as on March 31, 1990		
	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	2,162	400	387	5,174	578	498	29,749	6,411	4,742
Land Development/CAD	67	27	18	86	36	11	2,123	484	289
Farm Mechanisation	1,113	179	158	—	262	225	11,246	2,165	2,012
Plantation/Horticulture	789	95	65	1,133	171	97	8,029	1,174	599
Poultry/Sheep Breeding/Piggery	689	52	45	1,223	109	68	6,499	466	302
Fisheries	268	38	19	317	28	21	2,950	319	164
Dairy Development	473	61	51	894	107	75	6,075	598	366
Storage/Market Yards	22	4	16	26	9	13	1,956	303	268
Others	1,454	525	511	358	739	694	10,236	4,261	3,665
Total	**7,037**	**1,381**	**1,270**	**9,211**	**2,039**	**1,702**	**78,863**	**16,181**	**12,407**

@ : Provisional.

$: Cumulative position includes adjustments.

Source : National Bank for Agriculture and Rural Development.

National Bank sanctioned 9,211 schemes involving refinance commitments of Rs. 2,039 crore as against 7,037 schemes involving Rs. 1,381 crore of refinance sanctioned during 1988-89 (July-March). Disbursements amounted to Rs. 1,702 crore in 1989-90 (April-March) as against Rs. 1,270 crore during 1988-89 (July-March). As at the end of March 1990, the cumulative number of schemes sanctioned by the National Bank stood at Rs. 78,863 crore, with commitments of Rs. 16,181 crore and the cumulative disbursements of Rs. 12,407 crore.

Minor Irrigation continued to be the single largest item both in regard to the number of schemes sanctioned and commitments made. During 1989-90 (April-March), the National Bank sanctioned 5,174 schemes for minor irrigation involving commitments of Rs. 578 crore and 4,037 schemes for diversified purposes involving commitments of Rs. 1,461 crore (Table VII-49).

Agency-wise, the share of Scheduled Commercial Banks, Regional Rural Banks (RRBs), State Land Development Banks (SLDBs) and State Co-operative Banks (SCBs) in the National Bank's total disbursements stood at Rs. 742 crore (43.0 per cent), Rs. 287 crore (17.0 per cent), Rs. 558 crore (33.0 per cent) and Rs. 115 crore (7.0 per cent), respectively, during 1989-90 (April-March) (Table VII-50).

Region-wise, the shares of Northern, North-Eastern and Western Region in total disbursements rose from 15.0 per cent, 2.0 per cent and 14.2 per cent in 1988-89 (July-March) to 16.6 per cent, 2.5 per cent and 15.9 per cent, respectively, during 1989-90 (April-March). In contrast, the share of Southern Region in total disbursements declined moderately from 32.6 per cent in 1988-89 (July-March) to 30.4 per cent in 1989-90 (April-March). The share of Central Region, however, remained unchanged at 23.0 per cent (Table VII-51).

The National Bank continued to pursue the policy of development and promotion of agricultural investments in less-developed States. The disbursements in these States rose from Rs. 551 crore in 1988-89 (July-March) to Rs. 737 crore in 1989-90 (April-March). While Uttar Pradesh accounted for the major share of Rs. 273 crore or 37.0 per cent, the share of Assam and North-Eastern States together was Rs. 42 crore or 5.7 per cent (Table VII-52). Cumulatively, the National Bank's total disbursements in these States upto end-March 1990 amounted to Rs. 5,210 crore.

Integrated Rural Development Programme

The Integrated Rural Development Programme (IRDP) in operation since the Sixth Plan, continues to be a major instrument of the Government's policy to alleviate rural poverty.

Table VII-50 : Agency-wise Sanctions and Disbursements of Refinance Assistance by the National Bank During 1988-89 (July-March) and 1989-90 (April-March)**

(Rupees crore)

Agency	Number of Schemes*		Financial Assistance		National Bank's Commitments		Disbursements by National Bank		Cumulative position as on March 31, 1990£			
	1988-89 (July-March)	1989-90 (April-March)	1988-89 (July-March)	1989-90 (April-March)	1988-89 (July-March)	1989-90 (April-March)	1988-89 (July-March)	1989-90 (April-March)	No. of Schemes	Financial Assistance by agencies	National Bank's Commitments	Disbursements by National Bank@
1	2	3	4	5	6	7	8	9	10	11	12	13
1. State Land Development Banks	1,868	4,613	519	815	462[R]	646	381	558	23,817	6,780	5,932	4,428
2. Scheduled Commercial Banks@@	4,918	4,175	1,132	1,884	822[R]	1,243	814	1,029	52,874	12,755	9,531	7,465
3. State Co-operative Banks	251	423	109	173	97	150	75	115	2,172	821	718	514
Total	**7,037**	**9,211**	**1,760**	**2,872**	**1,381**	**2,039**	**1,270**	**1,702**	**78,863**	**20,356**	**16,181**	**12,407**

R : Revised.
@ : Excludes short-term finance.
* : Excludes IRDP.
@@ : Including RRBs.
£ : Cumulative position includes adjustments.
** : Provisional.
Source : National Bank for Agriculture and Rural Development.

Table VII-51 : Region-wise Disbursements of Refinance Assistance by the National Bank during 1988-89 (July-March) and 1989-90 (April-March)

Region	1988-89 (July-March)		1989-90 (April-March)	
	Amount (Rs. crore)	Percentage to total	Amount (Rs. crore)	Percentage to total
1	2	3	4	5
Northern	191	15.0	283	16.6
North-Eastern	25	2.0	42	2.5
Eastern	167	13.2	198	11.6
Central	292	23.0	392	23.0
Western	181	14.2	270	15.9
Southern	414	32.6	517	30.4
Total	**1,270**	**100.0**	**1,702**	**100.0**

Northern Region : 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, Daman & Diu, Dadra & Nagar Haveli, Gujarat and Maharashtra.

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

Source : National Bank for Agriculture and Rural Development.

Table VII-52 : Disbursement of Refinance Assistance by the National Bank to Less Developed and/or Under-banked States During 1988-89 (July-March) and 1989-90 (April-March) (Schematic Lending)

(Rupees crore)

States/Union Territories	1988-89	1989-90
1	2	3
1. Uttar Pradesh	201	273
2. Madhya Pradesh	91	119
3. Bihar	71	74
4. Rajasthan	54	88
5. Orissa	39	48
6. Jammu & Kashmir	7	8
7. West Bengal	56	76
8. Assam & Other North-Eastern States	25	42
9. Himachal Pradesh	6	9
10. Andaman & Nicobar Islands	1	—
11. Sikkim	—	—
A) Total	**551**	**737**
B) Total Disbursements (All-India)	**1,270**	**1,702**
Percentage of A to B	**(43.4)**	**(43.3)**

Source: National Bank for Agriculture and Rural Development.

The main objective of this programme, is to enable the target group in rural areas to cross the poverty line, by providing financial assistance in the form of term credit and Government subsidy and thereby creating productive assets for the selected families of Scheduled Castes, Scheduled Tribes, agricultural labourers, rural artisans and marginal and small farmers below poverty line.

During the first four years of the Seventh Plan (1985-89), over 1.48 crore families were assisted and Rs. 2,550 crore of funds utilised. Term credit extended by financial institutions amounted to Rs. 4,152 crore during this period. In 1989-90, 29.1 lakh families were targetted to be assisted; of which, about 19.9 lakh families were assisted upto December 1989.

As against the allocation of Rs. 748 crore for 1989-90, Rs. 456 crore or 61.0 per cent of allocated funds have been utilised upto December 1989. State-wise expect Arunachal Pradesh, Assam, Bihar, Karnataka, Madhya Pradesh, Maharashtra, Meghalaya, Mizoram, Nagaland, Orissa, Rajasthan, Uttar Pradesh and West Bengal, all other States have achieved their targets upto December 1989. The Central Sector provided an allocation of Rs. 375 crore and the total expenditure including State's share is Rs. 456 crore. Term credit of the order of Rs. 715 crore was disbursed for the implementation of the programme during 1989-90 (April-December). The progress of IRDP since 1985-86 is shown in Table VII-53.

Table VII-53 : Progress of Integrated Rural Development Programme

Item	Unit	1985-86	1986-87	1987-88	1988-89	1989-90 (upto Dec. 1989)
1	2	3	4	5	6	7
1. Central Allocation	Rs. crore	205.93	277.31	310.60	345.00	375.00
2. Central Releases	,,	207.10	279.67	299.72	309.07	301.44
3. Total Expenditure including States' share	,,	441.10	613.38	727.44	768.44	455.51
4. Term credit disbursed	,,	730.16	1,014.88	1,175.35	1,231.62	714.76
5. No. of families assisted	in lakhs	30.61	37.47	42.47	37.72	19.96
6. No. of SC/ST families assisted	,,	13.23	16.80	18.99	10.72	9.0

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

National Bank's Refinance under Integrated Rural Development Programme (IRDP)

During 1989-90 (April-March), the National Bank's refinance assistance under IRDP amounted to Rs. 549 crore of which, the share of Commercial Banks accounted for 47.0 per cent, RRBs for 41.0 per cent and SCBs and SLDBs together for 12.0 per cent. The Industry, Services and Business (ISB) component accounted for Rs. 267 crore constituting 49.0 per cent of total disbursements during 1989-90 (April-March) (Table VII—54).

Refinance Facilities—Policy Changes

Wastelands Developments

Keeping the National Forest Policy 1988 in mind, which laid down that diversion of good and productive agricultural lands to forestry should be discouraged, the National Bank advised the financing banks to ensure that the instructions issued by the Government of India as well as the State Governments regarding the land-use policy are strictly adhered to while supporting the programme for afforestation and wastelands development.

Special attention is also being paid by the National Bank to identify suitable field-level agencies like voluntary organisations, user-industries etc., which can motivate the farmers to take up wastelands development by rendering necessary technical advice and extension support, and to involve these agencies in formulation and implementation of bankable projects for development of wastelands, especially those under private ownership.

Strengthening and Future Development of the Co-operative Structure

Reorganisation of PACS

The Maharashtra State Government which had earlier not accepted the programme for reorganisation of PACS on the lines set out by the National Bank is now contemplating for the

Table VII-54 : National Bank's Refinance Assistance under IRDP During 1988-89 (July-March) and 1989-90 (April-March)

(Rupees crore)

Agency	Disbursements		Cumulative Assistance upto end of March 1990
	1988-89 (July-March)	1989-90 (April-March)	
1	2	3	4
SLDBs	6	9	93
	(—)	(—)	(—)
Commercial Banks (excluding RRBs)	188	259	1,529
	(102)	(119)	(563)
RRBs	166	227	1,137
	(107)	(124)	(587)
SCBs	43	54	282
	(16)	(24)	(75)
Total	**403**	**549**	**3,041**
	(225)	**(267)**	**(1,225)**

Note : Figures in brackets indicate disbursements for ISB Component.

Source : National Bank for Agriculture and Rural Development.

reorganisation of 18,433 primary societies as on June 30, 1989 on the basis of 'One village, One society'. The reorganisation was in progress in the State of Gujarat while it was very poor in Jammu & Kashmir.

Planning for the Future of Reorganised PACS

The implementation of the programme for development of selected PACS into truly multi-purpose co-operative societies as recommended by the Committee to Review Arrangements for Institutional Credit for Agriculture and Rural Development (CRAFICARD), is reported to have made steady progress in the States of Rajasthan, Kerala, Maharashtra, Madhya Pradesh, Haryana and Punjab. The membership of the primary societies have increased during the year 1988-89 in the States of Madhya Pradesh, Kerala and Haryana. In terms of deposits mobilised and loans issued, the performance of PACS in the States like Rajasthan, Kerala and Maharashtra have shown some improvement over a period of time.

(Rupees crore)

States	Deposits		Loans Issued	
	1987-88	1988-89	1987-88	1988-89
Rajasthan	2.06	3.22	15.94	25.49
Kerala	559.30	647.00	703.73	1,055.59
Maharashtra	18.70	20.00	6.28	7.15

In Punjab, the number of profit-making societies have increased from 2,275 in 1987 to 2,402 in 1988-89.

State-sponsored Programmes for Development of PACS

Besides the various programmes launched by the National Bank, some of the State Governments have taken their own initiative towards development of PACS. These included cash credit system with cheque book facility for members, adopted in 1987-88 and implemented in 7,901 PACS (Uttar Pradesh), 623 mini-banks established by converting selected PACS and

providing them each with Rs.6,000 as grant for infrastructural development (Uttar Pradesh), managerial subsidy (Kerala and Rajasthan), guarantee cover for deposits mobilised, subsidisation of the contribution made to the Deposit Guarantee Fund in this connection, subsidy to primary marketing/processing co-operatives for payments of incentives to individual members for marketing their produce through marketing co-operatives and to PACS for undertaking irrigation work (Kerala) and the scheme selecting a few PACS as 'Model PACS' (Maharashtra) with an intention to develop all the PACS on the lines of the model PACS.

*15-Point Programme for Development of PACS and LAMPS**

The 15-Point Programme for the development of PACS and LAMPS is being implemented in 16 pilot project districts covering 417 PACS and 157 LAMPS, and brought in considerable improvement in the performance of the selected PACS and LAMPS in terms of deposits mobilised and credit disbursed through improved credit delivery system. Deposits of selected PACS/LAMPS in 13 districts increased from Rs.89.5 lakhs in 1986-87 to Rs.335.2 lakhs in 1988-89, registering a 274 per cent increase in the societies concerned. Loans disbursed by some selected societies have also increased from Rs.1,370.5 lakhs in 1986-87 to Rs.2,419.8 lakhs in 1988-89, registering an increase of 77.0 per cent. However, the selected societies in 4 districts viz., Kalahandi (Orissa), Sultanpur (U.P), Ajmer (Rajasthan) and Nalanda (Bihar) presented a poor recovery performance during 1988-89, showing a recovery percentage ranging from 24.0 per cent to 43.0 per cent.

Rehabilitation of Weak CCBs/SCBs

As on June 30, 1988, 175 CCBs and 7 SCBs (in two-tier), being identified as 'weak' banks on the basis of their financial position, were brought under the rehabilitation programme. Majority of the CCBs were weak in the States of Andhra Pradesh, Bihar, Jammu & Kashmir, Karnataka, Orissa, Rajasthan and Uttar Pradesh. The weak banks were asked to formulate the rehabilitation programme and accordingly appropriate measures were taken to curb the deteriorating financial position.

12-Point Action Programme

In order to provide certain financial assistance to weak banks and relaxations in the matter of sanction of credit limit, the National Bank formulated a 12-Point Action Programme in September 1987 and the same was circulated to the State Governments. The response from the States in this regard continued to be lukewarm. However, keeping in view the initiatives taken by the Government of Uttar Pradesh, the package rehabilitation programme prepared by the 13 identified CCBs was cleared by the National Bank during December 1989. Accordingly, the National Bank has agreed to provide over a period of 3 years, grants-in-aid to CCBs and PACS amounting to Rs. 215.3 lakhs subject to the matching contributions by the State Government to meet the costs involved in the appointment of additional staff by these institutions. The grants-in-aid shall be provided out of the Research and Development Fund of the National Bank. In addition, the National Bank has also provided a loan amounting to Rs.1,489.8 lakhs in March 1990 from NRC (LTO) Fund to the State Governments, to enable them to subscribe to the share capital of 13 CCBs and 1,510 PACS affiliated to the CCBs. The National Bank has also agreed to meet the cost of training the concerned staff connected with the 12-Point Action Programme in Uttar Pradesh. Approval of rehabilitation programme prepared by the banks from two other States viz., Orissa and Rajasthan have been kept in abeyance by the National Bank pending assessment of the impact of loan waiver schemes (being contemplated by the State Governments) on the reduction of overdues of the 'weak' banks concerned.

Business-oriented Development of Short-term Co-operative Credit Structure

With a view to bringing about a qualitative improvement in the business operations of the co-operative credit institutions, the National Bank has initiated the process of business-

* Large-sized Adivasi Multi-purpose Societies.

oriented development amongst the CCBs/SCBs (two-tier). In this context, the National Bank plans to formulate the business development plan for atleast one CCB in each State suggesting ways and means for resource development and deployment, human resources development, monitoring of business development, development of PACS etc.

Recovery of Dues in Short-term Co-operative Credit Structure

The credit institutions at various levels of the short-term co-operative credit structure continued to reel under high level of overdues. The overdues at the level of State Co-operative Banks increased from Rs.401.3 crore on June 30, 1988 to Rs.669.8 crore as on June 30, 1989, thus raising the percentage of overdues to demand from 11.3 per cent to 14.1 per cent. Recovery performance at the level of DCCBs had deteriorated during 1988-89; the percentage of overdues to demand rose from 37.0 per cent at end-June 1988 to 38.3 per cent at end-June 1989. Overdues in absolute terms at the PACS level had increased from Rs.1,896.2 crore at end-June 1987 to Rs.2,131.9 crore at end-June 1988.

Apart from the common factors normally responsible for a high level of overdues, intervention of the external forces such as loan waivers, concessions in various forms towards repayment of principal and payment of interest has also affected the recovery performance of credit institutions to a significant extent. The problem was further accentuated on account of the State Governments' inability to meet the financial commitments to co-operative banks emanating from waiver of loans, interest subsidy, etc. Such dues amounted to Rs.478.3 crore as on December 31, 1988.

National Bank's Refinance Scheme for Non-Farm Sector

Technical, Monitoring and Evaluation (TME) Cells

The scheme for providing grants out of R&D Fund of the National Bank to SCBs, SLDBs and RRBs for setting up Technical,Monitoring and Evaluation (TME) Cells by appointment of professionally qualified key personnel as a specific addition to the existing staff by fresh recruitment or by taking them on deputation/contract basis from other Government institutions, Statutory Boards etc., exclusively for attending to formulation, appraisal, monitoring and evaluation of Non-farm sector projects/schemes continued also in the year 1989-90. The scheme has since been further liberalised permitting the banks to appoint persons from their existing staff if they possess requisite qualification/experience.

Working Capital Finance for Handlooms/Powerlooms in Co-operative Sector

The National Bank has been giving uniform scales for all States/Union Territories for financing the working capital finance under its refinance scheme, both for new as well as reactivised handlooms/powerlooms in the co-operative sector. In view of the fact that the cost of production of different varieties of cloth is found to vary from State to State, a decision has been taken to fix such scales which would suit to the State-wise varying cost, if warranted, by location-specific conditions.

Other Developments

Credit Authorisation Scheme

The responsibility of administering the Credit Authorisation Scheme (as applicable to co-operative banks) rests with the National Bank. During 1989-90, credit authorisation granted to non-credit co-operative societies for block capital finance amounted to Rs.95 crore as against Rs. 141 crore in 1988-89 (July-March). During the period April 1989 to March 1990, authorisations for working capital finance were granted for a total amount of Rs. 1,855 crore as compared to Rs. 1,428 crore in 1988-89 (July-March).

Minimum Involvement (MI) Criteria

From 1988-89, SCBs and CCBs are required to maintain MI on a monthly average basis. During 1988-89, it was observed that while some

banks had failed to maintain MI even on a monthly average basis, some other banks could do so by making suitable adjustments as on last Friday of the month. It was, therefore, decided that compliance with the MI stipulation may be monitored on the basis of the position obtaining on each Friday of the month. It was also decided that SCBs and CCBs should maintain MI on the monthly average basis i.e., the average of the position obtaining on each Friday of the month atleast to the extent of 75 per cent of MI fixed by the National Bank which would be the basic minimum level of MI. The drawals on the credit limit sanctioned by the National Bank would be subject to the compliance with the above stipulation.

With a view to assisting SCBs/CCBs to deploy their resources in high interest-earning avenues so as to cross-subsidise the losses arising out of their own involvement in short-term agricultural lending, National Bank, in consultation with the Reserve Bank of India, inducted 8 SCBs in consortia financing food credit, jute credit and National Dairy Development Board (NDDB) with aggregate share of Rs. 300 crore. Further, the National Bank has already recommended the names of 6 SCBs to the RBI for notification so as to enable them to participate in the bill rediscounting market. Out of these, 3 SCBs—one each in Madhya Pradesh, Maharashtra and Tamil Nadu have already been notified for the purpose by the RBI.

Schematic Lending—Identification and Coverage of Small Farmers—Revision of Income Ceilings

The National Bank revised pre-development income ceilings for identification of small farmers for extending concessions in down payment, repayment period, interest rate etc., to beneficiaries. Accordingly, a farmer whose family's pre-development return does not exceed Rs. 6,400 is to be treated as a small farmer. The need to revise prevalent acreage norms for different agro-climatic regions was not felt in view of corresponding increase in both the cost/price of inputs/outputs.

Research and Development Fund

During the fiscal year 1989-90, 12 more RRBs were admitted to the National Bank's scheme for RRBs/SLDBs/SCBs for setting up and strengthening Technical, Monitoring and Evaluation (TME) Cells and thereby raising the total number of RRBs assisted under the scheme to 76. The assistance continued to be provided to 2 SCBs as a special case and 13 SLDBs as was the case during the last year. Of these, 17 RRBs and 6 SLDBs had, so far, completed the five year period of availing assistance. The amount of grants disbursed to SLDBs, SCBs and RRBs under the scheme during the same period stood at Rs. 47 lakhs. During the period from April 1989 to March 1990, the National Bank approved 6 research projects. The total financial assistance disbursed by the National Bank from its R & D Fund during the period April 1989 to March 1990 for all purposes amounted to Rs. 1.6 crore, including Rs. 1.1 crore disbursed for seminar and research studies and for co-operative banks under rehabilitation.

Licensing of Co-operative Banks

During the year 1989-90 (July-June), licences were issued to 3 CCBs to carry on banking business in India under Section 22 of the Banking Regulation Act, 1949 (as applicable to co-operatives societies). Licences were issued to 31 primary co-operative banks (17 new banks and 14 existing banks) for the period July 1989 to March 1990. The total number of licensed banks at the end of 1989-90 (July-June) thus increased from 1,027 in 1988-89 to 1,061 in 1989-90, comprising of 8 SCBs, 40 CCBs and 1,013 PCBs (Table VII-55). During the year, 3 SCBs and 52 PCBs were issued licences to open new offices/extension counters under Section 23 of the Banking Regulation Act, 1949 (as applicable to co-operative societies). Licences were also issued to two Salary Earners' Banks to open a branch each and five urban co-operative banks were permitted to open six extension counters for the year 1989-90 (July-March).

Table VII-55 : Licences Issued to Co-operative Banks During 1987-88, 1988-89 and 1989-90 (July-June)

Item	1987-88				1988-89				1989-90			
	SCBs	CCBs	PCBs	Total	SCBs	CCBs	PCBs	Total	SCBs@	CCBs@	PCBs*	Total
1	2	3	4	5	6	7	8	9	10	11	12	13
Licences issued to carry on/commence banking business	..	1	271[R]	272[R]	..	..	278	278	..	3	295	298
No. of Licensed banks at the end of the year	8	37	964	1,009	8	37	982	1,027	8	40	1,013	1,061
Licences issued for Opening of new offices	6[R] (20)[R]	..	234[R]	240[R]	9[R] (21)[R]	..	29	38[R]	3 (3)	..	52 (54)	55

Note : Figures in brackets indicate the number of branches for which licences were issued.
.. : Not available.
R : Revised.
* : Position as on July 1989 to end-March 1990.
@ : Position as on 1989-90, (July-June).
Source : Reserve Bank of India.

Inspection of Banks

Out of the 623 banks/institutions coming under the purview of inspection of the National Bank, 353 banks/institutions were programmed for inspection during the year 1989-90. Of these, 273 (13 SCBs, 7 SLDBs, 167 CCBs, 76 RRBs and 10 other co-operative institutions) were inspected during 1989-90 (April-March).

Comprehensive Crop Insurance Scheme (CCIS)

The Comprehensive Crop Insurance Scheme (CCIS) introduced throughout the country from *Kharif* 1985 has been implemented by the General Insurance Corporation of India (GIC) on behalf of the Government of India in collaboration with the State Governments. The details of the progress made under the crop insurance scheme from 1985 onwards are given in Table VII-56.

Large-sized Adivasi Mutli-purpose Societies (LAMPS)

The Large-sized Adivasi Multi-purpose Societies (LAMPS) operate mainly in backward regions, viz., hilly and tribal areas. As at end-June 1989, as many as 2,516 societies out of the total number of 2,912 LAMPS (or 86.0 per cent) were active in 6 States viz., Madhya Pradesh (1,073), Bihar (474), Maharashtra (275), Rajasthan (268), Orissa (223) and Gujarat (203). These societies had 47.86 lakhs members of which,Scheduled Castes and Scheduled Tribes numbered 7.3 lakhs and 29.1 lakhs, respectively. The paid-up capital of LAMPS stood at Rs. 70 crore which included Government's contribution of Rs. 28 crore. The overdues of LAMPS at Rs. 132 crore formed 57.0 per cent of their outstanding loans at the end of June 1989 .

Farmers' Service Societies (FSS)

The Farmers' Service Societies (FSS) continue to cater to credit and non-credit requirements of farmers at a single window since their inception in 1973-74. As at end-June 1989, there were 1,822 such societies. Of these, 1,262 societies (or 69.0 per cent) were located in 2 States, viz., Karnataka (213) and Uttar Pradesh (1,049). The membership as at the end of 1989 was 47.43 lakhs; of which, Scheduled Castes and Scheduled Tribes together constituted 23.0 per cent. The paid-up capital of FSS stood at Rs. 64 crore of which, Rs. 10 crore was contributed by State Governments. The FSS issued loans of Rs. 235

Table VII-56 : Progress of Crop Insurance Scheme

Season	No. of States & UTs implementing	No. of Farmers covered (lakhs)	Area covered (lakh hectares)	Sum insured (Rs. crore)	Total insurance charges (Rs. crore)	Claims paid (Rs. crore)
1	2	3	4	5	6	7
Kharif 1985	11+2	26.36	53.73	542.73	9.42	83.91
Rabi 1985-86	13+3	12.12	23.18	238.41	4.48	3.11
Kharif 1986	15+3	39.56	77.40	856.20	14.99	167.79
Rabi 1986-87	14+3	11.28	20.99	242.37	4.52	7.84
Kharif 1987	18+3	46.31	84.08	1140.15	19.09	277.17
Rabi 1987-88	17+2	21.27	32.36	475.44	8.85	12.07
Kharif 1988	13+0	29.64	52.35	547.89	8.82	29.18
Rabi 1988-89	9+0	8.73	10.12	164.09	3.12	584.96
Kharif 1989	15+2	42.26	66.94	872.34	14.46	N.A.

Source : Ministry of Agriculture, Department of Agriculture and Co-operation, Government of India—Annual Report—1989-90.

crore to 14.94 lakh borrowers during 1988-89. Their overdues at Rs. 139 crore accounted for 36.0 per cent of their outstanding loans of Rs. 389 crore at the end of June 1989.

Commercial Banks and Rural Credit

The commercial banks are now increasingly involved in the development of the rural sector. As a result, both farmers and non-farmers in the rural sector have comparatively an easy access to the lending windows of the commercial banks. In the sphere of advances to priority sector (which includes advances to agriculture) commercial banks have attained the targets prescribed from time to time. According to the latest available data, the total priority sector advances of the public sector banks increased from Rs. 34,623 crore at end-March 1989 to Rs. 39,418 crore as at end of March 1990, showing a rise of 13.8 per cent during the year which is, however, lower compared with 21.6 per cent rise registered in 1988-89. The share of public sector banks' priority sector advances to total net bank credit stood at 43.2 per cent at end-March 1990 as against 44.3 per cent as at end-March 1989. The data on outstanding advances of public sector banks to priority sectors during the past four years are given in Table VII-57.

As at end-March 1990, the outstanding direct advances to agriculture of public sector banks stood at Rs. 15,082 crore or 16.5 per cent of total credit. The advances outstanding to weaker sections during the same period at Rs. 9,897 crore (as against Rs. 8,459 crore in the previous year) was 10.9 per cent of the total outstanding advances of the public sector banks.

Disbursement of Credit for Agriculture and Allied Activities

During 1987-88 (July-June), disbursement of credit for agriculture and allied activities amounted to Rs. 3,526 crore, recording an increase of Rs. 194 crore or 5.8 per cent as compared with the amount disbursed a year ago. A major portion of the credit (Rs. 2,247 crore or 63.7 per cent) was disbursed by the nationalised banks; the State Bank of India Group accounted for Rs. 1,142 crore (32.4 per cent) and foreign and other scheduled commercial banks for Rs. 137 crore or 3.9 per cent (Table VII-58).

Purpose-wise Disbursements

During 1987-88 (July-June), short-term loans aggregating Rs. 1,672 crore constituting 47.4 per cent of the total loans disbursed, were issued by scheduled commercial banks (excluding RRBs). Disbursements of term loans for agriculture and allied activities amounted to Rs 1,854 crore of which, Rs. 1,272 crore or 68.6 per cent were provided for agriculture alone, under which tractors, agricultural implements and machinery

Table VII-57 : Outstanding Advances of Public Sector Banks

(Rupees crore)

Item	End-March 1987	End-March 1988	End-March 1989 P	End-March 1990 P
1	2	3	4	5
i) Outstanding advances to priority sectors	24,552	28,468	34,623	39,418
Percentage to total credit	44.0	45.8	44.3	43.2
ii) Outstanding direct advances to agriculture	9,058	10,438	12,833	15,082
Percentage to total credit	16.2	16.8	16.4	16.5
iii) Outstanding advances to weaker sections	6,119	7,310	8,459	9,897
Percentage to priority sector advances	24.9	25.7	24.4	25.1
Percentage to total credit	11.0	11.8	10.8	10.9

P : Provisional.

Table VII-58 : Disbursements of Credit for Agriculture and Allied Activities by Scheduled Commercial Banks During 1985-86 to 1987-88 (July-June)

(Rupees crore)

Category of Banks	1985-86	1986-87	1987-88
1	2	3	4
Nationalised Banks	1,751	2,228	2,247
	(64.2)	(66.9)	(63.7)
State Bank of India Group	888	979	1,142
	(32.5)	(29.4)	(32.4)
Foreign and Other Scheduled Commercial Banks	90	125	137
	(3.3)	(3.7)	(3.9)
Total	**2,729**	**3,332**	**3,526**
	(100.0)	**(100.0)**	**(100.0)**

Note : Figures in brackets indicate the share of each category of banks in the total loans disbursed.
Source : Data collected by RBI under Special Return-1.

accounted for bulk of the loans disbursed (44.7 per cent). Minor Irrigation Schemes (Rs. 320 crore) was another important purpose under agriculture (Table VII-59).

Region-wise Disbursements

Region-wise, Southern Region continued to account for bulk of the credit disbursed; its share in the total credit disbursements increasing marginally from 49.4 per cent in 1986-87 to 50.1 per cent in 1987-88 (Table VII-59). The share of Northern Region and Eastern Region decreased from 17.0 per cent and 7.3 per cent, respectively, in 1986-87 to 14.8 per cent and 7.2 per cent, respectively, in 1987-88, whereas that of Western Region increased from 13.5 per cent to 14.5 per cent. The share of North-Eastern Region was negligible (0.8 per cent) during 1987-88.

Agricultural and Rural Debt Relief Scheme, 1990

The Agricultural and Rural Debt Relief Scheme, 1990 providing debt relief upto Rs. 10,000 to the borrowers from public sector banks and RRBs has been finalised by the Government of India and the scheme has been sent to the banks for implementation effective May 15, 1990. A scheme on a similar pattern for co-operative banks will be framed and put into operation by the State Governments. The scheme covers borrowers of agriculture and other allied activities and artisans engaged in any

Table VII-59 : Purpose-wise/Region-wise Distribution of Credit by Scheduled Commercial Banks During 1987-88 (July-June)

(Rupees crore)

Purpose	Northern Region	North-Eastern Region	Eastern Region	Central Region	Western Region	Southern Region	Total
1	2	3	4	5	6	7	8
I. Short-term Loans (including crop loans)	**107**	**7**	**68**	**80**	**183**	**1227**	**1672**
	(6.4)	(0.4)	(4.1)	(4.8)	(10.9)	(73.4)	(100.0)
	(20.5)	(25.9)	(26.9)	(17.9)	(35.7)	(69.4)	(47.4)
II. Term Loans (A + B)	**415**	**20**	**185**	**366**	**329**	**542**	**1854**
	(22.3)	(1.1)	(10.0)	(19.7)	(17.7)	(29.2)	(100.00)
	(79.5)	(74.1)	(73.1)	(82.1)	(64.3)	(30.6)	(52.6)
A. Loans for Agriculture	330	9	118	289	226	303	1272
i) Minor irrigation schemes	57	2	21	76	82	83	320
ii) Reclamation and Land Development Schemes	5	1	5	3	4	17	34
iii) Tractors and Agricultural Implements and Machinery	229	2	51	147	65	76	569
iv) Plantations	3	1	11	13	8	33	70
v) Other term loans	36	3	30	50	67	94	280
B. Loans for Allied Activities	85	11	67	77	103	239	582
i) Dairying	42	4	29	37	39	103	255
ii) Poultry Farming, Piggery and Bee-Keeping	10	3	9	11	11	30	74
iii) Fisheries	1	2	8	3	14	32	59
iv) Others	32	2	21	26	39	74	194
Grand Total (I + II)	**522**	**27**	**253**	**446**	**512**	**1769**	**3526**
Region-wise shares (Percentage)	(14.8)	(0.8)	(7.2)	(12.6)	(14.5)	(50.1)	(100.0)
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)

Note : 1) Due to rounding off of figures, the constituent items may not add up to the total shown.
2) Figures in the first brackets indicate the share of each region to the total loans disbursed under the main categories i.e., short-term and medium-term loans.
3) Figures in second brackets indicate the share of each category of loans disbursed to the grand total.

Source : Data collected by RBI under Special Return-I.

activity of rural development relating to cottage and village industry, handicrafts, weaving etc. The eligible loans for debt relief cover:

i) That part of the short-term loans, including converted/rescheduled medium-term loans, availed of by an individual borrower on or after April 1, 1986, and instalments of a term loan falling due after October 2, 1986, which were overdue to a bank on October 2, 1989.

ii) 'Chronic Overdues' i.e., overdues including overdue interest of an individual farmer, weaver or artisan or landless cultivator who had borrowed a loan or loans from one or more banks, and had overdues with such bank(s), for more than 3 years as on October 2, 1989.

iii) The loans taken by a borrower who died on or before October 2, 1989.

iv) The overdue loan of a borrower who has been declared insolvent or whose petition is pending in the court on or before October 2, 1989, for being declared insolvent.

Central/State Governments and Co-operative Credit

The Government of India has formulated several Central Sector and Centrally – sponsored Schemes to provide financial assistance to co-operatives for specified/identified purposes, especially in the co-operatively underdeveloped States and certain

special areas. These provide an added impetus to rural credit and co-operative development apart from the refinance support and guidance provided by the National Bank. The progress made under these schemes during 1989-90 is reviewed in the following paragraphs.

Risk Fund for Consumption Credit

Effective from 1977-78, the Risk Fund for Consumption Credit has been operating as a non-plan scheme covering all the States and Union Territories. Under the scheme, the commercial banks, co-operative banks and RRBs are expected to extend consumption credit to the 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 meagre means such as carpenters, barbers, washermen, etc. The entire amount of Risk Fund Assistance (i.e., 10 per cent of the total consumption loans disbursed) is contributed by the State Governments and later 50 per cent of the assistance is claimed as reimbursement from the Government of India. During 1989-90 (April-March), an amount of Rs. 13 lakh was released to 4 States viz., Punjab, Rajasthan, Andhra Pradesh and Uttar Pradesh under this scheme and the budget provision of Rs. 20 lakh has been made for the year 1990-91.

Agricultural Credit Stabilisation Fund

The scheme under operation since 1966-67 was launched with an intention to provide financial assistance to the State Agricultural Credit Stabilisation Funds of the State co-operative banks. The Central assistance is provided on the basis of 75 per cent grants and 25 per cent loans. The scheme has been of considerable help to co-operative banks in providing relief to farmers by way of conversion of short-term into medium-term loans, in areas affected by natural calamities, where crop loss is more than 50 per cent. In order to enable the conversion of loans by SCBs, assistance is provided by the National Bank (60 per cent), State Governments (15 per cent) and SCBs/CCBs (25 per cent). Deficit in the fund is, however, being met to the extent possible, by the Government of India.

During the 1989-90, an amount of Rs 2 crore which was the same as in 1988-89 was released under the scheme to various State Governments. The total amount released since the inception of the scheme till end-March 1990 aggregated Rs. 138 crore. The scheme would continue during 1990-91 also with the earmarked provision of Rs. 5 crore.

Assistance to Co-operative Credit Institutions in the Co-operatively Under-developed States and Special Areas (Non-overdue cover scheme)

The Centrally-sponsored scheme introduced during the year 1974-75 seeks to provide Central assistance to DCCBs/SCBs to meet the deficit in non-overdue cover in the co-operatively under-developed States, tribal areas, areas under Drought-Prone Area Programme, Special Rice Production Programme (SRPP), National Oilseeds Development Project (NODP) and Special Foodgrains Production Programme (SFPP). During 1989-90, an amount of Rs. 19 crore was released under the above scheme and a budgetary provision of Rs. 17 crore has been made for the year 1990-91.

Other Institutions in the Field of Rural Credit

National Co-operative Development Corporation (NCDC)

The National Co-operative Development Corporation (NCDC) continued to plan and promote programmes through co-operative societies for the production, processing, marketing, storage, export and import of agricultural produce, foodstuffs and certain other commodities. Besides, the Corporation continued to implement programmes through co-operatives intended to benefit the weaker sections of the society, namely, scheduled castes and tribes. These programmes relate to poultry, fisheries, minor forest produce, handlooms, coir, sericulture, dairy farming and strengthening of distribution system of consumer articles in

rural areas. As a lending agency for implementing projects aided by International Development Association (IDA), the European Economic Community (EEC) etc., international assistance has been increasingly availed of for various programmes such as creation of rural storage, production, processing, marketing of oilseeds and cotton in the co-operative sector etc. NCDC-I and II IDA – assisted projects in the field of storage and cold storage and EEC-assisted projects in the areas of storage and soyabean processing have already been implemented. The IDA-assisted project NCDC-III is currently under implementation in the field of storage, oilseeds, cotton processing and institution building in addition to EEC-assisted projects for mustard seed and coconut development. The NCDC-IV project with IDA assistance is being formulated. The scheme launched during the Seventh Plan for Integrated Co-operative Development Projects for area development in selected districts, through co-operatives in agricultural and allied and non-farm sectors has been sanctioned in 21 districts upto March 1990, involving a project cost of Rs. 89 crore, of which NCDC share was around Rs. 84 crore. The scheme was intended to develop and strengthen the co-operative infrastructure so as to enable it to cater to the overall needs of the rural community in the selected area in a district.

The total financial assistance provided by the Corporation during 1989-90 was around Rs. 222 crore, as against Rs. 206 crore in 1988-89. Of this, Rs. 101 crore was under Central Sector Schemes (as against Rs. 99 crore in 1988-89) and Rs. 121 crore was under Corporation-sponsored Schemes (as against Rs. 107 crore in 1988-89) (Table VII-60). State-wise, assistance was shared mainly by Maharashtra (17 per cent), Uttar Pradesh (13 per cent), Rajasthan (11 per cent), Madhya Pradesh (9 per cent), Tamil Nadu (9 per cent), Kerala (7 per cent) and Punjab (6 per cent). With the total expenditure of Rs. 222 crore incurred by the Corporation for the year 1988-89 under various heads in respect of Corporation-sponsored Schemes and Central Sector

Table VII-60 : NCDC's Financial Assistance (Disbursements) from 1987-88 to 1989-90 (April-March)

(Rupees crore)

Schemes/Purposes	Amount disbursed		
	1987-88	1988-89	1989-90
1	2	3	4
I. Central Schemes	**78**	**99**	**101**
a) Co-operative Storage Programme with International aid	59	68	63
b) Co-operative Marketing, Processing & Storage Programmes in under-developed States/Union Territories	8	10	10
c) Margin Money Assistance of Village Societies for Distribution of Consumer Articles in Rural Areas	3	2	2
d) Finance for Co-operative Sugar Factories, Co-operative Spinning Mills, NAFED, etc.	8	19	26
II. Corporation Sponsored Schemes	**93**	**107**	**121**
a) Storage	26	16	18
b) Agro-Processing	28	51	53
c) Weaker Sections	12	18	21
d) Agricultural Marketing	11	10	14
e) Rural Consumer Activity	4	2	3
f) Agro Services and Promotional & Developmental Programmes	12	10	12
III. Total (I + II)	**171**	**206**	**222**

Source : National Co-operative Development Corporation.

Schemes, the total assistance provided by NCDC to the various State Governments and other agencies so far, aggregated Rs. 1,711 crore, of which, Rs. 1,077 crore were outstanding as at end-March 1990.

During 1989-90, NCDC has actively promoted distribution of consumer articles in rural areas through service co-operatives. The value of consumer goods to be distributed by co-operatives was targeted to reach Rs. 2,500 crore. The total number of co-operative retail outlets assisted by NCDC for distribution of consumer goods in rural areas also increased to 57,355 at end-March 1990 as against 57,210 during 1988-89. Supply of essential commodities such as foodgrains, sugar, edible oil, controlled cloth, kerosene, salt, soft coke, etc., through co-operatives in rural areas has become an integral part of the Public Distribution System (PDS). NCDC has been providing financial assistance since 1978, to rural consumer co-operatives such as the PACS through margin money assistance under a Centrally-sponsored Scheme. NCDC has sanctioned a total assistance of Rs. 99.74 crore (Rs.44.30 crore under Centrally-sponsored Schemes and Rs. 55.44 crore under NCDC-sponsored Schemes including students' consumers stores), upto end-March 1990. Cumulatively, upto end-March 1990, NCDC has sanctioned Rs. 1.5 crore for 1,073 students' consumers stores under its scheme to assist and promote student co-operatives.

Warehousing Corporations

The public warehousing system in India which started in 1957 is showing a steady progress especially during the last three decades. Public Warehousing in India operates under a 3-tier system with the Central Warehousing Corporation (CWC) catering to the markets of All-India importance, the State Warehousing Corporations (SWCs) serving the secondary markets and the co-operatives in rural areas. The system caters to a vast clientele of agriculturists, co-operatives, trade and industry, Public undertakings and Central and State Governments and handles a wide range of commodities such as foodgrains, fertilisers, sugar, jaggery, oil and oilseeds, fibres like cotton and jute, spices and condiments, textiles, chemicals, heavy industrial goods, sophisticated electronic components and a host of other agricultural and industrial commodities.

i) The Central Warehousing Corporation (CWC)

As at end-March 1990, the owned, hired and plinth capacity of the Central Warehousing Corporation stood at 45.7 lakh tonnes, 17.7 lakh tonnes and 1.8 lakh tonnes, respectively, as against 43.8 lakh tonnes, 18.3 lakh tonnes and 1.5 lakh tonnes, respectively, a year ago (Table VII-61). The average utilisation of the warehousing capacity during the year 1989-90 was higher at 77.0 per cent than that of last year at 72.0 per cent.

ii) State Warehousing Corporations

During 1989-90, the number of warehouses owned/managed by the State Warehousing Corporations (SWCs) increased from 1,300 in 1988-89 to 1,303 and the total warehousing capacity by 4.1 lakh tonnes from 85.5 lakh tonnes to 89.6 lakh tonnes (Table VII-61).

Rural Electrification Corporation Limited (REC)

The Rural Electrification Corporation Limited (REC) was set up in 1969 with the objective of rapid electrification of the rural and backward areas to promote decentralised distribution of power on co-operative basis and also to exploit fully the irrigation potential through energisation of pumpsets in collaboration with the State Electricity Boards.

During the year 1988-89, the Corporation showed a remarkable progress in several key areas of its operations and in its traditional lines of business, namely, village electrification and pumpset energisation. Over 4 lakh single-point light connections were released to rural poor households in a short span of five years, under the 'Kutir Jyoti' programme launched in 1988-89. Special thrust was given for making more

Table VII-61 : Increase in the Capacity of Central Warehousing Corporation and State Warehousing Corporations

(Capacity in lakh tonnes)

Agency/Year	Number of Warehouses	Owned	Hired	Plinth	Total
1	2	3	4	5	6
I. Central Warehousing Corporation					
1987-88	465	42.2	19.0	1.6	62.8
1988-89	465	43.8	18.3	1.5	63.6
1989-90	483	45.7	17.7	1.8	65.2
II. State Warehousing Corporations					
1987-88	1,306	58.7	28.4	3.5	90.6
1988-89	1,300	62.5	21.8	1.2	85.5
1989-90*	1,303	64.4	22.6	2.6	89.6

* : Provisional.

Source : Central Warehousing Corporation.

Table VII-62 : Schemes sanctioned and Loans Disbursed by Rural Electrification Corporation (April-March)

(Rupees crore)

Items	1987-88	1988-89	1989-90	Cumulative Position as at end-March 1989[R]
1	2	3	4	5
1. No. of Schemes sanctioned	3,101	2,273	2,312	21,081
	(160)	(146)	(220)	(1,447)
2. No. of villages covered	30,019	17,389	18,864	4,05,707*
	(6,738)	(4,737)	(6,701)	(65,104)
3. Total cost of schemes	1,471	1,263	1,239	9,798
	(16)	(11)	(22)	(104)
4. Total amount sanctioned	1,028	954	959	6,965
	(16)	(12)	(22)	(103)
5. Total amount disbursed	655	804	713	4,709
	(9)	(9)	(10)	(68)

R : Revised

* : Cumulative total includes adjustments.

.. : Not Available.

Note : Figures in brackets are in respect of Harijan Basti Schemes included in the respective totals.

Source : Rural Electrification Corporation Limited.

Rural Electric Co-operatives functional and 4 more such co-operatives came into operation during the year.

The total financial assistance sanctioned by the Corporation during 1989-90 (April-March) amounted to Rs. 959 crore, which was higher by Rs. 5 crore or 0.5 per cent than that sanctioned in 1988-89. Disbursements during 1989-90 registered a decline of Rs. 91 crore or 11.3 per cent to Rs. 713 crore as compared to an amount of Rs. 804 crore during 1988-89.

During the year 1989-90 (April-March), the Corporation sanctioned 2,312 schemes covering 18,864 villages as against 2,273 schemes covering 17,389 villages in 1988-89. The cumulative financial assistance sanctioned and disbursed by REC as at end-March 1990 amounted to Rs. 6,965 crore and Rs. 4,709 crore, respectively.

Table VII-63 : State-wise Data on Schemes Sanctioned and Loans Disbursed by REC (Cumulative Position) as at end of March 1989 and 1990

States	No. of schemes sanctioned		Villages including HBs covered		Loan amount sanctioned (Rs. crore)		Amount disbursed (Rs. crore)	
	1989	1990	1989	1990	1989	1990	1989	1990
Andhra Pradesh	2091	2324	26462	30492	485.9	533.6	370.2	383.5
Arunachal Pradesh	24	46	471	848	34.8	55.4	4.2	11.8
Assam	298	318	17841	18501	201.4	221.8	156.1	171.0
Bihar	1249	1424	52747	55510	366.8	421.6	284.0	329.4
Goa	—	—	—	—	—	—	—	—
Gujarat	822	883	9246	9186	302.6	348.7	194.1	217.8
Haryana	561	617	5917	5917	147.2	189.4	112.0	134.8
Himachal Pradesh	250	261	11106	11097	140.6	149.0	97.9	107.7
Jammu & Kashmir	222	233	5454	5489	103.6	114.7	62.1	69.3
Karnataka	927	990	15480	15505	194.1	215.5	157.5	189.9
Kerala	410	471	595	727	116.1	137.1	71.8	88.5
Madhya Pradesh	2814	3298	64889	67451	842.0	975.9	564.7	657.0
Maharashtra	1726	1980	16825	16568	514.5	646.1	420.7	400.3
Manipur	35	49	1103	1420	25.8	38.6	16.0	25.2
Meghalaya	78	95	2559	2928	45.8	72.0	39.7	47.5
Mizoram	12	16	285	344	19.2	24.6	6.1	10.0
Nagaland	43	45	756	756	33.3	35.7	28.0	31.4
Orissa	885	978	31987	33283	276.5	308.9	196.0	222.2
Punjab	814	921	4385	4385	267.4	343.0	184.6	209.7
Rajasthan	1273	1449	29081	31166	344.5	402.5	243.0	292.0
Sikkim	34	34	301	296	26.3	26.3	16.3	19.3
Tamil Nadu	1142	1285	1264	1264	259.4	319.3	215.4	214.6
Tripura	87	88	2991	2980	44.3	45.2	26.0	32.4
Uttar Pradesh	2128	2310	63571	62107	879.3	951.6	480.8	568.8
West Bengal	854	966	27044	27644	340.3	388.3	245.3	275.1
Total	**18779**	**21081**	**392360**	**405864**	**6011.7**	**6964.7**	**4192.5**	**4708.9**

Source : Rural Electrification Corporation Limited.

During 1989-90 (April-March), REC sanctioned 220 schemes for Harijan Bastis covering 6,701 villages involving a financial assistance of Rs. 22 crore which was much higher than that of Rs. 12 crore in 1988-89 when 146 schemes covered 4,737 villages.

Disbursements for Harijan Bastis during 1989-90 also registered an increase of Rs 1 crore over the preceding year. Cumulatively, REC had approved 1,447 Harijan Bastis' scheme covering 65,104 villages with a financial assistance of Rs. 103 crore upto end-March 1990. The total amount disbursed under this scheme amounted to Rs. 68 crore at end-March 1990, as compared with Rs. 58 crore till 1988-89 (Table VII-62). State-wise data of schemes sanctioned and amount disbursed by REC (cumulative position) as at the end of March 1989 and 1990 are given in Table VII-63.

Agricultural Finance Consultants Ltd. (AFC)

During the year 1989-90 (April-March), the Agricultural Finance Consultants Ltd. (AFC), apart from formulating a variety of projects, conducted a number of monitoring and evaluation studies related to agriculture and rural development. Most of the studies were sponsored by the Government of India and State Governments. During the year, AFC handled in all 77 assignments of which, 40 assignments were received from State Governments and their bodies, and 24 assignments from the Government of India and its bodies, banks and

other agencies entrusting the remaining 13 assignments. Fourteen of the 77 assignments handled by AFC were exclusively for the North-Eastern Region.

The important projects formulated by AFC during the year related to Fruit and Vegetable Processing in Andhra Pradesh; Command Area Development in Assam and Bihar; Fisheries Development in Assam and in other States of North-Eastern Region; Block Development in selected blocks of Assam, Meghalaya and Arunachal Pradesh; Tree Plantations in Wastelands of selected districts of Kerala; treatment plan for selected catchment areas in Assam and Madhya Pradesh; Status Report on 3 catchment areas of Meghalaya, Mizoram and Nagaland; Environmental Impact and Rehabilitation programme on proposed submerged areas of a Hydel Project in Tripura, and preparation of credit plan for two districts of Andhra Pradesh and Karnataka.

During the year under review (1989-90), a Regional Unit which was established by AFC on March 1, 1989, prepared a Status Report on social forestry developments for the States of Haryana, Rajasthan and Uttar Pradesh; organised a Seminar-cum-Workshop on afforestation, environment and development for the State of Uttar Pradesh and an Orientation Workshop on 'Greening of Haryana'. The Regional Unit has also commenced field work in the three States with a view to conducting studies on Farm Forestry and examining the role of Non-Government Organisations (NGOs) in Social Forestry.

Apart from continuing from 1988-89, the concurrent Evaluation Studies of Special Rice Production Programme (SRPP), National Oilseeds Development Project (NODP)/Oilseeds Production Thrust Project (OPTP), AFC conducted some more evaluation studies on Social Forestry Projects, Soil Conservation Works in catchment areas, Watershed Management Projects, Command Area Development Projects, Integrated Rural Development Programme, Drought Prone Area Programme etc., in various States.

The AFC continued to liaise and maintain contacts with international funding agencies such as the World Bank, International Fund for Agricultural Development (IFAD) and Asian Development Bank (ADB) with a view to exploring possibilities of undertaking international consultancy. It also made efforts for securing assignments from Third World countries on a bilateral basis. During the year 1989-90, it completed the work relating to the preparation of Feasibility Report on Upper Sagarmatha Integrated Rural Development Project in Nepal assigned to AFC by the ADB. The AFC also provided services of its experts to missions sponsored by IFAD in Sri Lanka and Indonesia.

Study Teams/Committees/Working Groups

Recommendations of the Agricultural Credit Review Committee (ACRC)

The Agricultural Credit Review Committee (ACRC) was appointed by the Reserve Bank of India at the request of the Government of India to go into the entire gamut of rural credit in India. The Committee submitted its Report to the RBI in August 1989, and its major recommendations are as follows:

i) The Committee has observed that weaknesses of Regional Rural Banks (RRBs) are endemic and non-viability is built into their structure and that the RRBs would not be able to serve the interests of the target group in the manner expected of them. Hence, RRBs have no place in the country's rural credit system and should be merged with the sponsor banks.

ii) The ACRC has observed that in the absence of an apex bank at the national level for the credit co-operatives, the co-operative credit structure has not been able to optimise its services to the rest of the co-operative organisations, who have to rely on commercial banks. In the absence of a National Bank, the co-operative banking system has been a two-way loser—by losing the deposits of co-operative surpluses and also, the better and more profitable clintele like Indian Farmers' Fertilisers

Co-operative (IFFCO) Ltd., and Krishi Bharathi Co-operatives (KRIBHCO) Ltd., to commercial banks. The Committee has, therefore, recommended establishment of a National Co-operative Bank of India which will function as a balancing centre for the co-operative credit system.

iii) It has also recommended the establishment of Agricultural and Rural Infrastructure Development Corporation for each of the three Eastern Region States viz., Bihar, Orissa and West Bengal and one for all the North-Eastern States. The main tasks envisaged for these corporations are to adopt a bolder strategy for increasing the tempo of agricultural lending. To achieve this objective, each corporation would initiate action for building up necessary backward and forward linkages and supporting services, formulating location–specific schemes for accelerating the transformation of agriculture and to arrange for funding of the projects.

iv) The Committee has also recommended setting up of a separate Corporation under the Act of Parliament for implementing the crop insurance scheme which has been deficient in the present set-up and setting up of an expert committee consisting of actuaries, insurance experts, agricultural economists etc., to conduct a study of the proposed scheme with a view to further process the recommendations.

v) Rationalisation of lending rates for agricultural sector having only two categories of borrowers viz., a narrow band exclusively for small and marginal farmers with concessional rates and the other for the rest of the borrowers so as to make rural lending a viable proposition.

vi) Ensuring a single common legal framework covering co-operatives and commercial banks for recovery of dues for the country as a whole and constitution of State level tribunals for adjudication and separate department for execution of awards.

vii) Establishment of an apex agency to develop comprehensive training strategy for rural bankers and

viii) A block to be allotted to one commercial bank, which has the largest presence through its branches in the block, on the lines of allotting a village under the 'Service Area Approach'. Such rationalisation is slated to reduce the cost of supervision, improve quality of monitoring and be beneficial to the customers.

The Reserve Bank of India has already furnished its comments on the recommendations of the ACRC to the Government of India (GOI) and the report is under consideration.

High Level Standing Committee to Review the Flow of Institutional Credit for Rural Sector and other Related Matters

The Committee which met on September 22, 1989 and April 17, 1990, reviewed the flow of institutional credit to rural sector and other related matters viz., the extension of agricultural credit card facilities, crop insurance scheme, strengthening of co-operatives, performance of banks lending for the activities included under priority sector, steps taken with regard to creation of infrastructural facilities in rural areas by Ministry of Agriculture, Government of India and implementation of Service Area Approach for rural lending by banks. It concluded that there must be an effective integration of development plans and credit plans and that the Planning Commission should move in this direction.

Study Group on Lac

The Study Group on Lac set up by the National Bank to examine the various aspects relating to lac cultivation, processing, and marketing etc.,submitted its Report in February 1990 with the following recommendations: a) The National Bank may treat cultivation of lac at par with normal seasonal agricultural

operations and extend its refinance facilities to production of lac. b) Definite scales of finance be adopted by banks for financing cultivation and processing of lac. c) State Governments may consider assisting the lac growers financially for making their share contribution to LAMPS, d) A linkage between credit and marketing of lac may have to be ensured without which it may be difficult to assure remunerative returns to the lac growers, e) Credit institutions financing the setting up of lac-based cottage and small scale industries can avail of refinance from the National Bank and Small Industries Development Bank of India (SIDBI)/Industrial Development Bank of India (IDBI). The National Bank is currently examining the Report submitted by the Group.

Utilisation Studies

In order to assess the efficacy and quality of lending for Non-farm Sector (NFS) activities financed by the National Bank under its 'Automatic Refinance Facilities' (ARF), the National Bank had engaged the services of the Technical Consultancy Organisations (TCOs) to undertake utilisation studies in Kerala, Karnataka and Rajasthan. The National Bank's Regional Office in Orissa also conducted a similar study. The studies completed so far, reveal that by and large, the major objectives of financing viz., generation of adequate income for the beneficiaries, has been achieved. However, certain areas have emerged as cause of concern, e.g. improper appraisal, lack of cluster approach, concentration on a few activities, over/under-financing, violation of terms of sanction, lack of monitoring etc. These deficiencies have been brought to the notice of the financing banks for corrective action. It is also proposed to conduct a seminar of financing banks with a view to improving the schemes/procedures thereunder.

Report on the Task Force on Marine Fisheries

The Government of India constituted a Task Force on Marine Fisheries to evolve suitable strategies for promotion of marine fisheries and acceleration of flow of credit to it. On the basis of the recommendations of the Task Force accepted by the Government of India, instructions have been issued to all Scheduled Commercial banks which include norms for reckoning a fisherman as small farmer for eligibility for grant of credit on concessional terms, grant of need-based short-term loans to fisheries and grant of relief to fisherman in the event of fish famine on the lines of relief granted to farmers affected by natural calamities.

ANNEXURE I

INTEREST RATE STRUCTURE FOR ADVANCES OF SCHEDULED COMMERCIAL BANKS

Category of advances	Rate of Interest (per cent per annum) Prevailing as on March 31, 1990*
1	2
I. Public Procurement and Distribution Agencies	
1. FCI, State Governments/agencies acting as agencies of FCI for procurement of foodgrains (wheat, paddy/rice and coarse foodgrains) under the full price support scheme of the Government of India, where the sales are at fixed prices through Government approved outlets	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
(ii) Advances to Central and State Government agencies entrusted with the procurement of pulses and oilseeds at support prices fixed by the Central Government	15.00
3. (i) Advances to Central and State Government agencies entrusted with the procurement and distribution of essential consumer commodities other than those specified in category 2 above	15.50
(ii) Advances to Central and State Government agencies entrusted with the procurement of cash crops where there is an element of price support	15.50
(iii) Advances to Central and State Government agencies entrusted with the procurement and distribution of fertilizers, pesticides and seeds	15.50
4. Advances to Central and State Government agencies entrusted with the procurement and distribution of commodities for sale on a commercial basis.	16.00
II. Lending Rate for Commodities coming within the purview of Selective Credit Control	
Loans/advances/cash credit/overdrafts against commodities subject to selective credit control	16.00 (Minimum)
III. Exports	
1. *Pre-shipment credit*	
a. (i) Upto 180 days	7.50
(ii) Beyond 180 days, and in all upto 270 days (with the prior approval of the Reserve Bank of India)	9.50
b. Against cash incentives, etc. covered by ECGC guarantee—Upto 90 days	7.50
2. *Post-shipment credit*	
(i) Demand bills—for transit period (as specified by FEDAI)	8.65

1	2
(ii) Usance bills—upto 180 days comprising usuance period of export bills, transit period as specified by FEDAI and grace period wherever applicable	8.65
(iii) Cash incentives, duty draw-back, etc. receivable from Government covered by ECGC guarantee (upto 90 days)	8.65
(iv) Undrawn balances (upto 90 days)	8.65
(v) Against retention money (for supplies portion only) payable within one year from the date of shipment (upto 90 days)	8.65
3. *Deferred Credit*	
Deferred credit for period beyond 180 days	8.65(1)
4. *Duty Draw-back Credit Scheme, 1976*	
Against duty draw-back as provisionally certified by the Customs Authorities (upto 90 days)	Free of Interest
5. *Export credit not otherwise specified*	14.00 to 15.50
IV. Agriculture	
A. Short-term loans to farmers (2)	
(a) Upto Rs. 7,500/-	10.00
(b) Over Rs. 7,500/- and upto Rs. 15,000/-	11.50
(c) Over Rs. 15,000/- and upto Rs. 25,000/-	12.00
(d) Over Rs. 25,000/-	14.00 to 15.50
B. Advances to units engaged in both production and distribution of seeds	14.00
C. Advances for distribution of fertilizers, pesticides and insecticides	
(a) Upto Rs. 5,000/-	11.50
(b) Over Rs. 5000/- and upto Rs. 25,000/-	11.50 to 14.00
(c) Over Rs. 25,000/-	14.00 to 15.50
V. Small-Scale Industry	
1. Composite loans upto Rs. 25,000/-	
(a) Backward areas	10.00
(b) Other areas	12.00
2. Short-term advances with limits	
(a) Upto and inclusive of Rs. 2 lakhs	12.50 to 14.00
(b) Over Rs. 2 lakhs and upto Rs. 25 lakhs	14.00 to 15.50
(c) Over Rs. 25 lakhs	16.00 (Minimum)
3. Advances to State-level corporations for assiting artisans, village and cottage industries *(for the purpose of the purchase and supply of inputs to and/or the marketing of the outputs of the beneficiaries) (3)*	12.50
4. Advances to State-sponsored scheduled castes/scheduled tribes development corporations *(for the purpose of purchase and supply of inputs of to and/or the marketing of the outputs of the beneficiaries)*	12.50
VI. Other categories	
1. Retail trade advances	
(a) Limits upto and inclusive of Rs. 5,000/-	12.50
(b) Over Rs. 5,000/- and upto Rs. 25,000/-	12.50 to 15.00
(c) Over Rs. 25,000/- and upto Rs. 1 lakh	15.00 to 16.00
(d) Over Rs. 1 lakh	16.00 (Minimum)

1	2
2. Educational advances	
(a) Indigent students for purpose of higher education of India	Not less than Bank rate
(b) Other educational advances	14.00 to 15.50
3. Priority sector not otherwise specified	14.00 to 15.50
4. All other advances	16.00 (Minimum)
5. Interest Rate on discounting of bills of exchange for categories of borrowers subject to the minimum interest rate of 16.00 per cent per annum	15.50
6. Advances to Discount and Finance House of India Ltd.	12.00
VII. Term Loans	
1. *Small-Scale Industry Units in*	
(i) Backward areas	12.50(4)
(ii) Other areas	13.50
2. *Agriculture (5)*	
(i) Minor irrigation land development	10.00
(ii) Other purposes	
(a) Small farmers	10.00
(b) Other farmers	12.50
(iii) Advances by way of term loans for purchase of equipment based on new and renewable sources of energy for agricultural purposes irrespective of whether the borrower farmer is "small farmer" or otherwise	10.00
(iv) Wasteland Development	
(a) Individuals or group of individuals such as cooperatives	10.00
(b) Corporate and other borrowers	12.50
3. *Housing*	
(i) Advances upto and inclusive of Rs. 20,000/-	12.50
(ii) Over Rs. 20,000/- and upto Rs. 50,000/-	13.50
(iii) Over Rs. 50,000/- and upto Rs. 1 lakh	14.00
(iv) Over Rs. 1 lakh and upto Rs. 3 lakhs	14.50 to 16.00
(v) Over Rs. 3 lakhs	16.00 (Minimum)
4 *Road Transport Operators (6)*	
(i) Upto two vehicles	12.50
(ii) Three or more vehicles	15.00 (Minimum)
5. *All other loans*	15.00 (Minimum)
@VIII. Advances to professionals and self-employed persons belonging to Scheduled Castes/Scheduled Tribes (7)	
(a) Advances by way of loans other than term loans	14.00
(b) Advances by way of term loans	13.50

1	2
@IX. **Advances to professionals and self-employed women (7)**	
(a) Advances by way of loans other than term loans	14.00
(b) Advances by way of term loans	13.50
X. **DRI advances**	4.00
XI. **Housing Loans to SC/ST upto and inclusive of Rs. 5,000/-**	4.00
XII. **Loans to IRDP beneficiaries**	10.00
XIII. **Loans under Self-Employment Programme for urban poor**	10.00
XIV. **Loans under scheme for providing self-employment to educated unemployed youth**	
(a) Specified backward areas	10.00(8)
(b) Other areas	12.00(8)
XV. **Financial assistance to physically handicapped persons other than those covered under the DRI Scheme for purchase of artificial limbs and aids subject to maximum of Rs. 2,500/- each case**	Interest rates same as charged for production loan but not exceeding 15.00

* | Effective September 22, 1990, the lending rate structure was rationalised linking interest rates to the size of loans (for details please see Chapter I on 'Review and Outlook').

@ | For advance to professionals and self-employed persons and small business not specifically covered under items VIII and IX, the rate is 15 per cent for term loan and 14.00 to 15.50 per cent for short term finance.

Notes : (1) Effective March 1, 1989, made applicable to period beyond 180 days.

(2) In the case of advances through PACS/FSS/ LAMPS,the rate to the ultimate borrowers should be the same as charged by co-operatives in the area and in any case not exceeding the rates indicated under item IV A. The rate to be charged by the banks to PACS/FSS/LAMPS should be atleast 2.5 percentage points lower than the rate indicated under item IV A for the respective category.

(3) Also applicable in respect of credit limits sanctioned exclusively for the purpose of purchase and supply of inputs to artisans, village and cottage industries and/or marketing their output to agencies exclusively certified by Khadi & Village Industries Commission (KVIC)/State Khadi & Village Industries Boards (State KVIBS) as their implementing agencies.

(4) This rate of interest is applicable for new units set up in backward areas. For expansion/diversification of existing small scale units, the rate of 13.50 percent should be applied.

(5) These rates are also applicable to the loans to the ultimate borrowers where the loans are routed through PACS/LAMPS/FSS. The rates to be charged by the banks to the PACS/LAMPS/FSS should be lower than the rates to the ultimate borrowers by 1.5 percentage points.

(6) Small transport operators owning a fleet not exceeding 6 vehicles come within the purview of priority sector. The rate of short term finance should be within the range of 14.00 to 15.50 per cent. It should, however, be ensured that the rates should not be less than the rates prescribed for term loans as indicated under item VII(4).

(7) The expression 'professionals and self employed persons' shall be understood on the lines clarified in paragraph 6 of Annexure I to the Reserve Bank of India's advice to commercial banks set out in RPCD circular NO. PS.BC. 21/C. 682-83 dated February 7, 1983.

(8) These rates of interest were revised on May 17, 1989 with retrospective effect since October 16, 1986.

ANNEXURE - II

SELECTIVE CREDIT CONTROL

PROVISIONS OF DIRECTIVES APPLICABLE TO SCHEDULED COMMERCIAL BANKS ON ADVANCES AGAINST SELECTED COMMODITIES

(Position as on July 2, 1990)

A. PADDY/RICE, PULSES AND "OTHER FOODGRAINS" (Viz., Jowar, Bajra, Maize, Barley, Ragi, Gram and all other foodgrains including coarse grains)

Rate of Interest: 16.00% (minimum) per annum for all loans/advances/cash credits/overdrafts

Minimum margin	Level of Credit	Exemption from minimum margin, level of credit and rate of interest
1	2	3
I. PADDY/RICE **(i) 45% on advances against stocks of Paddy/Rice to processing units/mills.** **(ii) 60% on advances against stocks of Paddy/Rice to parties other than processing units/mills.** **(iii) 45% on advances against warehouse receipts covering stocks of Paddy/Rice.** **II. PULSES** (i) 45% on advances against stocks of pulses to processing units/mills. (ii) 60% on advances against stocks of pulses to parties other than processing units/mills. (iii) 45% on advances against warehouse receipts covering stocks of pulses **III. "Other foodgrains"** (Viz., Jowar, bajra, maize, barley, ragi, gram and all other foodgrains including coarse grains) (i) 45% on advances against stocks of other foodgrains to processing units/mills. (ii) 60% on advances to parties other than processing units/mills.	In respect of each party, 85% of the peak level of credit maintained by the party in any of the 3 years (November-October) 1986-87, 1987-88 and 1988-89 separately in respect of each of the following commodities: (i) Paddy/Rice. (ii) Pulses (iii) "Other foodgrains" (other than wheat) **Exemption** (i) Advances against "other foodgrains" to foodgrains processing units. (ii) 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 Governments.	**A. States** Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Tripura and Sikkim. **B. Public Procurement, Storage and Distribution Agencies** (i) Advances to the Food Corporation of India and State Governments. (ii) Advances to Co-operative Marketing Federations, Central or State Warehousing Corporations and such other agencies duly appointed as agents for the purpose of food procurement/distribution by the Food Corporation of India/Central or State Governments to the extent of the stocks held by them as such agents. (iii) Advances against rationed foodgrains granted to wholesale and retail dealers appointed/licensed by Government and/or operating under statutory rationing/fair price distribution system in all the States and Union Territories. (iv) Advances to Central and State Government/Agencies entrusted with the procurement of pulses at support prices fixed by the Government of India.

1	2	3
(iii) 45% on advances against warehouse receipts covering stocks of "other foodgrains".		(v) Advances to rice millers against pledge/hypothecation of paddy and rice held to the extent they act as Government agents, provided the stocks are purchased at support prices fixed by Government of India.
IV. Exemption		**C. OTHERS**
(i) 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 Governments.		(i) Advances against the security of maize and barley to manufacturing units (i.e. industrial users).
		(ii) Advances against the security of, or by way of purchase of, demand documentary bills drawn in connection with the movement of foodgrains.
		(iii) Advances against high-yielding/hybrid seeds produced under contract with the National Seeds Corporation Ltd., Delhi, or a State Government or which bear the certification of the said Corporation or as the case may be, the concerned State Government or of any certification agencies authorised under the Seeds Act, 1966 and seeds notified under Sec. 5 of the said Act.
		(iv) Khadi and Village Industries Commission and its associate institutions.
		(v) Advances granted to Wholesale Consumers' Co-operative Stores and State and National Federations of Consumers' Co-operatives.
		(vi) Advances upto an aggregate limit of Rs. 1 lakh per borrower are exempt from all the provisions of the Selective Credit Controls subject to the condition that the borrower deals with one bank only.
		D. Exports
		Pre-shipment credit granted to exporters against the security of foodgrains on the basis of firm export orders/irrevocable letters of credit and post-shipment credit given in the form of purchase, negotiation or discounting of export bills or advances thereagainst in respect of export of foodgrains.

Notes:

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

(ii) No bank shall advance against the security of any of the foodgrains where a ban on trading has been imposed in respect of that foodgrain except to wholesale or retail traders who are authorised by the State Government to deal in that foodgrain and to processing units to the extent to which and the manner in which such processing is allowed by the respective State Governments.

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

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

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

B. INDIGENOUS OILSEEDS (VIZ. GROUNDNUT, RAPESEED/MUSTARDSEED, COTTONSEED, CASTORSEED AND LINSEED AND ALL IMPORTED OILSEEDS)

Rate of Interest: 16.00% (minimum) per annum for all loans/advances/cash credits/overdrafts

Minimum margin	Level of Credit	Exemption from minimum margin, level of credit and rate of interest
1	2	3

Indigenous oilseeds (viz. groundnut, rapeseed/mustardseed, castorseed, cottonseed and linseed) and all imported oilseeds.

(i) 60% on advances to processing units/mills.

(ii) 75% on advances to parties other than processing units/mills

(iii) 60% on advances against warehouse receipts representing stocks of oilseeds.

Exemption

1. Advances against all imported oilseeds for a period not exceeding 8 weeks after arrival of the goods in India.
2. Advances to state level oilseeds growers' co-operative federations under the National Dairy Development Board's Oilseeds Project, against stocks of oilseeds purchased from grower members.
3. Advances against stocks of oilseeds procured from grower members and of oils thereof to oilseeds processing units of State Co-operative Marketing Federations in Madhya Pradesh, Uttar Pradesh and Rajasthan set up under the aegis of National Co-operative Development Corporation (NCDC) under the European Economic Community assisted project.

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. 1986-87, 1987-88 and 1988-89.

Exemption

(i) Advances against imported oilseeds.

(ii) Advances to state level oilseeds growers' co-operative federations under the National Dairy Development Board's Oilseeds Project against stocks of oilseeds purchased from grower members.

(iii) Advances against stocks of oilseeds procured from grower members and of oils thereof to oilseeds processing units of State Co-operative Marketing Federations in Madhya Pradesh, Uttar Pradesh and Rajasthan set up under the aegis of National Co-operative Development Corporation (NCDC) under the European Economic Community assisted project.

A. States

Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Tripura and Sikkim.

B. Public Procurement, Storage and Distribution Agencies

(i) Advances to the Food Corporation of India and the State Trading Corporation against stocks of oilseeds.

(ii) Wholesale and retail dealers appointed/licensed by the Government and/or operating under statutory rationing/fair price distributing system in all the States and Union Territories to the extent of the quantum meant for public distribution.

(iii) Advances to Central and State Government/Agencies entrusted with the procurement of oilseeds at support prices fixed by the Government of India.

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.

1	2	3
		(ii) Packing credit advances to exporters of HPS groundnut against the security of groundnut to the extent of the value of raw materials required (which should be reasonably assessed) for selecting HPS groundnut covered by the export order even though the value of raw materials exceed the value of the relative export order, provided that such advances to the extent of the value of the residual groundnut shall be adjusted, either by the sale proceeds of the residual groundnut or in cash, as soon as the selection of the HPS groundnut is completed, within 15 days from the date of such advances and the balance in the packing credit account shall be adjusted by the proceeds of the relative export bill.
		D. Others
		(i) Khadi and Village Industries Commission and its associate institutions.
		(ii) Advances upto an aggregate limit of Rs. 1 lakh per borrower are exempt from all provisions of the Selective Credit Controls subject to the condition that the borrower deals with one bank only.
		(iii) Advances granted by way of purchase of demand documentary bills drawn in connection with movement of commodities covered by the directive.
		(iv) Advances to the Wholesale Consumers' Co-operative Stores and the State and National Federations of Consumers' Co-operatives.
		(v) Advances against high yielding and hybrid seeds used for growing oilseeds under contract with National Seeds Corporation Ltd., Delhi or a State Government or which bear the certification of the said Corporation or as the case may be, the concerned State Government or of any certification agencies authorised under Seeds Act, 1966 and seeds notified under Section 5 of the said Act.

1	2	3

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

(iii) No bank shall issue, either to a Court or to Government, or any other person, a guarantee on behalf of, or on account of, any importer guaranteeing payment of customs duty and/or import duty, or other levies, payable in respect of import of essential commodities without taking, as security for issue of such guarantees, a cash margin equivalent to at least one half of the amount payable under the guarantee. The term "essential commodities" shall mean such commodities as may be specified by the Reserve Bank of India from time to time.

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

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

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

C. VEGETABLE OILS (INDIGENOUS OILS, VIZ. GROUNDNUT OIL, RAPESEED OIL/MUSTARD OIL, CASTOR OIL, LINSEED OIL, COTTONSEED OIL) AND VANASPATI AND ALL IMPORTED OILS

Rate of Interest: 16.00% (minimum) per annum for all loans/advances/cash credits/overdrafts

Minimum margin	Level of Credit	Exemption from minimum margin, level of credit and rate of interest
1	2	3

Indigenous and imported oils

(i) 60% to registered oil mills and vanaspati manufacturers.
(ii) 75% to 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 against all imported vegetable oils for a period not exceeding 4 weeks after arrival of the goods in India.
(iii) Advances granted to vanaspati manufacturers against the security of imported oils used as raw materials by them in the manufacture of vanaspati.
(iv) Advances to state level oilseeds growers' co-operative federations under the National Dairy Development Board's Oilseeds Project, against stocks of oils extracted from oilseeds purchased from grower members.
(v) Advances to vanaspati manufacturers against cottonseed oil.

In respect of each party, 100% of the peak level of credit maintained by the party in any of the 3 years (November-October) viz. 1986-87, 1987-88 and 1988-89.

Exemptions

(i) Advances to consumers' co-operatives in respect of stocks held under the Centrally Sponsored Scheme for distribution of essential consumer articles.
(ii) Advances against all imported vegetable oils.
(iii) Advances to state level oilseeds growers' co-operative federations under the National Dairy Development Board's Oilseeds Project, against stocks of oils extracted from oilseeds purchased from grower members.

A. States

Advances to all parties in the States of Assam, Arunachal Pradesh, Himachal Pradesh, Jammu and Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Orissa, Tripura and Sikkim.

B. Public Procurement, Storage and Distribution Agencies

(i) Advances to the Food Corporation of India and the State Trading Corporation against 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.

Provided

(i) Such advances to the extent of the value of by-product oil shall be adjusted by the sale proceeds of the by-product oil or in cash as soon as the oil is extracted but within a period not exceeding 30 days from the date of advance and the balance in the packing credit account shall be adjusted by the proceeds of the relative export bills and advances, if any, against the by-product oil granted in a separate account are exempted for a period of 30 days from the date of such advance.

1	2	3
		(ii) Pre-shipment credit granted to exporters against the security of vegetable oils on the basis of firm export orders/irrevocable letters of credit and post-shipment credit given in the form of purchase, negotiation or discounting of export bills or advances thereagainst in respect of export of vegetable oils.
		D. Others (i) Advances by way of purchase of demand documentary bills drawn in connection with the movement of vegetable oils and vanaspati. (ii) Khadi & Village Industries Commission and its associate institutions. (iii) Advances upto an aggregate limit of Rs. 1 lakh per borrower from all provisions of the Selective Credit Controls subject to the condition that the borrower deals with one bank only. (iv) Advances against stocks of 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.
Banks should not establish letters of credit on more than 45 days' D/A basis for import of edible oils, as far as possible. In case banks establish letters of credit on more than 45 days' D/A basis, they should stipulate that, after 30 days from the date of arrival of the goods in the port, the importer will deposit with them an amount equivalent to the margin amount which he would have provided under the directives had he availed himself of advances against the commodity. Banks should refrain from granting additional limits against vegetable oils to parties other than Government and Government-supported Organisations; even in the case of such organisations a strict scrutiny on drawals should be maintained.		

Notes:

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

(ii) No bank shall issue, either to a Court or to Government, or any other person, a guarantee on behalf of or on account of, any importer guaranteeing payment of customs duty and/or import duty or other levies payable in respect of import of essential commodities without taking, as security for issue of such guarantees, cash margin equivalent to at least one half of the amount payable under the guarantee. The term 'essential commodities' shall mean such commodities as may be specified by the Reserve Bank of India from time to time.

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

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

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

D. SUGAR, GUR AND KHANDSARI

Rate of Interest: 16.00% (minimum) per annum for all loans/advances/cash credits/overdrafts

Minimum margin	Exemption from minimum margin and rate of interest
1	2

(1) Advances against sugar

(a) To sugar factories

(i) Nil against Buffer stock stipulated by the Government

(ii) 75% on advances to parties manufacturing sugar in respect of such stocks as have been released for sale by the Government and have left the factory or mill premises and on which excise duty has been paid.

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

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

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

(2) Advances against Gur and Khandsari

(i) 45% on advances to manufacturing units.

(ii) 75% on advances to others.

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

Exemption

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

A. Public Procurement, Storage and Distribution Agencies

(i) Advances to Food Corporation of India.

(ii) Advances against sugar granted to wholesale and retail dealers appointed/licensed by Government and/or operating under statutory rationing/fair price distribution system in all the States and Union Territories to the extent of quantum of sugar allotted to them by the Government.

B. Exports

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

C. Others

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

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

(iii) Khadi and Village Industries Commission and its associate institutions.

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

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

1	2	3

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 preceeding three months (moving average), or the current market price, whichever is lower. The prices for this purpose shall be exclusive of excise duty.

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

(iii) No bank shall issue, either to a Court or to Government, or any other person, a guarantee on behalf of, or on account of, any importer guaranteeing payment of customs duty and/or import duty or other levies, payable in respect of import of essential commodities without taking, as security for issue of such guarantees, a cash margin equivalent to at least one half of the amount payable under the guarantee. The term, "essential commodities" shall mean such commodities as may be specified by the Reserve Bank of India from time to time.

(iv) States and categories of advances indicated in Column 2 above, though 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 2 above, however, these instructions will not be applicable.

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

Chapter VIII

Fiscal Developments

This Chapter[1] reviews the combined budgetary position of the Central and State Governments followed by a separate analysis of their budgetary operations including public debt and other liabilities of the Government. The Finances of Railways and the Departments of Posts and Telecommunications are also reviewed in this chapter.

I. Combined Budgetary Position of Central and State Governments : 1989-90 and 1990-91

1989-90

The Budget of the Central Government for 1989-90 which focussed on reversing the trend in rising revenue deficit through mobilisation of resources and containment of expenditure has also sought to place special emphasis on acceleration of economic growth and alleviation of poverty through the creation of additional employment opportunities in rural areas.

Thus, despite pressure on finances, the overall budgetary deficit of Central and State Governments was targetted moderately at Rs. 8,009 crore in the 1989-90 budget estimates. However, during the course of the year, the strain on finances of the Governments, especially the Central Government had persisted even more intensely than in the earlier years. In the result, the combined budgetary deficit of the Centre and States at Rs. 12,947 crore in the revised estimates for 1989-90 was much higher than the budgeted figures of Rs. 8,009 crore in 1989-90 and Rs. 5,478 crore in 1988-89[2] (Table VIII-I). As a percentage of GDP, combined deficit in 1989-90 (RE) constituted 2.9 per cent as against 1.8 per cent in the budget estimates and 1.4 per cent in 1988-89. According to the books of RBI, the overall budgetary deficit of the Central and State Governments in 1989-90 after closure of Government accounts, at Rs. 11,099 crore was lower by Rs. 1,848 crore than the revised estimates. The deterioration in the Centre's overall financial position was significant as evident from substantial increase in its deficit to Rs. 11,750 crore in 1989-90 from Rs. 7,337 crore budgeted and Rs. 5,642 crore in 1988-89. The States' overall position in the respective periods showed deficits of Rs. 1,197 crore and Rs. 672 crore in 1989-90 and a surplus of Rs. 164 crore in 1988-89. The spurt in overall deficit got reflected in the net RBI credit to Governments (Centre and States) which aggregated Rs. 14,068 crore in 1989-90 as against Rs. 6,928 crore in the previous year (Table VIII-2). While net RBI credit to the Centre increased by Rs. 7,310 crore from Rs. 6,503 crore in 1988-89 to Rs. 13,813 crore in 1989-90, that to the States had actually decreased by Rs. 170 crore from Rs. 425 crore in 1988-89 to Rs. 255 crore in 1989-90.

The combined aggregate receipts of the Centre and States at Rs. 1,40,239 crore (31.7 per cent of GDP) in 1989-90 were higher by Rs. 17,472 crore (14.2 per cent) than Rs. 1,22,767 crore (31.4 per cent of GDP) in 1988-89 (Table VIII-1)[3].

The Section on "Economic and Functional Classification of the Central Government Budget" is not included in this Chapter due to the non-availability of data for 1990-91.

1. Figures in this Chapter relate to the fiscal year (April-March).
2. Budgetary deficit or surplus is measured (A) in the case of the Central Government by (i) net increase/decrease in outstanding Treasury bills and (ii) withdrawal from/additions to cash balances and (B) in the case of States by the State budget figures of (i) net increase/decrease in the 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 and (iii) net sales/purchases of securities held by States in their Cash Balance Investment Account. According to the books of the RBI, the combined deficit for 1989-90 amounted to Rs. 11,099 crore, comprising Rs. 10,624 crore on Centre's account and Rs. 475 crore on account of 23 States keeping accounts with the RBI. Data on receipts and disbursements conforming to these figures are not available.
3. Please refer to Statement 82 in Volume II of the Report for a trend analysis of data in respect of combined aggregate receipts and disbursements.

Table VIII—1: Combined Receipts and Disbursements of the Central and State Governments

(Rs. crore)

Item	1986-87 (Accounts)	1987-88 (Accounts)		1988-89 (Accounts)		1989-90 (Budget Estimates)		1989-90 (Revised Estimates)		1990-91 (Budget Estimates) +	
	Amount	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	Amount	Per cent variation over the previous year
1	2	3	4	5	6	7	8	9	10	11	12
I. Total Disbursements £	**1,01,602**	**1,11,161**	**+9.4**	**1,28,245**	**+15.4**	**1,42,201**	**+10.9**	**1,53,186**	**+19.4**	**1,61,193**	**+5.2**
of which:											
1. Developmental (a+b+c)	64,441	69,087	+7.2	78,983	+14.3	83,698	+6.0	95,747	+21.2	95,907	+0.2
a) Revenue	38,639	45,131	+16.8	52,323	+15.9	55,344	+5.8	64,876	+24.0	66,462	+2.4
b) Capital	13,625	12,479	—8.4	13,339	+6.9	14,625	+9.6	14,672	+10.0	15,603	+6.3
c) Loans	12,177	11,477	—5.7	13,321	+16.1	13,729	+3.1	16,199	+21.6	13,842	—14.6
2. Non-Developmental (a+b+c)	33,682	39,460	+17.2	45,940	+16.4	54,488	+18.6	53,560	+16.6	61,601	+15.0
a) Revenue	31,596	35,660	+12.9	41,507	+16.4	49,709	+19.8	48,516	+16.9	55,955	+15.3
b) Capital	1,592	3,392	+113.1	4,113	+21.3	4,442	+8.0	4,702	+14.3	5,311	+13.0
c) Loans	494	408	—17.4	320	—21.6	337	+5.3	342	+6.9	335	—2.0
II. Total Receipts (A+B)	**92,453**	**1,05,579**	**+14.2**	**1,22,767**	**+16.3**	**1,34,192**	**+9.3**	**1,40,239**	**+14.2**	**1,52,221**	**+8.5**
A. Revenue Receipts	62,902	70,878	+12.7	82,195	+16.0	95,041	+15.6	96,945	+17.9	1,05,376	+8.7
Of which:											
i) Tax receipts (a+b+c)	49,378	57,010	+15.5	66,818	+17.2	75,528	+13.0	76,413	+14.4	88,322	+15.6
a) Taxes on Commodities and Services	40,941	47,634	+16.3	54,746	+14.9	62,943	+15.0	62,892	+14.9	72,487	+15.3
b) Taxes on Income and Property	7,873	8,711	+10.6	11,243	+29.1	11,722	+4.3	12,638	+12.4	14,687	+16.2
c) Taxes on Union Territories (Without Legislature)	564	665	+17.9	829	+24.7	863	+4.1	883	+6.5	1,148	+30.0
ii) Non-Tax Receipts	13,524	13,867	+2.5	15,377	+10.9	19,513	+26.9	20,532	+33.5	17,054	-16.9
B. Capital Receipts	29,551	34,701	+17.4	40,572	+16.9	39,151	-3.5	43,294	+6.7	46,845	+8.2
Of which:											
i) Market Borrowings (Gross)	7,876	8,483	+7.7	11,069	+30.5	10,483	-5.3	10,500	-5.1	11,337	+8.0
ii) Market Borrowings (Net)	6,570	7,397	+12.6	10,331	+39.7	9,541	-7.6	9,533	-7.7	10,325	+8.3
iii) Small Savings	3,276	3,633	+10.9	5,475	+50.7	4,600	-16.0	6,750	+23.3	5,000	-25.9
iv) State Provident Funds (Net)	1,571	2,053	+30.7	2,556	+24.5	2,616	+2.3	3,160	+23.6	3,198	+1.2

Table VIII—1: Combined Receipts and Disbursements of the Central and State Governments *(Contd.)*

(Rs. crore)

Item	1986-87 (Accounts)	1987-88 (Accounts)		1988-89 (Accounts)		1989-90 (Budget Estimates)		1989-90 (Revised Estimates)		1990-91 (Budget Estimates)+	
	Amount	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	Amount	Per cent variation over the previous year
1	2	3	4	5	6	7	8	9	10	11	12
III. Overall Surplus (+)/Deficit (-) (II-I)	**-9,149**	**-5,582**		**-5,478**		**-8,009**		**-12,947**		**-8,972**	
Financing of Surplus(+)/ Deficit(-)											
i) Increase (+) or Decrease (-) in cash balances of the Centre and States	—125	—47		+286		—639		—1,868		—1,760	
ii) Increase (-) or Decrease (+) in Treasury Bills of the Centre	—8,862	—5,652		—6,245		—7,337		—10,654		—7,206	
iii) Withdrawals from (-) or Additions to (+) Cash Balances Investment Accounts of States (Net)	—272	+32		+650		+10		—551		+24	
iv) Increase (-) or Decrease (+) in Ways and Means Advances and Overdrafts from the RBI to States (Net)	+110	+85		-169		-43		+126		-30	
IV. I as per cent of GDP*	**34.6**	**33.4**		**32.8**		**32.1**		**34.6**		**32.2**	
V. II as per cent of GDP*	**31.5**	**31.7**		**31.4**		**30.3**		**31.7**		**30.4**	
VI. II A as per cent of GDP*	**21.4**	**21.3**		**21.0**		**21.5**		**21.9**		**21.0**	
VII. II A (i) as per cent of GDP*	**16.8**	**17.1**		**17.1**		**17.1**		**17.3**		**17.6**	

Notes: 1. Data relate to 25 State Governments. Data relating to State Governments for 1988-89 to 1990-91 are from Vote-on-Account Budgets of 15 States and Final Budgets of the remaining 10 States. Further, data in respect of Nagaland and Uttar Pradesh for the year 1988-89 are Revised Estimates.

2. In 1990-91, GDP at market prices is assumed to grow at the same rate as that in the previous year.

\+ Including effects of budget proposals and excluding post-budget tax concessions.

£ The sum of Developmental and Non-Developmental expenditure will not add up to Total Disbursements of the Central and State Governments due to the inclusion of 'Other' disbursements in State disbursements which comprise discharge of internal and external debt, compensation and assignments to local bodies and Panchayati Raj Institutions, appropriation to contingency funds and net remittances and are adjusted for figures of repayments of loans by State Governments to the Central Government.

* Figures may differ from those published earlier due to revision in the figures of GDP.

Source: Budgets of the Central and State Governments

Revenue receipts at Rs. 96,945 crore, constituting 69.1 per cent of total receipts, increased by Rs. 14,750 crore (17.9 per cent) over Rs. 82,195 crore in 1988-89. The increase in capital receipts was of a lower order (Rs. 2,722 crore or 6.7 per cent) from Rs. 40,572 crore in 1988-89 to Rs. 43,294 crore in 1989-90. Tax receipts which accounted for 81.3 per cent of revenue receipts in 1988-89 had, in fact, come down to 78.8 per cent in 1989-90, though the absolute amount increased by Rs. 9,595 crore (14.4 per cent) to Rs. 76,413 crore. A substantial portion of the increase (85.0 per cent) in tax receipts was in taxes on commodities and services which rose by Rs. 8,146 crore. The increase in taxes on income and property was Rs. 1,395 crore over the same period. The share of indirect taxes (inclusive of taxes of Union Territories but net of assignment to local bodies) in total tax receipts had marginally gone up from 83.2 per cent in 1988-89 to 83.5 per cent in 1989-90. Over the same period, tax—GDP ratio witnessed a marginal improvement from 17.1 per cent to 17.3 per cent. Non-tax receipts at Rs. 20,532 crore marked an increase of Rs. 5,155 crore (33.5 per cent) over the level of Rs. 15,377 crore in 1988-89.

The increase of Rs. 2,722 crore (6.7 per cent) in capital receipts from Rs. 40,572 crore in 1988-89 to Rs. 43,294 crore in 1989-90 was mainly accounted for by small savings (Rs. 1,275 crore or 23.3 per cent) and State Provident Funds (Rs. 604 crore or 23.6 per cent). However, net market borrowings decreased by Rs. 798 crore (—7.7 per cent) from Rs. 10,331 crore in 1988-89 to Rs. 9,533 crore in 1989-90.

Table VIII-2: Trends in Budgetary Deficits and Net RBI Credit to Government

(Rs. crore)

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	528	134	662
1975-76	—366	75	—291	—288	91	—197
1976-77	—131	50	—81	816	22	838
1977-78	—933	—229	—1162	—260	142	—118
1978-79	—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	—3,745	—1,438	—5,183	6,055	1,485	7,540
1985-86	—4,937	1,688	—3,249	6,190	—1,862	4,328
1986-87	—8,261	—890	—9,151	7,091	516	7,607
1987-88	—5,816	234+	—5,582	6,559	—157	6,402
1988-89	—5,642	164**	—5,478	6,503	425	6,928
1989-90 (RE)	—11,750	1,197**	—12,947	13,813	255	14,068

(a) For definition, see foot note No. 2 of this chapter.

(b) Comprising net changes in (i) RBI holdings of Treasury bills, other Government securities, rupee-coins in Issue Department, loans and advances to State Governments and (ii) Governments' balances with the RBI. so that an increase in cash balances will imply a decline in RBI credit to Government and vice versa. Data refer to full fiscal year (i.e. from April 1 to March 31) and take into account adjustment made at the time of final closure of Government Accounts.

\+ Figures for Nagaland relate to revised estimates.

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

** Regarding State Governments, data relating to 15 States are from Vote-on-Account Budgets, while those relating to the remaining 10 States are from Final Budgets. Further, data in respect of Nagaland and Uttar Pradesh for the year 1988-89 are revised estimates.

Source: Central and State Budget Documents for budgetary data.

During 1989-90, aggregate disbursements at Rs. 1,53,186 crore increased by Rs. 24,941 crore (19.4 per cent) from Rs. 1,28,245 crore in 1988-89. A major portion of the increase was in developmental expenditure which at Rs. 95,747 crore rose by Rs. 16,764 crore (21.2 per cent) from Rs. 78,983 crore. At this level, developmental expenditure constituted 62.5 per cent of total expenditure in 1989-90 as against 61.6 per cent in 1988-89. On the other hand, non-developmental expenditure rose by a lower order of Rs. 7,620 crore (16.6 per cent) from Rs. 45,940 crore in 1988-89 to Rs. 53,560 crore in 1989-90. Moreover, its share in aggregate disbursements had declined from 35.8 per cent in 1988-89 to 35.0 per cent in 1989-90.

1990-91

The Central Budget for 1990-91 was presented against the backdrop of a sharp rise in budgetary deficit, deceleration in output and difficult price and balance of payments situations. The rate of growth of real GDP was estimated to be only around 4.0 to 4.5 per cent in 1989-90. Agricultural and industrial outputs were expected to rise by only about 1 per cent and 6 per cent, respectively, over the same period. The Wholesale Price Index witnessed a rise of 7.3 per cent (on a point-to-point basis) on February 17, 1990 as against 5.0 per cent in the corresponding period of 1989. The major thrust of the 1990-91 Budget is the management of the deficit through containment of expenditure growth and better tax compliance. The Budget also refers to the firm resolve of the Government of not exceeding the budgeted deficit and keeping the people and Parliament informed about the budgetary developments every six months[4].

The Budget estimates for 1990-91 place the combined deficit (after taking into account additional resource mobilisation) of the Centre and States at Rs. 8,972 crore which is substantially lower than that of Rs. 12,947 crore in 1989-90. The combined aggregate receipts are estimated to increase by Rs. 11,982 crore (8.5 per cent) from Rs. 1,40,239 crore (31.7 per cent of GDP) in 1989-90 to Rs. 1,52,221 crore in 1990-91. Revenue receipts at Rs. 1,05,376 crore would show a rise of Rs. 8,431 crore (8.7 per cent) over the level of Rs. 96,945 crore in the previous year. Within revenue receipts, tax receipts which are anticipated at Rs. 88,322 crore in 1990-91 would increase by Rs. 11,909 crore (15.6 per cent) over Rs. 76,413 crore in 1989-90. The share of tax receipts in revenue receipts is estimated to rise from 78.8 per cent in 1989-90 to 83.8 per cent in 1990-91. Non-tax receipts would decrease by Rs. 3,478 crore (—16.9 per cent) from Rs. 20,532 crore to Rs. 17,054 crore over the same period. Capital receipts are anticipated to rise from Rs. 43,294 crore in 1989-90 to Rs. 46,845 crore in 1990-91, i.e., by Rs. 3,551 crore (8.2 per cent). Within capital receipts, net market borrowings are expected to increase by Rs. 792 crore (8.3 per cent) to Rs. 10,325 crore in 1990-91, while Small Savings are estimated to fall by Rs. 1,750 crore (—25.9 per cent) to Rs. 5,000 crore from Rs. 6,750 crore in the previous year.

The combined aggregate disbursements estimated at Rs. 1,61,193 crore in 1990-91 would increase by Rs. 8,007 crore (5.2 per cent) from the 1989-90 level of Rs. 1,53,186 crore. Developmental expenditure at Rs. 95,907 crore is expected to increase marginally by Rs. 160 crore (0.2 per cent) from Rs. 95,747 crore in 1989-90. However, the share of developmental expenditure in aggregate disbursements will decline from 62.5 per cent in 1989-90 to 59.5 per cent in 1990-91. Non-developmental expenditure, on the other hand, is estimated to show a significant rise of Rs. 8,041 crore (15.0 per cent) from Rs. 53,560 crore in 1989-90 to Rs. 61,601 crore in 1990-91. At these levels, it would constitute 38.2 per cent of aggregate disbursements in 1990-91 as against 35.0 per cent in 1989-90.

BUDGETARY OPERATIONS OF THE CENTRAL GOVERNMENT

Central Finances: 1989-90[5]

The revised estimates for 1989-90 placed the overall deficit of the Central Government at Rs. 11,750 crore which indicated a rise of Rs. 4,413 crore (60.1 per cent) over the budget

4. The Government subsequently announced that the Parliament would be kept informed every four months.

5. In this Section, all references to 1988-89 and 1989-90 relate to accounts and revised estimates, respectively, unless stated otherwise.

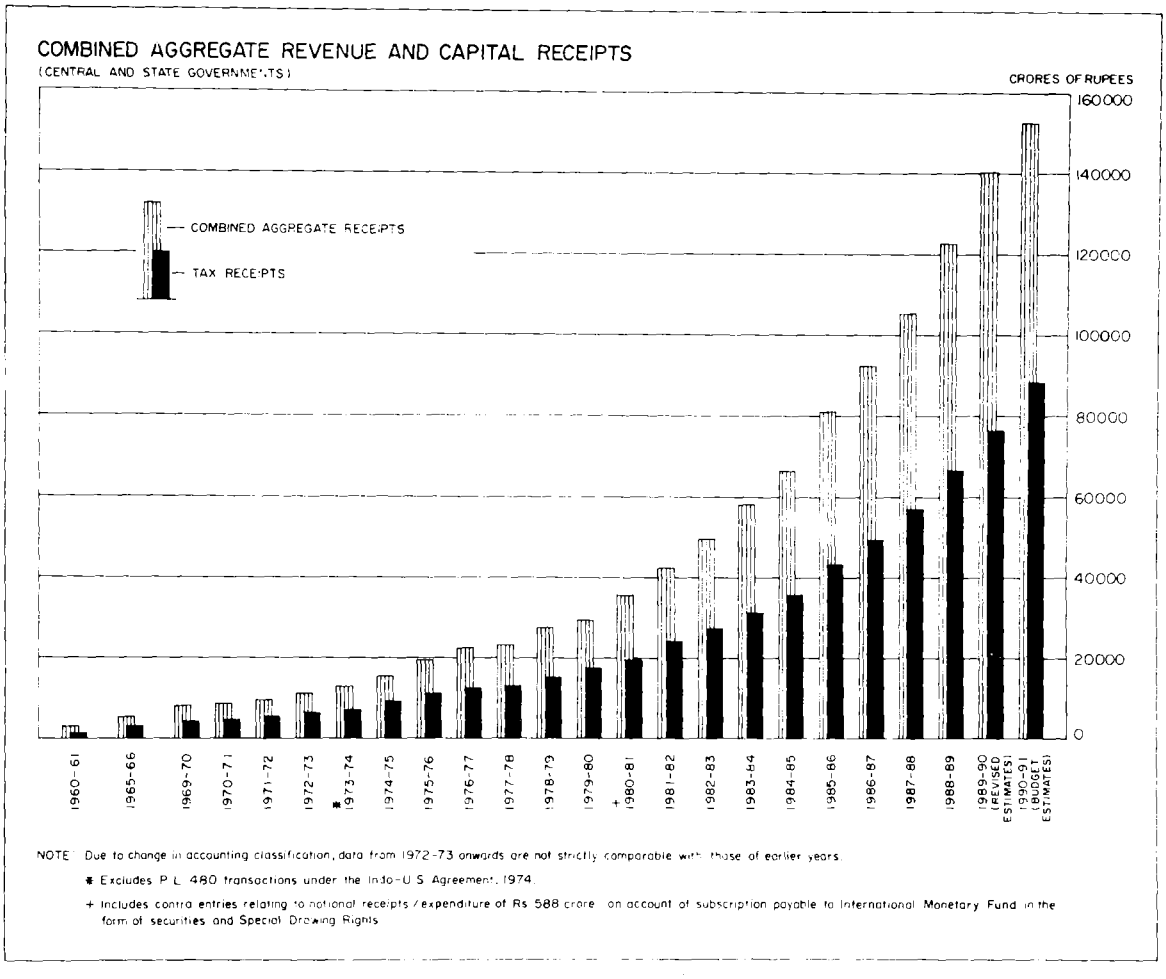
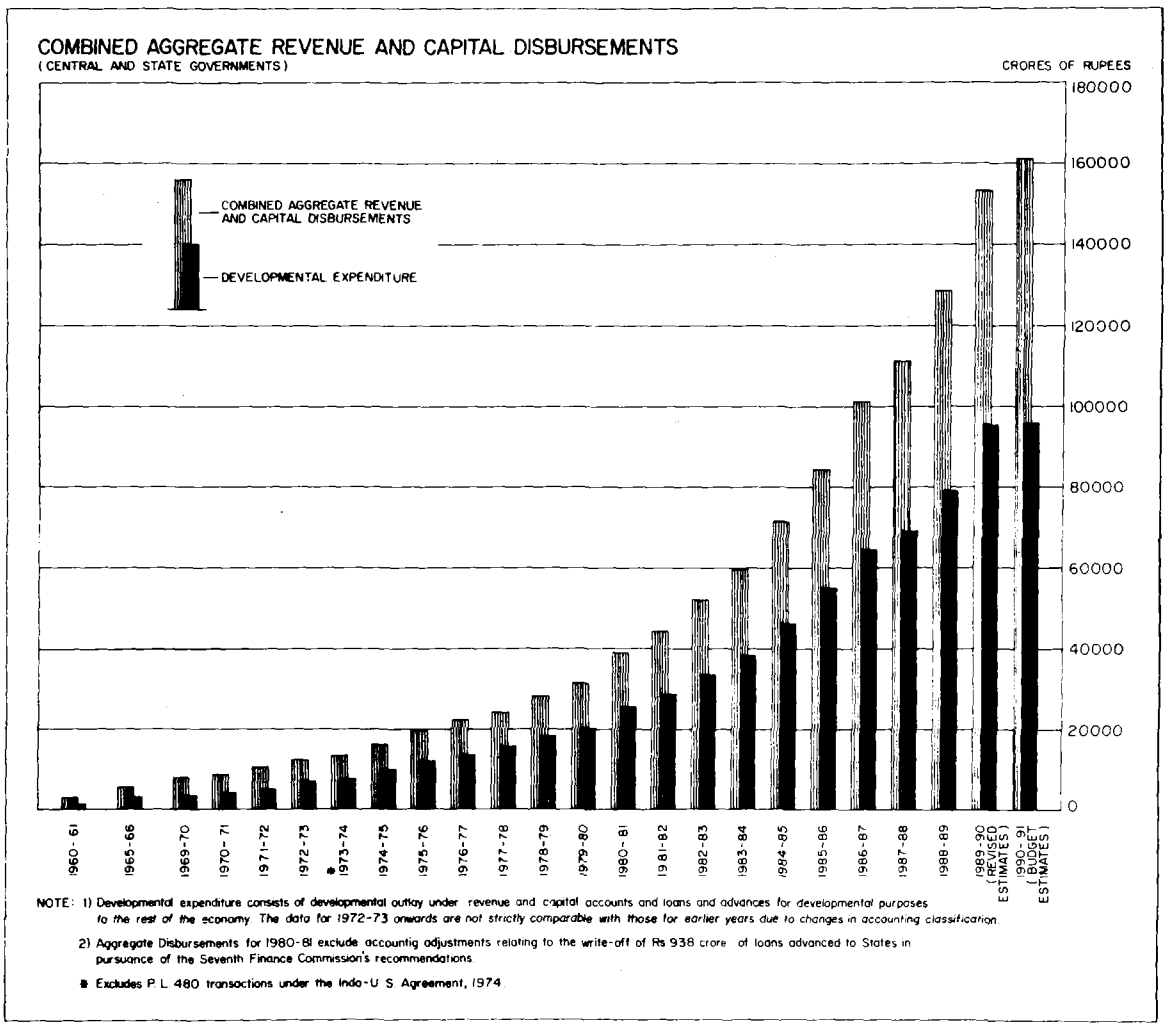


Table VIII-3: Budgetary Position of the Government of India

(Rs. crore)

Item	1986-87 (Accounts)	1987-88 (Accounts)	1988-89 (Accounts)	1989-90 (Budget Estimates)	1989-90 (Revised Estimates)	1990-91 (Budget Estimates) (a)
1	2	3	4	5	6	7
I. Revenue Account						
A. Revenue	34,768	38,992	45,740	55,018	54,616	60,763
B. Expenditure	42,544	48,129	56,255	62,030	67,052	73,795
C. Surplus (+)/ Deficit (-)	-7,776	-9,137	-10,515	-7,012	—12,436	—13,032
II. Capital Account						
A. Revenue	18,529	22,026	25,673	22,109	23,692	29,391
B. Expenditure	19,014	18,705	20,800	22,434	23,006	23,565
C. Surplus (+)/ Deficit (-)	-485	+3,321	+4,873	-325	+686	+5,826
III. Overall Surplus (+)/Deficit (-)	**-8,261**	**-5,816**	**-5,642**	**-7,337**	**-11,750**	**-7,206**

(a) Including effects of budget proposals. Post-budget tax concessions are not adjusted.



NOTE: 1) Developmental expenditure consists of developmental outlay 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.

2) Aggregate Disbursements for 1980-81 exclude accountig adjustments relating to the write-off of Rs 938 crore of loans advanced to States in pursuance of the Seventh Finance Commission's recommendations.

* Excludes P.L. 480 transactions under the Indo-U.S. Agreement, 1974.

estimates of Rs. 7,337 crore (Table VIII-3)[6]. This increase was solely attributable to the widening of the revenue deficit to Rs. 12,436 crore from the budgeted figure of Rs. 7,012 crore. On the other hand, the capital account indicated a surplus of Rs. 686 crore which was an improvement over the deficit of Rs. 325 crore budgeted. The deterioration of the revenue account was due to both a decline of Rs. 402 crore in receipts and an increase of Rs. 5,022 crore in expenditure.

Aggregate receipts at Rs. 78,308 crore were marginally higher by Rs. 1,181 crore (1.5 per cent) than the budget estimates of Rs. 77,127 crore and by Rs. 6,895 crore (9.7 per cent) over those in 1988-89. Revenue receipts at Rs. 54,616 crore were lower by Rs. 402 crore (—0.7 per cent) than the budgeted figure of Rs. 55,018 crore. Within revenue receipts, tax receipts showed a decline of Rs. 589 crore as a result of significant fall in Union excise duties. This was partly offset by an improvement of Rs. 187 crore in non-tax receipts.

Total tax revenue (net of States' share) was placed at Rs. 37,798 crore, constituting 69.2 per cent of revenue receipts as compared with 69.8 per cent in the budget estimates and 73.8 per cent in 1988-89 (Table VIII-4)[7]. Tax receipts as a percentage of GDP also declined, though marginally, from 8.7 per cent in the budget estimates to 8.5 per cent in the revised estimates. Though the share of direct taxes in total tax revenue increased to 16.1 per cent as compared with 15.8 per cent in the budget estimates, it was lower than 18.0 per cent observed in 1988-89. Correspondingly, the share of indirect taxes at 83.9 per cent was lower than 84.2 per cent in the budget estimates but higher than 82.0 per cent in 1988-89.

6. Please also refer to Statement 84 in Volume II of the Report.

7. For a detailed analysis, please refer to the article on 'Finances of the Government of India, 1990-91' published in August 1990 issue of the RBI Bulletin.

Table VIII-4: Revenue Receipts of the Government of India

(Rs. crore)

Item	1986-87 (Accounts)	1987-88 (Accounts)	1988-89 (Accounts)	1989-90 (Budget Estimates)	1989-90 (Revised Estimates)	1990-91 (Budget Estimates)
1	2	3	4	5	6	7
I Tax Receipts	**24,319**	**28,015**	**33,751**	**38,387**	**37,798**	**45,294**
I as per cent of total receipts	45.6	45.9	47.3	49.8	48.3	50.2
I as per cent of revenue receipts	69.9	71.8	73.8	69.8	69.2	74.5
I as per cent of GDP+	8.3	8.4	8.6	8.7	8.5	9.0
a) **Direct Taxes**	**4,066**	**4,157**	**6,074**	**6,070**	**6,072**	**7,710**
a) As per cent of tax receipts	16.7	14.8	18.0	15.8	16.1	17.0
b) **Indirect Taxes***	**20,253**	**23,858**	**27,677**	**32,317**	**31,726**	**37,584**
b) As per cent of tax receipts	83.3	85.2	82.0	84.2	83.9	83.0

+ In 1990-91, GDP is assumed to grow at the same rate as that in the previous year. Figures may differ from those published earlier due to revisions in the figures of GDP.

* Includes taxes of Union Territories, net of assignment to local bodies.

The rise in non-tax receipts from the budget estimates of Rs. 16,631 crore to Rs. 16,818 crore in the revised estimates was a consequence of an increase in receipts from interest and fiscal services.

Capital receipts at Rs. 23,692 crore witnessed a rise of Rs. 1,583 crore (7.2 per cent) from the budgeted amount of Rs. 22,109 crore. Compared to 1988-89, capital receipts, however, declined by Rs. 1,981 crore (—7.7 per cent). The rise over the budget estimates was mainly due to increases in special deposits of non-Government provident funds (Rs. 729 crore), recoveries of loans and advances (Rs. 619 crore) and net small savings (Rs. 350 crore). Net internal and external loans were maintained at the budgeted amounts of Rs. 7,400 crore and Rs. 2,988 crore, respectively[8].

Aggregate disbursements were placed at Rs. 90,058 crore as compared with Rs. 84,464 crore in the budget estimates and Rs. 77,055 crore in 1988-89, indicating a rise of Rs. 5,594 crore (6.6 per cent) and Rs. 13,003 crore (16.9 per cent), respectively. Expenditure on revenue account at Rs. 67,052 crore increased by Rs. 5,022 crore (8.1 per cent) from Rs. 62,030 crore budgeted and constituted 74.5 per cent of aggregate disbursements. Capital disbursements also witnessed a marginal rise of Rs. 572 crore (2.5 per cent) from Rs. 22,434 crore to Rs. 23,006 crore and constituted 25.5 per cent of aggregate disbursements.

In the revenue account, developmental expenditure at Rs. 30,506 crore recorded a higher rise of 15.4 per cent (Rs. 4,075 crore) over the budget estimates than the 2.7 per cent (Rs. 947 crore) increase observed in non-developmental expenditure which was placed at Rs. 36,546 crore. The rise in developmental expenditure was mainly on account of economic services (an increase of Rs. 5,607 crore) which include major subsidies on food, fertilizer and exports. Expenditure on these subsidies (85.8 per cent of total subsidies) at Rs. 9,166 crore increased by Rs. 1,694 crore and Rs. 2,379 crore over the budget estimates of 1989-90 and the actuals of 1988-89, respectively. Details of various subsidies are given below:

(Rs. crore)

	1988-89	1989-90 (BE)	1989-90 (RE)	1990-91 (BE)
A. Major Subsidies	**6,787**	**7,472**	**9,166**	**8,516**
1. Food	2,200	2,200	2,476	2,200
2. Fertilisers	3,201	3,651	4,601	4,000
3. Export promotion and market development	1,386	1,621	2,089	2,316
B. Other subsidies	**945**	**982**	**1,511**	**2,108**
of which				
1. Railways	207	227	234	279
2. Interest subsidies	420	314	932	391
Total (A+B)	**7,732**	**8,454**	**10,677**	**10,624**

8. Please refer to Statements 85 and 86 of the Volume II of the Report for details on capital receipts and capital disbursements and revenue receipts and revenue expenditure, respectively.

Total Grants-in-aid for both developmental and non-developmental purposes at Rs. 8,874 crore declined by Rs. 2,214 crore (—20.0 per cent) and Rs. 1,202 crore (—11.9 per cent), respectively, from Rs. 11,088 crore budgeted and Rs. 10,076 crore in 1988-89.

Under capital disbursements (including loans and advances), non-developmental capital outlay at Rs. 4,569 crore increased by Rs. 293 crore (6.9 per cent) from the budget estimates primarily due to rise of Rs. 321 crore in defence outlay. Developmental capital outlay at Rs. 18,437 crore also increased marginally by Rs. 279 crore (1.5 per cent). Loans and advances to State and Union Territory Governments, at Rs. 5,617 crore were lower by Rs. 557 crore than Rs. 6,174 crore budgeted, while other loans increased by Rs. 566 crore from Rs. 5,261 crore to Rs. 5,827 crore.

Pattern of Expenditure and Receipts—1990-91 Budget Estimates

The Central Plan outlay for 1990-91 is placed at Rs. 39,329 crore which is Rs. 4,883 crore (14.2 per cent) higher than the budgeted outlay of Rs. 34,446 crore in 1989-90. The increase is Rs. 3,616 crore (10.1 per cent) when compared with the revised outlay of Rs. 35,713 crore for 1989-90. Plan expenditure by the Central Government at Rs. 30,192 crore is expected to increase by Rs. 1,716 crore (6.0 per cent), while Central asistance for State and Union Territory Plans at Rs. 12,848 crore would show a substantial rise of Rs. 2,606 crore (25.4 per cent) due to the provison of Rs. 992 crore as Plan grants (under Article 275) recommended by the Ninth Finance Commission and step-up of Rs. 1,385 crore in normal Central assistance to States.

The Central Plan for 1990-91 places special emphasis on the creation of more jobs, generation of self-employment opportunities, strengthening agriculture and improving the living environment in the villages. Accordingly, the outlay on agriculture has been increased to Rs. 1,584 crore—a rise of 31.7 per cent and 15.5 per cent over the budget estimates and revised estimates, respectively, of 1989-90. The outlay on rural development has been raised to Rs. 2,664 crore which is 51.2 per cent higher than the budget estimates and 0.7 per cent more than the revised estimates of 1989-90. An Employment Guarantee Scheme is also proposed to be introduced in selected areas. The outlay on the industrial sector at Rs. 7,116 crore would be higher by 18.0 per cent than that in 1989-90. Outlays on energy, transport, communication and science and technology have also been raised.

Budgetary support at Rs. 17,344 crore would finance 44.1 per cent of the Plan as compared with 51.1 per cent in the revised estimates and 49.2 per cent in the budget estimates for 1989-90. Internal and extra-budgetary resources of public sector enterprises (PSEs) are placed higher at Rs. 21,985 crore, financing 55.9 per cent of the Central Plan as compared with 48.9 per cent and 50.8 per cent in the revised estimates and budget estimates, respectively, of 1989-90. Internal resources of PSEs have been increased by Rs. 3,458 crore (35.7 per cent) to Rs. 13,138 crore from Rs. 9,680 crore in the 1989-90 revised estimates. Similarly, other resources of PSEs (including deposits and inter-corporate transfers) are budgeted at Rs. 3,439 crore indicating a rise of Rs. 2,055 crore (148.5 per cent) over the revised estimates of the previous year. However, floatation of bonds and external commercial borrowings/suppliers' credit are expected to decline by Rs. 552 crore (—12.2 per cent) and Rs. 455 crore (—23.7 per cent), respectively. The details of internal and extra-budgetary resources of central PSEs are presented below:

(Rs. crore)

	1989-90 (BE)	1989-90 (RE)	1990-91 (BE)
1. Internal resources	11,299	9,680	13,138
2. Bonds/Debentures	3,115	4,494	3,942
3. External commercial borrowings/ suppliers' credit	1,111	1,921	1,466
4. Others	1,957	1,384	3,439
Total	**17,482**	**17,479**	**21,985**

Non-Plan expenditure[9] of the Central Government is anticipated to increase by

9. These do not add up to total expenditure given elsewhere wherein transactions of commercial departments and postal services are shown on a gross basis.

Rs. 5,123 crore (8.7 per cent) from Rs. 59,220 crore in 1989-90 to Rs. 64,343 crore in 1990-91, while the increase in Plan expenditure[9] at Rs. 30,192 crore in 1990-91 is estimated to be Rs. 1,716 crore (6.0 per cent) from Rs. 28,476 crore in 1989-90. Interest payments, defence and subsidies are budgeted at Rs. 20,850 crore, Rs. 15,750 crore and Rs. 10,624 crore, respectively. These three items would account for Rs. 47,224 crore or 73.4 per cent of non-Plan expenditure in 1990-91 as compared with Rs. 42,887 crore or 72.4 per cent in 1989-90.

The aggregate disbursements of the Central Government at Rs. 97,360 crore would show an increase of Rs. 7,302 crore (8.1 per cent) over Rs. 90,058 crore in 1989-90. Aggregate receipts, at revised rates of taxation, are anticipated to increase by Rs. 11,846 crore (15.1 per cent) from Rs. 78,308 crore in 1989-90 to Rs. 90,154 crore in 1990-91. The overall deficit of the Central Government would decrease from Rs. 11,750 crore in 1989-90 to Rs. 7,206 crore in the 1990-91 budget estimates.

The share of revenue expenditure in total disbursements is expected to rise from 74.5 per cent (Rs. 67,052 crore) in 1989-90 to 75.8 per cent (Rs. 73,795 crore) in 1990-91. Of the total rise of Rs. 6,743 crore (10.1 per cent) in revenue expenditure, non-developmental expenditure would account for Rs. 4,741 crore, while developmental expenditure would constitute Rs. 2,002 crore. The major items which pushed up non-developmental expenditure are interest payments (Rs. 3,140 crore), defence services (Rs. 676 crore), administrative services (Rs. 292 crore) and grants-in-aid to States and Union Territory Governments for non-developmental purposes (Rs. 746 crore). The rise in developmenal expenditure is primarily due to the increase in social services (Rs. 444 crore) and grants-in-aid to States and Union Territories for developmental purposes (Rs. 1,803 crore). However, disbursements for economic services would decline by Rs. 368 crore.

Capital disbursements (including loans and advances) which constitute 24.2 per cent of aggregate disbursements are anticipated to rise by Rs. 559 crore (2.4 per cent) from Rs. 23,006 crore in 1989-90 to Rs. 23,565 crore in 1990-91. However, developmental capital outlay is expected to decrease from Rs. 18,437 crore to Rs. 18,293 crore mainly due to decline of Rs. 1,499 crore in loans to parties other than States and Union Territories. With an increase of Rs. 574 crore in defence outlay, non-developmental capital outlay would increase by Rs. 703 crore from Rs. 4,569 crore in 1989-90 to Rs. 5,272 crore in 1990-91.

Aggregate developmental expenditure at Rs. 50,801 crore would mark an increase of Rs. 1,858 crore (3.8 per cent) over the 1989-90 level of Rs. 48,943 crore, while non-developmental expenditure would steeply rise by Rs. 5,444 crore (13.2 per cent). Non-developmental expenditure at Rs. 46,559 crore would constitute 47.8 per cent of aggregate disbursements as compared with 45.7 per cent (Rs. 41,115 crore) in 1989-90. Consequently, the share of developmental expenditure in aggregate disbursements would decline from 54.3 per cent to 52.2 per cent over the same period.

At revised rates of taxation, aggregate receipts are estimated at Rs. 90,154 crore[10] showing a rise of Rs. 11,846 crore (15.1 per cent) over the 1989-90 level of Rs. 78,308 crore. Revenue receipts, inclusive of additional resource mobilisation, are expected to rise by Rs. 6,147 crore (11.3 per cent), while capital receipts would increase by Rs. 5,699 crore (24.1 per cent).

Revenue receipts are estimated at Rs. 60,763 crore, constituting 67.4 per cent of aggregate receipts as compared with 69.7 per cent in 1989-90. Tax revenues (inclusive of additional resource mobilisation, but net of States' share) are anticipated to rise by 19.8 per cent from Rs. 37,798 crore in 1989-90 to Rs. 45,294 crore in 1990-91. The ratio of tax receipts to GDP is expected to go up from 8.5 per cent in 1989-90 to 9.0 per cent in 1990-91. Receipts from Corporation tax and Income tax would increase from Rs. 4,755 crore to Rs. 6,089 crore and from Rs. 1,078 crore to Rs. 1,362 crore, respectively.

10. Excluding post-budget concessions and reliefs. The net revenue loss is expected to be relatively small and would be made good by better tax collection.

The revenue from Union excise duties is anticipated to rise by 15.4 per cent from Rs. 12,793 crore to Rs. 14,763 crore, while that from Customs duties is expected to go up from Rs. 17,877 crore to Rs. 21,460 crore indicating an increase of 20.0 per cent. The contribution of taxes of Union Territories (without Legislatures) would increase from Rs. 883 crore in 1989-90 to Rs. 1,148 crore in 1990-91. The share of taxes on income and expenditure and property and capital transactions[11] in total tax revenue is expected to rise from 16.1 per cent in 1989-90 to 17.0 per cent in 1990-91, while the share of taxes on commodities and services[11] would decrease from 81.6 per cent to 80.4 per cent over the same period. Non-tax receipts would decrease by Rs. 1,349 crore (—8.0 per cent) from Rs. 16,818 crore in 1989-90 to Rs. 15,469 crore in 1990-91 mainly due to fall of Rs. 1,927 crore (—46.4 per cent) in receipt from economic services.

Capital receipts at Rs. 29,391 crore would rise by Rs. 5,699 crore (24.0 per cent) over the level of Rs. 23,692 crore in 1989-90. Net market borrowings are anticipated to rise from Rs. 7,400 crore to Rs. 8,000 crore, while net external loans are budgeted at Rs. 3,520 crore, marking an increase of Rs. 532 crore (17.8 per cent). Substantial increases are also expected in special deposits of non-Government Provident Funds (Rs. 600 crore or 9.3 per cent) and in other capital receipts (Rs. 4,459 crore) which reflect the transactions relating to the deposits of Oil Co-ordination Committee. The capital account for 1990-91 includes a credit of Rs. 1,400 crore from Oil deposits as against withdrawal of Rs. 2,300 crore in 1989-90 for transfer to revenue account.

Budget Proposals: 1990-91

The budget proposals for 1990-91 are aimed at removing the inequality in tax incentives, curbing conspicuous consumption, giving boost to foreign exchange earnings, reducing inessential imports and restructuring the corporate tax for closing the escape routes. Care has also been taken to broaden the corporate tax net. The direct tax proposals are also aimed at providing relief to lower and middle income groups, rationalising the savings schemes and checking the generation of black money. The main thrust in the area of indirect taxes is for simplfication and rationalisation, providing incentives for growth and exports and extending relief to small-scale industry, agriculture, environmental protection, etc.

Net of concessions, the new measures are expected to yield a revenue of Rs. 1,790 crore[12] of which Rs. 550 crore will be from direct taxes and the balance of Rs. 1,240 crore from indirect taxes. The share of States would be only Rs. 3 crore, while Rs. 1,787 crore would accrue to the Centre (Table VIII-5). In addition, revision in postal tariffs are anticipated to yield an additional revenue of about Rs. 207 crore in a full year and about Rs. 172 crore in 1990-91.

A. Direct Taxes

(i) Personal Income Tax:

1. The exemption limit for personal income-tax has been raised from Rs. 18,000 to Rs. 22,000.
2. The lowest rate of tax of 20 per cent will now be applicable to income upto Rs. 30,000 instead of Rs. 25,000 earlier. In addition, the existing surcharge at the rate of 8 per cent would be made applicable for taxable income beyond Rs. 75,000 as against Rs. 50,000 earlier.
3. An additional deduction of Rs. 6,000 will be permitted from the income of parents or guardians of physically handicapped or mentally retarded persons with income upto Rs. 60,000[13] annually.
4. As an incentive for earning foreign exchange, deduction in respect of professional income from foreign sources available to certain categories has been increased from 25 per cent to 50 per cent of the income or 75 per cent of the foreign exchange brought into India, whichever is higher.
5. In order to remove the inequity and regressiveness in tax incentives under Section

11. Excluding taxes of Union Territories without legislature which form part of total tax revenue of the Centre.

12. Excluding the impact of post-budget changes.

13. This limit was subsequently raised to Rs. 1 lakh.

Table VIII-5: Additional Resources Mobilisation by the Centre during 1990-91

(Rs. crore)

Item	Centre's share	States' share	Total
1	2	3	4
I. Taxes (a+b)	**1,787**	**3**	**1,790***
a) Direct Taxes (i+ii+iii)	720	—170	550
i) Corporation Tax	800	—	800
ii) Income Tax	—80	—170	—250
iii) Expenditure Tax	—	—	—
b) Indirect Taxes (i+ii+iii)	1,067	173	1,240
i) Customs Duties	835	—	835
ii) Union Excise Duties	217	173	390
iii) Other Taxes and Duties	15	—	15
II. Revision in Railway Fares and Freight	**892**	**—**	**892**
III. Revision in Postal and Telecommunication Tariffs	**172**	**—**	**172**
IV. Total (I+II+III)	**2,851**	**3**	**2,854**

*Excludes post-budget concessions.

Source: i) Budget Documents, Government of India, 1990-91.
ii) Railway Budget, 1990-91.

80C, a new system of tax rebate on the gross amount of savings is introduced by replacing Section 80C by Section 88. Under the new provision, tax rebate will be calculated at the rate of 20 per cent on such savings with a maximum rebate of Rs. 10,000 generally and Rs. 14,000 in the case of certain specified categories of tax payers. Also, the upper limit for full deduction under Section 80 CCA has been raised from Rs. 30,000 to Rs. 40,000.

6. A new Section 80CCB has been incorporated in terms of which the investments under the Equity Linked Savings Scheme (ELSS) upto a maximum of Rs. 10,000 will be eligible for deduction based on a 'netting' principle. The annual return on the investment in the units will be eligible for tax concession under Section 80L. On repurchase of units by the Mutual Funds or the UTI, the capital amount representing the cost of the units will be taxed as income in the year of repurchase and the excess will be liable to tax as capital gains. The ELSS will eventually replace the existing deduction under Section 80CC.

7. A new Section 88A is added to the Income-tax Act which will replace Section 80CC. Under the new provision, tax rebate at the rate of 20 per cent of the investment in eligible issues of capital or units subject to a maximum amount of Rs. 25,000 will be allowed. The scheme of Section 80CC now incorporated in the new Section 88A will lapse after 31st March 1991.

The proposed changes will result in a revenue loss of Rs. 250 crore in 1990-91.

(ii) Corporation Tax:

1. A twin strategy has been mooted in order to ensure better tax compliance. First, major incentives like Investment Allowance and Investment Deposit Account have been abolished with a view to closing the escape route. Secondly, the tax rates for domestic companies are reduced from 50 per cent to 40 per cent in the case of widely held companies, from 60 per cent to 50 per cent in the case of trading or investment companies and from 55 per cent to 45 per cent in respect of other domestic companies. The only

major deductions that will now be permitted relate to foreign exchange earnings and for setting up of new undertakings.

2. The special provision regarding tax on minimum profits contained in Section 115 J of the Income-tax Act will also be discontinued.

3. In order to encourage genuine investment activity and to discourage the use of corporate framework for holding personal wealth, dividends received by domestic companies from other domestic companies will be exempted from tax to the entire extent to which they themselves declare dividends during the relevant period. However, scheduled banks and public financial institutions would continue to be under the purview of the earlier provision of Section 80M.

4. The surcharge will be continued at 8 per cent for corporate incomes above Rs. 75,000 as against Rs. 50,000 earlier.

The modifications in corporation tax are anticipated to net in an additional revenue of Rs. 800 crore in 1990-91.

(iii) Gift Tax:

In order to curb the misuse of the mechanism of gift for converting black money into white and for splitting up capital, the existing gift tax on 'donors' has been replaced by a 'donee' based tax on a graduated scale, with a basic exemption limit of Rs. 20,000 annually. The exemption limit is placed at Rs. 1 lakh for an individual at the time of marriage. In addition, gifts received in foreign exchange through official channels will be exempted. These changes took effect from 20th March 1990.

B. Indirect Taxes

(i) Excise Duties

1. Excise duty on cotton fabrics will be shifted from the fabric stage to the yarn stage in order to avoid tax evasion at the processing stage. The duty structure on man-made fabrics, yarns and the intermediates has also been revised.

2. Incentives in the form of full exemption from excise duty on jute blankets, floor coverings, mattings, bleached, printed and dyed jute fabrics is also provided to the jute industry to diversify its products.

3. Excise duty on cigarettes is raised by 15 paise for cheaper and 75 paise for costlier cigarettes per packet of ten which would yield an additional revenue of Rs. 131 crore. The duty on non-filter cigarettes of length upto 60 mm remains unchanged.

4. Excise duties on cocoa and cocoa preparations, jams, marmalades and ice cream are raised to net Rs. 26 crore.

5. Excise duty on motor cars is increased from 35 per cent to 40 per cent which would yield an additional revenue of Rs. 79 crore. There would be no change in the excise duty on two wheelers and tractors.

6. The existing specific duty on tyres and tubes (excluding tractors, trailers and two wheelers) has been raised to fetch Rs. 40 crore additionally.

7. The specific rates of basic duties of excise on iron and steel are increased generally by Rs. 500 per tonne in the case of stainless steel items and Rs. 100 per tonne in the case of other items. These measures would net Rs. 104 crore.

8. Excise duty rates have also been increased on pan masala, microwave ovens, sophisticated audio systems, VCPs and VCRs, air-conditioners, refrigerators etc.

9. In order to encourage the SSI sector, the value limit for clearance of goods falling under only one chapter of the Central Excise Tariff has been increased from Rs. 15 lakh to Rs. 20 lakh. This measure would result in a revenue loss of Rs. 67 crore.

10. Incentives for promoting investment and strengthening the indigenous capital goods sector include a 5 per cent duty reduction on such machinery on a selective basis, resulting in a revenue loss of Rs. 60 crore.

11. Mustard oil and rapeseed oil are completely exempted from excise duty, while duty on coffee is uniformly reduced to Rs. 50 per

quintal from Rs. 78 to Rs. 105 per quintal. This would involve a revenue loss of Rs. 12 crore.

12. Excise duty concessions have also been extended to pickles, footvalves of certain specifications, paper and paper board manufactured by KVIC, certain life saving drugs, dry cell batteries, feature films, etc.

The gross revenue from the changes in excise duties is expected to be Rs. 778 crore in 1990-91. However, after taking into account concessions and reliefs, which would result in a revenue loss of Rs. 388 crore, the net additional revenue is anticipated at Rs. 390 crore. Of this, the Centre's share would be Rs. 217 crore and the States' share Rs. 173 crore.

(ii) Customs Duties

1. In order to rectify the widely dispersed import duty rates and to bring down their multiplicity, the total of the basic and auxiliary rates of customs duty are placed in a limited number of slots ranging from zero to 125 per cent for most items.

2. Import duty on petroleum crude is increased from Rs. 1,060 per tonne to Rs. 1,500 per tonne to yield an additional revenue of Rs. 836 crore.

3. In order to boost exports, manufacturer exporters are given the facility to import capital goods upto a specified value limit at a concessional import duty of 25 per cent subject to the condition that goods of a minimum of three times the value of imported capital goods are exported within 4 years from the date of import.

4. The countervailing duty of customs on imported goods will now be levied on the basis of the excise duty including special excise duty. This would fetch an additional revenue of Rs. 60 crore.

5. Import duties on Mono Ethylene Glycol (MEG) and on cold rolled electrical steel sheets have been raised to 150 per cent and 100 per cent, respectively, to fetch additional revenue of Rs. 48 crore and Rs. 14 crore from the corresponding items.

6. Concessional import duties have been extended to a few more specific bulk pesticides and intermediates.

7. Import duties on specified drug intermediaries, standard newsprint, navigational, communication, air traffic control and landing equipments have been reduced. A concessional import duty of 40 per cent has been prescribed on specified instruments and equipments required for quality upgradation.

8. Baggage rules have been modified to increase the free allowance admissible to passengers arriving from abroad from Rs. 1,250 to Rs. 2,000 per passenger.

The measures in customs duties will yield a gross revenue of Rs. 980 crore, while concessions would imply a revenue loss of Rs. 145 crore. Thus, the net revenue available to the Central Government would be Rs. 835 crore during 1990-91.

(iii) Other Taxes and Duties

The Inland Travel Tax will now be levied at the existing rate of 10 per cent[14] on the full air fare instead of the basic fare earlier, to net an additional yield of Rs. 15 crore.

C. Revision in Postal Tariff

The revisions include raising the rates of printed postcards from 40 paise to 60 paise; inland letter cards from 50 paise to 75 paise and envelopes to a uniform rate of Re. 1 for every 20 grams without any stationery charge. The revision in postal tariffs is expected to yield an additional revenue of about Rs. 207 crore in a full year and about Rs. 172 crore in 1990-91.

14. Raised to 15 per cent subsequently.

II-BUDGETARY OPERATIONS OF STATE GOVERNMENTS@

Revised Estimates: 1989-90

The overall budgetary transactions of 25 State Governments in 1989-90, after taking into account the impact of Additional Resource Mobilisation (ARM) proposals and States' share in the Centre's additional taxation, were estimated to result in a deficit of Rs. 671.9 crore. However, the revised estimates relating to budgetary operations of States in 1989-90 indicate an enhanced deficit of Rs. 1,020.0 crore as against a surplus of Rs. 304.9[15] crore in 1988-89 (Accounts). The overall deficit widened to Rs. 1,020.0 crore* in 1989-90 despite an improvement of Rs. 640.8 crore in the capital account surplus over the budgeted level of Rs. 2,921.6 crore. The revenue account position deteriorated as revenue expenditure increased by 3.6 per cent over the budgeted level of Rs. 59,119.9 crore, while revenue receipts at Rs. 56,696.2 crore, showed an increase of only 2.1 per cent. Consequently, the revenue account deficit turned out to be Rs. 4,582.4 crore as against the budget estimates of Rs. 3,593.5 crore for 1989-90 and a deficit of Rs. 1,824.8 crore in 1988-89 (Accounts) (Table VIII-6).

Receipts

Aggregate receipts of States at Rs. 76,940.8 crore in 1989-90 registered a rise of Rs. 9,364.6 crore (13.9 per cent) over the previous year. In 1988-89, these had risen by 13.4 per cent over 1987-88. Increase in aggregate receipts was contributed to by both revenue (Rs. 6,303.8 crore) and capital receipts (Rs. 3,060.8 crore). Revenue receipts moved up by 12.5 per cent to Rs. 56,696.2 crore in 1989-90 from Rs. 50,392.4 crore in 1988-89. Capital receipts amounted to Rs. 20,244.6 crore in 1989-90 showing a rise of 17.8 per cent over 1988-89. Revenue receipts accounted for 73.7 per cent of aggregate receipts in 1989-90 as against 74.6 per cent in 1988-89, while the share of capital receipts improved to 26.3 per cent in 1989-90 from 25.4 per cent in 1988-89. Under revenue receipts, tax receipts of States at Rs. 38,640.3 crore increased by 16.6 per cent in 1989-90 as against a rise of 14.3 per cent in these receipts in 1988-89. Tax receipts accounted for 50.2 per cent and 68.2 per cent of aggregate and revenue receipts, respectively, in 1989-90; the corresponding ratios were 49.0 per cent and 65.8 per cent, respectively, in 1988-89. Increase in tax receipts of States in 1989-90 was attributable both to States' own tax receipts (Rs. 3,218.8 crore) and States' share in Central taxes (Rs. 2,283.5 crore). States' own tax receipts moved up by 14.4 per cent to Rs. 25,620.2 crore in 1989-90 from Rs. 22,401.4 crore in 1988-89. States' share in Central taxes amounted to Rs. 13,020.1 crore in 1989-90, showing an impressive rise of 21.3 per cent as compared with a rise of 11.1 per cent in 1988-89. Consequently, the ratio of States' share in Central taxes to total tax receipts of States increased from 32.4 per cent in 1988-89 to 33.7 per cent in 1989-90. Among States' own tax receipts, the contribution of indirect taxes was Rs. 22,743.8 crore accounting for 88.8 per cent of own tax receipts in 1989-90 as against 89.2 per cent in 1988-89. Sales tax remained the predominant source of income with a contribution of Rs. 14,944.1 crore or 58.3 per cent of States' own tax receipts in 1989-90. Of the total increase of Rs. 3,218.8 crore in States' own tax receipts, sales tax contributed Rs. 1,823.6 crore or 56.7 per cent followed by State excise duties (Rs. 668.4 crore), stamps and registration fees (Rs. 276.4 crore), taxes on vehicles (Rs. 100.1 crore), taxes on professions, trades, callings and employment (Rs. 96.8 crore), electricity duties

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@ Data relate to 25 States.

15 The comparisons are between revised estimates of 1989-90 and the accounts figures of 1988-89, unless otherwise stated. Overall surplus or deficit for the year is computed by deducting aggregate disbursements from aggregate receipts. Aggregate receipts include (i) Revenue Receipts and (ii) Capital Receipts excluding Ways and Means Advances (WMA) and Overdrafts from Reserve Bank of India (RBI) and (iii) net receipts under Public Account excluding withdrawals from Cash Balance Investment Account and Cash Balances. Total disbursements include Revenue Expenditure and Capital Disbursements excluding repayments of WMA and Overdrafts from RBI. Additions to Cash Balance Investment Account and Cash Balances are excluded.

* According to the Reserve Bank of India records, 23 States banking with the RBI closed the financial year 1989-90 with a deficit of Rs. 475.1 crore.

Table VIII—6: Overall Budgetary Position of State Governments*

(Rs. crore)

Item	1988-89 (Accounts)@	1989-90 (Budget Estimates)	1989-90 (Revised Estimates)	Percentage variations over the Budget Estimates (Col. 4 over Col. 3)	Percentage variations over the previous year (Col. 4 over Col. 2)	1990-91 (Budget Estimates)	Percentage variations over the previous year (Col. 7 over Col. 4
1	2	3	4	5	6	7	8
I. Aggregate Receipts (A+B)	**67576.2**	**75075.0**	**76940.8**	**+2.5**	**+13.9**	**86710.7**	**+12.7**
		(74408.2)		**(+3.4)**		**(86276.7)**	**(+12.1)**
A. Revenue Receipts (1+2)	**50392.4**	**55526.4**	**56696.2**	**+2.1**	**+12.5**	**64842.0**	**+14.4**
		(54859.6)		**(+3.3)**		**(64408.0)**	**(+13.6)**
1. Tax Receipts (a+b)	33138.0	37141.2	38640.3	+4.0	+16.6	43605.0	+12.8
		(36489.1)		(+5.9)		(43181.7)	(+11.8)
a) States' Taxes	22401.4	24942.3	25620.2	+2.7	+14.4	29445.4	+14.9
		(24674.2)		(+3.8)		(29025.2)	(+13.3)
b) Share in Central Taxes	10736.6	12198.9	13020.1	+6.7	+21.3	14159.6	+8.8
		(11814.9)		(+10.2)		(14156.5)	(+8.7)
2. Non-Tax Receipts (c+d)	17254.4	18385.2	18055.9	-1.8	+4.6	21237.0	+17.6
		(18370.5)		(-1.7)		(21226.3)	(+17.6)
c) Grants from the Centre	9636.4	10315.9	9626.8	-6.7	-0.1	12222.2	+27.0
d) Other Non-Tax Receipts	7618.0	8069.3	8429.1	+4.5	+10.6	9014.8	+6.9
		(8054.6)		(+4.6)		(9004.1)	(+6.8)
B. Capital Receipts (1+2)	**17183.8**	**19548.6**	**20244.6**	**+3.6**	**+17.8**	**21868.7**	**+8.0**
1. States' Capital Receipts	7244.4	8711.5	8562.8	-1.7	+18.2	8994.9	+5.0
Of which:							
a) Market Borrowings (Gross)	2201.2	2471.0	2487.5	+0.7	+13.0	2605.8	+4.8
b) Recovery of Loans and Advances	1331.5	986.0	1125.4	+14.1	-15.5	1104.9	-1.8
2. Loans from the Centre	9939.4	10837.1	11681.8	+7.8	+17.5	12873.8	+10.2

Table VIII—6: Overall Budgetary Position of State Governments*

(Rs. crore)

Item	1988-89 (Accounts)@	1989-90 (Budget Estimates)	1989-90 (Revised Estimates)	Percentage variations over the Budget Estimates (Col. 4 over Col. 3)	Percentage variations over the previous year (Col. 4 over Col. 2)	1990-91 (Budget Estimates)	Percentage variations over the previous year (Col. 7 over Col. 4)
1	2	3	4	5	6	7	8
II. Aggregate Disbursements (A to E)	**67271.3**	**75746.9**	**77960.8**	**+2.9**	**+15.9**	**89018.9**	**+14.2**
A. Developmental Expenditure+ (1+2)	**46986.7**	**49979.0**	**53461.1**	**+7.0**	**+13.8**	**60415.3**	**+13.0**
1. Social Services	22326.4	23570.4	26637.1	+13.0	+19.3	28582.4	+7.3
Of which:							
Expenditure on Natural Calamities	878.7	348.9	617.8	+77.1	-29.7	496.0	-19.7
2. Economic Services	24660.3	26408.6	26824.0	+1.6	+8.8	31832.9	+18.7
B. Non-Developmental Expenditure+	**15879.6**	**21286.5**	**19801.7**	**-7.0**	**+24.7**	**24278.9**	**+22.6**
C. Repayment of Loans to the Centre	**3249.0**	**3453.7**	**3416.5**	**-1.1**	**+5.2**	**3340.1**	**-2.2**
D. Discharge of Internal Debt	**564.0**	**457.7**	**671.7**	**+46.8**	**+19.1**	**173.1**	**-74.2**
Of which:							
Market Loans	263.3	302.5	297.9	-1.5	+13.1	24.2	-91.9
E. Others**	**592.0**	**570.0**	**609.8**	**+7.0**	**+3.0**	**811.5**	**+33.1**
III. Overall Surplus (+)/Deficit (-) (I-II)	+304.9	**-671.9**	**-1020.0**			**-2308.2**	
		(-1338.7)				**(-2742.2)**	

* Data relate to 25 States.

** Comprise compensation and assignments to local bodies, reserve with finance department and remittances (net).

@ Figures for Jammu and Kashmir and Nagaland relate to revised estimates.

\+ Comprise expenditure on revenue and capital accounts and loans and advances extended by the States.

Notes: 1. Budget estimates for 1990-91 include the estimated net yield of Rs. 430.9 crore from additional resource mobilisation measures proposed by the States and States' share of Rs. 3.1 crore in the Centre's additional taxation proposed in the Central Budget for 1990-91.

2. Budget estimates for 1989-90 include the estimated net yield of Rs. 282.8 crore from additional resource mobilisation measures proposed by the States and States' share of Rs. 384.0 crore in the Centre's additional taxation proposed in the Central Budget for 1989-90.

(Rs. 90.1 crore), land revenue (Rs. 72.7 crore), taxes on passengers and goods (Rs. 55.7 crore), agricultural income tax (Rs. 17.6 crore) and other taxes and duties (Rs. 19.5 crore). Receipts from entertainment tax and urban immovable property tax, however, declined by Rs. 1.4 crore and Rs. 0.7 crore, respectively, in 1989-90 over those in 1988-89.

As mentioned earlier, States' share in Central taxes at Rs. 13,020.1 crore in 1989-90 was up by Rs. 2,283.5 crore or 21.3 per cent over that in 1988-89. Of the additional receipts, Union excise duties at Rs. 9,316.4 crore in 1989-90 contributed Rs. 1,356.1 crore, while additional receipts from income tax collections of the Centre were Rs. 928.0 crore in 1989-90. Non-tax receipts of States aggregated Rs. 18,055.9 crore in 1989-90 showing a rise of 4.6 per cent over 1988-89. While grants from the Centre at Rs. 9,526.8 crore in 1989-90 showed a nominal decline of Rs. 9.6 crore over 1988-89, States' own non-tax receipts moved up by 10.6 per cent to Rs. 8,429.1 crore in 1989-90 from Rs. 7,618.0 crore in 1988-89. Increase was noticed in each one of the components except dividends and profits, the maximum rise being in contribution of economic services (Rs. 454.9 crore), general services (Rs. 168.8 crore), social services (Rs. 118.7 crore) and interest receipts (Rs. 69.2 crore). Dividends and profits contributed Rs. 48.0 crore in 1989-90 as against Rs. 48.5 crore in 1988-89.

Tables VIII-7 and 8 indicate sources of revenue receipts and pattern of revenue

Table VIII-7: Sources of State Revenue Receipts—Percentage Distribution

Item	1985-86 (Accounts)	1986-87 (Accounts)	1987-88 (Accounts)+	1988-89 (Accounts)*	1989-90 (Revised Estimates)	1990-91 (Budget Estimates)
1	2	3	4	5	6	7
Total Revenue (I+II)	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
I. Tax Revenue (A+B)	**65.2**	**65.6**	**65.6**	**65.8**	**68.2**	**67.2**
A. Revenue from States' Taxes (i to iii)	**43.5**	**43.7**	**43.6**	**44.5**	**45.2**	**45.4**
i) Taxes on Income (a + b)	0.8	0.7	0.6	0.6	0.8	0.8
a) Agricultural Income Tax	0.4	0.3	0.1	0.1	0.2	0.2
b) Taxes on Professions, Trades, Callings and Employment	0.4	0.4	0.5	0.5	0.6	0.6
ii) Taxes on Property and Capital Transactions (a to c)	3.6	3.7	3.9	4.2	4.3	4.1
a) Stamps and Registration Fees	2.6	2.7	2.9	1.2	1.2	3.1
b) Land Revenue	1.0	1.0	1.0	3.0	3.1	1.0
c) Urban Immovable Property Tax	—	—	—	—	—	—
iii) Taxes on Commodities and Services (a to g)	39.1	39.3	39.1	39.7	40.1	40.5
a) Sales Tax	25.2	25.2	25.3	26.1	26.4	26.4
b) State Excise Duties	6.1	6.3	6.5	6.1	6.6	6.6
c) Taxes on Vehicles	2.5	2.6	2.5	2.6	2.5	2.4
d) Taxes on Passengers and Goods	1.7	1.6	1.6	1.7	1.6	1.6
e) Electricity Duties	1.9	2.1	1.8	2.0	1.9	2.0
f) Entertainment Tax	0.9	1.1	0.9	0.8	0.7	0.8
g) Other Taxes and Duties	0.8	0.4	0.5	0.4	0.4	0.7
B. Share in Central Taxes (a to c)	**21.7**	**21.9**	**22.0**	**21.3**	**23.0**	**21.8**
a) Income Tax	5.2	5.7	5.8	5.5	6.6	6.0
b) Estate Duty	0.1	—	—	—	—	—
c) Union Excise Duties	16.4	16.2	16.2	15.8	16.4	15.8
II. Non-Tax Revenue (C + D)	**34.8**	**34.4**	**34.4**	**34.2**	**31.8**	**32.8**
C. Grants from the Centre	**18.9**	**18.3**	**19.0**	**19.1**	**17.0**	**18.9**
D. Other Non-Tax Revenue (a to e)	**15.9**	**16.1**	**15.4**	**15.1**	**14.8**	**13.9**
a) Interest Receipts	4.1	4.4	4.4	4.7	4.3	4.2
b) Dividends	0.1	0.1	0.1	0.1	0.1	0.1
c) General Services	2.0	1.9	1.8	1.9	2.0	1.8
d) Social Services	1.4	1.2	1.1	1.1	1.2	0.9
e) Economic Services	8.3	8.5	8.0	7.3	7.2	6.9

* Data in respect of Jammu and Kashmir and Nagaland relate to revised estimates.

\+ Figures in respect of Nagaland relate to revised estimates.

Source: State Government Budget Documents.

Table VIII-8: Pattern of Revenue Expenditure-Percentage Distribution

Item	1985-86 (Accounts)	1986-87 (Accounts)	1987-88 (Accounts) +	1988-89 (Accounts)*	1989-90 (Revised Estimates)	1990-91 (Budget Estimates)
1	2	3	4	5	6	7
Total Expenditure (A to D)	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
A. Developmental Expenditure (1 + 2)	**70.4**	**70.6**	**69.7**	**69.4**	**67.5**	**65.2**
1. Social Services (i to xi)	**40.6**	**39.9**	**39.5**	**39.4**	**40.2**	**37.2**
i) Education, Sports, Art and Culture	20.8	20.4	20.4	20.9	22.7	20.9
ii) Medical, Public Health and Family Welfare	7.8	6.7	6.7	6.6	6.6	6.2
iii) Water Supply and Sanitation	2.1	3.1	2.9	2.7	2.3	2.1
iv) Housing	0.6	0.6	0.5	0.5	0.6	0.4
v) Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes	2.6	2.4	2.6	2.5	2.4	2.4
vi) Labour and Labour Welfare	0.7	0.7	0.9	0.7	0.7	0.7
vii) Social Security and Welfare	2.3	2.4	1.8	1.9	2.0	1.8
viii) Nutrition	0.4	0.8	0.8	0.7	0.7	0.8
ix) Relief on Account of Natural Calamities	2.3	1.7	1.9	1.7	1.0	0.7
x) Urban Development	0.7	0.8	0.7	0.9	0.9	0.9
xi) Others	0.3	0.3	0.3	0.3	0.3	0.3
2. Economic Services (i to ix)	**29.8**	**30.7**	**30.2**	**30.0**	**27.3**	**28.0**
i) Agriculture and Allied Activities	9.5	8.7	8.6	8.2	8.1	9.0
ii) Rural Development	6.7	7.4	6.5	7.0	4.8	5.3
iii) Special Area Programmes	0.5	0.5	0.5	0.5	0.6	0.5
iv) Irrigation and Flood Control	5.8	6.3	6.1	6.4	5.4	5.2
v) Energy	0.7	1.1	2.0	1.5	1.5	1.3
vi) Industry and Minerals	1.8	1.7	1.6	1.7	2.0	1.5
vii) Transport and Communications	3.3	3.6	3.2	3.3	3.0	2.9
viii) Science, Technology and Environment	0.1	0.1	0.1	—	—	0.1
ix) General Economic Services	1.4	1.3	1.6	1.4	1.9	2.2
B. Non-Developmental Expenditure (1 to 5)	**28.4**	**28.2**	**29.3**	**29.5**	**31.5**	**33.6**
1. Organs of State	1.0	0.9	1.0	1.0	1.4	0.9
2. Fiscal Services	3.3	2.3	3.1	2.2	2.3	2.2
3. Interest Payments and Servicing of Debt	10.3	11.6	11.5	12.2	12.7	13.6
Of which:						
i) Interest on Loans from the Centre	5.2	7.2	5.9	6.9	6.1	5.6
ii) Interest on Internal Debt	1.9	1.9	1.7	1.9	2.2	2.4
4. Administrative Services	10.1	9.8	9.7	9.6	9.9	11.9
5. Pensions and Miscellaneous General Services	3.7	3.6	4.0	4.5	5.2	5.0
C. Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	**1.2**	**1.2**	**1.0**	**1.1**	**1.0**	**1.0**
D. Reserve with Finance Department	**—**	**—**	**—**	**—**	**—**	**0.2**

* Figures for Jammu and Kashmir and Nagaland relate to revised estimates.

\+ Figures for Nagaland relate to revised estimates.

Source: State Government Budget Documents.

expenditure (percentage distribution) during the years, 1985-86 to 1990-91.

Capital Receipts

Total capital receipts of States at Rs. 20,244.6 crore in 1989-90, registered a rise of 17.8 per cent as compared with an increase of 10.3 per cent in 1988-89. States' own capital receipts amounted to Rs. 8,562.8 crore in 1989-90 as against Rs. 7,244.4 crore in 1988-89. At this level, these receipts were up by 18.2 per cent in 1989-90 as against a rise of 10.6 per cent in 1988-89. Among States' own capital receipts, market borrowings (gross) of States at Rs. 2,487.5 crore in 1989-90 increased by 13.0 per cent over those in 1988-89. In the preceding year, these had recorded a rise of 22.2 per cent over 1987-88. The net market borrowings, after allowing for repayment of loans, were Rs. 2,189.6 crore in 1989-90 as against Rs. 1,937.9 crore in 1988-89. The gross market borrowings of all States, as per Reserve Bank of India records, at Rs. 2,554.9 crore showed an increase of 11.8 per cent over those of Rs. 2,284.9 crore in 1988-89. The net amount raised after providing for repayment of maturing loans, amounted to Rs. 2,249.0 crore in 1989-90 recording a rise of 12.3 per cent over 1988-89. During 1989-90, the share of States in combined market borrowings of the Centre and States (gross) was 24.1 per cent as against 22.8 per cent in 1988-89. Similarly, an improvement was noticed in the share of States in net combined market borrowings of the Centre and States from 21.6 per cent in 1988-89 to 23.1 per cent in 1989-90. Recovery of loans and advances by States at Rs. 1,125.4 crore showed a decline of 15.5 per cent in 1989-90 over that of Rs. 1,331.5 crore in 1988-89. Loans from the Centre (gross) moved up by 17.5 per cent to Rs. 11,681.8 crore in 1989-90 from Rs. 9,939.4 crore in 1988-89. However, the share of loans from the Centre (gross) in total capital receipts declined marginally to 57.7 per cent in 1989-90 from 57.8 per cent in 1988-89. The net loans from the Centre, after providing for repayment of loans, amounted to Rs. 8,265.3 crore in 1989-90, showing a rise of 23.5 per cent over Rs. 6,690.4 crore in 1988-89.

Transfer of Resources from Centre to States

During 1989-90, the gross transfer of resources in the form of States' share in Central taxes, grants and loans from the Centre, at Rs. 34,328.7 crore recorded a rise of 13.2 per cent as compared with an increase of 12.4 per cent in 1988-89. Of the total rise of Rs. 4,016.3 crore in gross transfers, States' share in Central taxes contributed Rs. 2,283.5 crore or 56.9 per cent, followed by gross loans from the Centre, Rs. 1,742.4 crore (43.4 per cent). Grants from the Centre in 1989-90, however, declined by Rs. 9.6 crore over the last year's level of Rs. 9,636.4 crore. The gross transfer of resources from the Centre accounted for 44.6 per cent of States' aggregate receipts in 1989-90 as against 44.9 per cent in 1988-89. The gross loans received by States were Rs. 11,681.8 crore in 1989-90 as against Rs. 9,939.4 crore in 1988-89. At this level, gross loans in 1989-90 were higher by 17.5 per cent over those in 1988-89. The net receipts by way of loans from the Centre, after allowing for repayment of loans (Rs. 3,416.5 crore) and interest payments (Rs. 3,714.5 crore) amounted to Rs. 4,550.8 crore, showing a sharp rise of 46.8 per cent in 1989-90 over those in 1988-89. The ratio of net loans to gross loans was higher at 39.0 per cent in 1989-90 as against 31.2 per cent in 1988-89. The net transfer of resources from the Centre, after adjusting for repayment of loans and interest payments, aggregated Rs. 27,197.6 crore in 1989-90 registering a rise of 15.9 per cent over that in 1988-89. While the ratio of net transfers to aggregate receipts (including loans from the Centre on net basis) showed a marginal rise from 36.5 per cent in 1988-89 to 37.0 per cent in 1989-90, that of net devolution to aggregate disbursements (excluding repayment of loans and interest to the Centre) declined from 38.8 per cent in 1988-89 to 38.4 per cent in 1989-90.

During 1989-90, States received Rs. 9,626.8 crore in the form of grants from the Centre as against Rs. 9,636.4 crore received in 1988-89. Grants for non-Plan purposes at Rs. 2,411.0 crore showed an increase of 17.9 per cent in 1989-90 over 1988-89. Plan grants at Rs. 7,215.8 crore in 1989-90 declined by 5.0 per cent over

those of Rs. 7,592.2 crore in 1988-89. Among Plan grants, grants for State Plan Schemes were lower at Rs. 3,693.7 crore in 1989-90 as against Rs. 3,739.2 crore in 1988-89. Grants for Centrally Sponsored Schemes and Central Plan Schemes amounted to Rs. 2,684.2 crore and Rs. 837.9 crore, respectively, in 1989-90 as against Rs. 2,491.4 crore and Rs. 1,361.6 crore, respectively, in 1988-89.

Aggregate Disbursements

Aggregate disbursements of States moved up by 15.9 per cent to Rs. 77,960.8 crore in 1989-90 over those of Rs. 67,271.3 crore in 1988-89. Revenue expenditure at Rs. 61,278.6 crore in 1989-90 increased by 17.4 per cent over that in 1988-89, while capital expenditure amounted to Rs. 16,682.2 crore in 1989-90 showing a rise of 10.8 per cent over the previous year. In 1989-90, revenue expenditure accounted for 78.6 per cent of aggregate disbursements as against 77.6 per cent in 1988-89.

During 1989-90, the non-developmental expenditure of States grew at a higher rate than that of developmental expenditure and its share in aggregate disbursements increased from 23.6 per cent in 1988-89 to 25.4 per cent in 1989-90. Developmental expenditure at Rs. 53,461.1 crore showed a rise of 13.8 per cent in 1989-90, while non-developmental expenditure increased by 24.7 per cent to Rs. 19,801.7 crore in 1989-90 over its previous year's level of Rs. 15,879.6 crore. Under developmental disbursements, expenditure on social services amounted to Rs. 26,637.1 crore in 1989-90 as against Rs. 22,326.4 crore in 1988-89. At this level, it recorded an increase of 19.3 per cent in 1989-90 over 1988-89. Expenditure on economic services moved up from Rs. 24,660.3 crore in 1988-89 to Rs. 26,824.0 crore in 1989-90, showing an increase of 8.8 per cent over 1988-89. The share of social services in developmental expenditure improved from 47.5 per cent in 1988-89 to 49.8 per cent in 1989-90, while that of economic services declined to 50.2 per cent in 1989-90 from the previous year's level of 52.2 per cent (Table VIII-13).

Among other disbursements, the repayment of loans to the Centre was Rs. 3,416.5 crore in 1989-90 as against Rs. 3,249.0 crore in 1988-89. The proportion of repayment of loans to the Centre to aggregate disbursements turned out to be 4.4 per cent in 1989-90 as against 4.8 per cent in 1988-89. Discharge of internal debt at Rs. 671.7 crore in 1989-90 was also up by 19.1 per cent over that in 1988-89. Repayment of market loans amounted to Rs. 297.9 crore in 1989-90 as against Rs. 263.3 crore in 1988-89. Other disbursements comprising compensation and assignments to local bodies and remittances (net), etc., in 1989-90 were Rs. 609.8 crore as compared with Rs. 592.0 crore in 1988-89.

Budget Estimates: 1990-91

During 1990-91, the combined budgetary transactions of States, at 1989-90 rates of taxation, are estimated to result in a deficit of Rs. 2,742.2 crore as against a deficit of Rs. 1,020.0 crore in 1989-90 (RE). The States expect to raise Rs. 430.9 crore from additional resource mobilisation (ARM) measures in 1990-91. In addition, the States would get Rs. 3.1 crore as their share in Centre's additional tax receipts on account of revision in rates of personal income tax and excise duties for 1990-91. After taking into account the impact of ARM measures of States and States' share in Centre's additional taxation, the overall deficit of States would decline to Rs. 2,308.2 crore in 1990-91. The revenue account, at revised rates of taxation, is budgeted to show a deficit of Rs. 6,151.2 crore in 1990-91 which would be partly offset by an estimated surplus of Rs. 3,843.0 crore in the capital account.

State-wise Position

Details of State-wise budgetary position, at 1989-90 rates of taxation, indicate that only two States have presented surplus budgets for 1990-91, while the remaining twenty-two States have shown budgetary deficits. Among the latter, only eleven States have proposed additional resource mobilisation measures to cover a part of their budgetary deficits, while thirteen States have left their deficits uncovered. After taking into account the yield from ARM measures and States' share in Centre's additional taxation in 1990-91 the States which show overall surplus are Orissa (Rs. 136.6 crore), Manipur (Rs. 66.9 crore) and Arunachal Pradesh (Rs. 1.3 crore) (Table VIII-9).

Table VIII—9: Aggregate Receipts/Disbursements and Overall Surplus (+)/Deficit(-) of State Governments - State-wise Details

(Rs. crore)

States	1988-89 (Accounts)			1989-90 (Budget Estimates)			1989-90 (Revised Estimates)			1990-91 (Budget Estimates)				
	Aggregate Receipts	Aggregate Disbursements	Overall Surplus(+)/ Deficit (-)	Aggregate Receipts	Aggregate Disbursements	Overall Surplus(+)/ Deficit (-)	Aggregate Receipts	Aggregate Disbursements	Overall Surplus(+)/ Deficit (-)	Aggregate Receipts	Aggregate Receipts adjusted by ARM and States' share in Centre's additional taxation	Aggregate Disbursements	Overall Surplus(+)/ Deficit (-)	Overall Surplus (+)/ Deficit (-) adjusted by ARM and States' share in Centre's additional taxation
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Andhra Pradesh	5279.7	5218.4	+61.3	5525.2	5682.2	-157.0	5700.1	5870.3	-170.2	6236.8	6235.3	6296.9	-60.1	-61.6
2. Arunachal Pradesh	378.4	337.0	+41.4	372.1	360.9	+11.2	377.6	371.6	+6.0	389.8	391.1	389.8	-	+1.3
3. Assam	1906.2	1883.9	+22.3	2235.3	2392.1	-156.8	2332.3	2287.9	+44.4	2254.5	2256.5	2562.9	-308.4	-306.4
4. Bihar	4455.2	4461.4	-6.2	5100.2	5201.6	-101.4	5219.8	5245.4	-25.6	5934.0	5931.6	5987.6	-53.6	-56.0
5. Goa	260.0	296.4	-36.4	327.4	367.4	-40.0	353.5	383.1	-29.6	408.2	417.3	441.4	-33.2	-24.1
6. Gujarat	4493.2	4400.6	+92.6	4376.8	4588.3	-211.5	4753.8	4753.8	—	5255.7	5243.8	5364.7	-109.0	-120.9
7. Haryana	1890.1	1872.8	+17.3	2088.6	2100.5	-11.9	2131.9	2163.7	-31.8	2348.9	2348.9	2360.8	-11.9	-11.9
8. Himachal Pradesh	874.7	973.5	-98.8	984.9	978.1	+6.8	989.4	1020.5	-31.1	948.4	950.6	1073.0	-124.6	-122.4
9. Jammu and Kashmir	1404.4	1404.4	—	1435.2	1529.6	-94.4	1611.3	1611.3	—	1469.1	1473.7	1840.2	-371.1	-366.5
10. Karnataka	3796.6	3785.1	+11.5	4349.5	4507.8	-158.3	4342.6	4348.8	-6.2	4807.6	4954.1	4992.1	-184.5	-38.0
11. Kerala	2474.1	2475.1	-1.0	2755.6	2788.5	-32.9	3092.1	3109.3	-17.2	3089.3	3105.2	3160.0	-70.7	-54.8 (+39.3)
12. Madhya Pradesh	4389.9	4646.8	-256.9	4857.6	4868.3	-10.7	5079.1	4902.1	+177.0	6293.0	6316.6	6410.5	-117.5	-93.9
13. Maharashtra	8232.8	8064.0	+168.8	8924.6	8821.5	+103.1	9541.0	9530.7	+10.3	9847.8	9874.5	10133.7	-285.9	-259.2 (-45.2)
14. Manipur	377.7	388.7	-11.0	382.7	389.1	-6.4	188.3	429.3	-241.0	479.7	481.3	414.4	+65.3	+66.9
15. Meghalaya	336.8	315.8	+21.0	352.7	384.7	-32.0	371.3	387.4	-16.1	402.8	408.0	451.6	-48.8	-43.6
16. Mizoram	293.6	312.3	-18.7	301.9	302.3	-0.4	349.9	355.7	-5.8	339.3	340.9	344.0	-4.7	-3.1
17. Nagaland	437.7	448.4	-10.7	438.8	473.5	-34.7	429.9	529.7	-99.8	400.3	402.3	482.9	-82.6	-80.6

Table VIII—9: Aggregate Receipts/Disbursements and Overall Surplus (+)/Deficit(-) of State Governments - State-wise Details *(Concld.)*

(Rs. crore)

States	1988-89 (Accounts)			1989-90 (Budget Estimates)			1989-90 (Revised Estimates)			1990-91 (Budget Estimates)				
	Aggregate Receipts	Aggregate Disbursements	Overall Surplus(+)/ Deficit (-)	Aggregate Receipts	Aggregate Disbursements	Overall Surplus(+)/ Deficit (-)	Aggregate Receipts	Aggregate Disbursements	Overall Surplus(+)/ Deficit (-)	Aggregate Receipts	Aggregate Receipts adjusted by ARM and States' share in Centre's additional taxation	Aggregate Disbursements	Overall Surplus(+)/ Deficit (-)	Overall Surplus (+)/ Deficit (-) adjusted by ARM and States' share in Centre's additional taxation
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
18. Orissa	2326.2	2272.4	+53.8	2646.9	2672.7	-25.8	2623.6	2685.2	-61.6	3518.3	3519.9	3383.3	+135.0	+136.6
19. Punjab	2985.6	2830.1	+155.5	2856.5	3000.7	-144.2	3116.2	3246.8	-130.6	3276.8	3386.9	3335.2	—58.4	+51.7
20. Rajasthan	3482.5	3409.4	+73.1	3438.0	3370.3	+67.7	3628.1	3631.0	—2.9	4355.3	4367.1	4383.0	—27.7	—15.9
21. Sikkim	167.8	160.9	+6.9	156.3	169.9	—13.6	177.3	180.5	—3.2	177.1	177.4	190.5	—13.4	-13.1
22. Tamil Nadu	4547.3	4616.2	—68.9	4815.6	4901.6	—86.0	5239.4	5338.0	—98.6	5263.9	5323.5	5613.3	—349.4	—289.8 (—109.8)
23. Tripura	470.0	502.4	—32.4	551.0	533.6	+17.4	547.2	544.1	+3.1	632.2	634.2	637.2	—5.0	—3.0
24. Uttar Pradesh	7904.4	7880.7	+23.7	10473.0	10465.1	+7.9	9556.2	9799.9	—243.7	12032.3	12030.7	12179.3	—147.0	—148.6
25. West Bengal	4411.3	4314.6	+96.7	5328.6	4896.6	+432.0	5188.9	5234.7	-45.8	6115.6	6139.3	6590.6	—475.0	—451.3 (—7.2)
Total	**67576.2**	**67271.3**	**+304.9**	**75075.0**	**75746.9**	**—671.9**	**76940.8**	**77960.8**	**-1020.0**	**86276.7**	**86710.7**	**89018.9**	**-2742.2**	**-2308.2**

Notes: 1. Aggregate Disbursements include remittances (net).

2. Figures for individual States for 1989-90 (Budget Estimates) include the estimated net yield of Rs. 282.8 crore from additional resource mobilisation measures introduced through the States Budgets and States' share of Rs. 384.0 crore in the Centre's additional taxation proposed in the Central Budget for 1989-90.

3. Figures for individual States for 1990-91 (Budget Estimates) include the estimated net yield of Rs. 430.9 crore from additional resource mobilisation measures introduced through the States Budgets and States' share of Rs. 3.1 crore in the Centre's additional taxation proposed in the Central Budget for 1990-91.

4. Figures for 1988-89 (Accounts) in respect of Jammu and Kashmir and Nagaland relate to revised estimates.

5. Figures in brackets in col. 15 in respect of Kerala, Maharashtra, Tamil Nadu and West Bengal reflect the position after taking into account additional receipts net of additional outlays anticipated in the Budget.

The remaining twenty-two States show deficits aggregating Rs. 2,513.7 crore in 1990-91. The overall deficit ranges from Rs. 451.3 crore in the case of West Bengal to Rs. 3.0 crore in the case of Tripura. The overall deficits of West Bengal (—Rs. 451.3 crore), Assam (—Rs. 306.4 crore), Tamil Nadu (-Rs. 289.8 crore), Maharashtra (-Rs. 259.2 crore), Jammu and Kashmir (-Rs. 366.5 crore), Himachal Pradesh (-Rs. 122.4 crore), Madhya Pradesh (—Rs. 93.9 crore) and Gujarat (—Rs. 120.9 crore) account for 80 per cent of the total deficit of twenty-two States. Kerala's deficit of Rs. 54.8 crore would be converted to a surplus of Rs. 39.3 crore in 1990-91 when adjustments are made for additional receipts of the State amounting to Rs. 131.1 crore from State's share in Central taxes, revenue Plan deficit grants and additional sales tax receipts and unbudgeted expenditure of Rs. 37.2 crore. The budgetary deficit of Tamil Nadu would decline from Rs. 289.8 crore to Rs. 109.7 crore due to an additional receipt of Rs. 180.0 crore on account of modification in prohibition policy of the State. West Bengal which has shown a deficit of Rs. 451.3 crore in 1990-91 expects to reduce it to Rs. 7.2 crore taking into account Rs. 444.0 crore in the form of Special Central loans and savings out of economy measures in tax administration. The overall deficit of Maharashtra at Rs. 259.2 crore would decline to Rs. 45.2 crore due to additional receipts net of additional outlays amounting to Rs. 214.0 crore. Gujarat and Assam expected additional receipts from revision of oil royalty rates, while a few States expect accrual of additional income from early introduction of consignment tax. The States which have shown budgetary deficits expect to cover gaps through better tax administration, collection of tax arrears, increase in Central assistance, imposition of economy measures and curtailment of unproductive expenditure.

Transaction under Revenue Accounts

The revenue account transactions of States, at revised rates of taxation, reveal a deficit of Rs. 6,151.2 crore in 1990-91 as against a deficit of Rs. 4,582.4 crore in 1989-90. In 1990-91, twenty States show deficits in their revenue accounts aggregating Rs. 6,521.8 crore which is partly offset by total surplus of Rs. 370.6 crore in the revenue accounts of five States. The States with large revenue account deficits in 1990-91 are Uttar Pradesh (—Rs. 1,678.1 crore), West Bengal (—Rs. 1,414.9 crore), Maharashtra (—Rs. 662.1 crore), Punjab (—Rs. 468.3 crore), Tamil Nadu (—Rs. 357.0 crore), Kerala (—Rs. 344.5 crore), Andhra Pradesh (—Rs. 326.5 crore), Bihar (—Rs. 288.6 crore) and Assam (—Rs. 261.3 crore) accounting for 89.0 per cent of the total deficit of twenty States (Table VIII-10).

Receipts

Aggregate receipts, at revised rates of taxation, are budgeted to rise by 12.7 per cent to Rs. 86,710.7 crore in 1990-91 from Rs. 76,940.8 crore in the previous year. In 1989-90, these had risen by 13.9 per cent over 1988-89. Of the total rise of Rs. 9,769.9 crore in aggregate receipts, revenue receipts would contribute Rs. 8,145.8 crore, while the balance of Rs. 1,624.1 crore would be contributed by capital receipts. Revenue receipts budgeted at Rs. 64,842.0 crore in 1990-91 would show an increase of 14.4 per cent as against a rise of 12.5 per cent in 1989-90. Capital receipts, on the other hand, are budgeted at Rs. 21,868.7 crore in 1990-91 as against Rs. 20,244.6 crore in 1989-90. The rate of rise in capital receipts in 1990-91 would decelerate to 8.0 per cent from 17.8 per cent in 1989-90. The share of revenue receipts in aggregate receipts would show an improvement from 73.7 per cent in 1989-90 to 74.8 per cent in 1990-91, while that of capital receipts would decline to 25.2 per cent in 1990-91 from 26.3 per cent in 1989-90.

Revenue Receipts

Under total tax receipts, revenue receipts of States, at revised rates of taxation, are budgeted to rise by 12.8 per cent to Rs. 43,605.0 crore in 1990-91 from Rs. 38,640.3 crore in 1989-90. States' own tax receipts at Rs. 29,445.4 crore in 1990-91 would be higher by 14.9 per cent over 1989-90. In the previous year, these receipts had risen by 14.4 per cent over 1988-89. States' share in Central taxes which had recorded a sharp rise

Table VIII—10: Transactions on Revenue Account (Contd.)

(Rs. crore)

States	1985-86 (Accounts)			1986-87 (Accounts)			1987-88 (Accounts)		
	Revenue Receipts	Revenue Expenditure	Revenue Surplus(+)/ Deficit (-)	Revenue Receipts	Revenue Expenditure	Revenue Surplus(+)/ Deficit (-)	Revenue Receipts	Revenue Expenditure	Revenue Surplus (+)/ Deficit(-)
1	2	3	4	5	6	7	8	9	10
1. Andhra Pradesh	2773.2	2780.5	-7.3	3056.1	3244.5	-188.4	3478.1	3440.9	+37.2
2. Arunachal Pradesh	—	—	—	211.6	172.9	+38.7	296.4	245.7	+50.7
3. Assam	937.6	943.2	-5.6	1210.0	1149.4	+60.6	1241.1	1325.5	-84.4
4. Bihar	2395.7	2098.1	+297.6	2622.7	2277.2	+345.5	2968.7	2932.6	+36.1
5. Goa	—	—	—	170.9	172.0	-1.1	161.0	168.5	-7.5
6. Gujarat	1902.5	1972.4	-69.9	2159.7	2469.2	-309.5	2806.5	3093.1	-286.6
7. Haryana	960.3	854.2	+106.1	1130.2	967.4	+162.8	1303.9	1287.5	+16.4
8. Himachal Pradesh	519.2	411.4	+107.8	533.8	464.1	+69.7	649.8	608.8	+41.0
9. Jammu and Kashmir	601.9	595.4	+6.5	694.7	653.4	+41.3	754.0	860.7	-106.7
10. Karnataka	2013.1	2097.9	-84.8	2284.1	2204.7	+79.4	2556.9	2666.8	-109.9
11. Kerala	1371.2	1445.3	-74.1	1502.5	1654.8	-152.3	1586.1	1780.7	-194.6
12. Madhya Pradesh	2173.5	2103.1	+70.4	2567.4	2531.7	+35.7	2994.2	3053.1	-58.9
13. Maharashtra	4174.2	4490.8	-316.6	4978.2	4978.8	-0.6	5578.2	5504.4	+73.8
14. Manipur	226.3	155.8	+70.5	248.3	198.1	+50.2	287.0	214.6	+72.4
15. Meghalaya	183.0	135.0	+48.0	214.7	156.4	+58.3	256.4	189.6	+66.8
16. Mizoram	129.9	131.5	-1.6	67.9	46.3	+21.6	193.8	246.1	-52.3
17. Nagaland	264.6	203.7	+60.9	297.3	263.2	+34.1	350.9	328.3	+22.6
18. Orissa	940.8	1000.9	-60.1	1228.2	1248.0	-19.8	1333.1	1407.6	-74.5
19. Punjab	1170.2	1162.8	+7.4	1292.5	1202.1	+90.4	1404.5	1633.5	-229.0
20. Rajasthan	1505.7	1507.9	-2.2	1806.5	1866.7	-60.2	2183.1	2539.2	-356.1
21. Sikkim	91.6	77.6	+14.0	113.4	81.3	+32.1	126.4	98.5	+27.9
22. Tamil Nadu	2638.3	2449.7	+188.6	2879.3	2775.7	+103.6	3091.9	3374.8	-282.9
23. Tripura	231.3	189.9	+41.4	274.5	232.0	+42.5	314.2	294.3	+19.9
24. Uttar Pradesh	3876.8	3702.3	+174.5	4171.6	4349.2	-177.6	5331.9	5079.9	+252.0
25. West Bengal	2343.2	2260.3	+82.9	2510.2	2697.5	-187.3	2912.2	3027.5	-115.3
Total	**33424.1**	**32769.7**	**+654.4**	**38226.3**	**38056.6**	**+169.7**	**44160.3**	**45402.2**	**—1241.9**

Table VIII—10: Transactions on Revenue Account *(Concld.)*

(Rs. crore)

States	1988—89 (Accounts)+			1989—90 (Revised Estimates)			1990—91 (Budget Estimates)*		
	Revenue Receipts	Revenue Expenditure	Revenue Surplus(+)/ Deficit(—)	Revenue Receipts	Revenue Expenditure	Revenue Surplus(+)/ Deficit (—)	Revenue Receipts	Revenue Expenditure	Revenue Surplus (+)/ Deficit(—)
11	12	13	14	15	16	17	18	19	20
1. Andhra Pradesh	4279.0	4245.7	+33.3	4504.4	4861.5	—357.1	4912.8	5239.3	—326.5
2. Arunachal Pradesh	299.3	208.7	+90.6	335.0	237.5	+97.5	354.7	228.4	+126.3
3. Assam	1372.9	1435.4	—62.5	1535.5	1667.2	—131.7	1571.9	1833.2	—261.3
4. Bihar	3488.1	3210.6	+277.5	3911.2	3944.6	—33.4	4347.8	4636.4	—288.6
5. Goa	210.8	198.8	+12.0	215.0	251.9	—36.9	279.0	294.8	—15.8
6. Gujarat	3235.7	3362.4	—126.7	3521.0	3640.0	—119.0	4030.9	4141.8	—110.9
7. Haryana	1441.1	1442.9	—1.8	1719.7	1779.7	—60.0	1894.1	1916.0	—21.9
8. Himachal Pradesh	698.4	768.2	—69.8	748.0	794.7	—46.7	781.7	856.0	—74.3
9. Jammu and Kashmir	901.8	965.7	—63.9	958.0	1081.2	—123.2	1058.3	1219.1	—160.8
10. Karnataka	2963.6	3002.3	—38.7	3420.5	3488.2	—67.7	3962.4	4010.2	—47.8
11. Kerala	1897.1	2061.0	—163.9	2179.7	2574.8	—395.1	2252.2	2596.7	—344.5
12. Madhya Pradesh	3471.7	3617.6	—145.9	3899.2	3817.0	+82.2	5029.3	5099.2	—69.9
13. Maharashtra	6299.8	6540.7	—240.9	7268.6	7848.3	—579.7	7678.3	8340.4	—662.1
14. Manipur	322.3	273.2	+49.1	360.6	297.0	+63.6	398.5	273.8	+124.7
15. Meghalaya	302.3	224.6	+77.7	318.1	287.5	+30.6	377.5	334.0	+43.5
16. Mizoram	273.8	230.9	+42.9	310.9	267.9	+43.0	308.8	261.9	+46.9
17. Nagaland	384.7	343.5	+41.2	346.2	393.2	—47.0	351.6	377.3	—25.7
18. Orissa	1550.9	1658.7	—107.8	1895.4	2031.6	—136.2	2483.6	2555.1	—71.5
19. Punjab	1623.4	1867.5	—244.1	1895.5	2184.3	—288.8	2072.5	2540.8	—468.3
20. Rajasthan	2352.2	2570.7	—218.5	2670.1	2760.2	—90.1	3360.8	3462.9	—102.1
21. Sikkim	149.5	113.2	+36.3	140.2	121.4	+18.8	157.5	128.3	+29.2
22. Tamil Nadu	3488.9	3763.0	—274.1	4044.2	4562.8	—518.6	4457.1	4814.1	—357.0
23. Tripura	395.6	380.5	+15.1	420.2	448.7	—28.5	509.8	529.6	—19.8
24. Uttar Pradesh	5652.2	6256.8	—604.6	6329.5	7709.9	—1380.4	8010.1	9688.2	—1678.1
25. West Bengal	3337.3	3474.6	—137.3	3749.5	4227.5	—478.0	4200.8	5615.7	—1414.9
Total	50392.4	52217.2	—1824.8	56696.2	61278.6	—4582.4	64842.0	70993.2	—6151.2

* Includes proposed ARM of States and States' share in Centre's additional taxation during 1990-91.

\+ Figures for Jammu and Kashmir and Nagaland relate to Revised Estimates.

of 21.3 per cent in 1989-90 would move up by 8.8 per cent to Rs. 14,159.6 crore in 1990-91. States' own tax receipts would account for 67.5 per cent of total tax receipts in 1990-91 as against 66.3 per cent in 1989-90. There would be a corresponding decline in the ratio of States' share in Central taxes to total tax receipts from 33.7 per cent in 1989-90 to 32.5 per cent in 1990-91.

The share of various States' taxes in States' own tax receipts is indicated in Table VIII-11.

Non-tax receipts of States in 1990-91 would increase by 17.6 per cent to Rs. 21,237.0 crore from those of Rs. 18,055.9 crore in 1989-90. In the previous year, the rate of rise in non-tax receipts was only 4.6 per cent over 1988-89. The sharp rise in non-tax receipts is attributable to grants from the Centre which would increase by 27.0 per cent to Rs. 12,222.2 crore in 1990-91. In 1989-90, grants from the Centre at Rs. 9,626.8 crore were lower by 0.1 per cent over 1988-89. States' own non-tax receipts would also move up from Rs. 8,429.1 crore in 1989-90 to Rs. 9,014.8 crore in 1990-91 showing a rise of 6.9 per cent as against that of 10.6 per cent in 1989-90.

Capital Receipts

Total capital receipts of States budgeted at Rs. 21,868.7 crore for 1990-91 would record an improvement of 8.0 per cent as compared with a rise of 17.8 per cent in 1989-90. Loans from the Centre (gross) are budgeted at Rs. 12,873.8 crore in 1990-91 as against Rs. 11,681.8 crore in 1989-90. At this level, there would be a rise of 10.2 per cent in gross loans in 1990-91 as compared with that of 17.5 per cent in 1989-90. Loans from the Centre, after allowing for repayment, would be Rs. 9,533.7 crore in 1990-91 as against Rs. 8,265.3 crore in 1989-90. States' own capital receipts which had recorded an impressive rise of 18.2 per cent in 1989-90 would rise by only 5.0 per cent to Rs. 8,994.9 crore in 1990-91. Among States' own capital receipts, gross market borrowings of States in 1990-91 would be Rs. 2,605.8 crore as against Rs. 2,487.5 crore in 1989-90. The net market borrowings, after adjusting for repayment of market loans at Rs. 2,581.6 crore, would show a rise of 17.9 per cent in 1990-91 as compared with a rise of 13.0 per cent in 1989-90. Recovery of loans and advances at Rs. 1,104.9 crore in 1990-91 would be lower by 1.8 per cent than the previous year's level of Rs. 1,125.4 crore. Receipts of States from small savings (net) and deposits and advances (net) would be higher by 3.8 per cent and 13.4 per cent, respectively, in 1990-91. The ratio of States' own capital receipts to total capital receipts would decline from 42.3 per cent in 1989-90 to 41.1 per cent in 1990-91. Gross

Table VIII-11: States'Own Tax Receipts

(Rs. crore)

Taxes	1989-90 (Revised Estimates)		1990-91 (Budget Estimates)	
	Amount	Increase/Decrease over 1988-89 (%)	Amount	Increase/Decrease over 1989-90 (%)
1	2	3	4	5
1. Sales Tax	14,944.0	+13.9	17,116.1	+14.5
2. State Excise Duties	3,749.7	+21.7	4,283.7	+14.2
3. Land Revenue	667.6	+12.2	653.6	—2.1
4. Taxes on Vehicles	1,390.1	+7.7	1,581.8	+13.8
5. Taxes on Passengers and Goods	924.9	+6.4	1,043.0	+12.8
6. Taxes and Duties on Electricity	1,089.3	+9.0	1,304.1	+19.7
7. Stamps and Registration Fees	1,762.8	+18.6	2,009.2	+14.0
8. Agricultural Income Tax	82.1	+27.5	108.4	+32.0
9. Entertainment Tax	421.8	—0.3	493.6	+17.0
10. Others+	587.9	+24.5	851.9	+44.9
Total	**25,620.2**	**+14.4**	**29,445.4**	**+14.9**

+ Includes taxes on Professions, Trades, Callings and Employment, Urban immovable property tax and other taxes.

loans from the Centre, on the other hand, would account for 58.9 per cent of total capital receipts in 1990-91 as against 57.7 per cent in 1989-90.

Disbursements

During 1990-91, aggregate disbursements of States would move up by 14.2 per cent to Rs. 89,018.9 crore from Rs. 77,960.8 crore in the preceding year. In 1989-90, aggregate disbursements had recorded a rise of 15.9 per cent over 1988-89. Revenue expenditure, at Rs. 70,993.2 crore in 1990-91 would rise by 15.9 per cent, while capital disbursements would move up by 8.1 per cent to Rs. 18,025.7 crore over the preceding year's level of Rs. 16,682.2 crore. Developmental expenditure of States at Rs. 60,415.3 crore in 1990-91 would increase by 13.0 per cent as compared with a rise of 13.8 per cent in 1989-90. Non-developmental expenditure which had increased by 24.7 per cent in 1989-90 would move up by 22.6 per cent to Rs. 24,278.9 crore in 1990-91 from Rs. 19,801.7 crore in 1989-90. The share of non-developmental expenditure in aggregate disbursements would rise further from 25.4 per cent in 1989-90 to 27.3 per cent in 1990-91. Repayment of loans to the Centre is budgeted lower at Rs. 3,340.1 crore in 1990-91 than Rs. 3,416.5 crore in 1989-90. In 1990-91, the discharge of internal debt would amount to Rs. 173.1 crore as compared with Rs. 671.7 crore in 1989-90. This is mainly due to decline in repayment of market loans which is budgeted at Rs. 24.2 crore in 1990-91 as against Rs. 297.9 crore in 1989-90. The share of other disbursements comprising repayment of loans, discharge of internal debt and compensation and assignments to local bodies, etc., would therefore decline from 6.0 per cent in 1989-90 to 4.9 per cent in 1990-91.

Under developmental expenditure, there would be an increase of 7.3 per cent in expenditure on social services in 1990-91 which would rise to Rs. 28,582.4 crore from Rs. 26,637.1 crore in 1989-90. Expenditure on economic services at Rs. 31,832.9 crore in 1990-91 would show a rise of 18.7 per cent as compared with that of 8.8 per cent in 1989-90.

In the sphere of non-developmental expenditure, three main items, e.g., administrative services, interest payments and pensions and miscellaneous general services would witness a rise of 38.8 per cent, 23.6 per cent and 12.9 per cent, respectively, in 1990-91 over 1989-90 and would account for 84.0 per cent of the total non-developmental expenditure in 1990-91 as against 87.1 per cent in 1989-90.

Net transfer of resources from the Centre in the form of States' share in Central taxes, grants and net loans, i.e., after providing for interest payments and repayment of loans to the Centre, would rise by 17.3 per cent to Rs. 31,903.8 crore in 1990-91 from Rs. 27,197.6 crore in 1989-90. In the previous year, it had risen by 15.9 per cent over 1988-89. The ratio of net transfer of resources to aggregate receipts (including loans on net basis) would be 38.3 per cent in 1990-91 as against 37.0 per cent in 1989-90. The net transfer would account for 39.1 per cent of aggregate disbursements (excluding repayment of loan instalments and interest payments on loans from the Centre) in 1990-91 as compared with 38.4 per cent in 1989-90.

Additional Resource Mobilisation Measures

During 1990-91, Additional Resource Mobilisation (ARM) efforts of eleven States would yield net additional revenue of Rs. 430.9 crore as against Rs. 282.2 crore raised by twelve States in 1989-90. Among the eleven States which have proposed ARM measures, Gujarat would lose Rs. 10.1 crore as a result of net impact of ARM proposals of the State for 1990-91. Of the additional yield, revisions in tax rates by States would contribute Rs. 420.2 crore and the balance of Rs. 10.7 crore would come from non-tax measures. Karnataka expects to raise the maximum amount of Rs. 147.5 crore followed by Punjab (Rs. 110.3 crore), Tamil Nadu (Rs. 62.0 crore), Maharashtra (Rs. 30.7 crore), West Bengal (Rs. 25.6 crore), Madhya Pradesh (Rs. 25.0 crore), Kerala (Rs. 16.8 crore), Rajasthan (Rs. 10.6 crore), Goa (Rs. 8.4 crore) and Meghalaya (Rs. 4.1 crore). Tax-wise details of revenue from ARM measures are indicated in Table VIII-14.

Table VIII—12: Capital Transaction of States

(Rs. crore)

States	1985-86 (Accounts)			1986-87 (Accounts)			1987-88 (Accounts)		
	Capital Receipts	Capital Disburse-ments	Capital Surplus (+)/ Deficit(-)	Capital Receipts	Capital Disburse-ments	Capital Surplus (+)/ Deficit(-)	Capital Receipts	Capital Disburse-ments	Capital Surplus (+)/ Deficit(-)
1	2	3	4	5	6	7	8	9	10
1. Andhra Pradesh	763.1	623.5	+139.6	907.0	825.1	+81.9	923.4	858.8	+64.6
2. Arunachal Pradesh	—	—	—	8.6	54.0	-45.4	-1.4	91.7	-93.1
3. Assam	344.1	283.8	+60.3	364.3	487.5	-123.2	525.1	458.4	+66.7
4. Bihar	939.3	889.0	+50.3	816.2	1135.2	-319.0	1503.5	1328.9	+174.6
5. Goa	—	—	—	87.3	82.1	+5.2	181.6	71.8	+109.8
6. Gujarat	712.1	671.7	+40.4	1230.4	815.9	+414.5	1157.0	993.7	+163.3
7. Haryana	361.0	430.7	-69.7	388.1	554.4	-166.3	354.4	376.9	-22.5
8. Himachal Pradesh	124.0	181.9	-57.9	96.9	181.7	-84.8	172.5	198.8	-26.3
9. Jammu and Kashmir	328.6	306.2	+22.4	307.5	347.9	-40.4	448.5	387.3	+61.2
10. Karnataka	967.5	801.3	+166.2	657.8	853.6	-195.8	964.7	808.0	+156.7
11. Kerala	718.1	514.0	+204.1	488.1	528.8	-40.7	658.5	465.5	+193.0
12. Madhya Pradesh	927.3	865.7	+61.6	777.6	869.8	-92.2	1094.1	899.0	+195.1
13. Maharashtra	1582.1	1264.2	+317.9	1513.8	1473.3	+40.5	1427.7	1389.8	+37.9
14. Manipur	59.6	92.3	-32.7	35.7	97.8	-62.1	21.8	96.5	-74.7
15. Meghalaya	14.4	47.3	-32.9	23.4	82.3	-58.9	22.8	84.4	-61.6
16. Mizoram	34.2	45.9	-11.7	1.2	3.6	-2.4	7.3	45.9	-38.6
17. Nagaland	43.0	68.6	-25.6	56.3	81.1	-24.8	53.3	107.3	-54.0
18. Orissa	532.8	425.8	+107.0	391.8	483.3	-91.5	670.8	580.9	+89.9
19. Punjab	856.0	773.8	+82.2	497.0	620.7	-123.7	1238.4	981.0	+257.4
20. Rajasthan	680.1	651.7	+28.4	735.6	698.4	+37.2	1013.6	837.0	+176.6
21. Sikkim	30.3	43.7	-13.4	10.8	38.2	-27.4	2.2	35.8	-33.6
22. Tamil Nadu	759.4	854.7	-95.3	725.6	834.7	-109.1	1037.1	818.2	+218.9
23. Tripura	53.6	76.3	-22.7	40.1	76.5	-36.4	58.7	100.3	-41.6
24. Uttar Pradesh	1525.3	1458.8	+66.5	2204.2	2141.0	+63.2	1514.3	1647.1	-132.8
25. West Bengal	777.2	728.3	+48.9	918.3	824.9	+93.4	1022.8	933.4	+89.4
Total	**13133.1**	**12099.2**	**+1033.9**	**13283.6**	**14191.8**	**-908.2**	**16072.7**	**14596.4**	**+1476.3**

Table VIII—12: Capital Transactions of States *(Concld.)*

(Rs. crore)

States	1988-89 (Accounts)*			1989-90 (Revised Estimates)			1990-91 (Budget Estimates)		
	Capital Receipts	Capital Disburse-ments	Capital Surplus (+)/ Deficit(—)	Capital Receipts	Capital Disburse-ments	Capital Surplus (+)/ Deficit(—)	Capital Receipts	Capital Disburse-ments	Capital Surplus (+)/ Deficit(—)
11	12	13	14	15	16	17	18	19	20
1. Andhra Pradesh	1000.7	972.7	+28.0	1195.7	1008.8	+186.9	1322.5	1057.6	+264.9
2. Arunachal Pradesh	79.0	128.3	—49.3	42.6	134.1	—91.5	36.5	161.4	—124.9
3. Assam	533.3	448.4	+84.9	796.8	620.7	+176.1	684.6	729.7	—45.1
4. Bihar	967.2	1250.8	—283.6	1308.6	1300.8	+7.8	1583.8	1351.2	+232.6
5. Goa	49.2	97.6	—48.4	138.6	131.2	+7.4	138.1	146.5	—8.4
6. Gujarat	1257.5	1038.2	+219.3	1232.8	1113.8	+119.0	1213.0	1223.0	—10.0
7. Haryana	449.0	429.9	+19.1	412.2	383.9	+28.3	454.8	444.8	+10.0
8. Himachal Pradesh	176.4	205.3	—28.9	241.4	225.8	+15.6	168.8	217.0	—48.2
9. Jammu and Kashmir	502.7	438.8	+63.9	653.4	530.2	+123.2	415.4	621.2	—205.8
10. Karnataka	833.0	782.8	+50.2	922.1	860.6	+61.5	991.7	981.9	+9.8
11. Kerala	577.0	414.0	+163.0	912.4	534.5	+377.9	852.9	563.2	+289.7
12. Madhya Pradesh	918.2	1029.2	—111.0	1179.9	1085.2	+94.7	1287.3	1311.4	—24.1
13. Maharashtra	1933.0	1523.3	+409.7	2272.4	1682.4	+590.0	2196.2	1793.2	+403.0
14. Manipur	55.4	115.5	—60.1	—172.3	132.3	—304.6	82.8	140.6	—57.8
15. Meghalaya	34.5	91.2	—56.7	53.1	99.9	—46.8	30.5	117.6	—87.1
16. Mizoram	19.7	81.4	—61.7	39.0	87.8	—48.8	32.1	82.1	—50.0
17. Nagaland	53.0	105.0	—52.0	83.7	136.6	—52.9	50.7	105.6	—54.9
18. Orissa	775.3	613.7	+161.6	728.2	653.6	+74.6	1036.4	828.2	+208.2
19. Punjab	1362.2	962.6	+399.6	1220.7	1062.5	+158.2	1314.3	794.4	+519.9
20. Rajasthan	1130.3	838.7	+291.6	958.0	870.7	+87.3	1006.3	920.1	+86.2
21. Sikkim	18.5	47.9	—29.4	37.1	59.0	—21.9	20.0	62.2	—42.2
22. Tamil Nadu	1058.4	853.1	+205.3	1195.2	775.2	+420.0	866.5	799.2	+67.3
23. Tripura	74.3	121.7	—47.4	127.0	95.4	+31.6	124.4	107.6	+16.8
24. Uttar Pradesh	2252.2	1624.0	+628.2	3226.6	2090.1	+1136.5	4020.6	2491.2	+1529.4
25. West Bengal	1073.8	840.0	+233.8	1439.4	1007.1	+432.3	1938.5	974.8	+963.7
Total	**17183.8**	**15054.1**	**+2129.7**	**20244.6**	**16682.2**	**+3562.4**	**21868.7**	**18025.7**	**+3843.0**

Note: Capital Disbursements include remittances (net).

* Figures for Jammu and Kashmir and Nagaland relate to revised estimates.

Table VIII—13: Pattern of Aggregate Disbursements *(Contd.)*

(Rs. crore)

States	Developmental Expenditure			Social Services			Economic Services			Non-Developmental Expenditure			Others		
	1988-89 (Accounts)	1989-90 (Revised Estimates)	1990-91 (Budget Estimates)	1988-89 (Accounts)	1989-90 (Revised Estimates)	1990-91 (Budget Estimates)	1988-89 (Accounts)	1989-90 (Revised Estimates)	1990-91 (Budget Estimates)	1988-89 (Accounts)	1989-90 (Revised Estimates)	1990-91 (Budget Estimates)	1988-89 (Accounts)	1989-90 (Revised Estimates)	1990-91 (Budget Estimates)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. Andhra Pradesh	3841.3	4186.9	4485.3	1734.5	2126.5	2241.9	2106.8	2060.4	2243.4	1096.9	1376.1	1570.2	280.2	307.3	241.4
	(73.6)	(71.3)	(71.2)							(21.0)	(23.5)	(25.0)	(5.4)	(5.2)	(3.8)
2. Arunachal Pradesh	240.3	270.2	275.7	91.6	100.1	87.8	148.7	170.1	187.9	63.9	74.8	86.1	32.8	26.6	28.0
	(71.3)	(72.7)	(70.7)							(19.0)	(20.1)	(22.1)	(9.7)	(7.2)	(7.2)
3. Assam	1223.0	1472.4	1671.1	663.6	711.2	726.3	559.4	761.2	944.8	456.6	556.0	633.7	204.3	259.5	258.1
	(64.9)	(64.4)	(65.2)							(24.2)	(24.3)	(24.7)	(10.9)	(11.3)	(10.1)
4. Bihar	2957.3	3439.0	3916.7	1423.6	1745.3	1985.3	1533.7	1693.7	1931.4	1075.6	1486.5	1767.7	428.5	319.9	303.2
	(66.3)	(65.6)	(65.4)							(24.1)	(28.3)	(29.5)	(9.6)	(6.1)	(5.1)
5. Goa	229.5	259.4	293.8	115.2	133.4	147.8	114.3	126.0	146.0	46.7	83.0	101.8	20.2	40.7	45.8
	(77.5)	(67.7)	(66.5)							(15.7)	(21.7)	(23.1)	(6.8)	(10.6)	(10.4)
6. Gujarat	3205.4	3439.2	3895.3	1391.4	1586.9	1710.6	1814.0	1852.3	2184.7	924.0	1086.4	1236.1	271.2	228.2	233.3
	(72.8)	(72.3)	(72.6)							(21.0)	(22.9)	(23.0)	(6.2)	(4.8)	(4.4)
7. Haryana	1328.4	1526.1	1692.8	598.6	675.4	692.0	729.8	850.7	1 000.8	425.1	537.3	586.4	119.3	100.3	81.6
	(70.9)	(70.5)	(71.7)							(22.7)	(24.8)	(24.8)	(6.4)	(4.7)	(3.5)
8. Himachal Pradesh	740.6	739.4	748.9	361.5	349.0	366.8	379.1	390.4	382.1	216.8	250.8	297.1	16.1	30.3	27.0
	(76.1)	(72.4)	(69.8)							(22.3)	(24.6)	(27.7)	(1.6)	(3.0)	(2.5)
9. Jammu and Kashmir	951.7	1072.6	1118.4	425.1	488.9	432.5	526.6	583.7	685.9	369.2	414.1	467.8	83.5	124.6	254.0
	(67.8)	(66.6)	(60.8)							(26.3)	(25.7)	(25.4)	(5.9)	(7.7)	(13.8)
10. Karnataka	2614.3	2979.3	3456.2	1270.5	1440.5	1640.8	1343.8	1538.8	1815.4	882.9	1056.0	1269.1	287.9	313.5	266.8
	(69.1)	(68.5)	(69.2)							(23.3)	(24.3)	(25.4)	(7.6)	(7.2)	(5.4)
11. Kerala	1607.1	1975.2	2067.6	1018.5	1254.2	1271.0	588.6	721.0	796.6	703.8	912.0	947.1	164.2	222.1	145.3
	(64.9)	(63.5)	(65.4)							(28.5)	(29.3)	(30.0)	(6.6)	(7.2)	(4.6)

Table VIII—13: Pattern of Aggregate Disbursements *(Concld.)*

(Rs. crore)

States	Developmental Expenditure			Social Services			Economic Services			Non-Developmental Expenditure			Others		
	1988-89 (Accounts)	1989-90 (Revised Estimates)	1990-91 (Budget Estimates)	1988-89 (Accounts)	1989-90 (Revised Estimates)	1990-91 (Budget Estimates)	1988-89 (Accounts)	1989-90 (Revised Estimates)	1990-91 (Budget Estimates)	1988-89 (Accounts)	1989-90 (Revised Estimates)	1990-91 (Budget Estimates)	1988-89 (Accounts)	1989-90 (Revised Estimates)	1990-91 (Budget Estimates)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
12. Madhya Pradesh	3295.0	3387.2	4540.5	1544.6	1660.7	1996.3	1750.4	1726.5	2544.2	1018.9	1230.7	1497.9	332.9	284.2	372.1
	(70 9)	(69.1)	(70.8)							(21.9)	(25.1)	(23.4)	(7.2)	(5.8)	(5.8)
13. Maharashtra	5,799.6	6834.1	6714.4	2516.3	3107.6	2895.7	3283.3	3726.5	3818.7	1986.2	2361.3	3071.7	278.2	335.3	347.6
	(71.9)	(71.7)	(66.3)							(24.6)	(24.8)	(30.3)	(3.5)	(3.5)	(3.4)
14. Manipur	293.6	316.2	320.9	139.4	147.8	136.9	154.2	168.4	184.0	83.9	94.1	87.1	11.2	19.0	6.4
	(75.5)	(73.7)	(77.5)							(21.6)	(21.9)	(21.0)	(2.9)	(4.4)	(1.5)
15. Meghalaya	236.7	282.0	336.5	101.4	133.0	153.3	135.3	149.0	183.2	76.3	94.7	101.4	2.8	10.7	13.7
	(75.0)	(72.8)	(74.5)							(24.2)	(24.4)	(22.5)	(0.8)	(2.8)	(3.0)
16. Mizoram	224.7	238.4	240.6	109.4	110.4	106.8	115.3	128.0	133.8	62.0	88.4	83.3	25.6	28.9	20.1
	(72.0)	(67.0)	(69.9)							(19.8)	(24.9)	(24.2)	(8.2)	(8.1)	(5.9)
17. Nagaland	320.4	346.3	331.1	136.7	160.9	135.2	183.7	185.4	195.9	118.7	148.0	131.5	9.3	35.4	20.3
	(71.4)	(65.4)	(68.6)							(26.5)	(27.9)	(27.2)	(2.1)	(6.7)	(4.2)
18. Orissa	1530.5	1894.2	2366.1	692.2	969.7	1024.9	838.3	924.5	1341.2	585.4	650.4	881.3	156.5	140.6	135.9
	(67.3)	(70.6)	(69.9)							(25.8)	(24.2)	(26.1)	(6.9)	(5.2)	(4.0)
19. Punjab	1941.2	2104.4	2222.8	927.5	984.5	917.4	1013.7	1119.9	1305.4	556.0	784.4	960.7	332.9	358.0	151.7
	(68.6)	(64.8)	(66.6)							(19.6)	(24.2)	(28.8)	(11.8)	(11.0)	(4.6)
20. Rajasthan	2320.6	2353.6	2991.2	1144.8	1307.1	1602.3	1175.8	1046.5	1388.9	807.3	1021.3	1186.3	281.5	256.1	205.5
	(68.1)	(64.8)	(68.2)							(23.7)	(28.1)	(27.1)	(8.2)	(7.1)	(4.7)
21. Sikkim	137.8	149.1	155.4	54.1	54.2	57.1	83.7	94.9	98.3	23.4	28.1	31.4	-0.3	3.3	3.7
	(85.6)	(82.6)	(81.6)							(14.6)	(15.6)	(16.5)	(-0.2)	(1.8)	(1.9)
22. Tamil Nadu	3341.7	3684.1	3921.7	1695.3	1975.2	2188.0	1646.4	1708.9	1733.7	988.3	1372.6	1446.5	286.2	281.3	245.1
	(72.4)	(69.0)	(69.9)							(21.4)	(25.7)	(25.8)	(6.2)	(5.3)	(4.3)
23. Tripura	376.9	395.1	471.6	189.7	211.5	240.5	187.2	183.6	231.1	100.0	124.8	142.5	25.4	24.2	23.1
	(75.0)	(72.6)	(74.0)							(19.9)	(22.9)	(22.4)	(5.1)	(4.5)	(3.6)
24. Uttar Pradesh	5449.8	6560.5	7627.1	2394.7	3218.6	3020.7	3055.1	3341.9	4606.4	2141.2	2695.7	4033.5	289.7	543.7	518.7
	(69.2)	(66.9)	(62.6)							(27.2)	(27.5)	(33.1)	(3.7)	(5.6)	(4.3)
25. West Bengal	2773.7	3553.8	4543.5	1591.8	1988.3	2809.1	1181.9	1565.5	1734.4	1075.7	1276.5	1670.9	465.2	404.4	376.2
	(64.3)	(67.9)	(68.9)							(24.9)	(24.4)	(25.4)	(10.8)	(7.7)	(5.7)
Total	**46981.1**	**53458.7**	**60405.2**	**22332.0**	**26640.9**	**28587.0**	**24649.1**	**26817.8**	**31818.2**	**15884.8**	**19804.0**	**24289.1**	**4405.3**	**4698.1**	**4324.6**
	(69.8)	**(68.6)**	**(67.8)**							**(23.6)**	**(25.4)**	**(27.3)**	**(6.6)**	**(6.0)**	**(4.9)**

Notes: 1. Figures in brackets indicate percentages to aggregate disbursements.

2. Figures for 1988-89 (Accounts) in respect of Jammu and Kashmir and Nagaland relate to revised estimates.

3. Others include compensation and assignments to local bodies, discharge of internal debt, repayment of loans to the Centre, reserve with finance department and remittances (net).

Table VIII—14: Estimated Additional Yield from the Budget Proposals in 1990-91

(Rs. crore)

States	Net Additional Yield 1990-91
1. Goa	+8.4
2. Gujarat	-10.1
3. Karnataka	+147.5
4. Kerala	+16.8
5. Madhya Pradesh	+25.0@
6. Maharashtra	+30.7
7. Meghalaya	+4.1
8. Punjab	+110.3@@
9. Rajasthan	+10.6
10. Tamil Nadu	+62.0@@
11. West Bengal	+25.6
Total	**+430.9**
By Major Heads	
1. Profession Tax	-0.6
2. Stamps and Registration Fees	+30.1
3. Sales Tax	+58.8*
4. State Excise Duties	+69.2
5. Taxes on Vehicles	+44.6
6. Entertainment Tax	+1.2
7. Other Taxes and Duties	+216.9+
8. Non-Tax Measures	+10.7
Total	**+430.9**

@ Based on press reports as details are not yet available.

\+ Includes the total additional yield of Madhya Pradesh, Punjab and Tamil Nadu. Further, it includes additional yield from betting tax, luxury tax, leasing tax, entry fee, tax on multi-storeyed buildings, taxes on vacant land, new buildings in urban areas and tax on advertisement, etc.

* Includes turnover tax.

@@ Tax-wise details of additional yield are not available.

Ninth Finance Commission Recommendations

The Ninth Finance Commission, constituted in June 1987, submitted its second and final report for 1990-95 in December 1989. The Commission deviated from the practice adopted by earlier Commissions in that it assessed needs and capacities of different governments on the basis of a normative approach and determined the volume and pattern of federal transfers on the basis of these norms. The Commission has retained the share of States in the net proceeds of income tax and Union excise duties at 85 per cent and 45 per cent, respectively. The quantum of grants in lieu of tax on railway passenger fares has been enhanced from Rs. 95 crore per annum under the Eighth Finance Commission's recommendations to Rs. 150 crore annually for 1990-95. The Commission has not favoured the merger of additional duties of excise with basic duties of excise. The Commission has recommended grants to cover not only the net five year (1990-95) deficit on non-Plan revenue account but also part of the deficits on Plan revenue account of States. During 1990-95, States would get Rs. 15,017.18 crore in the form of grants-in-aid including Rs. 9,000.83 crore of Plan grants. The Commission has suggested replacement of the existing arrangements for financing relief expenditure by a new one in which States will have greater autonomy and accountability. The Commission has suggested that a calamity relief fund should be constituted for each State to meet expenditure on account of natural calamities. The Centre will contribute 75 per cent to the Fund in the form of non-Plan grants and the balance will be contributed by the concerned State Government. Under this recommendation, a total of Rs. 804 crore per year has been earmarked for the Fund; of which Centre's contribution would be Rs. 603 crore per year. The Commission's recommendations regarding relief in repayment of Plan loans, writing off of drought loans and loans for relief work relating to Bhopal Gas Leak Tragedy to Madhya Pradesh would provide debt relief to the extent of Rs. 975.6 crore to the States during the period 1990-95. The Commission's recommendations regarding changes in the terms and conditions governing Central loans would provide further relief to States. The Commission has recommended that 40 per cent of the Plan assistance to non-special category States should be given in the form of additional market loans instead of loans from the Central Government.

According to the Central Budget 1990-91, the implementation of the recommendations of the Ninth Finance Commission accepted by the Government will cost an additional burden of the order of Rs. 773 crore on the Central Budget in 1990-91.

Ways and Means Advances from Reserve Bank of India

The Reserve Bank of India (RBI) provides Ways and Means Advances (WMA) to the States to tide over temporary imbalances in their cash flow of receipts and expenditure. The total normal WMA limits available to 23 States (including Arunachal Pradesh, Goa and Mizoram) amount to Rs. 744.8 crore since March 1,1988. The RBI also provides Special Ways and Means Advances to States which are sanctioned against the pledge of Government of India securities subject to the overall limits aggregating Rs. 266.0 crore. The operative limits of Special Ways and Means Advances, however, depend on holdings of these securities by State Governments.

During the financial year 1989-90, all the State Governments excepting two, complied with the Overdraft Regulations Scheme. However, in respect of two States which remained in overdraft position beyond the stipulated period of 7 consecutive working days in July 1989 and March 1990, the RBI had to stop payments on their behalf till the overdrafts were cleared by them.

Annual Plan Outlays of States: 1990-91

The total annual Plan outlay of 25 States approved by the Planning Commission at Rs. 23,662.0 crore in 1990-91 shows an increase of 10.1 per cent over that of Rs. 21,485.0 crore in 1989-90. The increase in the annual Plan outlays is in the range of 35.1 per cent for Orissa and 0.3 per cent for Bihar. Of the twenty-five States, the approved Plan outlays of thirteen States in 1990-91 show an increase of more than 15 per cent over 1989-90 (Table VIII-15).

According to the Central Budget 1990-91, the total Central assistance for State Plans at Rs. 11,777.8 crore would show a rise of 25.4 per cent over that of Rs. 9,393.4 crore in 1989-90. During 1990-91, States would get Rs. 9,676.3 crore in the form of normal Central assistance as against Rs. 8,291.4 crore in 1989-90. There would be an increase of 10.1 per cent in Special Central assistance of Rs. 850.0 crore in 1990-91 from that of Rs. 772.2 crore in 1989-90. Assistance for Rural Electrification would be Rs. 260.0 crore in 1990-91 as against Rs. 229.8 crore in 1989-90. In addition, States would get Rs. 991.5 crore during 1990-91 in the form of grants under Article 275(1) of the Constitution.

III RAILWAY FINANCES@

Highlights

The Railway Budget for the year 1990-91, presented to the Parliament on March 14, 1990, shows (at the 1989-90 fares and freights rates) a deficit of Rs. 706.0 crore as against a surplus of Rs. 140.0 crore in 1989-90(revised estimates). The Budget contains proposals for revision of passenger fares, freights and parcel rates which are expected to bring in an additional revenue of Rs. 892.0 crore* in 1990-91. After taking into account the additional revenue from the budget proposals and making an allocation of Rs. 932.0 crore as dividend and other payments due to General Revenue, the Budget envisages a surplus of Rs. 186.0 crore as compared with a surplus of Rs. 140.0 crore in 1989-90. The appropriations to Depreciation Reserve Fund and Pension Fund have been raised by Rs. 235.0 crore and Rs. 172.0 crore to Rs. 1,950.0 crore and Rs. 900.0 crore, respectively, in 1990-91. The main thrust of the Budget is on modernisation and technological upgradation of the Railway system so as to achieve reduction in maintenance costs, improvement in efficiency and productivity, financial viability, greater safety, energy conservation, manpower planning and human resource development and reliability and quality of service. The Plan outlay for the year 1990-91 has been stepped up by 12.4 per cent to Rs. 5,000.0 crore from Rs. 4,450.0 crore in 1989-90. The Railways have been making persistent efforts to reduce their dependence on General Revenue for financing the Plan outlay. Accordingly, the Budget envisages a lesser budgetary support of Rs. 1,420.0 crore which accounts for 28.4 per cent of the total Plan outlay during 1990-91 as against Rs. 1,434.0 crore or 32.2 per cent of the total Plan outlay during 1989-90. For financing the Plan outlay, the Railways propose to raise Rs. 1,170.0 crore

@ The RBI Bulletin for the month of April, 1990 gives a detailed discussion on Railway Finances in 1990-91.

* Reduced to Rs. 847.0 crore due to post-budget concessions amounting to Rs. 45.0 crore.

Table VIII-15: Plan Outlay of States

(Rs. crore)

States	Actual Expenditure for Fourth Plan (1969-70 to 1973-74)	Actual Expenditure for Fifth Plan (1974-75 to 1978-79)	Actual Expenditure for Sixth Plan (1980-81 to 1984-85)	Seventh Plan Approved Outlay (1985-86 to 1989-90)	1985-86 (Actual Expenditure)	1986-87 (Actual Expenditure)	1987-88 (Actual Expenditure)	1988-89 (Revised Outlay)	1989-90 (Approved Outlay)	1990-91 (Agreed Outlay)	Percentage variation over the previous year (Col. 11 over Col. 10)
1	2	3	4	5	6	7	8	9	10	11	12
1. Andhra Pradesh	426	1449	3221	5200	943	1205	1123	1252	1300	1323$$	+1.8
2. Arunachal Pradesh	—	—	—	—	72	88	112	128	150	183	+22.0
3. Assam	198	433	1280	2100	401	499	572	514	635	675	+6.3
4. Bihar	479	1185	2949	5100	932	1281	1195	1200	1800	1805	+0.3
5. Goa	—	—	—	—	—	73@	89	99	110	130	+18.2
6. Gujarat	545	1374	3880	6000	825	965	1102	1075	1400	1451	+3.6
7. Haryana	358	671	1569	2900	423	481	464	535	676	700	+3.6
8. Himachal Pradesh	113	236	669	1050	192	239	277	260	300	360	+20.0
9. Jammu and Kashmir	162	376	919	1400	274	338	405*	440	520	650	+25.0
10. Karnataka	374	1039	2665	3500	638	696	702*	800	1040	1120	+7.7
11. Kerala	333	661	1645	2100	366	427	390	425	526	635	+20.7
12. Madhya Pradesh	476	1396	3865	7000	1010	1169	1413	1704	1840	2200	+19.6
13. Maharashtra	1005	2612	6521	10500	1747	1964	2191	2225	2640	2450	-7.2
14. Manipur	31	93	243	430	70	84	105	123	142	170	+19.7
15. Meghalaya	36	99	260	440	74	89	110	130	150	175	+16.7
16. Mizoram	—	—	—	—	48	62	73	85	102	125	+22.6
17. Nagaland	39	97	230	400	64	74	95	110	132	145	+9.8
18. Orissa	249	640	1562	2700	446	574	701	742	925	1250	+35.1
19. Punjab	428	940	1892	3285	468	679	790	700*	789	905	+14.7
20. Rajasthan	309	872	2135	3000	428	528	645	649	795	956	+20.3
21. Sikkim	—	41	148	230	42	53	58	61	71	76	+7.0
22. Tamil Nadu	552*	1143	3584	5750	999	1151	1277	1202	1360	1450	+6.6
23. Tripura	35	75	293	440	94	115	138	150	167	200	+19.8
24. Uttar Pradesh	1163	2909	6519	10447	1710	2005	2215	2235	2800	3200	+14.3
25. West Bengal	364	1230	2433	4125	700	715	783	951*	1115	1328	+19.1
A. Total (All States)	**7675**	**19571**	**48482$**	**78097**	**12966**	**15554**	**17025**	**17795**	**21485**	**23662**	**+10.1**
B. Hill Areas including Western Ghats	**—**	**170***	**557ℓ**	**870**	**168++**	**188**	**200**	**236**	**261**		
C. Tribal Areas	**—**	**167**	**485**	**756**	**140++**	**155**	**15**	**NA**	**19**		
D. Total Union Territories	**278**	**655**	**2008**	**3768**	**574**	**631**	**708**	**770**	**859**		
E. North Eastern Council	**—**	**91**	**385**	**675**	**114+**	**144**	**150**	**184**	**215**		
F. Border Areas	**—**	**—**	**—**	**200**	**—**	**30**	**—**	**—**	**NA**		
G. Other Special Areas Development Programme	**—**	**—**	**—**	**58**	******	**NA**	**—**	**—**	**NA**		
Grand Total (A to G)	**7953**	**20654**	**51917**	**84424**	**13962**	**16702**	**18098**	**18985**	**22839**		

ℓ Relate to release of Fund.
* The same amount as outlay released as actual expenditure is not known.
** Included under (A).
\+ Includes Rs. 10 crore for LIC loans.
++ Actual expenditures are not available, revised estimates repeated.
@ Includes actual expenditure for Union Territories of Daman and Diu also.
$ Subsequent revisions are not included.
$$ The outlay fixed was Rs. 1365 crore provided the State Government could agree to utilise Rs. 65 crore for 'Special Problems'. The State Government has now indicated that they would be able to utilise only Rs. 23 crore in 1990-91. Thus the Plan size has become Rs. 1323 crore.

through floatation of bonds in domestic and international markets as against Rs. 1,000.0 crore in 1989-90.

Revised Estimates: 1989-90
Receipts: 1989-90

According to the revised estimates for 1989-90 gross traffic receipts at Rs. 10,732.0 crore were higher by Rs. 99.0 crore than the budget estimates and by Rs. 1,472.7 crore or 15.9 per cent than the actual of Rs. 9,259.3 crore in 1988-89 (Table VIII-16). The receipts from passenger traffic at Rs. 2,631.0 crore were higher by Rs. 87.0 crore than the budget estimates and by Rs. 175.5 crore than the actual of Rs. 2,455.5 crore in the preceding year, while those from freight traffic, a major component of gross traffic receipts, remained unchanged at the budgeted level of Rs. 7,611.0 crore but higher by Rs. 1,267.9 crore or 20.0 per cent than the actual of Rs. 6,343.1 crore in 1988-89. Higher earnings from passenger traffic, were facilitated by the higher growth rate of 5.3 per cent in traffic as against 3.0 per cent envisaged in the budget estimates. On the other hand, there occurred a shortfall of about 5 million tonnes in revenue earning freight traffic to 311 million tonnes from the estimated 316 million tonnes anticipated in the Budget. The shortfall was largely due to reduced offering of foodgrains (—4.40 million tonnes) and coal (—4.11 million tonnes) which was offset to some extent by a rise in other traffic. Despite the shortfall in revenue earning freight traffic, the high-rated offering of freight traffic and slight increase in traffic lead helped in maintaining the budgeted revenue. As regard the other two items of gross traffic receipts, while 'sundry other earnings' (including suspense) increased from the budgeted Rs. 158.0 crore to Rs. 179.0 crore, 'other coaching earnings' declined from the budgeted Rs. 320.0 crore to Rs. 311.0 crore.

Expenditure: 1989-90

The revised estimates place the total working expenses at Rs. 9,890.0 crore, higher by Rs. 102.0 crore or by 1.0 per cent than the budget estimates of Rs. 9,788.0 crore and Rs. 1,257.0 crore or 14.6 per cent than the actual of Rs. 8,633.0 crore in 1988-89. The major portion of this increase over the budget estimates (Rs. 74.0 crore) was in ordinary working expenses (net) while the remainder of Rs. 28.0 crore was due to higher appropriation towards Pension Fund. Contribution to Depreciation Reserve Fund, however, remained unchanged at the budgeted level of Rs. 1,715.0 crore. The increase in ordinary working expenses stemmed from payment of arrears of house rent and city compensatory allowances, higher rates of night duty allowances, increase in productivity linked bonus, upward revision in power tariff by State Electricity Boards, payment of arrears of line wire rental to Post and Telegraph Department, revision of workshop incentive bonus rates and cost of restoration works in certain Railways arising from floods and cyclone damages. As the stringent Financial control and internal economies effected a net saving of Rs. 54.0 crore, the net increase in ordinary working expenses was limited to Rs. 74.0 crore only.

After taking into account an improvement of Rs. 11.0 crore under 'net miscellaneous receipts' from the budgeted amount of Rs. 289.8 crore to Rs. 300.8 crore and a saving of Rs. 2.0 crore in total miscellaneous expenditure from Rs. 189.8 crore of budget estimates to Rs. 187.8 crore, the net revenue of Rs. 955.0 crore was higher by Rs. 10.0 crore than the budget estimates of Rs. 945.0 crore.

The payment to General Revenue which includes dividend payment, payment in lieu of passenger fare tax and contribution to Railway Safety Works Fund was revised upwards by Rs. 10.0 crore to Rs. 815.0 crore from the budget estimates of Rs. 805.0 crore. After taking into consideration all these post-budget developments, the Railways were able to maintain the budgeted surplus of Rs. 140.0 crore.

Developmental Expenditure: 1989-90

The Railways Annual Plan outlay which represents its developmental expenditure was maintained at the budgeted level of Rs. 4,450.0 crore during 1989-90, an increase of 13.5 per cent over the actual outlay of Rs. 3,929.4 crore in

Table VIII-16: Financial Results of Railways

(Rs. crore)

Item	1988-89 (Accounts)	1989-90 (Budget Estimates)	1989-90 (Revised Estimates)	1990-91 (Budget Estimates)	Variation			
					Col. 4 over Col. 3		Col. 5 over Col. 4	
					Amount	Percentage	Amount	Percentage
1	2	3	4	5	6	7	8	9
I. Gross Traffic Receipts*	**9259.3**	**10633.0**	**10732.0**	**12060.0**	**+99.0**	**+0.9**	**+1328.0**	**+12.4**
II. Total Working Expenses (net)	**8633.0**	**9788.0**	**9890.0**	**11091.0**	**+102.0**	**+1.0**	**+1201.0**	**+12.1**
III. Net Traffic Receipts (I-II)	**626.3**	**845.0**	**842.0**	**969.0**	**-3.0**	**-0.4**	**+127.0**	**+15.1**
IV. Net Miscellaneous Receipts (a-b)	**111.0**	**100.0**	**113.0**	**149.0**	**+13.0**	**+13.0**	**+36.0**	**+31.9**
a) Total Miscellaneous Receipts £	**269.3**	**289.8**	**300.8**	**348.0**	**+11.0**	**+3.8**	**+47.2**	**+15.7**
b) Total Miscellaneous Expenditure ££	**158.3**	**189.8**	**187.8**	**199.0**	**-2.0**	**-1.1**	**+11.2**	**+6.0**
V. Net Railway Revenue (III + IV)	737.3	945.0	955.0	1118.0	+10.0	+1.1	+163.0	+17.1
VI. Operating Ratio (II÷I) (per cent) +	93.0	92.1	92.1	91.8	—	—	—	—
VII. Capital at Charge**	12987.5	14518.2	14589.0	16164.0	+70.8	+0.5	+1575.0	+10.8
VIII. Net Railway Revenue as percentage of Capital at Charge***	5.7	6.5	6.5	6.9				
IX. Payment to General Revenue @	715.7	805.0	815.0	932.0	+10.0	+1.2	+117.0	+14.4
X. Surplus (+)/ Deficit (—) (V-IX)	+21.6	+140.0	+140.0	+186.0	—	—	+46.0	+32.9
XI. Appropriation to (+) or Withdrawals from(-) Funds								
a) Railway Development Fund	+21.6	+140.0	+140.0	+186.0	—	—	+46.0	+32.9
b) Railway Revenue Reserve Fund	—	—	—	—	—	—	—	—
c) Deferred Dividend Liability Fund	—	—	—	—	—	—	—	—

* Includes receipts of worked lines.

** Excludes Capital Outlay on Metropolitan Transport Projects.

*** This ratio has been calculated by taking net Railway Revenue before payment of dividend to General Revenues.

@ Includes dividend to General Revenues, Payment-in-lieu of passenger fare tax and contribution to Railway Safety Works Fund.

\+ Operating ratio has been worked out excluding the earnings and working expenses of Metro Railway, Calcutta.

£ Includes mainly receipts from subsidised companies, surcharge on passengers, subsidy from General Revenues towards dividend, reliefs and other concessions.

££ Includes mainly expenditure on subsidy, payment to worked lines, surveys, open line works—Revenue, appropriation to Pension Fund, appropriation to Accident Compensation, Safety and Passenger Amenities Fund.

Source: Explanatory Memorandum on the Railway Budget, 1990-91.

1988-89 (Table VIII-17). In this, the share of internal resources, inclusive of floatation of bonds of Rs. 1,000.0 crore, was placed at Rs. 3,016.0 crore or 67.8 per cent of the total Plan outlay while the remaining amount of Rs. 1,434.0 crore or 32.2 per cent was financed through budgetary support. In 1988-89, the share of internal resources, including floatation of bonds of Rs. 800.0 crore, had amounted to Rs. 2,457.4 crore or 62.5 per cent as against the budgetary support of Rs. 1,472.0 crore or 37.5 per cent. The Plan outlay for 1989-90 had placed emphasis on rehabilitation, upgradation of technology and modernisation. The investment on rolling stock at Rs. 1,552.9 crore, track renewals at Rs. 984.1 crore, traffic facilities at Rs. 575.1 crore, workshop including production units at Rs. 308.6 crore, electrification at Rs. 279.9 crore and new lines at Rs. 265.1 crore, accounted for 34.9 per cent, 22.1 per cent, 12.9 per cent, 6.9 per cent, 6.3 per cent and 6.0 per cent, respectively, of the total outlay.

Developmental Expenditure during the Seventh Plan (1985-86 to 1989-90)

The main thrust areas during the Seventh Plan period (1985-86—1989-90) were rehabilitation of assets, modernisation, optimum utilisation of resources for greater economy and productivity and the maintenance of the financial health of the Railway system. The total outlay for the Seventh Plan aggregated Rs. 16,437.0 crore as against original outlay of Rs. 12,334.0 crore as envisaged in the Plan document and Rs. 16,715.0 crore estimated in the Mid-term Appraisal of the Seventh Plan. Of the total outlay, internal resources, including Rs. 2,520.0 crore raised through market borrowings by the Indian Railway Finance Corporation for financing Plan investment on the Railways, amounted to Rs. 9,690.0 crore forming 58.9 per cent of the total. The budgetary support which was Rs. 6,747.0 crore or 41.1 per cent of the total outlay has been declining from 75.0 per cent in the Fifth Plan and 58.0 per cent in the Sixth Plan. During the Seventh Plan period, investment on rolling stock was the highest at 33.6 per cent followed by track renewals (25.1 per cent), traffic facilities (11.1 per cent), electrification (6.9 per cent), workshop including production units (5.9 per cent), new lines (5.6 per cent) and others (5.0 per cent). (Table VIII-18).

The Railways generated a surplus of Rs. 527.0 crore during the Seventh Plan period as against a loss of Rs. 373.3 crore during the Sixth Plan. The surplus was achieved after full payment of dividend to General Revenue in each of the five years, totalling Rs. 3,255.4 crore. Besides, floatation of bonds fetched Rs. 2,520.0 crore during the Seventh Plan. All these together enabled the Railways to lessen their dependence on budgetary support for financing the Plan outlay. Owing to improvement in the gross traffic receipts, appropriation to Depreciation Reserve Fund was enhanced which helped both replacement of worn out assets and modernisation.

The Eighth Plan document of the Railways envisages modernisation and technological upgradation of the Railway system to achieve reduction in maintenance cost, improvement in efficiency and productivity, financial viability, greater safety, energy conservation, manpower planning and human resource development, reliability and quality of service and customer satisfaction.

Financial effect of social obligations

Being a public utility service, the Railways have been incurring heavy losses on account of coaching services (suburban and non-suburban passenger traffic, parcel, luggage, etc.) as also in carrying essential commodities and raw materials at concessional rates. These are identified as losses due to social obligations. While the loss on coaching services is estimated to have risen sharply to Rs. 1,763.5 crore during 1989-90 from Rs. 1,351.3 crore in 1988-89, the loss on low-rated freight like foodgrains, salt for human consumption, fodder, firewood, charcoal, fruits and vegetables, etc., is estimated to have declined to Rs. 216.0 crore from Rs. 293.2 crore (Table VIII—19). The total loss due to social obligations thus has increased to Rs. 1,979.5 crore in 1989-90 from Rs. 1,644.5 crore in the preceding year.

Table VIII-17: Developmental Expenditure of Railways and Financing Pattern

(Rs. crore)

Item	1988-89 (Accounts)	1989-90 (Budget Estimates)	1989-90 (Revised Estimates)	1990-91 (Budget Estimates)	Variation			
					Col. 4 over Col. 3		Col. 5 over Col. 4	
					Amount	Percentage	Amount	Percentage
1	2	3	4	5	6	7	8	9
Developmental Expenditure								
1. Rolling Stock £	1,370.9	1,538.3	1,552.9	1,850.0	+14.6	+0.9	+297.1	+19.1
2. Traffic Facilities*	456.5	585.6	575.1	675.5	-10.5	-1.8	+100.4	+17.5
3. Track Renewals	936.2	960.8	984.1	1,091.9	+23.3	+2.4	+107.8	+11.0
4. Electrification	232.5	265.6	279.9	280.9	+14.3	+5.4	+1.0	+0.4
5. New Lines	255.3	250.0	265.1	357.8	+15.1	+6.0	+92.7	+35.0
6. Signalling and Telecommunication Works	97.9	120.8	117.6	132.3	-3.2	-2.6	+14.7	+12.5
7. Staff Quarters	26.5	36.0	35.3	40.0	-0.7	-1.9	+4 7	+13.3
8. Plant and Machinery	90.5	95.0	97.9	95.2	+2.9	+3.1	-2.7	-2.8
9. Workshop including Production Units	233.7	330.0	308.6	300.2	-21.4	-6.5	-8.4	-2.7
10. Computerisation	48.0	52.0	51.9	46.0	-0.1	-0.2	-5.9	-11.4
11. Others (adjusted to credit or recoveries)	181.4	215.9	181.6	130.2	-34.3	-15.9	-51.4	-28.3
Of which:								
Metropolitan Transport Projects	103.2	100.0	101.5	120.0	+1.5	+1.5	+18.5	+18.2
Total (1 to 11) £	**3,929.4**	**4,450.0**	**4,450.0**	**5,000.0**	**—**	**—**	**+550.0**	**+12.4**
Financial Pattern								
1. Budgetary Support	1,472.0	1,434.0	1,434.0	1,420.0	—	—	-14.0	-1.0
	(37.5)	(32.2)	(32.2)	(28.4)				
2. Market Borrowings	800.0	1,000.0	1,000.0	1,170.0	—	—	+170.0	+17.0
	(20.4)	(22.5)	(22.5)	(23.4)				
3. Internal Resources	1,657.4	2,016.0	2,016.0	2,410.0	—	—	+394.0	+19.5
	(42.1)	(45.3)	(45.3)	(48.2)				
Total (1 to 3)	**3,929.4**	**4,450.0**	**4,450.0**	**5,000.0**				
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**				

£ Includes sum of Rs. 800 crore (Accounts 1988-89), Rs. 1000 crore (Budget Estimates and Revised Estimates, 1989-90) and Rs. 1170 crore (Budget Estimates, 1990-91) raised or proposed to be raised through market borrowings by the Indian Railway Finance Corporation (IRFC) for financing plan investment on the Railways.

* Includes restoration of dismantled lines, gauge conversion, doubling, yard remodelling, etc.

Source: Explanatory Memorandum on the Railway Budget, 1990-91.

Table VIII-18: Developmental Expenditure of Railways during the Seventh Plan (1985-86 to 1989-90)

(Rs. crore)

Item	1985-86	1986-87	1987-88	1988-89	1989-90@	Total	Percentage to the Total
1	2	3	4	5	6	7	8
1. Rolling Stock	607.7	991.6	996.5	1,370.9	1,552.9	5,519.6	33.6
2. Traffic Facilities	184.8	243.7	371.2	456.5	575.1	1831.3	11.1
3. Track Renewals	611.6	691.0	910.0	936.2	984.1	4132.9	25.1
4. Electrification	175.5	199.0	241.1	232.5	279.9	1128.0	6.9
5. New Lines	79.4	128.4	188.9	255.3	265.1	917.1	5.6
6. Signalling and Telecommunication Works	52.0	71.6	98.0	97.9	117.6	437.1	2.7
7. Staff Quarters	16.3	24.8	29.7	26.5	35.3	132.6	0.8
8. Plant and Machinery	52.3	52.3	57.6	90.5	97.9	350.6	2.1
9. Workshop including Production Units	94.7	153.9	183.9	233.7	308.6	974.8	5.9
10. Computerisation	—	41.0	49.7	48.0	51.9	190.6	1.2
11. Others (adjusted to credit or recoveries)	67.3	99.8	292.3	181.4	181.6	822.4	5.0
Of which:							
Metropolitan Transport Projects	85.1	84.4	99.9	103.2	101.5	474.1	2.9
Total	**1941.6**	**2697.1**	**3418.9**	**3929.4**	**4450.0**	**16437.0**	**100.0**

@ : Revised Estimates.

Source : Explanatory Memorandum on the Railway Budget, various issues.

Table VIII-19: Financial Effect of Social Obligations on Indian Railways

(Rs. crore)

Item	1987-88 (Accounts)	1988-89 (Accounts)	1989-90 (Estimates)	Variation Col. 3 over Col. 2 Amount	Variation Col. 3 over Col. 2 Percentage	Variation Col. 4 over Col. 3 Amount	Variation Col. 4 over Col. 3 Percentage
1	2	3	4	5	6	7	8
1. Loss on Coaching Services (Suburban and Non-Suburban Passenger Traffic, Parcels, Luggage, etc.)	1469.6	1351.3	1763.5	-118.3	-8.0	+412.2	+30.5
2. Loss on low-rated freight like Foodgrains, Fodder, Charcoal, Firewood, Fruits and Vegetables, etc.	183.7	293.2	216.0	+109.5	+59.6	-77.2	-26.3
3. Loss on Freight Concessions on relief measures	—	—	—	—	—	—	—
4. Total (1+2+3)	1653.3	1644.5	1979.5	-8.8	-0.5	+335.0	+20.4
5. Receipts including Miscellaneous Receipts	8679.5	9528.6	11032.8*	+849.1	+9.8	+1504.2	+15.8
6. Expenditure including Miscellaneous Expenditure	7956.3	8791.3	10077.8*	+835.0	+10.5	+1286.5	+14.6
7. Percentage of item (4) to item (5)	19.1	17.3	17.9				
8. Percentage of item (4) to item (6)	20.8	18.7	19.6				

* Revised Estimates.

Source: 1. Indian Railways year Book, 1988-89.

2. Explanatory Memorandum on the Railway Budget, 1990-91.

Budget estimates: 1990-91
Receipts: 1990-91

The Budget for 1990-91 assumes growth rates of 3.0 per cent in passenger traffic, 4.5 per cent (14 million tonnes) in revenue earning freight traffic, 2.0 per cent in other coaching earnings and 4.0 per cent in sundry other earnings. A target of 325 million tonnes of originating revenue earning traffic was set for 1990-91 as compared with the revised estimates of 311 million tonnes in 1989-90. The rise in revenue earning freight traffic is anticipated largely in coal (7.9 million tonnes), fertilisers (1.6 million tonnes) and foodgrains (1.5 million tonnes). After taking into account the additional revenue of Rs. 892.0 crore* from the upward adjustments in fares and freights, the gross traffic receipts is estimated at Rs. 12,060.0 crore, a rise of Rs. 1,328.0 crore or 12.4 per cent over 1989-90. (Table VIII-16).

The earnings from freight are expected to be Rs. 8,424.0 crore, a rise of Rs. 813.0 crore or 10.7 per cent, from passenger traffic Rs. 3,115.0 crore, a rise of Rs. 484.0 crore or 18.4 per cent, from other coaching earnings Rs. 334.0 crore, a rise of Rs. 23.0 crore and from sundry other earnings (including suspense) Rs. 187.0 crore, a rise of Rs. 8.0 crore over the revised estimates for 1989-90.

Expenditure: 1990-91

The total working expenses of the Railways in 1990-91 are budgeted at Rs. 11,091.0 crore, a rise of Rs. 1,201.0 crore or 12.1 per cent over 1989-90. Of this increase, the ordinary working expenses are estimated higher by Rs. 794.0 crore or 10.7 per cent from Rs. 7,447.0 crore in 1989-90 to Rs. 8,241.0 crore in 1990-91. In the budgeted increase of Rs. 794.0 crore in ordinary working expenses, Rs. 384.9 crore are on account of operating expenses on traffic, fuel and rolling stock and equipments, Rs. 275.9 crore due to repairs and maintenance and Rs. 33.7 crore for staff welfare and amenities. The appropriation to Depreciation Reserve Fund has been stepped up by Rs. 235.0 crore to Rs. 1,950.0 crore from Rs. 1,715.0 crore in the preceding year considering the need for a faster pace of renewals in the Eighth and Ninth Plans. The appropriation to Pension Fund has also been raised by Rs. 172.0 crore to Rs. 900.0 crore during the year from Rs. 728.0 crore in 1989-90 in view of the liberalised pensionary benefits and higher number of pensioners in future.

The net traffic receipts after deducting the total working expenses from the gross traffic receipts have been projected higher at Rs. 969.0 crore in 1990-91 as against Rs. 842.0 crore in the previous year. Besides, the net miscellaneous receipts have been budgeted upwards at Rs. 149.0 crore as compared with Rs. 113.0 crore in 1989-90 due to higher total miscellaneous receipt of Rs. 47.2 crore which are estimated to be offset by a rise of Rs. 11.2 crore in the total miscellaneous expenditure. All these transactions are expected to result in higher net railway revenue of Rs. 1,118.0 crore as aginst Rs. 955.0 crore in the previous year. Deducting Rs. 932.0 crore towards payment to General Revenue as dividend, payment in lieu of tax on passenger fares and contribution to Railway Safety Works Fund, a surplus of Rs. 186.0 crore is budgeted for 1990-91 as against a surplus of Rs. 140.0 crore in the previous year. The operating ratio is expected to decline further to 91.8 per cent in 1990-91 from 92.1 per cent in 1989-90 and 93.0 per cent in 1988-89. The ratio of net revenue to capital at charge is budgeted to rise to 6.9 per cent during the year from 6.5 per cent in 1989-90 and 5.7 per cent in 1988-89. The total indebtedness of the Railways to General Revenue is estimated to rise to Rs. 1,071.7 crore in 1990-91 as compared with Rs. 1,014.5 crore in the preceding year. The entire increase of Rs. 57.2 crore in the total indebtedness is estimated in Development Fund liabilities from Rs. 586.1 crore in 1989-90 to Rs. 643.3 crore in 1990-91 as there would be no change in the Deferred Dividend liability of Rs. 428.4 crore.

Developmental Expenditure: 1990-91

The Annual Plan outlay of the Railways for 1990-91 which is the expenditure on

* Excluding the post-budget concessions of Rs. 45.0 crore announced by the Railway Minister.

development has been stepped up to Rs. 5,000.0 crore from Rs. 4,450.0 crore in 1989-90, an increase of Rs. 550.0 crore or 12.4 per cent. The internal and extra-budgetary (borrowings) resources are expected at Rs. 3,580.0 crore or 71.6 per cent of the total outlay as against Rs. 3,016.0 crore or 67.8 per cent in the preceding year. The Railways have estimated borrowings of Rs. 1,170.0 crore by the Indian Railway Finance Corporation during 1990-91 as against Rs. 1,000.0 crore in the previous year. The budgetary support from the Central Government is placed at Rs. 1,420.0 crore and forms 28.4 per cent of the total outlay as compared with Rs. 1,434.0 crore or 32.2 per cent in the previous year (Table VIII—17).

The Annual Plan for 1990-91 lays emphasis on acquisition of rolling stock, electrification and rehabilitation of assets like track renewals. Accordingly, the outlay on rolling stock has been raised to Rs. 1,850.0 crore in 1990-91 from Rs. 1,552.9 crore in the preceding year. The outlay on construction of new lines and restoration of dismantled lines is projected at Rs. 370.8 crore compared with Rs. 265.6 crore in 1989-90. Similarly, track renewals, electrification projects, lines doubling, signalling and telecommunication works, etc., would get more allocation than that in the previous year. The target for electrification is fixed at 1,040 route Kms. of which 417 route Kms. have been substantially completed but would be energised in 1990-91. The target for electrification during 1989-90 was 278 route Kms. The Railways have a target to construct new lines for 300 route Kms. in 1990-91 as against a target of 241 route Kms. in 1989-90. In case of rolling stock, the target is to acquire 184 diesel locos, 115 electric locos, 222 EMUs/ Metro Coaches, 1,734 other coaches and 26,500 wagons (in terms of 4 wheelers) during 1990-91.

Budget proposals: 1990-91

The Railway Budget for 1990-91 contains proposals for mobilising additional revenue of Rs. 892.0* crore through increase in rates of freight on goods, parcel and luggage as also in passenger fares. Of this amount, Rs. 470.3 crore are estimated to accrue from hike in freight rates, Rs. 405.0 crore from revision in passenger fares and Rs. 17.0 crore from hike in parcels and luggage rates. The salient features of the Budget proposals are as under:

(A) Freight Rates

The freight rates for goods traffic on all commodities have been raised by 10.0 per cent but in two phases. During the slack months from April upto September, the increase in freight rates is only 7.0 per cent to provide incentive to rail users to offer more traffic and thereafter it will be 10.0 per cent. However, keeping in view the interest of the common man, certain essential commodities such as foodgrains, pulses, salt for human consumption, edible oils, fruits and vegetables, sugar, gur and jaggery have been exempted from the revised freight rates which came into force from April 1, 1990.

(B) Parcels and Luggage Rates

The prevailing rates for parcels and luggage for all commodities have been increased by 10.0 per cent from April 1, 1990.

(C) Passenger fares

(a) Upper Classes

(i) The existing fares for air-conditioned first class, sleeper class, chair car and ordinary first class have been increased by 17.0 per cent.

(ii) Fares for Rajdhani Express and Shatabdi Express trains have also been enhanced.

(iii) First class monthly season ticket fares have been increased in the range of Rs. 16.0 to Rs. 48.0 per ticket (subsequently brought down to Rs. 12.0 to Rs. 36.0 per ticket) for different distance slabs from 1 Km. to 150 Kms.

* Reduced to Rs. 847.0 crore due to post-budget concessions amounting to Rs. 45.0 crore. Of this Rs. 470.0 crore is estimated to accrue on account of increase in freight rates, Rs. 360.0 crore from revision in passenger fares and Rs. 17.0 crore from hike in parcels and luggage rates.

(b) Second Class

(i) The fares of ordinary second class have been enhanced by 50 paise at the lowest distance slab of 1 Km. to 25 Kms. (since withdrawn) progressively rising to a maximum of Rs. 4.0 for distance beyond 300 Kms.

(ii) The fares of second class Mail/Express trains have been increased by Rupee 1.0 at the lowest distance slab of 1 Km. to 50 Kms. progressively rising to a maximum of Rs. 20.0 for distance beyond 1400 Kms. (The maximum increase was subsequently reduced to Rs. 15.0 for distance beyond 1000 Kms.).

(iii) The sleeper surcharges for travel have been enhanced from Rs. 10.0 to Rs. 15.0 for distance up to 500 Kms., from Rs. 15.0 to Rs. 20.0 for distance between 501 Kms. and 1000 Kms. and from Rs. 15.0 to Rs. 25.0 for distance beyond 1000 Kms.

(iv) The fares for second class monthly season tickets have been increased, the increase ranging from Rs. 4.0 to Rs. 12.0 per ticket (subsequently brought down to Rs. 3.0 to Rs. 9.0 per ticket) for different distance slabs from 1 Km. to 150 Kms.

(v) No change has been proposed in the reservation fee and superfast charge.

(vi) The price of platform ticket is proposed to be increased from Rs. 1.50 to Rs. 2.00 (This hike was subsequently withdrawn).

All the revised passenger fares are effective from May 1, 1990.

IV. FINANCES OF DEPARTMENT OF POSTS AND DEPARTMENT OF TELECOMMUNICATIONS

Reviews of the finances of the Department of Post (DP) and Department of Telecommunications (DT) during 1989-90 and 1990-91 are presented in the following paragraphs:

A. Department of Posts—Revised Estimates—1989-90

Financial Working of DP in 1989-90

According to the revised estimates for 1989-90, the deficit in the financial working of the Department of Posts amounted to Rs. 188.4 crore compared to the budget estimates of Rs. 189.8 crore and Rs. 169.7 crore in 1988-89, respectively (Table VIII-20).

The revenue receipts during 1989-90 were lower at Rs. 760.0 crore compared to the budget estimates of Rs. 800.0 crore and were marginally higher by Rs. 18.2 crore (2.5 per cent) than Rs. 741.8 crore recorded in 1988-89. Total working expenses at Rs. 1,176.5 crore were also lower than the budget estimates of Rs. 1,228.8 crore but were higher by Rs. 85.8 crore (7.9 per cent) than Rs. 1,090.7 crore in 1988-89. Of the working expenses, operation cost is the most important component accounting for 71.1 per cent of the total working expenses in 1988-89 and 69.8 per cent in 1989-90. It increased by Rs. 45.2 crore (5.8 per cent) from Rs. 775.6 crore in 1988-89 to Rs. 820.8 crore in 1989-90. The other components which have recorded a significant increases are general administration (Rs. 9.6 crore; 13.2 per cent) and stationary and printing (Rs. 8.7 crore; 18.7 per cent). Net working expenses, after considering the credit to working expenses, rose to Rs. 948.4 crore during 1989-90, from Rs. 911.5 crore in 1988-89. In view of the deficit, the Department of Posts was not able to pay dividend to General Revenues and make any contribution towards capital expenditure.

Capital Outlay of DP in 1989-90

The capital outlay of the Department of Posts at Rs. 36.6 crore during 1989-90 was lower by Rs. 11.6 crore (24.1 per cent) compared to the budget estimates of Rs. 48.2 crore but was higher by Rs. 6.5 crore (21.6 per cent) than the outlay in 1988-89.

The total capital outlay consisted of Plan expenditure of Rs. 33.6 crore and the non-Plan

Table VIII-20: Financial Working of Department of Posts*

(Rs. crore)

Item	1987-88 (Actuals)	1988-89 (Actuals)	1989-90 (Budget Estimates)	1989-90 (Revised Estimates)	1990-91 (Budget Estimates)
1	2	3	4	5	6
1. **Revenue Receipts**	**643.0**	**741.8**	**800.0**	**760.0**	**800.0**
2. **Working Expenses**	**1,031.6**	**1,090.7**	**1,228.8**	**1,176.5**	**1,309.4**
Of which:					
i) Operation	754.3	775.6	877.1	820.8	917.3
ii) Agency Services	32.8	38.5	39.5	43.0	46.4
iii) General Administration	68.7	72.9	80.3	82.5	93.2
iv) Engineering	13.0	14.5	17.4	18.4	20.3
v) Pension	96.3	99.9	114.5	106.6	114.5
vi) Accounts & Audit	23.1	25.8	32.0	32.9	37.4
vii) Stationary & Printing	30.4	46.6	50.0	55.3	61.1
viii) Depreciation	4.3	4.9	5.2	5.2	6.0
ix) Others	8.7	12.0	12.8	11.8	13.2
3. Credit to Working Expenses	197.8	179.2	239.0	228.1	244.0
4. Net Working Expenses (2-3)	833.8	911.5	989.8	948.4	1,065.4
5. Net Receipts (1-4)	-190.8	-169.7	-189.8	-188.4	-265.4
6. Dividend to General Revenues	—	—	—	—	—
7. **Surplus (+)/Deficit (-) before making contributions towards Capital Expenditure (5-6)**	**-190.8**	**-169.7**	**-189.8**	**-188.4**	**-265.4**
8. Contributions towards Capital Expenditure	—	—	—	—	—
9. **Surplus (+)/Deficit (-) after making contributions towards Capital Expenditure (7-8)**	**-190.8**	**-169.7**	**-189.8**	**-188.4**	**-265.4**
10. **Appropriations to (+)/Withdrawals from (-)£**	**—**	**—**	**—**	**—**	**—**
a) Revenue Reserve Fund	—	—	—	—	—
b) Capital Reserve Fund	—	—	—	—	—

* The erstwhile combined Posts and Telegraphs Department has been bifurcated into Department of Posts and Department of Telecommunications with effect from 31.12.1984.

£ Consequent on the constitution of two distinct departments viz., Department of Post and Department of Telecommunications, the surplus transferred to P & T Revenue Reserve Fund & withdrawals from Capital Reserve Fund from 1987-88 entirely relates to Telecommunications.

i) The deficit in the working result of Department of Posts is borne by General Revenues of the Central Government from the year 1987-88.

ii) The surplus transferred to P & T Revenue Reserve Fund and Capital Reserve Fund and withdrawals from Capital Reserve Fund from 1987-88 entirely relates to Telecommunications.

Source: Detailed Demand for Grants of Department of Post-- 1990-91, Government of India.

component of Rs. 3.0 crore. The financing pattern of the capital oulay reveals that capital advanced from General Revenues financed 85.8 per cent (Rs. 31.4 crore) with the remaining part being financed by depreciation on historical costs transferred from Revenue (Table VIII-21).

Budget Estimates—1990-91
Financial Working of DP in 1990-91

The deficit on the working of Department of Posts is budgeted at Rs. 265.4 crore during 1990-91 an increase of Rs. 77.0 crore (40.9 per cent) from Rs. 188.4 crore in 1989-90.

The revenue receipts are budgeted at Rs. 800.0 crore during 1990-91, a hike of Rs. 40.0 crore (5.3 per cent) from Rs. 760.0 crore in 1989-90. The total working expenses are estimated to rise by Rs. 132.9 crore (11.3 per cent) from Rs. 1,176.5 crore in 1989-90 to Rs. 1,309.4 crore in 1990-91. The major component of working expenses is the operation cost which is anticipated to rise by Rs. 96.5 crore (11.8 per cent) from Rs. 820.8 crore in 1989-90 to Rs. 917.3 crore in 1990-91.

Net working expenses, after providing for credits to working expenses, are budgeted higher at Rs. 1,065.4 crore in 1990-91 compared to Rs. 948.4 crore in 1989-90. No provisions are made for dividend to General Revenues or towards capital expenditure due to deficit in the financial working of the Department.

Capital Outlay of DP in 1990-91

The capital outlay of the Department of Posts for 1990-91 is estimated at Rs. 53.6 crore consisting of Rs. 50.6 crore as Plan outlay and the remaining Rs. 3.0 crore as the non-Plan outlay. The capital outlay would be financed to the extent of 88.8 per cent (Rs. 47.6 crore) from the capital advanced from the General Revenues in 1990-91 compared to 85.8 per cent in the previous year. The amount of depreciation on historical cost transferred from Revenue placed at Rs. 6.0 crore would finance 11.2 per cent of capital outlay in 1990-91 as compared to 14.2 per cent in 1989-90.

B. Department of Telecommunications—Revised Estimates—1989-90

Financial Working of DT in 1989-90

The surplus of the Department of Telecommunications, according to the revised estimates, rose to Rs. 1,093.0 crore during 1989-90 as compared to Rs. 978.0 crore envisaged in the budget estimates and Rs. 822.9 crore realised during 1988-89 (Table VIII-22).

The revenue receipts of the Department at Rs. 2,925.0 crore, although higher than Rs. 2,358.5 crore for 1988-89, were marginally lower than Rs. 2,980.0 crore budgeted for the year.

The working expenses at Rs. 1,850.0 crore in 1989-90 were lower by Rs. 104.0 crore (5.6 per cent) than the budget estimates at Rs. 1,954.0 crore but were higher by Rs. 304.3 crore (19.7 per cent) than the actuals in 1988-89. The major components of working expenses were, as in the past, engineering, operation and depreciation, but the share of these taken together decreased from 76.7 per cent in 1988-89 to 74.3 per cent in 1989-90. The expenses under the head 'engineering' have increased by Rs. 79.8 crore (12.9 per cent) to Rs. 696.1 crore, whereas those on 'operation' by Rs. 42.1 crore (12.6 per cent) to Rs. 375.7 crore and those on 'depreciation' by Rs. 67.2 crore (28.5 per cent) to Rs. 303.1 crore. The other items which accounted for increase in working expenses were general administration and pension.

The net working expenses of the Department after adjusting for credits to working expenses at Rs. 1,654.0 crore during 1989-90, were lower than the budget estimates of Rs. 1,804.0 crore for the year but higher than the actual for 1988-89 at Rs. 1,375.0 crore. On account of lower net working expenses than budgeted, the net receipts (revenue receipts less net working expenses) rose to Rs. 1,271.0 crore from Rs. 1,176.0 crore in the budget estimates and Rs. 983.5 crore, the actuals for 1988-89. The dividend to General Revenues although lower at Rs. 178.0 crore than Rs. 198.0 crore as budgeted for 1989-90 was higher than Rs. 160.6 crore

Table VIII-21: Capital Outlay of Department of Posts*

(Rs. crore)

Item	1987-88 (Actuals)			1988-89 (Actuals)			1989-90 (Budget Estimates)			1989-90 (Revised Estimates)			1990-91 (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**	**30.5**	**—**	**30.5**	**33.7**	**-3.6**	**30.1**	**45.2**	**3.0**	**48.2**	**33.6**	**3.0**	**36.6**	**50.6**	**3.0**	**53.6**
2. **Financed from:**															
i) Receipts & Recoveries on (a + b)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
a) Capital Account	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
b) Under Stores Suspense	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
ii) Capital Reserve Fund £	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
iii) Depreciation on Historical Costs transferred from Revenue	—	4.3	4.3	—	4.9	4.9	—	5.2	5.2	—	5.2	5.2	—	6.0	6.0
iv) Contributions towards Capital Expenditure from Revenue	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
v) Capital advanced from the General Revenues	30.5	-4.3	26.2	33.7	-8.5	25.2	45.2	-2.2	43.0	33.6	-2.2	31.4	50.6	-3.0	47.6
Total (i to v)	**30.5**	**—**	**30.5**	**33.7**	**-3.6**	**30.1**	**45.2**	**3.0**	**48.2**	**33.6**	**3.0**	**36.6**	**50.6**	**3.0**	**53.6**

* The erstwhile combined Posts and Telegraphs Department has been bifurcated into Department of Posts and Department of Telecommunications with effect from the 31.12.1984.

£ Consequent on the constitution of two distinct departments, viz. Department of Posts and Department of Telecommunications, the surplus transferred to P & T Revenue Reserve Fund and Capital Reserve Fund and withdrawals from Capital Reserve Fund from 1987-88 entirely relates to Telecommunications.

Source: 1. Expenditure Budget—Vol II —1990-91, Government of India.

2. Detailed Demand for Grants of Department of Posts – 1990-91, Government of India.

Table VIII-22: Financial Working of Department of Telecommunications*

(Rs. crore)

Item	1987-88 (Actuals)	1988-89 (Actuals)	1989-90 (Budget Estimates)	1989-90 (Revised Estimates)	1990-91 (Budget Estimates)
1	2	3	4	5	6
1. **Revenue Receipts**	**1,700.9**	**2,358.5**	**2,980.0**	**2,925.0**	**3,942.6**
2. **Working Expenses**	**1,356.7**	**1,545.7**	**1,954.0**	**1,850.0**	**2,294.0**
Of which:					
i) Operation	300.3	333.6	377.2	375.7	411.8
ii) General Administration	106.0	117.2	157.8	160.3	178.5
iii) Engineering	548.4	616.3	759.4	696.1	812.0
iv) Pension	92.5	96.0	115.0	120.0	150.0
v) Accounts & Audit	11.5	13.2	14.4	14.3	15.1
vi) Stationary & Printing	5.6	6.1	17.0	9.0	16.1
vii) Stores & Factories	21.2	32.9	42.4	25.0	22.0
viii) Depreciation	193.7	235.9	310.3	303.1	402.5
ix) Others	77.5	94.5	160.5	146.5	286.0
3. Credits to Working Expenses	110.2	170.0	150.0	196.0	224.0
4. Net Working Expenses (2-3)	1,246.5	1,375.0	1,804.0	1,654.0	2,070.0
5. Net Receipts (1-4)	454.4	983.5	1,176.0	1,271.0	1,872.6
6. Dividend to General Revenues	--	160.6	198.0	178.0	198.0
7. **Surplus (+)/Deficit (-) before making contributions towards Capital Expenditure (5-6)**	**454.4**	**822.9**	**978.0**	**1,093.0**	**1,674.6**
8. Contributions towards Capital Expenditure	—	—	—	—	—
9. **Surplus (+)/Deficit(-) after making contributions towards Capital Expenditure**	**454.4**	**822.9**	**978.0**	**1,093.0**	**1,674.6**
10. **Appropriations to (+)/Withdrawals from (-) £**					
a) Revenue Reserve Fund	0.1	0.1	0.1	0.1	0.1
b) Capital Reserve Fund	454.3	822.8	977.9	1,092.9	1,674.5

* The erstwhile combined Post and Telegraphs Departments has been bifurcated into Department of Posts and Department of Telecommunications with effect from 31.12.1984.

£ Consequent on the constitution of two distinct departments,viz., Department of Posts and Department of Telecommunications, the surplus transferred to P & T Revenue Reserve Fund & withdrawals from Capital Reserve Fund from 1987-88 entirely relates to Telecommunications.

Source: Detailed Demand for Grants of Department of Telecommunications-1990-91, Government of India.

appropriated in the previous year. The appropriation of surplus to the Capital Reserve Fund at Rs. 1,092.9 crore was higher than the budgeted figure of Rs. 977.9 crore and the actual for 1988-89 of Rs. 822.8 crore.

Capital Outlay of DT in 1989-90

The capital outlay of the Department of Telecommunications was higher at Rs. 2,305.0 crore during 1989-90 as against the budget estimates of Rs.2,187.5 crore and the actuals of Rs. 1,770.1 crore during 1988-89. Plan expenditure accounted for 92.4 per cent (Rs. 2,130.0 crore) of the total capital outlay during 1989-90 as compared to 93.6 per cent (Rs. 1,657.7 crore) in the previous year. The non-Plan expenditure rose from Rs. 112.4 crore during 1988-89 to Rs. 175.0 crore in 1989-90. The financing pattern of the capital outlay revealed that 84.5 per cent (Rs. 1,948.4 crore) of capital outlay was financed by internal resources of the Department and the remaining 15.5 per cent (Rs. 356.6 crore) from the General Revenues (Table VIII-23).

Budget Estimates—1990-91
Financial Working

The Department of Telecommunications has budgeted a higher surplus of Rs. 1,674.6 crore during 1990-91 than Rs. 1,093.0 crore in 1989-90.

The revenue receipts are budgeted to rise by Rs. 1,017.6 crore (34.8 per cent) from Rs. 2,925.0 crore during 1989-90 to Rs. 3,942.6 crore during 1990-91.

The working expenses are estimated to rise by Rs. 444.0 crore (24.0 per cent) from Rs. 1,850.0 crore in 1989-90 to Rs. 2,294.0 crore in 1990-91. The major increases are expected in the expenditure pertaining to engineering by Rs. 115.9 crore (16.7 per cent), operation Rs. 36.1 crore (9.6 per cent) and depreciation Rs. 99.4 crore (32.8 per cent).

The net working expenses, after taking into account credit to working expenses are estimated at Rs. 2,070.0 crore during 1990-91 as compared to Rs. 1,654.0 crore during 1989-90. The net receipts of the Department are estimated to rise by Rs. 601.6 crore (47.3 per cent) from Rs. 1,271.0 crore during 1989-90 to Rs. 1,872.6 crore during 1990-91. The payment of dividend to General Revenues is budgeted to rise Rs. 198.0 crore from Rs. 178.0 crore in the previous year. The appropriation to the Capital Reserve Fund is budgeted to rise sharply to Rs. 1,674.5 crore in 1990-91 from Rs. 1,092.9 crore in the previous year.

Capital Outlay

The capital outlay of the Deparment of Telecommunication is budgeted marginally higher at Rs. 2,330.0 crore in 1990-91 than Rs. 2,305.0 crore in 1989-90. The share of Plan outlay at Rs. 2,140.0 crore is 91.9 per cent and that of non – Plan outlay at Rs. 190.0 crore. The financing pattern of capital outlay reveals that the share of internal resources would be higher at Rs. 2,131.6 crore (91.5 per cent) and that the dependence on the General Revenues would be Rs. 198.4 crore or 8.5 per cent.

V. PUBLIC DEBT AND OTHER LIABILITIES

A. Central Government

The aggregate liabilities of the Central Government, comprising public debt and other liabilities increased by Rs. 37,142 crore (16.2 per cent) during 1989-90 to Rs. 2,66,613 crore at end- March 1990 compared with an increase of Rs. 34,210 crore (17.5 per cent) in the previous year. These aggregate liabilities are budgeted to increase further byRs. 39,963 crore (15.0 per cent) during 1990-91 to Rs. 3,06,576 crore by end-March 1991 (Table VIII-24). These are exclusive of Rs. 300 crore due from Pakistan an account of pre-partition debt. The outstanding aggregate liabilities as a proportion of Gross Domestic Product (GDP) at current market prices, rose from 58.7 per cent in 1988-89 to 60.3 per cent in 1989-90 compared with 49.2 per cent at the beginning of the Seventh Five Year Plan,i.e.,at end-March 1985.

Table VIII-23: Capital Outlay of Department of Telecommunications*

(Rs. crore)

Item	1987-88 (Actuals)			1988-89 (Actuals)			1989-90 (Budget Estimates)			1989-90 (Revised Estimates)			1990-91 (Budget Estimates)		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. **Expenditure (a + b)**	**1,062.2**	**137.9**	**1,200.1**	**1,657.7**	**112.4**	**1,770.1**	**2,012.5**	**175.0**	**2,187.5**	**2,130.0**	**175.0**	**2,305.0**	**2,140.0**	**190.0**	**2,330.0**
a. Telecommunication Services	1,062.2	—	1,062.2	1,657.7	—	1,657.7	2,012.5	—	2,012.5	2,130.0	—	2,130.0	2,140.0	—	2,140.0
b. Under Stores and Manufacture Suspense	—	137.9	137.9	—	112.4	112.4	—	175.0	175.0	—	175.0	175.0	—	190.0	190.0
2. **Financed from:**															
i) Receipts and Recoveries on (a + b + c)	440.0	—	440.0	400.0	—	400.0	500.0	—	500.0	500.0	—	500.0	—	170.0	170.0
a) Capital Account	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
b) Under stores and Manufacture Suspense	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
c) Deposits of Mahanagar Telephone Nigam Ltd.	440.0	—	440.0	400.0	—	400.0	500.0	—	500.0	500.0	—	500.0	—	170.0	170.0
ii) Advance Rentals received under Telex O.Y.T. and other Schemes	25.6	—	25.6	30.3	—	30.3	33.0	—	33.0	32.0	—	32.0	35.0	—	35.0
iii) Deposits received under Telex Deposit Scheme	1.1	—	1.1	1.1	—	1.1	2.0	—	2.0	1.5	—	1.5	2.0	—	2.0
iv) Capital Reserve Fund £	370.0	—	370.0	884.4	—	884.4	974.5	20.0	994.5	1072.9	20.0	1092.9	1654.6	20.0	1674.6
v) Depreciation on Historical costs transferred from Revenue	194.5	—	194.5	236.4	—	236.4	310.0	—	310.0	302.0	—	302.0	400.0	—	400.0
vi) Contributions towards Capital Expenditure from Revenue	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
vii) Capital advanced from General Revenue	11.0	137.9	148.9	85.5	112.4	197.9	173.0	155.0	328.0	201.6	155.0	356.6	28.4	—	28.4
viii) Repayment of Loans by Mahanagar Telephone Nigam Ltd.	20.0	—	20.0	20.0	—	20.0	20.0	—	20.0	20.0	—	20.0	20.0	—	20.0
Total (i to viii)	**1,062.2**	**137.9**	**1,200.1**	**1,657.7**	**112.4**	**1,770.1**	**2,012.5**	**175.0**	**2,187.5**	**2,130.0**	**175.0**	**2,305.0**	**2,140.0**	**190.0**	**2,330.0**

* The erstwhile combined Posts and Telegraphs Department was bifurcated into Department of Posts and Department of Telecommunications with effect from 31.12.1984.

£ Consequent on the constitution of two distinct departments viz., Department of Post and Department of Telecommunications,the surplus transferred to P&T Revenue Reserve Fund & withdrawals from Capital Reserve Fund from 1987-88 entirely relates to Telecommunications.

Source: i) Budget Documents, Government of India.

ii) Detailed Demand for Grants of Department of Telecommunications-1990-91,Government of India.

Table VIII-24: Public Debt and Other Liabilities of Government of India
(As at the end of March)

(Rs. crore)

Item	1985	1986	1987	1988	1989	1990 (Revised Estimates)	1991 (Budget Estimates)
1	2	3	4	5	6	7	8
A. Public Debt (1 + 2)	**75,174**	**89,192**	**1,06,611**	**1,21,869**	**1,40,244**	**1,61,878**	**1,82,888**
	(32.6)	**(34.0)**	**(36.3)**	**(36.6)**	**(35.9)**	**(36.6)**	
1. Internal Debt (i to viii)	**58,537**	**71,039**	**86,312**	**98,646**	**1,14,498**	**1,33,361**	**1,51,037**
i) Market Loans	30,360	35,241	40,759	46,623	55,042	62,442	70,443
ii) Market Loans in course of repayment	34	38	49	48	46	46	46
iii) Others £	523	507	467	406	553	466	449
iv) Special Bearer Bonds	964	964	964	964	964	964	876
v) 91-day Treasury Bills	19,452	26,014	19,876	8,028	14,273	24,927	34,092
vi) 182-day Treasury Bills	—	—	100	133	567	567	567
vii) Special Floating and Other loans+	2,554	3,088	4,230	5,267	6,066	6,240	6,855
viii) Special Securities issued to R.B.I.	4,650	5,187	19,867	37,177	36,987	37,709	37,709
2. External Debt	**16,637**	**18,153**	**20,299**	**23,223**	**25,746**	**28,517**	**31,851**
Of which:							
Loans from IMF Trust Fund	538	464	296	116	-86	N.A.	N.A.
B. Other Liabilities (a to d)	**38,267**	**48,292**	**59,935**	**73,692**	**89,527**	**1,05,035**	**1,23,988**
	(16.6)	**(18.4)**	**(20.4)**	**(22.2)**	**(22.9)**	**(23.7)**	
a) Small Savings	17,157	21,449	24,725	28,358	33,833	40,583	45,583
b) Provident Funds (i + ii)	4,158	4,629	5,505	6,644	7,950	9,350	10,930
i) State Provident Fund	3,606	4,001	4,743	5,603	6,549	7,549	8,679
ii) Public Provident Fund	552	628	762	1,041	1,401	1,801	2,251
c) Other accounts*	8,389	10,781	14,698	19,526	26,752	34,293	43,661
d) Reserve Funds and Deposits**(i + ii)	8,563	11,433	15,007	19,164	20,992	20,809	23,814
i) Bearing Interest	6,198	8,574	9,854	6,718	7,854	9,704	11,143
ii) Not Bearing Interest	2,365	2,859	5,153	12,446	13,138	11,105	12,671
C. Aggregate Liabilities (A + B)	**1,13,441**	**1,37,484**	**1,66,546**	**1,95,561**	**2,29,771**	**2,66,913**	**3,06,876**
	(49.2)	**(52.4)**	**(56.8)**	**(58.8)**	**(58.7)**	**(60.3)**	
D. Amount due from Pakistan on account of Pre-partition debt.	**300**	**300**	**300**	**300**	**300**	**300**	**300**
E. Aggregate Liabilities (C-D) (Net of Pre-partition debt)	**1,13,141**	**1,37,184**	**1,66,246**	**1,95,261**	**2,29,471**	**2,66,613**	**3,06,576**

£ Comprises compensation and other bonds such as National Rural Development Bonds and Capital Investment Bonds. 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 Postal Insurance and Life Annuity Fund, Borrowings against Compulsory Deposits and Income-tax Annuity Deposits, Special deposits of non-Government Provident Funds.

** Includes Depreciation and Reserve Funds of Railways and Department of Posts and Department of Telecommunications, deposits of Local Funds, departmental and judicial deposits, civil deposits, etc.

Note: Figures in brackets represent percentages to CSO estimates of Gross Domestic Product at Current Market Prices.

Source: 1. Finance Accounts, Government of India.

2. Receipts Budget, 1990-91, Government of India.

The share of public debt in the aggregate liabilities declined from 61.0 per cent at end—March 1989 to 60.6 per cent at end-March 1990 and is estimated to further decline to 59.6 per cent at end-March 1991. Consequently, the proportion of 'other liabilities' consisting of small savings, provident funds, other accounts, reserve funds and deposits registered an increase from 39.0 per cent at end-March 1989 to 39.4 per cent at end-March 1990 and is anticipated to rise to 40.4 per cent by end-March 1991.

Public Debt

Public debt, consisting of internal and external debt, recorded a growth of Rs. 21,634 crore (15.4 per cent) during 1989-90 and was placed at Rs. 1,61,878 crore at the end-March 1990 compared with a rise of Rs. 18,375 crore (15.1 per cent) during 1988-89. It is budgeted to further increase by Rs. 21,010 crore (13.0 per cent) during 1990-91 to Rs. 1,82,888 crore by end-March 1991. The proportion of internal debt to public debt increased from 81.6 per cent at end-March 1989 to 82.4 per cent at end-March 1990 and is budgeted to rise to 82.6 per cent by end-March 1991.

Public debt, as a proportion of GDP at current market prices, rose to 36.6 per cent in 1989-90 compared with 35.9 per cent in the previous year.

External Debt

External debt registered a rise of Rs. 2,771 crore (10.8 per cent) during 1989-90 to Rs. 28,517 crore at end – March 1990 compared with a growth of Rs. 2,523 crore (10.9 per cent) during 1988-89. The external debt is budgeted to rise by Rs. 3,334 crore (11.7 per cent) during 1990-91 to Rs. 31,851 crore by end-March 1991. The proportion of external debt to GDP at current market prices was 6.4 per cent in 1989-90 compared with 6.6 per cent in 1988-89.

The Union Budget estimates external loans at Rs. 5,642 crore during 1990-91 as compared with Rs. 4,867 crore in 1989-90. The net receipts, after accounting for repayments amounting to Rs. 1,926 crore in 1990-91 and Rs. 1,617 crore in 1989-90, would rise to Rs. 3,716 crore in 1990-91 compared with Rs. 3,250 crore in 1989-90. Interest payments on external loans are budgeted at Rs. 1,625 crore in 1990-91 as against Rs. 1,483 crore in 1989-90. Net external loans after providing for repayments and interest payments, would amount to Rs. 2,091 crore in 1990-91 as compared with Rs. 1,767 crore in 1989-90.

Internal Debt

Internal debt of the Central Government which consists of market loans, treasury bills, special securities issued to RBI, special floating loans and other loans, rose by Rs. 18,863 crore (16.5 per cent) during 1989-90 to Rs. 1,33,361 crore at end-March 1990 compared with a rise of Rs. 15,852 crore (16.1 per cent) in the previous year. It is budgeted to rise to Rs. 1,51,037 crore by end-March 1991, registering a rise of Rs. 17,676 crore (13.3 per cent) during 1990-91. As a proportion of aggregate liabilities, internal debt has increased from 49.8 per cent at end-March 1989 to 50.0 per cent at end-March 1990 but is budgeted to marginally decline to 49.2 per cent by end-March 1991. Internal debt as a ratio to GDP at current market prices increased from 29.3 per cent in 1988-89 to 30.1 per cent in 1989-90.

The constitutents of internal debt which recorded increases during 1989-90 are current market loans (Rs. 7,400 crore), 91-day treasury bills (Rs. 10,654 crore), special securities issued to RBI (Rs. 722 crore) and special floating and other loans (Rs. 174 crore). The increase in current market loans and 91-day treasury bills, taken together, account for 95.7 per cent of increase in the internal debt during 1989-90. In contrast, the oustanding amount under others, comprising compensation and other bonds such as National Rural Development Bonds and Capital Investment Bonds, recorded a decline of Rs. 87 crore during 1989-90 whereas special bearer bonds and 182-day treasury bills did not record any change.

Market Borrowings: 1989-90

The Central Government conducted its market borrowing operations in five tranches

during 1989-90 and mopped up a gross amount of Rs. 8,044.3 crore, marginally higher than Rs. 8,039.0 crore budgeted for the year. Repayments amounted to Rs. 638.7 crore in 1989-90. Net market borrowings, thus, amounted to Rs. 7,405.6 crore, marginally higher by Rs. 5.3 crore than the budgeted estimates of Rs. 7,400.3 crore during the year.

The Central Government's market borrowing operations during 1989-90 was initiated with the first tranche on May 15, 1989 and completed with the fifth tranche on March 19, 1990. The first three tranches offered loans on cash-cum-conversion basis while the last two were entirely on cash basis (Table VIII-25).

The monthly average of gross redemption yeild on Central Government securities was higher at 11.96 per cent during 1989-90 compared with 10.9 per cent during 1988-89 (Reference: Statement No. 75 Vol. II of the Report).

1990-91

The Union Budget for 1990-91, assumed gross market borrowings of Rs. 8,988.0 crore. Repayments are estimated at Rs. 987.7 crore and

Table VIII-25: Market Borrowings of Government of India During 1989-90

(Rs. crore)

Date	Loans Floated	Issue Price Rupees	Amount of Issue	Subscription Accepted		Gross Market Borrowings (Col. 5 + Col. 6)	Repayment in cash for unconverted Maturing Securities	Net Market Borrowings (Col. 7 – Col. 6 + Col.8)
				Cash	Conversion			
1	2	3	4	5	6	7	8	9
15.5.1989	10.50% Loan, 1999	1,000.00		0.80	0.01	0.81	—	—
	11.00% Loan, 2004	1,000.00	1,500.00	2.65	0.75	3.40	26.40	1,157.69
	11.50% Loan, 2009	1,000.00		1,180.64	318.22	1,498.86	—	—
				1,184.09	318.98	1,503.07	26.40	1,157.69
11.10.1989	10.50% Loan, 1999 (II issue)	1,000.00		2.60	—	2.60	—	—
	11.00% Loan, 2004 (II issue)	1,000.00	2,200.00	6.00	—	6.00	24.84	1,976.51
	11.50% Loan, 2009 (II issue)	1,000.00		1,992.75	200.01	2,192.76	—	—
				2,001.35	200.01	2,201.36	24.84	1,976.51
5.11.1989	10.50% Loan, 1999 (III issue)	1,000.00		1.97	—	1.97	—	—
	11.00% Loan, 2004 (III issue)	1,000.00	1,800.00	2.02	0.10	2.12	12.60	1,731.98
	11.50% Loan, 2007 (III issue)	1,000.00		1,740.59	55.79	1,796.38	—	—
				1,744.58	55.89	1,800.47	12.60	1,731.98
5.2.1990	10.50% Loan, 1999 (IV issue)	1,000.00		27.07	—	27.07	—	—
	11.00% Loan, 2004 (IV issue)	1,000.00	1,600.00	0.01	—	0.01	—	1,600.10
	11.50% Loan, 2009 (IV issue)	1,000.00		1,573.02	—	1,573.02	—	—
				1,600.10	—	1,600.10	—	1,600.10
19.3.1990	10.50% Loan, 1999 (V issue)	1,000.00		1.69	—	1.69	—	—
	11.00% Loan, 2004 (V issue)	1,000.00	934.00	0.89	—	0.89	—	939.31
	11.50% Loan, 2009 (V issue)	1,000.00		936.73	—	936.73	—	—
				939.31	—	939.31	—	939.31
	Total during 1989-90		**8,034.00**	**7,469.43**	**574.88**	**8,044.31**	**63.84**	**7,405.59**

Source: Reserve Bank of India Records.

net market borrowings are thus budgeted at Rs. 8,000.3 crore, higher by Rs. 594.7 crore (8.0 per cent) than Rs. 7,405.6 crore in 1989-90.

The first tranche of the Central Government market borrowings operation for 1990-91 was on June 11, 1990 to mobilise Rs. 2,000 crore. It floated four loans viz. 10.50 per cent loan 1995; 10.75 per cent loan 2000; 11.25 per cent loan 2005; and 11.50 per cent loan 2010 which resulted in mobilisation of Rs. 2,001.4 crore. There were no repayments due at that time.

Coupon Rates on Central Government Loans

The interest rate structure on Central Government securities of varying maturities in 1989-90 continues to be the same as in 1988-89. Each of the five tranches offered three loans viz., 11.5 per cent loan with a maturity period of 20 years, 11.0 per cent for 15 years and 10.5 per cent for 10 years.

Reserve Bank Support to Central Loans

The Reserve Bank's initial support to the Central Government's market borrowing operations amounted to Rs. 4.861 crore (60.4 per cent of gross market borrowings) during 1989-90 which was higher by Rs. 2,348 crore (93.4 per cent) than the initial subscription of Rs. 2,513 crore (32.5 per cent of the gross market borrowings) during 1988-89. Although the Reserve Bank was able to offload a portion of the Central Government loans acquired through initial subscription, the increase in the Bank's holdings of Central Government dated securities, other than treasury bills, was higher by Rs. 3,105.7 crore in 1989-90 as compared with Rs. 1,935.7 crore in 1988-89.

Market Borrowings by Public Sector Undertakings

In addition to the market borrowings by the Centre, a few public sector undertakings have also been permitted to raise market loans in the domestic and international markets to meet their financial requirements for developmental programmes. The public sector undertakings are budgeted to raise Rs. 3,942 crore during 1990-91 through issue of bonds and debentures in the domestic market and Rs. 1,466 crore through external commercial borrowings as compared with the mobilisation of Rs. 4,494 crore from the domestic market and Rs. 1,922 crore from international market in 1989-90.

Besides open market borrowings, the Centre mobilises resources through instruments of small savings. The trend in collections from various saving instruments are given in the table below:

(Rs. crore)

Sr. No.	Name of the Saving Instrument	Outstanding as on March 31, 1989	Outstanding as on March 31, 1990£
1.	Indira Vikas Patra	3556	6221
2.	Kisan Vikas Patra	1939	5375
3.	Post Office Monthly Income Scheme	792	1533
4.	9% Relief Bonds, 1988	212	334
5.	National Savings Scheme	810	2447

£ : Data are provisional.

The sailent features of new changes/modifications made in saving instruments--schemes effected by the Central Budget, 1990-91 are as under:

Uniform Tax Rebate on Savings including that of National Savings Certificates

The existing schemes of tax incentive to promote savings are based on deductions from income. A person gets tax relief at the highest marginal rate of tax applicable to him. Accordingly, it confers higher amount of tax benefit to a person with a higher income vis-a-vis a person with a lower income. So as to remove this inequity, a system of tax rebate on the gross amount of savings under Section 80C of the Income Tax Act has been introduced in 1990-91. Under the new system, a person contributing to provident fund, life insurance, National Savings Certificates, etc. as earlier, is eligible to a tax rebate at the rate of 20 per cent on such savings with a maximum tax rebate allowable of Rs. 10,000 generally and Rs. 14,000 in the case of authors, play-wrights, artists, musicians, actors, sportsmen and athletes. Thus, under the new system a uniform tax rebate is given on savings irrespective of the levels of income of the persons.

National Savings Scheme

Under Section 80CCA of the Income-tax Act, the limit available for income-tax rebate has been further increased from Rs.30,000 in 1989-90 to Rs.40,000 per annum in 1990-91. Since the savings under this Section are on a 'netting' principle and are added back to income when withdrawn, the existing system of deduction from taxable income will continue.

Equity -Linked Savings Scheme (ELSS)

The Scheme announced in 1989-90 has been finalised this year on a 'netting' principle. The investment in units under the Scheme is eligible for deduction upto a maximum of Rs.10,000 from gross income. The annual return on the investment in the units is also eligible for tax concession under section 80L of the Income-tax Act. On repurchases of the units by the Mutual Funds, the capital amount representing the cost of the units is taxed as income in the year of repurchase and the excess is liable to tax as capital gains. The ELSS will eventually replace the present deduction under Section 80CC. Meanwhile, this provisioin is being extended for investments made upto March 31, 1991.

Savings (Deposit) Scheme for retiring employees

For retiring Central and State Governments employees a deposit scheme was introduced in 1989-90. Under the scheme, a retiring employee of Central and State Governments may invest the whole or part of his retirement benefits for a block period of three years. The interest which is 9 per cent on this investment is free from income-tax. Besides, this investment is exempted from wealth-tax. The scheme is now being extended to retiring employees of public sector companies effective from April 1, 1991 and will be operational for the assessment year 1991-92 onwards.

Market Borrowings of Local Authorities and Institutions sponsored by Central and State Governments.

Net market borrowings by local authorites and institutions sponsored by Central and State Governments at Rs.3,300.9 crore during 1989-90 were higher by Rs.342.8 crore (11.2 per cent) as compared with Rs.2,958.1 crore during 1988-89 (Table VIII-26). Net market borrowings of the institutions sponsored by the Central Government were placed at Rs.2,164.8 crore in 1989-90, a rise of Rs.229.8 crore (11.9 per cent) over Rs.1,935.0 crore in 1988-89. The net market borrowings of institutions sponsored by State Governments at Rs. 1,106.1 crore in 1989-90 were higher by Rs. 120.7 crore (12.2 per cent) as compared with the previous year. The net market borrowings of local authorities declined marginally from Rs.37.7 crore in 1988-89 to Rs.30.1 crore in 1989-90. Of these, the institutions engaged in promoting industry and export accounted for 65.7 per cent of the net aggregate borrowings of all the institutions and local authorities taken together in 1989-90 as compared with 67.4 per cent in 1988-89.

Treasury Bills

91-Day Treasury Bills

The outstanding 91-day treasury bills rose from Rs. 14,273 crore at end-March 1989 to

Table VIII-26: Net Market Borrowings of Local Authorities and Institutions Sponsored by Central and State Governments

(Rs. crore)

Institutions	1988-89	1989-90
1	2	3
Local Authorities	**37.73**	**30.07**
Municipal Corporations	37.73	30.07
Institutions Sponsored by the Central Government	**1,935.00**	**2,164.75**
Industrial Development Bank of India	920.00	975.00
Industrial Credit and Investment Corporation of India	286.00	315.00
Industrial Finance Corporation of India	330.00	363.00
Export Import Bank of India	53.00	58.00
Industrial Reconstruction Bank of India	51.00	57.00
National Bank for Agriculture and Rural Development	—	49.75
Rural Electrification Corporation	48.50	49.00
Housing and Urban Development Corporation	60.50	61.00
National Co-operative Development Corporation	66.00	66.00
Damodar Valley Corporation	45.00	50.00
Delhi Development Authority	—	—
The Shipping Credit and Investment Company of India Ltd.,	20.00	25.00
National Housing Bank	20.00	60.00
Delhi Co-operative Housing Finance Society Ltd.	15.00	16.00
Power Finance Corporation	20.00	20.00
Institutions Sponsored by State Governments	**985.38**	**1,106.11**
State Electricity Boards	623.19	608.55
State Financial Corporations	270.00	307.76
Industrial Investment Corporations and Industrial Development Corporations	19.09	22.69
Land Development Banks	19.68	33.48
Housing Boards	11.14	12.31
Other Institutions	81.64	121.32
Grand Total	**2,958.11**	**3,300.93**

Rs. 24,927 crore at end-March 1990, registering a jump of Rs.10,654 crore (74.6 per cent) over the year. These treasury bills are budgeted to further rise by Rs.9,165 crore (36.8 per cent) to Rs.34,092 crore at end-March 1991.

182-Day Treasury Bills

The 182-day treasury bills were introduced in November 1986. Prior to July 1988, the auction for these treasury bills was held every month but since then auctions are being conducted on a fortnightly basis synchronising with the reporting Fridays of scheduled commercial banks. The outstanding 182-day treasury bills have steadily increased from Rs.100 crore at end-March 1987 to Rs.567 crore at end-March 1989. However, their outstanding level is expected to stay unchanged both at end-March 1990 and end-March 1991.

Special Floating and Other Loans

Special floating and other loans represent mainly the contributions of the Government of India towards the capital of international financial institutions. These loans recorded a marginal rise of Rs.174 crore (2.9 per cent) to Rs. 6,240 crore at the end – March 1990 as compared with Rs.6,066 crore at end-March 1989. These are budgeted to rise by Rs.615 crore (9.9 per cent) during 1990-91 to Rs.6,855 crore at end-March 1991.

Special Securities issued to RBI

Special securities issued to Reserve Bank consist mainly of funded ad-hoc treasury bills and special secuirities issued against compulsory deposits. These recorded a growth of Rs. 722 crore (2.0 per cent) during 1989-90 to Rs. 37,709

crore at end-March 1990 and are estimated to remain unchanged at end-March 1991.

Other Liabilities

The other liabilities of the Central Government comprising of small sayings, provident funds, other accounts and reserve funds and deposits increased by Rs. 15,508 crore (17.3 per cent) to Rs. 1,05,035 crore at end-March 1990 compared with a rise of Rs. 15,835 crore (21.5 per cent) in the previous year. The increase of Rs. 15,508 crore during 1989-90 is accounted by the rise in small savings (Rs. 6,750 crore), provident funds (Rs. 1,400 crore) and other accounts (Rs. 7,541 crore). Reserve funds and deposits, however, recorded a marginal decline of Rs. 183 crore during the year. The other liabilities are budgeted to rise to Rs. 1,23,988 crore at end-March 1991, a rise of Rs. 18,953 crore (18.0 per cent) over the previous year. The increase would be accounted for by small savings (Rs. 5,000 crore), provident funds (Rs. 1,580 crore), other accounts (Rs. 9,368 crore) and reserve funds and deposits (Rs. 3,005 crore). The sharp rise in the case of other accounts is mainly because of special deposits of non-Government provident funds, etc., which amounted to Rs. 5,657 crore in 1988-89, Rs. 5,700 crore in 1989-90 and Rs. 6,300 crore anticipated in 1990-91. The share of other liabilities in the aggregate liabilities has increased from 39.0 per cent at end-March 1989 to 39.4 per cent at end-March 1990 and is budgeted to rise to 40.4 per cent at end-March 1991. As a proportion of GDP at current market prices, other liabilities have increased from 22.9 per cent in 1988-89 to 23.7 per cent in 1989-90.

Small Savings*

Small savings mobilisation (net) during 1989-90, according to provisional data, amounted to Rs. 4,694 crore or 13.4 per cent higher compared to Rs. 5,342 crore or 18.0 per cent during 1988-89. The rise in small savings during 1989-90 is partly due to investment of more than Rs. 1,170 crore by UTI in small savings. The outstanding small savings rose from Rs. 35,056 crore at end-March 1989 to Rs. 39,750 crore at end-March 1990. The outstanding deposits under various small savings schemes increased by Rs. 815 crore (6.8 per cent) during the year from Rs. 11,942 crore at end-March 1989 to Rs. 12,757 crore at end-March 1990. The maximum increase during the year was recorded by National Savings Scheme (Rs. 1,637 crore) and Post Office Monthly Income Scheme (Rs. 741 crore). The outstanding amounts under the National Savings Scheme increased from Rs. 810 crore at end-March 1989 to Rs. 2,447 crore at end-March 1990 and those under Post Office Monthly Income Scheme rose from Rs. 792 crore at end-March 1989 to Rs. 1,533 crore at end-March 1990. The outstanding savings bank deposits rose from Rs. 3,794 crore at end-March 1989 to Rs. 3,899 crore at end-March 1990 while those in 5-year recurring deposits rose from Rs. 1,850 crore to Rs. 2,236 crore over the same period. The outstanding amount under the 5-year time deposits recorded a decline of Rs. 1,255 crore during the year in continuation of the trend noticed since 1986-87 implying thereby larger net withdrawals with the balance declining from Rs. 4,614 crore at end-March 1989 to Rs. 3,359 crore at end-March 1990.

Mobilisation of small savings through sales of various certificates increased by Rs. 5,532 crore during 1989-90 compared with Rs. 4,557 crore during the previous year with the outstanding level rising from Rs. 16,802 crore at end-March 1988 to Rs. 21,359 crore at end-March 1989 and further to Rs. 26,956 crore at end-March 1990. The largest increase was recorded by Kisan Vikas Patra followed by Indira Vikas Patra and National Savings Certificates VIIIth Issue. The amount mobilised by Kisan Vikas Patra amounted to Rs. 3,436 crore during the year with outstanding level rising from Rs. 1,939 crore at end-March 1989 to Rs. 5,375 crore at end-March 1990. The outstanding amount under Indira Vikas Patra increased by Rs. 2,665 crore from Rs. 3,556 crore at end-March 1989 to Rs. 6,221 crore at end-March 1990. The amount mobilised under the National Savings Certificates VIII issue which was introduced from May 8, 1989 amounted to Rs. 1,506 crore at end-March 1990.

* Refer to Statement No. 104, Vol. II of the Report. Figures here relate to provisional estimates for 1989-90.

On the other hand, the outstanding amount against NSC-VI and VII issues which have been discontinued with effect from April 1, 1989, declined from Rs. 14,490 crore and Rs. 1,168 crore, respectively, at end-March 1989 to Rs. 12,612 crore and Rs. 998 crore at end-March 1990.

B. STATE GOVERNMENTS**

The outstanding debt liabilities of State Governments at Rs. 91,597 crore in 1989-90 registered a rise of 17.2 per cent over those of Rs. 78,184 crore in 1989-90. In the previous year, these liabilities had risen by 16.4 per cent over 1987-88. There would be a rise of Rs. 14,884 crore or 16.2 per cent in outstanding debt liabilities to Rs. 1,06,481 crore at end-March 1991. Of the total rise in outstanding debt liabilities in 1990-91, the liabilities in respect of loans and advances from the Centre would rise by Rs. 9,534 crore followed by internal debt (Rs. 2,785 crore) and provident funds and other funds, etc. (Rs. 2,565 crore).

Loans and Advances from the Centre

The outstanding loans and advances from the Centre (comprising loans for Plan and non-Plan Schemes including loans against small savings collections and Ways and Means advances from the Centre) moved up from Rs. 54,292 crore at end-March 1989 to Rs. 62,557 crore at end-March 1990, showing a rise of Rs. 8,265 crore (15.2 per cent) in 1989-90 as compared with a rise of Rs. 6,690 crore (14.1 per cent) in 1988-89. These would rise by Rs. 9,534 crore (15.2 per cent) to Rs. 72,091 crore at the end of March 1991. The ratio of outstanding loans and advances from the Centre to total outstanding debt liabilities which was 69.4 per cent at end-March 1989 declined to 68.3 per cent at end-March 1990 and would move down further to 67.7 per cent by end-March 1991.

Market Loans and Bonds

The outstanding debt liabilities in the form of market loans amounted to Rs. 12,907 crore at end-March 1990 as against Rs. 10,717 crore at end-March 1989. At this level, these recorded a rise of Rs. 2,190 crore (20.4 per cent) in 1989-90 as compared with a rise of Rs. 1,938 crore (22.1 per cent) in 1988-89. During 1990-91, the outstanding level of market loans is budgeted at Rs. 15,835.0 crore i.e. 22.7 per cent higher than its previous year's level of Rs. 12,907 crore.

Loans from Banks and Other Institutions

The liabilities under loans from Banks and other institutions include loans and cash credit from State Bank of India and other commercial banks and loans from National Rural Credit Fund of the National Bank for Agriculture and Rural Development, National Cooperative Development Corporation and Life Insurance Corporation of India. These liabilities at Rs. 2,601 crore registered a rise of 22.7 per cent in 1989-90 as against an increase of 8.6 per cent in 1988-89 but would decline by 5.7 per cent to Rs. 2,452 crore at end-March 1991.

Provident Funds and Other Funds

The outstanding debt liabilities comprising State Provident Funds, Insurance and Pension Funds, Trusts and Endowments, etc., moved up from Rs. 10,456 crore at end-March 1989 to Rs. 13,034 crore at end-March 1990 showing an increase of 24.7 per cent in 1989-90 as against a rise of 23.2 per cent in these liabilities in 1988-89. These liabilities would rise by Rs. 2,565 crore (19.7 per cent) to Rs. 15,599 crore at end-March 1991. Under provident funds and other funds, the outstanding amounts of State Provident Funds which at Rs. 11,233 crore at end-March, 1990 rose by 23.8 per cent in 1989-90 would rise further by 18.4 per cent to Rs. 13,301 crore by end-March, 1991. The ratio of State provident funds to total outstandings of provident funds and other funds declined from 86.8 per cent at end-March 1989 to 86.2 per cent at end-March 1989 and would fall further to 85.3 per cent by end-March 1991.

Market Borrowings of State Governments: 1989-90@

During 1989-90, fourteen States entered the market on July 31, 1989 for raising a notified

** Refer to Statement No. 101—Debt Position of States and Statement No. 102—Statewise Composition of Outstanding Debt in Vol. II of the Report.

@ Figures are actuals and are compiled from RBI records.

amount of Rs. 1,700.0 crore on cash basis. The loans were issued at par with a maturity period of 20 years and carried an interest rate of 11.5 per cent. Again on September 6, 1989, twenty-four States entered the market with a notified amount of Rs. 842.0 crore on cash-cum-conversion basis. Of the total notified amount, the cash component was Rs. 799.8 crore and conversion component of Rs. 42.2 crore. The second tranche loans were also issued at par with a maturity period of 20 years and carried an interest rate of 11.5 per cent. The gross market borrowings, raised in two tranches amounted to Rs. 2,554.9 crore in 1989-90. After providing for maturing loans of Rs. 305.9 crore, the net market borrowings were Rs. 2,249.0 crore in 1989-90 as against Rs. 2,002.1 crore in 1988-89.

During 1989-90, the monthly gross redemption yield declined to 7.56 per cent as against 9.25 per cent in 1988-89 (Reference Statement No. 75, Volume II of the Report).

Market Borrowings of State Governments: 1990-91@

In the current financial year, thirteen States entered the market on July 23, 1990 for raising notified amount of Rs. 1,430.0 crore through issue of loans at par bearing interest at 11.5 per cent and having a maturity period of 20 years. The total amount subscribed was Rs. 1,430.32 crore.

@ Figures are actuals and are compiled from RBI records.

Chapter IX

Capital Market

Developments in the Indian capital market during the year 1989-90 are covered in this Chapter. The first section presents the overview of the developments in the capital market. In section 2, various policy measures undertaken by the Government to strengthen the capital market are reviewed. The subsequent two sections outline the trends in capital consents and capital issues, respectively. Section 5 deals with trends in industrial securities market,open market operations and gilt edged market. In the last section, the operations of the various term-lending and other financial institutions are discussed.

Overview

The capital market in India witnessed considerable buoyancy during the year 1989-90 with activities in the primary and secondary markets reaching new records in terms of amount of total issues coming in the market and the rise in prices of shares. The deregulation and the announcement of new liberalised industrial policy by the Government coupled with an excellent monsoon for the third consecutive year and encouraging corporate results by a large number of companies helped in improving the investment climate and the market sentiment. Large collection of funds by the mutual funds of 5 public sector commercial banks and Life Insurance Corporation of India (LIC) was also a significant feature of the capital market during the year under review.

The year witnessed unprecedented activity in the primary capital market with new capital issues by non-Government public limited companies reaching a record level of Rs. 6,437 crore or double the amount issued during the previous year (Rs. 3,165 crore). The total value of approvals (consents/acknowledgements) granted by the Controller of Capital Issues (CCI) to non-Government public and private limited companies for the issue of fresh capital (including premium allowed on shares but excluding bonus issues) aggregated Rs. 7,556 crore during 1989-90 (April-March) recording a rise of 53.2 per cent over the amount of approvals in the previous year (Rs. 4,932 crore).

According to available data,the Public Sector Undertakings (PSUs) made 12 issues of bonds for a total sum of Rs. 3,579 crore during 1989-90 (April-March) of which Rs. 100 crore were offered to the public and the balance was privately placed with banks and financial institutions. This amount was higher by Rs. 1,033 crore or 40.3 per cent than that issued in the previous year (Rs. 2,566 crore) through 13 issues of Public Sector Bonds of which Rs. 100 crore were for public subscription and the rest for private placement.

The secondary capital market also witnessed significant growth during the financial year 1989-90 with the Reserve Bank's All-India Index Numbers of Ordinary Share Prices (Base: 1980-81 = 100) reaching new record levels. The index recorded an increase of 25.9 per cent from 317.7 for the week-ended April 1, 1989 to 400.0 for the week-ended March 31, 1990. This growth was achieved on the top of an increase of 64.7 per cent recorded during the previous financial year. Equity prices registered further growth of 4.8 per cent during the first quarter of 1990-91 (April-June) and the index closed at 419.3 on June 30, 1990.

The all-India and State level term-lending and

financial institutions sanctioned financial assistance of the order of Rs. 15,965 crore during 1989-90 (April-March) which represent a growth of 13.4 per cent over that of the previous year (Rs. 14,082 crore). Disbursements by these institutions during 1989-90 (April-March) at Rs. 9,949 crore recorded a rise of 10.0 per cent over those in the preceding year (Rs. 9,045 crore). During 1988-89 (April-March), the sanctions and disbursements of the above institutions, however, had recorded higher growth of 53.2 per cent and 33.5 per cent, respectively, over those in 1987-88.

During the year 1989-90 (April-March), some of the financial institutions embarked upon new areas of activity. The Industrial Development Bank of India (IDBI) introduced two new schemes of assistance for women entrepreneurs. The Industrial Finance Corporation of India (IFCI) introduced two new schemes of assistance under the names "Buyers Credit Scheme" and "Equipment Credit Scheme". The Unit Trust of India (UTI) introduced 3 new savings schemes. The Export-Import Bank of India (Exim Bank) introduced three new export promotion programmes.

A number of policy measures were initiated by the Government during the year for the healthy and orderly development of new issue and stock markets. These *inter alia* include stipulation of certain norms/procedures for large capital issues, approval of the creation of the Over-the Counter Exchange of India (OTC), issue of guidelines with a view to making the share transactions by financial institutions more transparent and issue of detailed guidelines governing mutual funds by RBI and Government of India. In addition, the Securities and Exchange Board of India (SEBI) was entrusted with the task of supervision of merchant banking activities and activities of mutual funds and also of ensuring the transparency of transactions relating to shares by financial institutions and take over of the management of companies through acquisition of shares on the stock exchanges.

Developments in Policy and Institutional Structure

In recent years the tremendous growth witnessed in the capital market has brought in its wake some issues and problems which had to be addressed with a view to ensuring that new capital issues and stock markets functioned in a healthy and orderly manner and that investors' confidence was sustained. Towards this end, a number of policy measures were initiated during 1989-90, which are set out below:

The Controller of Capital Issues (CCI) prescribed norms in September 1989 for mobilising funds by companies through approved capital issues of more than Rs. 300 crore. These companies were required to phase out calls with a view to reducing bunching of large capital issues. The Union Government also asked the financial institutions to closely monitor the utilisation of capital raised through such large issues. Further the CCI laid down in January 1990, some standard conditions which were made applicable to all public issues of Rs. 50 crore and above. It was stipulated that the funds raised through public issues could be invested, before their deployment in the proposed activities, only in instruments of nationalised and co-operative banks, UTI, financial institutions and Public Sector Undertakings (other than public sector bonds). The utilisation of the proceeds of the issues would be monitored by the designated financial institutions. The Union Government in January 1990 also directed CCI not to permit any company to make any fresh issue within 12 months from the closure of its earlier issue or within six months of listing of its earlier issue, whichever was later. It was further decided by the Government that all applications to CCI for issue of capital should be accompanied by certificate signed by the company secretary confirming that all refund orders against the previous issues and all shares/debentures certificates have been issued.

The Union Government modified the existing Employees' Stock Option Scheme in July 1989

in terms of which the portion of shares earmarked for the employees but not taken up by them, can be allocated to the financial or investment institutions and mutual funds. In August 1989, the Government liberalised the guidelines for investment under various equity support schemes which empowered the banks and financial institutions to disinvest shares under these schemes to the public through offer for sale.

The Union Government approved the creation of Over-the-Counter Exchange of India (OTC) under the Securities Contracts Regulation Act, in August 1989, which would help in introducing a multi-tiered market for securities.

In January 1990, the Government reduced the minimum period between a previous sanction and a fresh application for bonus issues from 24 months to 12 months. With a view to instilling confidence among investors, in January 1990, investors were allowed the choice to opt out of converting debentures into equity. Investors were also given a reasonable period to exercise this option.

In April 1990, the Government of India issued fresh guidelines for shares and debentures issues by companies with a view to ensuring improved protection for subscribers. These included a stipulation that allotment can be made only if 90 per cent of the current issue is subscribed.

In May 1990, the Government of India issued a set of guidelines with a view to making share transactions by financial institutions more transparent. These guidelines are applicable to all-India public financial and investment institutions like IDBI, UTI, LIC, GIC, IFCI and ICICI. Similar guidelines are also applicable to mutual funds. It has been specified *inter alia* that any sale of over one per cent of a company's paid-up shares or debentures would have to be notified to the public. In June 1990, the Government of India modified the guidelines regarding cost of public issues with the objective of enabling companies to make suitable payments to merchant bankers. The limits of 0.5 per cent and 0.2 per cent on fees payable to managers to the issues would, respectively, be applicable for issues upto Rs. 25 crore (instead of Rs. 5 crore) and for issue exceeding Rs. 25 crore (instead of issues exceeding Rs. 5 crore).

In July 1990, with a view to bringing in transparency and openness, the Government for the first time released guidelines to public for valuation of shares and fixation of premia. This has been done with a view to helping the companies seeking consent from CCI and also for the benefit of the public.

During the year under review, the Reserve Bank also undertook certain policy measures having bearing on the capital market. It issued detailed guidelines governing mutual funds operations of banks and of their subsidiaries in July 1989.* In October 1989, the Reserve Bank directed all banks not to release application money received by companies issuing shares/ debentures until their allotments were made. It also directed all banks and their subsidiaries not to offer 'safety net' facilities for public issues of shares and debentures. In November 1989, the Reserve Bank directed all banks and their subsidiaries to ensure that the commitments under a single obligation for underwriting public issues, providing buy-back facilities and standby arrangements do not exceed 15 per cent of the issue amount. In January 1990, the Reserve Bank banned all mutual funds from entering in to buyback deals while picking up part of promoters' quota of equity shares in newly promoted companies.

The Securities and Exchange Board of India (SEBI) has been entrusted with the task of supervision of merchant banking activities and activities of mutual funds and also of ensuring the transparency of transactions relating to sales of shares by the financial institutions and takeover of the managements of companies through acquisition of shares on the stock exchanges. As per the Government guidelines for merchant bankers, any person or body proposing to engage in the business of merchant banking would need authorisation by SEBI. In order to make transactions in shares, convertible debentures and preference shares by all-India

* Please see RBI Bulletin, July 1989 for details regarding the guideline

public financial and investment institutions (IDBI, ICICI, IFCI, UTI, LIC, and GIC and its subsidiaries) more open and transparent, it has been decided by Government that any sale of over 1 per cent of the paid-up capital of a company and the resultant transaction and price shall be disclosed to the general public by the institution concerned through press release within a day of the transaction. Information on these transactions are also to be sent to SEBI and the concerned Stock Exchange. The Government has amended Clause 40 of the listing agreement in respect of takeover offer.

The Government has also announced the guidelines for mutual funds which prescribe that all mutual funds except those established by a statute would require the approval of CCI and SEBI. Existing mutual funds also should get themselves registered with SEBI. The accounting and disclosure requirements of mutual funds would be prescribed by SEBI.

Some positive features contained in the Union Budget for 1990-91 such as abolition of Section 115 J of the income-tax Act, fixation of corporate tax rates for widely held domestic companies at 40 per cent (as against 50 per cent earlier), raising of taxpayers' income limit for surcharge (8 per cent) from Rs. 50,000 to Rs. 75,000, finalisation of Equity Linked Savings Schemes (ELSS) on a netting principle were welcomed by the corporate sector.

Consent for Capital Issues

Approvals (i.e. consents/acknowledgements) granted by Controller of Capital Issues (CCI) to non-Government public and private limited companies for the issues of fresh capital, including premium but excluding bonus shares at Rs. 7,556.0 crore during 1989-90 were higher by 53.2 per cent over those in the previous year (Rs. 4,932.0 crore)(Table IX-1). Approvals for the issue of debentures aggregated Rs. 5,879.0 crore showing an increase of 70.6 per cent as compared with those in 1988-89 (Rs. 3,445.2 crore). Approvals for the issue of equity and preference shares together (the latter consituting a negligible proportion) increased to Rs. 1,677.0 crore from Rs. 1,486.3 crore—a step-up by 12.8 per cent. The proportion of debentures in the total approvals increased to 77.8 per cent in 1989-90 from 69.9 per cent in 1988-89. Correspondingly, the proportion of equity and preference shares in total approvals declined to 22.2 per cent in 1989-90 from 30.1 per cent in 1988-89.

Approvals granted to public sector undertakings (PSUs) for the issue of debentures/bonds in 1989-90 amounted to Rs. 4,074 crore, showing an increase of 29.7 per cent as compared with the previous year (Rs. 3,140 crore).

Approvals granted to PSUs for the issue of debentures/bonds during the last five years are indicated below:

Year	Amount (Rupees Crore)
1985-86	354
1986-87	1,107
1987-88	1,922
1988-89	3,140
1989-90	4,074

Approvals granted by CCI to both Government and non-Government Companies during 1989-90 at Rs. 11,705 crore were higher by 45.0 per cent over the previous year's level of Rs. 8,072 crore.

Capital Issues

According to the data compiled by the Reserve Bank of India for new capital issues (including premium but excluding bonus issues, miscellaneous issues and issues privately placed by financial institutions) by non-Government public limited companies reached a new peak level at Rs. 6,436.6 crore through 404 issues during 1989-90 which was double the amount of capital issue of Rs. 3,164.9 crore through 341 issues in the previous year (Table IX-2). The security-wise break-up indicates that during 1989-90 the debentures issues at Rs. 5,222.5 crore recorded a rise of more than two times over the previous year (Rs. 2,132.4 crore). Issues of both convertible debentures (CD) and non-convertible debentures (NCD) registered increases. The former showed an increase of

Table IX-1 : Consents/Acknowledgements of Proposals granted by the Controller of Capital Issues to non-Government Public and Private Limited Companies

(Rupees crore)

Year (April-March)	Equity and Preference Shares+	Debentures	Sub Total 2+3	Bonus Shares	Grand Total (4+5)
1	2	3	4	5	6
1984-85	779.5	919.6	1699.1	88.3	1787.4
	(45.9)	(54.1)	(100.0)		
1985-86	1082.5	1848.8	2931.3	235.5	3166.8
	(36.9)	(63.1)	(100.0)		
1986-87	1599.9*	2614.0	4213.9	302.6	4516.5
	(38.0)	(62.0)	(100.0)		
1987-88	1441.0*	723.6	2164.6	296.3	2459.5
	(66.5)	(33.5)	(100.0)		
1988-89	1486.3*	3445.2	4931.5	195.5	5127.0
	(30.1)	(69.9)	(100.0)		
1989-90 @	1677.0*	5879.0	7556.0	351.9	7907.9
	(22.2)	(77.8)	(100.0)		
1989-90	504.0	943.6	1447.6	61.9	1509.5
(April-June) @	(34.8)	(65.2)	(100.0)		
1990-91	365.9	1426.1	1792.0	95.1	1887.1
(April-June) @	(20.4)	(79.6)	(100.0)		

@ Data are provisional.

\+ The preference shares constitute a negligible portion.

* Includes premium allowed to be raised—Rs. 90 crore in 1986-87, Rs. 408.4 crore in 1987-88 Rs. 110.7 crore in 1988-89 and Rs. 197.4 crore in 1989-90.

Note : Figures in brackets in column 2 & 3 indicate percentage to total in column 4.

Source : The Controller of Capital Issues—Government of India.

more than 2½ times to Rs. 4,738.4 crore during 1989-90 from Rs. 1,743 crore during 1988-89. The later i.e.,non-covertible debentures (NCD), however, recorded an increase of 24 per cent during 1989-90 to reach the level of Rs. 484 crore from Rs. 390 crore in 1988-89. Dominance of a few large-size convertible debenture issues was a conspicuous aspect of the primary market in 1989-90. There were 18 large debenture issues of over Rs. 100 crore each by 10 companies which together accounted for Rs. 3,805 crore out of total debenture issue of Rs. 5,222.5 crore by non-Government public limited companies. Of these large issues, 12 issues accounting for as much as 82 per cent or Rs. 3,106 crore were offered by only 5 companies with each company issuing debentures for over Rs. 500 crore; during 1988-89 there was only one such large issue.

During 1989-90, equity issues amounting to Rs. 1,206.2 crore through 267 issues were higher by 17.2 per cent over those in 1988-89 (Rs. 1,029.2 crore through 256 issues). Issue of preference shares were placed at Rs. 7.9 crore as compared with Rs. 3.3 crore in 1988-89.

During 1989-90, the capital issues by way of prospectus at Rs. 3,145.9 crore through 188 issues were double the amount over those issued in 1988-89 (Rs. 1,562.9 crore through 191 issues). The rights issues aggregated Rs. 3,290.7 crore through 216 issues recording a two-fold rise over the previous year (Rs. 1,602.0 crore through 150 issues) (Table IX-3). The debentures issues accounted for 76.5 per cent of the prospectus issues and 85.6 per cent of the right issues. The number of capital issues by newly established companies i.e.,companies which have made fresh issues but are yet to commence production/ business declined to 105 in 1989-90 from 121 in 1988-89. These issues mobilised Rs. 625.3 crore in 1989-90 as compared with Rs. 1,228.7 crore in 1988-89.

According to available data, during 1989-90,

Table IX-2 : New Capital Issues by Non-Government Public Limited Companies*

(Amount in Rupees crore)

Year April-March	Equity Shares		Preference Shares		Debentures		Total	
	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount
1	2	3	4	5	6	7	8	9
1985-86	758	898.4	9	1.2	83	845.7	850	1745.3
1986-87**	424	1007.5	3	0.7	94	1555.7	521	2563.9
		(+12.1)		(-41.7)		(+84.0)		(+46.9)
1987-88**	174	1104.0	5	6.9	45	666.3	224	1777.2
		(+9.6)		(+885.7)		(-57.2)		(-30.7)
1988-89**	256	1029.2	6	3.3	79	2132.4	341	3164.9
		(-6.8)		(-52.2)		(+220.0)		(+78.1)
1989-90**	267	1206.2	4	7.9	133	5222.5	404	6436.6
		(+17.2)		(+139.4)		(+144.9)		(+103.4)
April-June								
1989**	70	276.5	1	5.0	24	888.7	95	1170.2
		(75.8)		(+500.0)		(+588.4)		(+308.6)
1990**	36	122.8	—	—	12	103.5	48	226.3
		(-55.6)				(-88.4)		(-80.7)

* Other than term-lending institutions and exclude bonus issues.

** Provisional.

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

Source : Prospectuses/Circulars/advertisements issued by the companies; replies given by companies to the Reserve Bank's questionnaires; information received/collected from Stock Exchange Division of Ministry of Finance, Stock Exchanges, press reports/handouts etc.

public sector undertakings (PSUs) made issues of bonds for Rs. 3,579 crore of which bonds of Rs. 100 crore were offered to the public and the balance amount Rs. 3,479 crore was privately placed with financing institutions, banks and their subsidiaries. During 1988-89, PSUs floated 14 bond issues for Rs. 2,566 crore of which Rs. 100 crore were for public subscription and the rest amount was privately placed. Out of the total PSUs bonds in 1989-90, issues aggregating Rs. 2,667 crore were tax-free bonds with a coupon rate of 9.0 per cent per annum and Rs. 912 crore were taxable interest bonds with a coupon rate of 13.0 per cent per annum.

The details of the issues of PSU bonds for the last five years are indicated below:

Year	Amount (Rupees crore)
1985-86	354
1986-87	1,791
1987-88	2,739
1988-89	2,566
1989-90	3,579

During 1989-90, the capital issues for both Government and non-Government companies at Rs, 9,902 crore were higher by 72.8 per cent over those in 1988-89 (Rs. 5,731 crore).

During the first quarter of the financial year 1990-91 (April 1990—June 1990), the non-Government public limited companies floated 48 capital issues aggregating Rs. 226.3 crore as compared with 95 issues for Rs. 1,170.2 crore during the corresponding period of the previous year. Security-wise classification shows that both equity issues and debenture issues were substantially lower at Rs. 122.8 crore and Rs. 103.5 crore as compared with Rs. 276.5 crore and Rs. 888.7 crore, respectively, in 1988-89.

Capital Raised

Capital raised (paid up and excluding bonus shares) by non-Government companies against approvals (consents/acknowledgements) granted by CCI during 1989-90 at Rs. 2610.2 crore (provisional) recorded a decline of Rs. 589.1 crore or 18.4 per cent as compared with capital

Table IX-3 : Capital Issues during 1989-90 through Propsectus and Rights by Non-Government Public Limited Companies*

(Amount in Rupees crore)

Year April-March	Issues through Prospectus					Issues through Rights					Grand Total		Distribution between			
	Number of Issues	Equity Shares	Prefe-rence Shares	Deben-tures	Total (3+4+5)	Number of Issues	Equity Shares	Prefe-rence Shares	Deben-tures	Total (8+9+10)	Number of Issues (2+7)	Amount (6+11)	Number of Issues of new Cos.	Amount	Number of Issues of Exist-ing Cos.	Amount
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1987-88**	140	512.8	6.7	188.1	707.6	84	591.2	0.2	478.2	1069.6	224	1777.2	83	318.2	141	1459.0
	(14)	(42.4)			(42.4)	(16)	(397.6)			(397.6)	(30)	(440.0)			(30)	(440.0)
1988-89**	191	706.6	1.8	854.5	1562.9	150	322.6	1.5	1277.9	1602.0	341	3164.9	121	1228.7	220	1936.2
	(21)	(19.3)			(19.3)	(26)	(90.1)			(90.1)	(47)	(109.4)			(47)	(109.4)
1989-90**	188	735.3	5.4	2405.2	3145.9	216	470.9	2.5	2817.3	3290.7	404	6436.6	105	625.3	299	5811.3
	(17)	(29.9)			(29.9)	(40)	(233.3)			(233.3)	(57)	(263.2)			(57)	(263.2)
April-June																
1989**	43	125.9	5.0	522.4	653.3	52	150.6	—	366.3	516.9	95	1170.2	20	81.3	75	1088.9
	(5)	(12.5)			(12.5)	(11)	(73.1)			(73.1)	(16)	(85.6)			(16)	(85.6)
1990**	22	102.2	—	22.4	124.6	26	20.6	—	81.1	101.7	48	226.3	15	95.0	33	131.3
	(2)	(5.7)			(5.7)	(5)	(3.7)			(3.7)	(7)	(9.4)			(7)	(9.4)

* Other than term-lending institutions and exclude bonus issues.

** Provisional.

Note : Figures in brackets indicate data in respect of premium on capital issues which are included in respective totals.

Source : Prospectuses/circulars/advertisements issued by companies; replies given by companies to the Reserve Bank's questionnaires; information received/collected from Stock Exchange Division of Ministry of Finance, Stock Exchanges, Press reports/handouts, etc.

Table IX-4 : Capital Raised (paid-up) by non-Government Public and Private Limited Companies against Approvals(Consents/Acknowledgements) granted by Controller of Capital Issues

(Rupees crore)

Year (April-March)	1987-88*	1988-89*	1989-90@
1	2	3	4
I. Equity and Preference Shares	242.3	979.5	503.9
a) Initial	199.9	363.5	294.0
b) Further	42.4	616.0	209.9
II. Debentures	360.4	2219.8	2106.3
Total (I + II)	**602.7**	**3199.3**	**2610.2**

* : Revised.

@ : Data are provisional and are likely to undergo significant revision in view of delays involved in receiving reports from some companies due to delay in finalisation of allotments and other reasons.

Source : Controller of Capital Issues, Government of India.

raised during the previous year (Rs. 3199.3 crore) (Table IX-4). Security-wise brake-up indicates that capital raised through equity and preference shares declined by Rs. 475.6 crore from Rs. 979.5 crore in 1988-89 to Rs. 503.9 crore in 1989-90; capital raised through debentures also recorded a decline from Rs. 2219.8 crore to Rs. 2106.3 crore over the year.

Industrial Security Market

The Reserve Bank's All-India Index Numbers of Ordinary Share Prices (Base: 1980-81 = 100), on a point-to-point basis,registered an increase of 25.9 per cent during the financial year 1989-90 from 317.7 for the week ended April 1, 1989 to 400.0 for the week ended March 31, 1990. This was on the top of an increase of 64.7 per cent recorded in the previous year. The average of the Reserve Bank's All-India Index Numbers of Ordinary Share Prices during the financial year 1989-90 reached a new peak at 359.4 registering an increase of 111.9 points (or 45.2 per cent) over the average index for the previous year of 247.5 (Table IX-5). The month-wise averages of index numbers of equity prices for 1989-90 (April-March) are indicated below.

Month 1989-90 (April-March)	Average	Variations over the previous month (in per cent)
April	335.7	11.1
May	342.9	2.1
June	340.5	-0.7
July	350.8	3.0
August	336.5	-4.1
September	350.0	4.0
October	358.4	2.4
November	362.8	1.2
December	383.7	5.8
January	400.6	4.4
February	372.5	—7.0
March	378.1	1.5

In the beginning of the financial year 1989-90 the stock market opened with a firm trend witnessing a growth of 11.1 per cent in the average index in April 1989. Equity prices moved down in May due to massive selling pressure coupled with limited support from financial institutions.

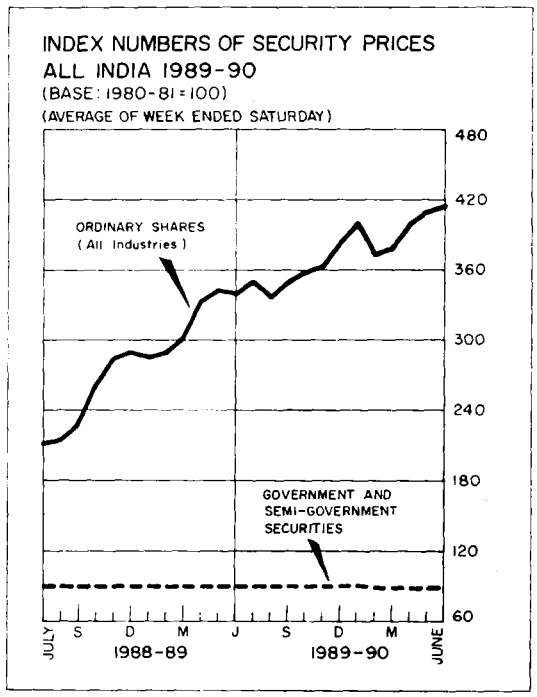
The stock market witnessed a recovery in June, particularly towards the end of the month on emergence of fresh speculative support. The financial institutions also extended support on a selective basis. Equities opened on a firm note in the first week of July on fresh speculative buying support. However, this uptrend was arrested in the second week on emergence of heavy selling pressure by mutual funds. Thereafter, prices drifted downward and moved in a narrow

Table IX-5 : Index Numbers of and Yield on Ordinary Share Prices

Year (April-March)	Index numbers of Ordinary Share Prices (1980-81 = 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
1984-85	164.4	164.4	124.9	136.0 (+8.5)	4.56
1985-86	239.5	268.1	166.1	221.7 (+63.0)	3.21
1986-87	219.3	248.6	209.5	230.7 (+4.1)	3.64
1987-88	189.3	227.1	189.3	207.3 (-10.1)	4.32
1988-89	308.2	308.2	187.1	247.5 (+19.4)	3.76
1989-90	400.0	411.4	317.7	359.4 (+45.2)	3.22
1989-90 (April-June)	347.5	355.7	317.7	339.5	
1990-91 (April-June)	419.3	420.0	395.6	408.6	

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

range till the month of August due to nervous bull liquidations and lack of buying support from financial institutions. Selling pressure to raise funds to subscribe to issues of large number of companies entering the market was another factor responsible for easiness in prices. Equities opened on a better note in the month of September and moved in a narrow range. However, they showed some recovery on fresh speculative buying and sustained support from financial institutions, particularly UTI, in the second half of the month. Equities opened on a subdued note in the month of October 1989 due to lack of buying support; equities moved in a narrow range during the second week of October and suffered a setback in the third week on massive bull liquidation and drifted downward in the last week owing to selling pressure and lack of support from financial institutions. Further, political situation after the announcement on October 17, of the dates of Lok Sabha elections on November 22 and 24, 1989 adversely affected the market sentiment to a greater extent as market operators withdrew their support. The stock market opened on an easy note in November 1989 and the equity prices drifted downward in the subsequent period of the month as the market men adopted a cautious approach in the wake of general election in the country.



Change of Government at the Centre boosted the market sentiment and consequently the equity prices witnessed a smart rally through December 1989 and the first half of January 1990. Widespread speculative and investment support took the index of ordinary shares to a new peak of 411.4 on January 13, 1990. Equities suffered a setback thereafter following withdrawal of support and profit-taking by operators. Developments in Punjab, Jammu & Kashmir and across the Indo-Pak border also adversely affected the market sentiment.

The announcement on January 15, 1990 that the Union Budget would be presented on March 19, 1990 also prompted the marketmen to adopt a cautious approach. Sentiment was further dampened by the announcement of elections in various States to be held on February 27, 1990. As a result of the above factors, index of share prices declined to a low level of 368.0 on February 10, 1990. In view of the subdued trend in the equity prices, arising due to heavy selling pressures, the Bombay Stock Exchange (BSE) authorities raised the daily margins on sales from 12.5 per cent to 20 per cent in respect of 14 volatile scrips and to 15 per cent in 28 other scrips for the settlement period effective from January 22, 1990. These margins of sales of 13 volatile scrips were subsequently reduced from 20 per cent to 15 per cent from March 24, 1990. Further, with effect from February 2, 1990 the BSE authorities increased the overall carry-forward limit per broker to Rs. 2.5 crore as against the earlier limit of Rs. 2.0 crore effective January 20, 1989. Carryover limit for purchase of individual scrip was raised from Rs. 20 lakhs (effective January 20, 1989) to Rs. 30 lakhs. Besides the above measures, BSE authorities imposed a ban on short sales in respect of 5 scrips (Grashim Industries, Hindustan Motors, Tata Tea, Tata Steel and Tata Engineering) for the period January 23, to January 29, 1990, which was subsequently extended till February 22, 1990.

Equity prices moved in narrow ranges from February 10, 1990 to March 17, 1990 as uncertainly prevailed as to the budgetary proposals. The cautious and watchful under-current reversed into a smart rally as the stock market reacted favourably to various positive proposals contained in 1990-91 Central Budget. Reflecting the buoyancy the RBI index of ordinary share prices rose by 18.5 points or 5.0 per cent on March 24, 1990 (post-budget) as compared with March 17, 1990 level (pre-budget) and recorded a further rise of 3.2 per cent in the subsequent week i.e.,March 31, 1990.

During the first quarter of current financial year i.e.,April-June 1990-91 equity prices moved in a narrow range. A subdued note was observed since the second week of April which was arrested by the second week of May 1990. However, towards the end of May 1990 the undercurrent was optimistic in view of the encouraging corporate results announced by a large number of companies, forecast of a good monsoon for the third consequteive year and the liberal nature of economic policies of the Government. Equity prices opened on a cheerful rise in the month of June when the index of ordinary share prices peaked to 420.0 (June 2, 1990).

The average monthly index for June 1990 at 414.9 was 9.7 per cent higher than that of March 1990 (378.1). The average index of share prices for the period April—June 1990 at 408.1 recorded an increase of 20.2 per cent over the average index of the corresponding period of the previous year (339.5).

Yield on Industrial Securities:

The average gross yield on ordinary share prices was lower at 3.22 per cent in 1989-90 as compared with that of 3.76 per cent in 1988-89.

Open Market Operations

During the fiscal year 1989-90, although both sales and purchases of Central Government securities under the Reserve Bank's Open Market Operations were higher, net sales of Central Government securities were smaller than in 1988-89.

Purchases of Central Government securities increased by Rs. 3,551.8 crore or 47.8 per cent, while sales increased by Rs. 4,739.0 crore or 21.9 per cent in 1989-90. As a result, there were net sales amounting to Rs. 1,187.2 crore which were lower by 20.1 per cent as compared with net sales of Rs. 1,485.2 crore in 1988-89. If transactions effected out of surplus funds of IDBI, EXIM Bank, NABARD and other institutions are taken into account, the position shows net sales of Rs. 1,344.1 crore in 1989-90 in contrast to net purchases of Rs. 136.5 crore in 1988-89 (Table IX-6).

During the first quarter of 1990-91, sales of Central Government securities amounted to Rs. 436.5 crore while purchases amounted to Rs. 308.8 crore. Thus, there were net sales of Rs. 127.7 crore which were much smaller as compared with net sales of Rs. 1,123.7 crore in the corresponding quarter of 1989-90. Taking into account sale/purchase transactions of IDBI, EXIM Bank, NABARD and other institutions, net sales work out to Rs. 451.5 crore as against Rs. 1,794.3 crore in the first quarter of 1989-90.

Buy-Back Arrangement

Buy-back arrangements in Government of India dated securities have been provided to a few institutions which keep their accounts exclusively with the Reserve Bank and do not earn any interest on the balances maintained with it. The main objective behind extending this facility has been to enable these institutions to earn a reasonable return on their temporary surplus funds. Under the arrangements, the

Table IX-6 : Reserve Bank's Open Market Operations in Central Government Securities

(Rupees crore)

Year	Purchases	Sales	Net Sales
1	2	3	4
1985-86	720.3	2,337.9	1,617.6
	(5,345.7)	(7,276.7)	(1,931.0)
1986-87	1,467.7	4,082.8	2,615.1
	(6,225.8)	(9,925.4)	(3,699.6)
1987-88	2,609.5	3,540.0	930.5
	(9,989.7)	(10,838.4)	(848.7)
1988-89	2,403.5	3,888.7	1,485.2
	(12,373.1)	(12,236.6)	(—136.5)
1989-90	3,551.8	4,739.0	1,187.2
	(14,287.1)	(15,631.2)	(1,344.1)
April-June			
1989-90	431.9	1,555.6	1,123.7
	(2,667.5)	(4,461.8)	(1,794.3)
1990-91	308.8	436.5	127.7
	(3,072.1)	(3,532.6)	(451.5)

Notes: 1. Figures shown in brackets are inclusive of purchases/sales effected from time to time out of the surplus funds of IDBI, EXIM Bank, NABARD and other institutions under a special arrangement. (For the decision to phase out this arrangement, see the section on "Open Market Operations")

2. Figures are inclusive of purchases from and sales to State Governments.

institutions can invest their temporary surpluses by purchase of Government of India dated securities from the Reserve Bank of India at the ruling rates and can unload the same to the Reserve Bank whenever funds are required by them, at the original rate at which the purchase was effected. This, therefore, provides a temporary investment outlet to the institutions without the problem of a capital loss on sale of the securities. Such frequent transactions in securities between the institutions and the Reserve Bank result in an unintended distortion in the "Net Reserve Bank of India Credit to Central Government". In order to avoid/ minimise the scope for such distortions and in view of the availability of alternative sources of remunerative deployment of short-term surplus funds, the buy-back arrangement is being phased out. With the advent of new money market instruments like 182 days Treasury Bills, Certificates of Deposit and the access provided to these institutions to the commercial bill rediscounting market, alternative avenues, at attractive rates of return, are now available to institutions. Furthermore, a number of the institutions enjoying the buy-back facility have since been allowed to participate in the call money market as lenders. Hence the phasing out of this facility would not cause any disruption to these institutions.

Gilt-edged Market

The gilt-edged market remained generally stable during 1989-90 with prices fluctuating within a narrow band. Over the year, the price index of Central Government securities declined by 0.8 percentage point while the price index of State Government securities declined by 0.3 percentage point. The index of prices of semi-Government securities, on the other hand, increased by 0.6 percentage point. The coupon rates of newly issued Central Government securities remained unchanged during the year.

The all-India index number of Government and semi-Government security prices (base: 1980-81 = 100) fluctuated during 1989-90 within a range of 89.5 and 90.5. Over the year, it recorded a fall of 0.6 percentage point as compared with a fall of 0.4 percentage point in the previous year.

The price index of Central Government securities fluctuated during 1989-90 within a range of 87.4 and 88.6 and registered a fall of 0.8 percentage point over the year as compared with a decline of 0.5 percentage point in the previous year. The index numbers of State Government securities remained almost steady at 98.0 up to March 24, 1990 and then declined to 97.7 at the end of March 1990, recording a fall of 0.3 percentage point over the year in contrast to a rise of 0.1 percentage point in 1988-89. The index of semi-Government securities fluctuated within a narrow band of 97.6 and 98.4. At 98.2 at the end of March 1990, it recorded over the year a rise of 0.6 percentage point; the index had remained steady over 1988-89.

In Bombay, among 18 Central Government securities which experienced price variation during 1989-90, the price of only one security, viz., 6 per cent loan,1993, increased by Rs. 11.30 and its yield fell by 2.75 per cent. Prices of the other 17 securities registered declines ranging between Re. 0.40 and Rs. 11.00, with consequent improvement in yields ranging between 0.04 per cent and 2.39 per cent (Table IX-7).

Prices of most State Governments' , loans remained steady. A few loans of Maharashtra and Gujarat displayed a mixed trend. Loans of Andhra Pradesh, Orissa and Haryana showed declines. Price of one loan each of Karnataka, Uttar Pradesh and Tamil Nadu increased. In the case of State Government loans, price increases ranged between Re. 0.25 and Rs. 1.75 while price declines ranged between Re. 0.50 and Rs. 15.70.

During the first quarter of 1990-91 (April-June 1990), the all-India price index of Government and semi-Government securities moved within a narrow range of 89.3 and 90.1 and recorded a rise of 0.6 percentage point over the quarter. The price index of Central Government securities moved between 87.2 and 88.3 and registered a rise of 0.9 percentage point over the quarter. The price index of State Government securities moved between 97.6 and 97.8 and that of semi-Government securities moved between 97.8 and 98.2 during the same period. In Bombay, prices of Central Government securities remained steady in the first quarter of 1990-91. Prices of State Government securities also remained steady during the quarter except for the prices of 6¼ per cent,1992 loan of Nagaland and 11 per cent,2001 loan of Uttar Pradesh which fell by Rs. 1.75 and Re. 0.15, respectively.

Table IX-7 : Price and Yield Variations of Central Government Securities in Bombay*

Loans	Price as on (Rs.)			Variations (Rs.)		Yield as on (Percent)			Variations in yield (In percentage points)	
	31.3.1989	30.3.1990	29.6.1990	Col. 3 over Col. 2	Col. 4 over Col. 3	31.3.1989	30.3.1990	29.6.1990	Col. 8 over Col. 7	Col. 9 over Col. 8
1	2	3	4	5	6	7	8	9	10	11
6 per cent loan, 1993	76.10	87.40	87.40	+11.30	—	13.31	10.56	10.89	-2.75	+0.33
6 per cent loan, 1994	91.50	85.00	85.00	-6.50	—	8.01	10.40	10.64	+2.39	+0.24
9½ per cent loan, 1995	100.00$	97.00	97.00	-3.00	—	9.50	10.25	10.28	+0.75	+0.03
6¼ per cent loan, 1996	83.10	79.00	79.00	-4.10	—	9.39	10.71	10.89	+1.32	+0.18
6¼ per cent loan, 1997	83.50	78.00	78.00	5.50	—	9.04	10.51	10.62	+1.47	+0.11
7¼ per cent loan, 1997	83.50	80.00	80.00	-3.50	—	10.18	11.28	11.40	+1.10	+0.12
6½ per cent loan, 2004	66.00	64.00	64.00	-2.00	—	10.58	11.10	11.17	+0.52	+0.07
8¼ per cent loan, 2005	78.50	78.00	78.00	-0.50	—	10.74	10.91	10.93	+0.17	+0.02
6¾ per cent loan, 2006	65.00	62.00	62.00	-3.00	—	10.72	11.32	11.37	+0.60	+0.05
11½ per cent loan, 2007	101.40	101.00	101.00	-0.40	—	11.34	11.38	11.38	+0.04	—
11½ per cent loan, 2008	100.50	98.90	98.90	-1.60	—	11.44	11.63	11.63	+0.19	—
7 per cent loan, 2009	68.00	62.00	62.00	-6.00	—	10.27	11.16	11.19	+0.89	+0.03
7½ per cent loan, 2010	71.50	66.00	66.00	-5.50	—	10.35	11.13	11.16	+0.78	+0.03
8¾ per cent loan, 2010	89.00	78.00	78.00	-11.00	—	9.81	11.06	11.08	+1.25	+0.02
10¼ per cent loan, 2012	96.00	87.50	87.50	-8.50	—	10.64	11.55	11.56	+0.91	+0.01
9 per cent loan, 2013	81.70	76.00	76.00	-5.70	—	10.76	11.44	11.45	+0.68	+0.01
10 per cent loan, 2014	88.80	86.00	86.00	-2.80	—	11.07	11.39	11.40	+0.32	+0.01
11½ per cent loan, 2015	100.00	99.50	99.50	-0.50	—	11.50	11.55	11.55	+0.05	—

* Only those securities which have recorded price variation over the year have been included in this statement.

$ Issue price.

Term-lending and Other Financial Institutions

Financial assistance sanctioned and disbursed by all-India and State-level term-lending* and investment @ institutions during 1989-90 (April-March) aggregated Rs. 15,964.9 crore and Rs. 9,949.4 crore, respectively, recording a rise of 13.4 per cent in sanctions and 10 per cent in disbursements, over those in the preceding year (Table IX-8). During 1988-89, there was a rise of 53.2 per cent in sanctions and 33.5 per cent in disbursements as compared with that in 1987-88.

Among the term—lending and investment institutions, Industrial Development Bank of India (IDBI) accounted for the largest share of assistance accounting for 38.1 per cent of the total sanctions and 37.4 per cent of the total disbursements by all-India and State-level term-lending and investment institutions. A significant development during the year was the commencement of operations by the Small Industries Development Bank of India (SIDBI) from April 2, 1990. The performance of the financial institutions during the year is outlined below.

* Industrial Development Bank of India, Industrial Finance Corporation of India, The Industrial Credit and Investment Corporation of India Ltd., Industrial Reconstruction Bank of India, State Financial Corporations and State Industrial Development Corporations.

@ Unit Trust of India, Life Insurance Corporation of India, General Insurance Corporation of India and its subsidiaries.

Table IX-8 : Institution-wise Financial Assistance

(Year : April-March) (Rupees crore)

Institutions	1988-89		1989-90*		Percentage change in 1989-90 over 1988-89	
	Sanctions	Disburse-ments	Sanctions	Disburse-ments	Sanctions	Disburse-ments
1	2	3	4	5	6	7
IDBI @	5,020.9	3,611.2	6,074.7	3,720.3	+21.0	+3.0
	(35.6)	(39.9)	(38.1)	(37.4)		
IFCI @	1,892.0	999.3	2,294.9	1,121.7	+21.3	+12.2
	(13.4)	(11.0)	(14.4)	(11.3)		
ICICI @	2,056.1	1,085.6	2,951.3	1,357.0	+43.5	+25.0
	(14.6)	(12.0)	(18.5)	(13.6)		
IRBI	212.1	116.5	146.6	141.1	-30.9	+21.1
	(1.5)	(1.3)	(0.9)	(1.4)		
UTI	1,970.8	1,091.2	1,496.6	1,280.5	-24.1	+17.3
	(14.0)	(12.1)	(9.4)	(12.9)		
LIC	660.2	442.0	578.2	455.2	-12.4	+3.0
	(4.7)	(4.9)	(3.6)	(4.6)		
GIC and its Subsidiaries	122.6	115.4	211.2	179.6	+72.3	+55.6
	(0.9)	(1.3)	(1.3)	(1.8)		
SFCs	1,404.7	1,053.1	1,556.1	1,190.9	+10.8	+13.1
	(10.0)	(11.6)	(9.7)	(12.0)		
SIDCs @	742.3	530.7	655.3	503.1	-11.7	-5.2
	(5.3)	(5.9)	(4.1)	(5.0)		
Total	**14,081.7**	**9,045.0**	**15,964.9**	**9,949.4**	**+13.4**	**+10.0**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**		

@ Includes guarantees. * Provisional.

Note : 1. The data include: a) deferred credit, leasing, venture capital, asset credit and instalment sale by ICICI, b) equipment leasing by IFCI, c) equipment leasing, hire purchase, sanctions to Textile Processing Corporation of India Ltd. and lines of credit to State level institutions by IRBI.

2. The data exclude i) IDBI refinance to SFCs and SIDCs, subscription to shares and bonds of financial institutions and seed capital assistance through SFCs and SIDCs to avoid double counting, ii) resources support to other institutions and short term loans by LIC.

3. Figures in brackets indicate percentage share of each institutions in total.

Source : Respective Financial Institutions.

(i) Industrial Development Bank of India (IDBI)

The policy changes and new initiatives of IDBI during 1989-90 (April-March), included introduction of two new schemes of assistance for women entrepreneurs, modification in the scope and content of the special scheme of assistance to ex-servicemen, widening of the scope of the refinance scheme for modernisation of small and medium industries, relaxation and modernisation effected in seed capital scheme, single window scheme, direct subscription to shares/debentures and National Equity Fund scheme. A new scheme for excise relief for weak units was also introduced during the year. The details of some of the important policy changes and new initiatives are as under.

In June 1989, two new schemes viz., Mahila Udyam Nidhi and Mahila Vikas Nidhi were introduced by IDBI. Under Mahila Udyam Nidhi, seed capital assistance is provided through the agency of SFCs/SIDCs to women entrepreneurs for setting up small-scale units costing up to Rs. 10 lakh. The minimum promoter's contribution would be 10 per cent of the project cost and the debt-equity ratio 3:1. Under the Mahila Vikas Nidhi scheme, assistance is extended in the form of loan or grant or a combination of both to voluntary agencies working for women in decentralised industries.

The sanction of seed capital assistance under seed capital schemes has been decentralised. While the ultimate investment risk lies with IDBI, the SFCs and SIDCs are fully responsible for sanction of seed capital, disbursement of assistance, documentation, post-sanction monitoring of the projects, recovery etc. Assistance under the scheme is now available for meeting gap in promoters' contribution as well as in equity where no public issue of shares is envisaged and the promoters are bringing in at least the prescribed minimum contribution for the project.

Under the National Equity Fund scheme, the population limit of 5 lakhs linked to location of the units was raised to 15 lakhs for new units being set up in specified hilly regions/States of the country.

Under the single window scheme, the present limit of project cost for determining eligibility for such composite loans was raised from Rs. 5 lakh to Rs. 10 lakh and that for working capital from Rs. 2.5 lakh to Rs. 5 lakh.

Following the increase in the requirement of minimum equity capital of a company for listing on stock exchange from Rs. 1 crore to Rs. 3 crore, IDBI and other financial institutions decided during the year to increase the limit in respect of direct subscription to shares and debentures of companies from Rs. 1 crore to Rs. 2 crore. Institutions also decided to levy a front end fee of 2.5 per cent on the amount to be provided by way of direct subscription.

The scope of refinance scheme for modernisation of small and medium industries were widened during the year to cover loans granted by eligible institutions to small and medium units for acquiring instruments for energy audit/monitoring energy consumption. In view of the high priority accorded to tourism and National Sericulture Project (NSP) by Government, assistance has been made eligible for refinance assistance from IDBI for tourism, and SFCs and banks for NSP.

During 1989-90 (April-March), the overall financial assistance sanctioned by the IDBI under various schemes aggregated Rs. 8,150.1 crore recording a rise of 17.1 per cent over those in the previous year (Rs. 6,958.5 crore). Disbursements of assistance during the year at Rs. 5,084. 8 crore showed an increase of 7.1 per cent as compared with those in the previous year (Rs. 4,745.8 crore) (Table-IX-9). The cumulative assistance sanctioned and disbursed by IDBI at the end of March 1990 aggregated Rs. 42,191.2 crore and Rs. 30,197.0 crore, respectively.

Sanctions of direct assistance by way of project loans, underwriting and direct subscription, guarantees for loans and deferred payments and from technical development fund rose by 30.9 per cent from Rs. 2,819.6 crore in 1988-89 to Rs. 3,689.6 crore in 1989-90. Disbursements of direct assistance at Rs. 1,732.8 crore was, however, lower by 5.2 per cent than that in the previous year (Rs. 1,828.1 crore). The decline in the disbursements may be partly

Table IX-9 : Scheme-wise Assistance Sanctioned and Disbursed by IDBI

(Year : April-March) (Rupees crore)

Scheme	Sanctions			Disbursements		
	1988-89	1989-90*	Cumulative sanctions upto end-March 1990*	1988-89	1989-90*	Cumulative disburse-ments upto end-March 1990*
1	2	3	4	5	6	7
I. Direct Assistance (a to d)	**2,819.6**	**3,689.6**	**15,781.6**	**1,828.1**	**1,732.8**	**10,046.0**
a) Project loans	2,589.6	3,422.8	13,995.9	1,726.6	1,650.7	9,221.1
b) Underwriting and direct subscription	172.5	204.7	1,132.8	41.5	37.6	297.6
c) Guarantees for loans and deferred payments	18.0	25.9	400.9	29.5	14.1	318.9
d) Technical Development Fund	39.5	36.2	252.0	30.5	30.4	208.4
II. Indirect Assistance (e to h)	**4,052.9**	**4,381.0**	**26,206.1**	**2,834.3**	**3,264.4**	**19,956.0**
e) Refinance of Industrial Loans	2,526.5	2,627.5	15,605.1	1,627.0	1,850.6	11,648.6
(f) Bills Financing	1,239.3	1,241.9	8,754.1	930.4	922.6	6,587.4
g) Subscription to shares and bonds of financial Institutions (i+ii)	282.6	507.2	1,759.2	269.4	487.4	1,647.8
i) All-India	112.5	262.5	820.5	110.0	258.7	815.0
ii) State-level Institutions	170.1	244.7	938.7	159.4	228.7	832.8
h) Seed capital assistance	4.5	4.4	87.7	7.5	3.8	72.2
Sub-Total (I+II)	**6,872.5**	**8,070.6**	**41,987.7**	**4,662.4**	**4,997.2**	**30,002.0**
III. i) Loans to leasing companies	86.0	79.5	179.5	83.4	87.6	171.0
j) Other guarantees	—	—	24.0	—	—	24.0
Grand Total (I+II+III)	**6,958.5**	**8,150.1**	**42,191.2**	**4,745.8**	**5,084.8**	**30,197.0**

* Provisional.

Note : 1. In case of bills financing, sanctions mean face value of bills discounted/rediscounted,while disbursements mean net cash outgo after deducting the discount/rediscount charges.

2. In case of guarantees, disbursements mean guarantees executed.

Source : Industrial Development Bank of India

attributable to longer implementation schedules of a few large projects assisted in the recent past. Underwriting and direct subscription assistance sanctioned aggregated Rs. 204.7 crore as compared with Rs. 172.5 crore in 1988-89.

IDBI's indirect assistance comprises refinance of industrial loans, bills financing, subscriptions to shares and bonds of financial institutions and seed capital. During 1989-90, the total sanctions and disbursements under indirect assistance aggregated Rs. 4,381 crore and Rs. 3,264.4 crore showing an increase of 8.1 per cent and 15.2 per cent, respectively, over those in the previous year. Sanctions and disbursements of refinance of industrial loans which constituted a substantial part of the total indirect assistance at Rs. 2,627.5 crore and Rs. 1,850.6 crore, showed an increase of 4 per cent and 13.7 per cent, respectively, over those in the previous year.

During the year, six more urban co-operative banks were made eligible for refinance assistance from the IDBI and with this, the total number of primary lending institutions eligible for refinance from the IDBI rose to 869 at the end of

March 1990. Sanctions under bill financing scheme at Rs. 1,241.9 crore recorded a nominal increase of 0.2 per cent and disbursements at Rs. 922.6 crore showed a marginal decline of 0.8 per cent over the previous year (Rs. 930.4 crore). Sanctions (Rs. 507.2 crore) and disbursements (Rs. 487.4 crore) under subscription to shares and bonds of financial institutions recorded an increase of 79.5 per cent and 80.9 per cent, respectively.

During 1989-90, sanctions under loans to leasing companies declined from Rs. 86.0 crore in 1988-89 to Rs. 79.5 crore, while disbursements picked up from Rs. 83.4 crore to Rs. 87.6 crore.

During 1989-90, financial assistance of Rs. 14 crore was sanctioned to 25 projects under Venture Capital Fund scheme and disbursements during the period amounted to Rs. 6.4 crore thus bringing total sanctions since the introduction of this scheme to Rs. 32.9 crore in respect of 44 projects with cumulative disbursements at Rs. 13.2 crore.

Small Industries Development Bank of India (SIDBI) was set up as a wholly owned subsidiary of IDBI under the Small Industries Development Bank of India Act, as the principal financial institution for promotion, financing and development of small scale industries. It also co-ordinates the functions of existing institutions engaged in similar activities. SIDBI commenced its operations on April 2, 1990 and has taken over the responsibility of administering Small Industries Development Fund and National Equity Fund which were earlier administered by the IDBI. The activities of SIDBI are covered separately in this Chapter.

Exchange Risk Administration Scheme (ERAS), a reference to which was made in the last year's Report became operational during the year with an interest rate of 15 per cent within the composite cost band of 15-18 per cent as determined by ERAS committee comprising representatives of Government of India, Reserve Bank of India and the three all-India financial institutions viz., IDBI, IFCI and ICICI. The rate of interest was raised to 16 per cent in February 1990. The total commitment under this scheme as at the end of March 1990 was US $ 294 million of which the share of the IDBI was US $ 188 million. Disbursements under ERAS amounted to US $54 million equivalent (IDBI's share).

In order to cater to the foreign currency requirements of the industrial units, IDBI made several borrowings abroad during the year. These included: (i) a line of credit of US $101 million made available by World Bank for financing projects in the electronics industry, (ii) three lines of credit for a total amount of Yen 40 billion from Export Import Bank of Japan, and (iii) from the two lines of credit for US $70 million (aggregate) from Nordiska Investeringsbanken-drawals during the year amounted to US $15 million (equivalent Rs. 25.9 crore)—taking the total utilisation to US $60 million. In addition, the IDBI raised resources from (i) an issue for US $100 million (Rs. 172.7 crore equivalent in May 1989) in Euro-Dollar bond market at a premium of 0.125 per cent and (ii) raising of Yen 20 billion (Rs. 223.6 crore equivalent) in the Japanese Capital Market through a 'Samurai bond' issue at a premium of 1.35 per cent in October 1989. As at the end of March 1990, total foreign currency borrowings of IDBI (excluding lines of credit from World Bank and Asian Development Bank) aggregated US $1.5 billion.

(ii) Industrial Finance Corporation of India (IFCI)

The Industrial Finance Corporation of India (IFCI) sanctioned and disbursed during 1989-90 (April-March), total financial assistance of Rs. 2,294.9 crore and Rs. 1,121.7 crore, respectively, recording a rise of 21.3 per cent in sanctions and 12.2 per cent in disbursements as compared with those in the preceding year (Table IX-10). During 1988-89, sanctions and disbursements recorded a rise of 80.9 per cent and 54.6 per cent, respectively, as compared with those in 1987-88. The assistance sanctioned during the year was in respect of 928 projects as against 844 projects in the preceding year.

Assistance was sanctioned during the year for 215 new projects for Rs. 854 crore, 188 projects for modernisation for Rs. 242.7 crore, and 39

Table IX-10 : Financial Assistance Sanctioned and Disbursed by IFCI

(Year : April-March) (Rupees crore)

Type of Assistance	1988-89		1989-90		Cumulative Assistance as at the end of March, 1990	
	Sanctions	Disburse-ments	Sanctions	Disburse-ments	Sanctions	Disburse-ments
1	2	3	4	5	6	7
1. Rupee loans	1,244.4	783.1	1,685.4	864.0	6,276.2	4,286.3
2. Foreign currency loans	458.6	121.2	345.7	140.7	1,540.2	814.1
3. Underwriting and direct subscriptions (i+ii)	90.2	19.0	100.9	31.6	510.6	149.2
i) Equity and Preference shares	85.4	15.9	80.7	19.8	452.9	117.4
ii) Debentures	4.8	3.1	20.2	11.8	57.7	31.8
4. Guarantees	8.3	10.1	27.4	0.4	159.4	77.3
5. Equipment leasing	90.5	65.9	135.5	85.0	226.6	147.7
Total (1 to 5)	**1,892.0**	**999.3**	**2,294.9**	**1,121.7**	**8,713.0**	**5,474.6**

Source : Industrial Finance Corporation of India.

new projects promoted by new entrepreneurs for Rs. 60.7 crore, for 420 projects in notified backward districts for Rs. 1,012.4 crore and for 32 projects to co-operatives for Rs. 69.7 crore.

Facility-wise, sanctions and disbursements of rupee loans during the year by IFCI at Rs. 1,685.4 crore and Rs. 864 crore, respectively, were higher than Rs. 1,244.4 crore and Rs. 783.1 crore during 1988-89. In the case of foreign currency loans, while sanctions declined from Rs. 458.6 crore in 1988-89 to Rs. 345.7 crore in 1989-90, disbursements rose from Rs. 121.2 crore in 1988-89 to Rs. 140.7 crore in 1989-90. Sanctions and disbursements by way of underwriting and direct subscriptions to shares and debentures rose from Rs. 90.2 crore and Rs. 19 crore, in 1988-89 to Rs. 100.9 crore and Rs. 31.6 crore, respectively, in 1989-90. Guarantees approved and issued during the year aggregated Rs. 27.4 crore and Rs. 0.4 crore as compared with Rs. 8.3 crore and Rs. 10.1 crore in 1988-89, respectively. Sanctions and disbursements under the Equipment Leasing Scheme during the year aggregated Rs. 135.5 crore and Rs. 85 crore as compared with Rs. 90.5 crore and Rs. 65.9 crore, respectively, in the preceding year.

Total direct loans sanctioned during the year amounted to Rs. 1,581.4 crore as compared with Rs. 1,624 crore during 1988-89; disbursements during the year amounted to Rs. 885 crore as compared with Rs. 821.2 crore in 1988-89. Sanctions to newly established companies during the year accounted for Rs. 471.2 crore (29.8 per cent); during 1988-89 sanctions to newly established companies accounted for Rs. 955.6 crore (58.8 per cent of total direct loans). Direct loans disbursed to newly established companies during 1989-90 at Rs. 312.1 crore constituted 35.3 per cent of total disbursement of direct loans; during 1988-89 direct loans disbursed to such companies was Rs. 410.4 crore and constituted 50 per cent of total direct loans disbursed. Sanctions and disbursements to existing companies (new projects and expansion of existing capacity, modernisation etc.) during the year aggregated Rs. 1,110.2 crore and Rs. 572.9 crore respectively as compared with Rs. 668.4 crore and Rs. 410.8 crore, respectively, in 1988-89.

During the year 1989-90, IFCI sanctioned assistance of Rs. 1,012.4 crore (44.1 per cent of total assistance) for 420 projects in notified backward districts; during 1988-89, IFCI provided assistance of Rs. 940.7 crore (49.7 per cent) for 408 projects in backward districts. Financial assistance was sanctioned during the

year for modernisation purpose for 188 projects of Rs. 242.7 crore; of these Rs. 142.2 crore were sanctioned to 106 projects under Soft Loan Scheme for Modernisation,Rs. 35.8 crore for 64 projects under the Textile Modernisation Fund Scheme and Rs. 3.8 crore for 4 projects under the Jute Modernisation Fund Scheme and the remaining was in the form of foreign currency loans for import of equipment etc.

During the year under review, two more schemes viz., Buyers' Credit Scheme and Equipment Credit Scheme were introduced with effect from July 28, 1989. Under the Buyers' Credit Scheme, IFCI provides a non-revolving line of credit to the actual user-purchaser of the machinery, equipment, computer, etc. to enable actual user-purchaser concern to purchase such equipment on deferred payment basis. The scheme also extends to the equipment, directly fabricated by the actual user and also to the imported equipment. The deferred payment credit under the scheme is generally for a period of 5 to 7 years. During 1989-90, IFCI sanctioned under the Buyer's Credit Scheme an assistance to the extent of Rs. 71.1 crore to 19 existing units.

Under the Equipment Credit Scheme, IFCI agrees to finance the entire cost of the equipment purchased/fabricated by an existing actual user-purchaser concern. The types of equipment which are eligible for finance under the scheme are: general purpose equipment, computer, pollution control equipment and ancilliary equipment. The cost of the equipment financed by IFCI under the scheme and the interest payable thereon are recoverable in 54 equated monthly rentals. During 1989-90, IFCI sanctioned an assistance of Rs. 114.3 crore to 57 existing industrial units under the Equipment Credit Scheme.

In its merchant banking services, apart from providing services such as public issue management, IFCI is also giving emphasis on project counselling and providing a package of facilities particularly to new entrepreneurs and new corporate entities who need special assistance or guidance in the formulation and implementation of new projects, expansion/diversification/modernisation schemes, evolving rehabilitation programmes/packages, etc. During 1989-90, the Merchant Banking Department (MBD) of IFCI handled 69 assignments of which 39 related to public issues management which helped the clients to mobilise funds of the order of Rs. 333.6 crore. Since inception in July 1986 till March 31, 1990, the MBD of IFCI had handled 146 assignments which included 98 public issues mobilising funds to the tune of Rs. 871.9 crore.

IFCI has been operating fourteen promotional schemes on its own—eight consultancy fee subsidy schemes, four interest subsidy schemes and two entrepreneurship development schemes.

During 1989-90, IFCI raised a loan of Japanese Yen 12 billion through Bank of Tokyo Ltd.,Tokyo. IFCI also signed loan agreement with Asian Development Bank on January 5, 1990 for a loan (Line of Credit) of US $150 million (the loan,however, has become effective only from April 5, 1990). The cumulative commercial borrowings of IFCI in foreign currency as on March 31, 1990 aggregated US $ 320 million (including a bridge loan of US $ 50 million raised on March 27, 1990), Japanese Yen 52 billion and DM 15 million.

(iii) The Industrial Credit and Investment Corporation of India Limited (ICICI)

The financial assistance sanctioned and disbursed by the Industrial Credit and Investment Corporation of India Limited (ICICI) during 1989-90 (April-March) aggregated Rs. 2,951.3 crore, and Rs. 1,357 crore respectively, as compared with Rs. 2,056.1 crore and Rs. 1,085.6 crore in the preceding year, respectively (Table IX-11). While the sanctions rose by 43.5 per cent, disbursements rose by 25 per cent over the year. As against this, during 1988-89 sanctions and disbursements recorded rise of 60.2 per cent and 40.8 per cent, respectively, over 1987-88.

ICICI's sanctions and disbursements under direct finance (comprising of rupee loans, foreign currency loans, underwriting and direct subscriptions and guarantees) during the year

Table IX-11 : Financial Assistance Sanctioned and Disbursed by ICICI

(Year : April-March) (Rupees crore)

Type of Assistance	1988-89		1989-90		Cumulative Assistance as at the end of March, 1990	
	Sanctions	Disburse-ments	Sanctions	Disburse-ments	Sanctions	Disburse-ments
1	2	3	4	5	6	7
I. Direct Finance (1+2+3)	**1,596.0**	**842.2**	**2,048.4**	**913.3**	**10,222.5**	**6,895.6**
1. Loans (i+ii)	1,479.2	803.4	1,742.2	813.2	9,133.2	6,549.4
i) Rupee loans	940.4	631.3	1,065.2	591.7	4,676.3	3,236.1
ii) Foreign currency loans	538.8	172.1	677.0	221.5	4,456.9	3,313.3
2. Underwriting and direct subscription (i+ii)	109.0	36.6	282.8	98.1	851.1	339.2
i) Equity and Preference shares	80.4	22.3	102.9	20.9	533.5	169.9
ii) Debentures	28.6	14.3	179.9	77.2	317.6	169.3
3. Guarantees	7.8	2.2	23.4	2.0	238.2	7.0
II. Financial Services (4 to 8)	**460.1**	**243.4**	**902.9**	**443.7**	**2,261.7**	**1,193.8**
4. Deferred credit	266.0	146.8	547.5	308.6	1,420.5	811.8
5. Leasing	152.5	86.2	103.1	69.8	551.4	303.7
6. Instalment sale	41.4	10.2	38.3	7.5	70.8	17.2
7. Asset credit	—	—	214.0	57.8	214.0	57.8
8. Venture capital	0.2	0.2	—	—	5.0	3.3
Total (I+II)	**2,056.1**	**1,085.6**	**2,951.3**	**1,357.0**	**12,484.2**	**8,089.4**

Source : Industrial Credit and Investment Corporation of India Limited.

aggregated Rs. 2,048.4 crore and Rs. 913.3 crore, recording an increase of 28.3 per cent and 8.4 per cent, respectively, as compared with 1988-89. Sanctions of rupee loans rose from Rs. 940.4 crore in 1988-89 to Rs. 1,065.2 crore in 1989-90, while disbursements of rupee loans declined to Rs. 591.7 crore in 1989-90 from Rs. 631.3 crore in 1988-89. However, in the case of foreign currency loans there was a rise both in sanctions and disbursements from Rs. 538.8 crore and Rs. 172.1 crore in 1988-89 to Rs. 677 crore and Rs. 221.5 crore, respectively, in 1989-90. Sanctions and disbursements by way of underwriting and direct subscription to shares and debentures more than doubled during the year to Rs. 282.8 crore and Rs. 98.1 crore, from Rs. 109 crore and Rs. 36.6 crore, respectively, in 1988-89.

Assistance under financial services by way of deferred credit, leasing, instalment sale, asset credit and venture capital showed significant rise during the year with sanctions rising from Rs. 460.1 crore in 1988-89 to Rs. 902.9 crore in 1989-90 and disbursements from Rs. 243.4 crore in 1988-89 to Rs. 443.7 crore in 1989-90. Sanctions and disbursements by way of deferred credit more than doubled during the year from Rs. 266 crore and Rs. 146.8 crore in 1988-89 to Rs. 547.5 crore and Rs. 308.6 crore, respectively, in 1989-90.

ICICI which commenced leasing operations in 1983, sanctioned an amount of Rs. 103.1 crore by way of leasing assistance during 1989-90 as compared with Rs. 152.5 crore in 1988-89. Disbursements during the year aggregated Rs. 69.8 crore as against Rs. 86.2 crore in 1988-89. To cater to clients who prefer ownership of equipment, the leasing division of ICICI introduced the Instalment Sale Scheme in 1988-89. During 1989-90, sanctions and disbursements under the Instalment Sale Scheme amounted to Rs. 38.3 crore and Rs. 7.5 crore as compared to Rs. 41.4 crore and Rs. 10.2 crore, respectively, during 1988-89. Another scheme, viz., the Asset Credit Scheme was introduced in 1989-90. The sanctions and disbursements during the year under this scheme aggregated Rs. 214 crore and Rs. 57.8 crore, respectively.

Assistance sanctioned and disbursed to projects in areas classified as backward during

the year aggregated Rs. 842.4 crore and Rs. 445.8 crore as compared with Rs. 881.9 crore and Rs. 442.2 crore, respectively, in 1988-89. Sanctions to backward areas as percentage of total direct finance during 1989-90 formed 41 per cent as compared with 55 per cent during 1988-89.

Sanctions of direct loans to newly established companies rose from Rs. 674.5 crore in 1988-89 to Rs. 704.9 crore in 1989-90. Disbursements to these companies also rose from Rs. 271.2 crore in 1988-89 to Rs. 315.6 crore. Sanctions of direct loans for new projects as also for expansion of existing capacity, modernistion, etc. increased substantially from Rs. 921.5 crore in 1988-89 to Rs. 1,343.5 crore in 1989-90; disbursements also rose from Rs. 571.0 crore in 1988-89 to Rs. 597.7 crore in 1989-90.

During 1989-90, the Merchant Banking Division of ICICI completed 170 assignments and helped its clients to raise Rs. 3,662 crore (including Rs. 2,656 crore from the capital market) as against 117 assignments for Rs. 2,033 crore (including Rs. 1,418 crore from the capital market, during 1988-89). Since inception in 1973, the Merchant Banking Division has completed 723 assignments and provided assistance for raising a total amount of Rs. 12,391 crore, including Rs. 8,670 crore from the capital market.

During 1989-90, the financial assistance sanctioned under Program for the Advancement of Commercial Technology (PACT) aggregated Rs. 7.1 crore to nine Indo-US collaboration projects (during 1988-89 a sum of Rs. 5.9 crore was sanctioned to nine projects) for development of innovative products and processes in areas like informatics, biotechnology and engineering. Cumulatively, the assistance sanctioned under this programme aggregated Rs. 14.5 crore in respect of 24 projects.

Under the Program for Acceleration of Commercial Energy Research (PACER), a sum of Rs. 2.8 crore was sanctioned to eight consortium R and D projects and eight research projects (during 1988-89, Rs. 87 lakh was provided to two consortium R & D projects and three research projects) in areas like combustion technology, mineral processing instrumentation and control, biomass heat treatment, waste heat utilisation, cogeneration and fuel cell technology.

During the year, ICICI provided assistance of Rs. 92 lakh by way of loans and grants for setting up four Science and Technology Entrepreneurs' Parks (STEPs) at Bhopal, Kanpur, Ludhiana and Bombay; during 1988-89, ICICI had provided Rs. 79 lakh for setting up three STEPs in Tamil Nadu, Bihar and Karnataka.

ICICI raised rupee resources aggregating Rs. 701 crore during the year. Of this, Rs. 315 crore were raised by way of three bond issues, Rs. 86 crore by way of fully convertible debenture issue and remaining amount of Rs. 300 crore by way of loans at commercial rates from UTI and IDBI. During the year, ICICI concluded arrangements for US $542 million equivalent in foreign currencies. ICICI entered into agreements with World Bank for US $175 million for export development in May 1989 and for US $101 million for the electronic industry in July 1989.

In line with its continued thurst in the field of technology development, ICICI entered into an agreement in December 1989 with the World Bank for US$ 20 million for ventures capital financing. Two agreements between Government of India and Government of France enabled ICICI to obtain an allocation of FF 100 million under a General Protocol and FF 102.6 million under a Special Protocol. ICICI has also been nominated to manage a fund set up by the Government of India for supporting R & D effort in the area of industry for an amount equivalent to SDR 44.2 million which is financed by the International Development Association.

ICICI entered into two syndicated loan agreements with consortia of international banks: i) In July 1989, a loan agreement for US $ 100 million equivalent was signed with syndicate led by Fuji Bank and ii) In February 1990, a loan for US $ 70 million equivalent was signed with syndicate led by Bank of Tokyo. To refinance earlier borrowings, ICICI raised Japanese Yen two billion, US $ 13.35 million and £ 8.9 million during the year. The principal amount outstanding as on March 31, 1990 was US $ 149 million at an average spread below London Inter Bank Offered Rate (LIBOR).

(iv) Industrial Reconstruction Bank of India (IRBI)

During 1989-90 (April-March), IRBI sanctioned and disbursed total assistance of Rs. 146.6 crore and Rs. 141.1 crore, as compared with Rs. 212.1 crore and Rs. 116.5 crore, respectively, in the previous year (Table IX-12). While sanctions declined by 30.9 per cent, disbursements rose by 21.1 per cent over those in 1988-89. As on March 31, 1990, the cumulative sanctions (effective i.e.,net of cancellations) and disbursements stood at Rs. 1,029.8 crore and Rs. 765.2 crore, respectively.

Assistance sanctioned by way of term loans during the year by IRBI amounted to Rs. 142.6 crore to 87 units as compared to Rs. 209.4 crore to 159 units during the previous year. Disbursements of term loans during 1989-90 was Rs. 139.3 crore as compared with Rs. 114.5 crore in 1988-89.

The units under private sector group, including the units whose management was taken over by the Government under Industries (Development and Regulation) Act, 1951, accounted for Rs. 125.6 crore (about 88 per cent) of term loan assistance sanctioned by IRBI during the year followed by public sector units (inclusive of units since nationalised) which accounted for sanctions of Rs. 8.4 crore (about 5.9 per cent) and the remaining was shared between joint and co-operative sector units. Cumulatively, as at the end of March 1990, IRBI had sanctioned term loans of Rs.995.6 crore (96.7 per cent of the total) and disbursed Rs. 743.4 crore (97.1 per cent of the total).

During the year, IRBI sanctioned to various industrial units located in notified backward areas term loan assistance of Rs. 43.7 crore and disbursed Rs. 52.4 crore. Cumulatively, as at the end of March 1990, term loan assistance to backward areas aggregated to sanctions of Rs. 292.8 crore to 266 units and disbursements of Rs. 206.3 crore to 229 units. Cumulative assistance to backward areas accounted for 29 per cent of the total sanctions

Table IX-12 : Financial Assistance Sanctioned and Disbursed by IRBI

(Year : April-March) (Rupees crore)

Type of Assistance	1988-89		1989-90		Cumulative Assistance as at the end of March, 1990	
	Sanctioned (Gross)	Disbursed	Sanctioned (Gross)	Disbursed	Sanctioned*	Disbursed
1	2	3	4	5	6	7
1. Term loan	209.4 (159)	114.5	142.6 (87)	139.3	995.6	743.4
2. Textile Processing Corporation of India Ltd. (T.P.C.I)	0.8	0.5	—	0.2	4.4	4.4
3. Equipment leasing scheme	0.1	0.1	0.1	—	5.1	4.8
4. Hire purchase	0.9	1.1	0.5	0.1	6.8	5.4
5. Lines of credit scheme for assisting sick small scale units through various state level agencies.	0.5	0.1	0.5	0.4	14.5	5.9
6. Equipment finance scheme	0.4	0.2	2.9	1.1	3.4	1.3
Total	**212.1**	**116.5**	**146.6**	**141.1**	**1,029.8**	**765.2**

* Effective i.e.,net of cancellation.

Note : Figures in brackets indicate number of fresh cases sanctioned during the year.

Source : Industrial Reconstruction Bank of India.

and 28 per cent of the total disbursements of term loan by the IRBI.

(v) Unit Trust of India (UTI)

The UTI introduced three new schemes during the year under review viz., i) Monthly Income Unit Scheme with Extra Bonus Plus Growth-13-1989 (MISG-13-89), ii) Growing Income Unit Scheme (11) 1989 (GIUS-11-89) and iii) New 7-Year Monthly Income Unit Scheme with Yearly Bonus and Growth (MISG-90). The details of these schemes are as under:

The MISG-13-1989 which was introduced in September 1989, provides dividend at 12 per cent per annum payable at monthly rests, bonus dividend is payable in the 4th year in addition to the minimum capital appreciation of 2 per cent in the 5th year. The sales of units under MISG (13) 89 totalled Rs. 314.4 crore.

In November 1989, the GIUS-11-89 was introduced providing an option for payment of dividend either at half-yearly basis or automatic reinvestment of dividend. This scheme assures a progressive and graded dividend of 12.5 per cent to 14 per cent per annum and aims at doubling the original investment in five and half years. In addition, this scheme also assures 2 per cent minimum capital appreciation. Sales of units under the scheme aggregated Rs. 305.6 crore.

In April 1990, the MISG-90 was launched with two options i.e.,either to derive dividend of 12 per cent per annum on monthly basis as well as 1 per cent yearly bonus dividend at the end of each year or to cumulate the dividend to grow 2½ times at the end of 7 years. The total funds mobilised under MISG-90 were over Rs. 904.7 crore.

In addition to the above-mentioned three new schemes, Growing Income Unit Scheme 1990 (GIUS-90) was also introduced during the year aimed exclusively at enabling unit-holders of Income Unit Scheme 1985 to invest their maturity proceeds in GIUS-90. Besides dividend of 12 to 13 per cent, the scheme offers capital appreciation of 5 per cent.

UTI declared higher rates of dividend during 1989-90 as compared with the previous year. The rate of dividend for Unit Scheme 1964 was raised from 17 per cent (excluding one-time Silver Jubilee Dividend of one per cent) in 1988-89 to 18 per cent in 1989-90; for Unit Scheme 1971, it was raised from 13.75 per cent to 14 per cent; in respect of CRTS and Capital Gains Unit Scheme, dividend rates were raised from 15 per cent to 15.25 per cent and 9.70 to 9.90 per cent, respectively.

The dividends, declared by UTI for the past five years (i.e. 1985-86 to 1989-90) under different schemes are as under:-

UTI's Dividend Distribution

(Year: July-June) (In per cent)

Schemes	1985-86	1986-87	1987-88	1988-89	1989-90
Unit Scheme 1964	15.25	16.00	16.50	17+1*	18.00
Unit Scheme 1971	12.50	13.25	13.50	13.75	14.00
CRTS 1981	13.75	14.50	14.75	15.00	15.25
CGS 1983	8.75	9.50	9.60	9.70	9.90
CGGF	12.50	12.50	12.50	12.50	12.50
PGGF	—	—	12.50	12.50	12.50
MIS (Pool)	12.00	12.00	12.00	12.00	12.00
GIS (Pool)	12.00to	12.00to	12.00to	12.00to	12.00to
	13.00	13.00	13.00	13.00	13.00
India Fund	—	2.50@	5.25	6.00	
Master Shares	—	8.00@	13.00	18.00	18.00

@ Pro-rata * One time Silver Jubilee Dividend of one per cent.

The gross sales of units by UTI under all schemes aggregated to a record figure of Rs. 5,583.7 crore during 1989-90 (July-June) showing a rise of 44.8 per cent over the sales in the previous year (Rs. 3,855 crore) (Table IX-13). This growth of 44.8 per cent was on the top of an increase of 87 per cent recorded in 1988-89 over 1987-88. During the year over 15 lakh new unit holding accounts were added taking the total number of unit holding accounts to be serviced to over 60 lakhs. The unit capital under all schemes moved up from Rs. 8,905.1 crore in 1988-89 to Rs. 13,391.7 crore in 1989-90.

The sale of units under the main scheme i.e., Unit Scheme, 1964 showed an increase from Rs. 2,321.7 crore in 1988-89 to Rs. 3,201.2 crore or a rise of 37.9 per cent over the year. The Unit Capital under this scheme rose from Rs. 4,474.1 crore as on June 30, 1989 to Rs, 7,024.7 crore as on June 30, 1990. The sales under Unit-linked Insurance Plan (ULIP) 1971 and Capital Gains Unit Scheme, were placed at Rs. 198.4 crore and Rs. 333.8 crore recording a rise of 52.6 per cent and 23.1 per cent respectively, over 1988-89. Total repurchases under various schemes amounted to Rs. 1,097.1 crore as compared with Rs. 391 crore in 1988-89.

During the year under review the target amount under ULIP 1971 was raised to Rs. 51,000 from July 1, 1989 and further to Rs. 60,000 from January 1, 1990. Also the age at entry was raised to 55 years from 50 years under the 10 Year Plan and 45 years to 50 years under 15 Year Plan.

A Venture Capital Fund [VECAUS-1 (Rs. 20 crore)] was set up by the UTI (in 1988-89) in collaboration with the ICICI for fostering industrial development. Technology Development and Information Company of India Ltd. (TDICI), established by UTI jointly with ICICI, acts as an advisor to the Venture Capital Fund. TDICI's activities are reviewed separately in this Chapter. To augment further resources under this scheme, the Second Venture Capital Fund (i.e. VECAUS-II) was set up in March 1990 with a capital of Rs. 100 crore with the objective of financing the green-field ventures and steering industrial development.

Financial assistance sanctioned and disbursed by UTI during 1989-90 (April-March), through subscriptions to (a) privately placed debentures/ special deposits/loans, (b) public issues of ordinary and preference shares and (c) debentures and bonds are set out in Table IX-14. The total amount of sanctions and disbursements during the year 1989-90 amounted to Rs. 1,496.6 crore and Rs. 1,280.5 crore, respectively, showing a decline of Rs.474.2 crore or 24.1per cent in sanctions and a rise of Rs.189.3 crore or 17.3 per cent in disbursements from Rs. 1,970.8 crore and Rs. 1,091.2 crore, respectively, in 1988-89.

The total investible funds of the UTI rose to Rs. 17,495.7 crore as on June 30, 1990 from Rs.11,834.7crore as onJune30,1989registeringan increase of 48 per cent over the year (Table IX-15). UTI invested Rs. 10,391.9 crore (59.4 per cent) in the corporate sector and Rs. 7,103.8 crore (40.6 per cent) as deposits and other investments with banks and government securities. Of the investment in corporate sector as on June 30, 1990, Rs. 3,430.5 crore (19.6 per cent) was in equity shares, Rs. 14.4 crore (0.1 per cent) in preference shares, Rs. 3,804.3 crore (21.7 per cent) in debentures, Rs. 56.5 crore (0.3 per cent) as advance deposits against investment commitments, Rs. 279.2 crore (1.6 per cent) as unsecured short-term deposits, Rs. 32.9 crore (0.2 per cent) as bridge finance, Rs. 1,221.8 crore (7 per cent) as term loan, Rs, 1,548.5 crore (8.9 per cent) as special deposits and balance of Rs. 3.8 crore as application money and advance call.

Table IX-13: Scheme-wise Sales and Repurchases by Unit Trust of India

(Year : July-June) (Rupees crore)

Schemes	Sales		Repurchases		Outstanding (as on June 30)		Dividend Rate (per cent)
	1988-89	1989-90	1988-89	1989-90	1989	1990	1989-90
1	2	3	4	5	6	7	8
1. Unit Scheme 1964	2,321.7	3,201.2	69.7	650.5	4,474.1(a)	7,024.7	18.00
2. Unit Scheme 1971 (ULIP)	130.0(b)	198.4	43.1	48.9	346.1	495.6	14.00
3. Scheme for Charitable and Religious Trusts and Registered Societies 1981 (CRTS)	26.1	38.2	0.5	0.9	97.0	134.2	15.25
4. Income Unit Scheme—1982	—	—	—	—	—	—	(c)
5. Monthly Income Unit Scheme (s)	—	—	13.0(w)	13.6	22.2	8.7	12.00@(g)
6. Growth and Income Unit Scheme 1983	—	—	7.2(d)	—	—	—	(c)
7. Capital Gains Unit Scheme 1983	271.2(e)	333.8	247.2	293.9	899.0	938.9	9.90
8. Income Unit Scheme 1985	4.0(f)	4.4	2.0	69.0	64.6	—	13.00(g)
9. Growing Income Unit Scheme (n)	37.1(m)	42.4	3.5	7.2	482.8	518.0	(v)
10. Monthly Income Unit Scheme with Growth (6) 1986	—(h)	—	0.6+	2.4	73.7	71.3	12.00
11. Children's Gift Growth Fund Unit Scheme 1986	84.0(i)	119.9	(j)+	0.1	212.9	332.7	12.50
12. India Fund Unit Scheme 1986	—	29.0	—	—	139.5	168.6	
13. Mutual Fund (Subsidiary) Unit Scheme 1986	82.8(k)	(j)	—	—	233.3	233.3	18.00
14. Monthly Income Unit Scheme with Extra Growth (7) 1986	(j)(l)	—	0.6+	2.4	76.3	73.9	12.00
15. Monthly Income Unit Scheme with Extra Bonus and Growth (o)	18.7(u)	—	2.4+	2.8	646.5(t)	643.7	12.00
16. Monthly Income Unit Scheme with Extra Bonus Plus Growth (p)	343.2	0.1	1.2+	1.8	591.1	589.3	12.00
17. Parents' Gift and Growth Fund Unit Scheme 1987	6.6(i)	4.3	(j)+	0.1	16.5	20.9	12.50
18. India Growth Fund 1988	41.9	1.4	—	—	41.9	43.3	
19. Growing Income Unit Scheme 1989	198.3	15.8	(j)+	0.4	198.2	213.6	12.50
20. Growing Income Unit Scheme (II) 1989	—	305.6	—	—	—	305.6	12.50
21. Growing Income Unit Scheme 1990	—	50.5	—	0.4	—	50.1	12.50
22. Venture Capital Unit Scheme (I) 1989	20.0(r)	—	—	—	20.0(r)	20.0	—
23. Monthly Income Unit Scheme with Extra Bonus Plus Growth (12) 1989	269.4	4.2	—	0.6	269.4	272.9	12.00
24. Monthly Income Unit Scheme with Extra Bonus Plus Growth (13) 1989	—	314.4	—	2.1	—	312.3	12.00
25. New 7—Year Monthly Income Unit Scheme with Yearly Bonus and Growth 1990	—	904.7	—	—	—	904.7	12.00(x)
26. Venture Capital Unit Scheme (II) 1990	—	15.4	—	—	—	15.4	—
Total	**3,855.0**	**5,583.7**	**391.0(d)**	**1,097.1**	**8,905.1**	**13,391.7**	

\+ Premature withdrawals.
@ Represents dividend for MIS(5) only as MIS(1) and MIS(2) are terminated.
(a) After adjustments due to inter-plan transactions.
(b) Includes sales from reinvestment of dividend, initial contribution from new entrants and renewal contribution from existing members.
(c) Scheme terminated.
(d) Excludes conversions from GIS-83 into MISG (10).
(e) Includes sales on clearance of objections.
(f) Sales on account of dividend reinvestment.
(g) Pro-rata dividend paid till the date of termination during the accounting year 1989-90. (MIS (3), IUS-85 & MIS (4) were terminated on 31-10-89, 31-12-89 & 30-4-90 respectively)
(h) Rs. 0.20 lakh sales effected on clearance of objections.
(i) Includes re-investment of dividend.
(j) Negligible.
(k) Represents the amount mobilised through Rights issue.
(l) Sales effected on clearance of objections.
(m) Represents sales on clearance of objections and reinvestment of dividend under the cumulative scheme.
(n) Represents Growing Income Unit Scheme 1986, 1987, (II) 1987 and (III) 1987.
(o) Represents Monthly Income Unit Scheme with Extra Bonus and Growth (8) 1987 and (10) 1988.
(p) Represents Monthly Income Unit Scheme with Extra Bonus Plus Growth (9) 1987 and (11) 1988.
(r) Represents contributions made by UTI and ICICI to the tune of Rs. 10 crore each.
(s) Monthly Income Unit Scheme 1 and 2 relate to 1983, 3 to 1984 and 4 and 5 to 1985.
(t) Includes conversions from MIS (4) and MIS(5) into MISG (8) and from MIS(1) and GIS-83 into MISG (10).
(u) Represents conversions from MIS-83 and GIS-83 on conversion to MISG (10) and sales on clearance of objections.
(v) For GIUS (II) 87 rate of dividend for July-December 1989 is 12.5 per cent and for January-June 1990 it is 13.0 per cent, rate of dividend for GIUS-86 and GIUS-87 is 13.0 per cent and for GIUS (III)-87 it is 12.0 per cent.
(w) Excludes conversions from MIS (1) into MISG(10) and from MIS(4) and MIS(5) into MISG (8).
(x) An additional bonus dividend of one per cent will be paid at the end of each year.

Scheme-wise break-up of figures may not add up to the aggregate due to rounding off of certain figures.

Source: Unit Trust of India

Table IX-14: Financial Assistance Sanctioned and Disbursed by Unit Trust of India

(Year : April-March) (Rupees crore)

Type of Assistance	1988-89		1989-90		Cumulative Assistance as on March 31, 1990	
	Sanctions	Disburse-ments	Sanctions	Disburse-ments	Sanctions	Disburse-ments
1	2	3	4	5	6	7
1. Subscriptions to privately placed debentures/special deposits/loans	1,211.4	608.6	755.7	728.7	3,345.3	2,271.7
2. Underwriting and direct subscriptions (a+b)	759.4	482.6	740.9	551.8	3,351.9	2,543.5
a) Equity and Preference shares	106.8	86.5	57.9	51.6	374.4	269.1
b) Debentures/Bonds	652.6	396.1	683.0	500.2	2,977.5	2,274.4
Total	**1,970.8**	**1,091.2**	**1,496.6**	**1,280.5**	**6,697.2**	**4,815.2**

Source: Unit Trust of India.

Table IX-15: Investments by Unit Trust of India

(Rupees crore)

Type of Investment	As on June 30, 1989	As on June 30, 1990*
1	2	3
A) Total Investment in Corporate Sector (1 to 10)	8,170.0	10,391.9
	(69.0)	(59.4)
Of which:		
1. Equity shares	2,529.6	3,430.5
	(21.4)	(19.6)
2. Preference shares	14.8	14.4
	(0.1)	(0.1)
3. Debentures	3,196.0	3,804.3
	(27.0)	(21.7)
4. Advance deposits against investment commitments	56.3	56.5
	(0.5)	(0.3)
5. Unsecured short-term deposits	240.9	279.2
	(2.0)	(1.6)
6. Bridge finance	48.9	32.9
	(0.4)	(0.2)
7. Application money	13.7	3.7
	(0.1)	(**)
8. Advance call	0.1	0.1
	(**)	(**)
9. Term Loan	804.0	1,221.8
	(6.8)	(7.0)
10. Special deposits	1,265.7	1,548.5
	(10.7)	(8.9)
B) Other Investments (11 and 12)	3,664.7	7,103.8
	(31.0)	(40.6)
11. Deposits and other investments with banks	2,428.5	4,814.0
	(20.5)	(27.5)
12. Government securities	1,236.2	2,289.8
	(10.5)	(13.1)
C) **Total investible funds (A+B)**	**11,834.7**	**17,495.7**
	(100.0)	**(100.0)**

* Provisional

** Negligible

Note: Figures in brackets indicate percentage to total.

Source: Unit Trust of India.

(vi) Life Insurance Corporation of India (LIC)

The Life Insurance Corporation of India sanctioned and disbursed financial assistance* of Rs. 578.2 crore and Rs. 455.2 crore, respectively, during 1989-90 (April-March) as compared with Rs. 660.2 crore and Rs. 442.0 crore, respectively, in 1988-89 (Table IX-16). While sanctions declined by 12.4 per cent, disbursements rose by 3 per cent as compared with that in the preceding year. During 1988-89, sanctions and disbursements had recorded rise of 82 per cent and 29.1 per cent, respectively, as compared with those in 1987-88. Assistance sanctioned and disbursed by way of term loans during the year aggregated Rs. 146.8 crore and Rs. 100.7 crore, respectively, as against Rs. 325.7 crore and Rs. 243.8 crore, respectively, during 1988-89. Sanctions and disbursements of assistance by way of underwriting and direct subscriptions to shares and debentures during the year at Rs. 431.4 crore and Rs. 354.5 crore, respectively, were significantly higher as compared with those of Rs. 334.5 crore and Rs. 198.2 crore, respectively, in 1988-89.

As on March 31, 1990, total investments by LIC stood at Rs. 20,503.7 crore which was higher by 18.2 per cent over those as at the end of March 1989 (Rs. 17,342.7 crore)—(Table IX-17). Sector-wise, investments in public sector accounted for Rs. 16,404.3 crore (80 per cent), followed by private sector—Rs. 2,640.7 crore (6.5 per cent), co-operative sector—Rs. 1,333.2 crore (12.9 per cent) and joint sector—Rs. 125.5 crore (0.6 per cent) as at the end of March 1990.

Out of the outstanding investments of Rs. 20,503.7 crore as at the end of March 1990, stock exchange securities accounted for Rs. 12,918.6 crore (63.0 per cent), loans—Rs. 6,142.4 crore (30.0 per cent) and others—Rs. 1,442.8 crore (7.0 per cent); during 1988-89, stock exchange securities accounted for Rs. 10,932.4 crore (63.0 per cent), loans Rs. 5,055.5 crore (29.2 per cent) and others Rs. 1,354.8 crore (7.8 per cent).

There was no change in the rates of interest charged by LIC to industrial co-operatives and companies during the year.

(vii) General Insurance Corporation India (GIC)

During 1989-90 (April-March), financial assistance sanctioned and disbursed by the General Insurance Corporation of India (GIC) and its subsidiaries@ aggregated Rs. 211.2 crore

@ National Insurance Corporation Ltd.,The New India Assurance Co. Ltd., The Oriental Insurance Co. Ltd. and United India Insurance Co. Ltd.

* Relates to term loans (excluding short and medium term loans) to companies, industrial co-operatives, sugar co-operatives and under-writing of and direct subscriptions including subscriptions to right issues to shares and debentures of companies.

Table IX-16: Assistance Sanctioned and Disbursed by LIC.

(Year : April-March) (Rupees crore)

Type of Assistance	1988-89		1989-90		Amount outstanding as on March 31, 1990
	Sanctions	Disbursements	Sanctions	Disbursements	
1	2	3	4	5	6
1. Term loans (a+b+c)	325.7	243.8	146.8	100.7	722.1*
a) Public Sector	177.0	168.2	16.4	5.1	
b) Private Sector (including Joint Sector)	146.7	72.6	128.4	94.6	
c) Cooperative Sector	2.0	3.0	2.0	1.0	
2. Underwriting and direct subscriptions (i+ii)	334.5	198.2	431.4	354.5	2,148.1@
i) Equity and Preference shares	38.3	42.7	24.6	21.2	666.4
ii) Debentures	296.2	155.5	406.8	333.3	1,481.7
Total (1+2)	**660.2**	**442.0**	**578.2**	**455.2**	**2,870.2**

* Sector-wise break-up is not available.

@ Includes market purchases.

Source: Life Insurance Corporation of India.

Table IX-17: Investments by LIC

(Rupees crore)

Sector	As at the end of March		Net during April-March	
	1989	1990	1988-89	1989-90
1	2	3	4	5
1. Public Sector	14,032.4	16,404.3	2,195.1	2,372.0
2. Private Sector	1,973.1	2,640.7	348.3	667.6
3. Joint Sector	97.1	125.5	8.7	28.3
4. Co-operative Sector	1,240.1	1,333.2	78.4	93.1
Total (1 to 4)	**17,342.7**	**20,503.7**	**2,630.5**	**3,161.0**
of which:				
(a) Stock Exchange Securities	10,932.4	12,918.6	1,701.5	1,986.3
(b) Loans	5,055.5	6,142.4	645.9	1,086.9
(c) Others*	1,354.9	1,442.8	283.1	87.8

* Includes Special deposits with Central Government, contribution to the initial capital of UTI, LIC Housing, LIC Mutual Fund, LIC International and loans on bills rediscounting.

Source: Life Insurance Corporation of India.

and Rs. 179.6 crore as compared with those of Rs. 122.6 crore and Rs. 115.4 crore, respectively, during 1988-89 (Table IX-18). Both sanctions and disbursements recorded an increase of 72.3 per cent and 55.6 per cent, respectively. Sanctions by way of loans rose from Rs. 36.1 crore in 1988-89 to Rs. 49 crore in 1989-90 – a rise of 35.7 per cent. Sanctions by way of underwriting and direct subscription to shares and debentures also recorded a rise of 87.5 per cent to Rs. 162.2 crore in 1989-90 from Rs. 86.5 crore in 1988-89.

Sector-wise, the private sector accounted for the bulk of assistance sanctioned by GIC and its subsidiaries during 1989-90 accounting for Rs. 187.9 crore (Rs. 89 crore in 1988-89), followed by the public sector Rs. 15 crore (Rs. 3.5 crore in 1988-89) and the joint sector Rs. 8.3 crore (Rs. 30 crore in 1988-89).

Table IX-18: Financial Assistance Sanctioned and Disbursed by GIC and its Subsidiaries

(Year: April-March) (Rupees crore)

	1988-89		1989-90	
	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5
A. Type of Assistance				
1. Loans	36.1	20.1	49.0	42.9
2. Underwriting and direct subscriptions (i+ii)	86.5	95.3	162.2	136.7
i) Equity & Preference shares	9.3	29.6	16.3	16.1
ii) Debentures	77.2	65.7	145.9	120.6
Total	**122.6**	**115.4**	**211.2**	**179.6**
B. Sector-wise Assistance				
1. Public sector	3.5	2.9	15.0	—
2. Private sector	89.0	101.2	187.9	172.3
3. Joint sector	30.1	11.3	8.3	7.3
Total	**122.6**	**115.4**	**211.2**	**179.6**
Of which: for Projects in Backward Areas	2.2	4.8	3.7	5.0

Source: General Insurance Corporation of India.

Assistance sanctioned and disbursed to projects in areas classified as backward during the year was Rs. 3.7 crore and Rs. 5 crore, respectively, as compared to Rs. 2.2 crore and Rs. 4.8 crore, respectively, during 1988-89.

(viii) Export-Import Bank of India

Export-Import Bank of India (Exim Bank) provides financial assistance to promote Indian exports through direct financial assistance, overseas investment finance, term finance for export production and export development, pre-shipment credit, buyer's credit, lines of credit, relending facility, export bills rediscounting, refinance to commercial banks, finance for computer software exports, finance for export marketing, and bulk import finance to commercial banks. The Exim Bank also extends non-funded facility to Indian exporters in the form of guarantees. The diversified lending programme of the Exim Bank now covers various stages of exports, i.e., from development of export markets to expansion of production capacity for exports production for exports and post-shipment financing. The Exim Bank's focus is on export of manufactured goods, project exports, exports of technology services and export of computer software.

During the year 1989-90 (April-March), the Exim Bank introduced three new Export Promotion Programmes. The first programme extends financial support for consultancy studies undertaken by Indian consultants enlisted under Africa Project Development Facility (APDF). APDF seeks to promote private sector investment in Africa. The second programme is called the Project Preparatory Studies Overseas Programme (PPSO) and provides finance for undertaking feasibility studies in developing countries. The third programme is for financing market entry costs incurred by Indian firms exporting to developed countries.

During the year 1989-90 (April-March), Exim Bank's sanctions of funded assistance at Rs. 955 crore under its various programmes showed a rise of 12 per cent over the previous year's level of Rs. 850 crore* (Table IX-19). During this period, the disbursements (utilisations) at Rs. 887.8 crore showed a rise of 21.5 per cent over those in the previous year (Rs. 730.4 crore). Non-funded assistance sanctioned in the form of guarantees aggregated Rs. 49.8 crore and guarantees amounting to Rs. 39.4 crore were issued during the year under review. Outstandings under funded and non-funded assistance at end-March 1990 stood at Rs. 1,117.8 crore and Rs. 596.9 crore, as against Rs. 934.7 crore and Rs. 537.3 crore, respectively, a year ago.

Regionwise, details in respect of funded assistance for direct financial assistance, export credit refinance, overseas investment finance, buyer's and other lines of credit shows that the largest share of funded assistance sanctioned was for exports to West Asia (61.2 per cent), followed by Europe (12.1 per cent), South Asia (9.2 per cent), South East Asia/Far East and Pacific (6.6 per cent), Sub-Saharan Africa, (3.7 per cent), North Africa (3.3 per cent), and Americas (3.7 per cent). Funded assistance was utilised mainly for exports to West Asia (60.5 per cent), South Asia (11.4 per cent) and Sub-Saharan Africa (9.6 per cent). Major share of non-funded assistance was also for projects in West Asia, South East Asia, Far-East and Pacific and South Asia (Table IX-20).

Industry-wise details in respect of some of the funded programmes available indicate that power generation and distribution equipment, construction goods and services and commercial vehicles together accounted for bulk of the funded assistance sanctioned and utilised during the year, accounting for 52.8 per cent of total sanctions and 41.5 per cent of utilisation (Table IX-21). Other industries which were sanctioned assistance included bicycle and bicycle parts, textile machinery, railway rolling stock, consultancy services, auto ancillaries and spares machine tools, diesel engines and pumps, pharmaceuticals, surgical instruments, computer software, telecommunications and tomb/granite stones.

* Exim Bank data for the period 1988-89 refers to the financial year from January 1988 to March 1989. January 1988 to March 1989 figures have been annualised for the purpose of comparison with April 1989 to March 1990 figures.

Table IX-19: Operations of Export-Import Bank of India

(Rupees crore)

Financing Programmes	January 1988-March 1989			April 1989-March 1990		
	Sanctions	Utilisations	Outstandings	Sanctions	Utilisations	Outstandings
1	2	3	4	5	6	7
A. Funded Assistance	1,062.6	913.0	934.7	955.0	887.8	1,117.8
	(850.0)	(730.4)				
Of which:						
1. Direct Financial Assistance	128.2	111.8	265.6	155.3	123.5	355.4
	(102.5)	(89.4)				
2. Export Credit Refinance	51.9	32.3	74.0	65.4	62.3	116.1
	(41.5)	(25.8)				
3. Buyer's Credit	4.6	13.3	72.0	4.5	17.4	87.1
	(3.7)	(10.6)				
4. Lines of Credit	87.4	9.1	140.6	88.0	46.5	185.1
	(69.9)	(7.3)				
5. Overseas Investment Finance	—	—	3.0	2.6	0.6	3.0
6. Finance for Export Oriented units	43.7	26.6	34.1	30.7	37.4	62.8
	(35.0)	(21.3)				
7. Finance for Computer Software Exports	14.9	9.8	6.3	14.6	5.6	9.3
	(11.9)	(7.8)				
8. Agency Credit Lines	6.3	4.3	4.2	2.2	4.4	8.0
	(5.1)	(3.4)				
9. Preshipment Credit	112.6	95.9	134.1	23.7	24.3	89.7
	(90.1)	(76.7)				
10. Export Bills Rediscounting	252.4	252.4	50.0	217.3	217.4	50.0
	(201.9)	(201.9)				
11. Small Scale Industry Export Bills Rediscounting	250.0	250.0	50.0	201.7	201.7	50.0
	(200.0)	(200.0)				
12. Bulk Import Finance	106.8	106.8	100.0	146.3	146.3	100.0
	(85.4)	(85.4)				
13. Export Marketing Fund***	—	—	—	2.7	—	—
14. Other Funded Assistance	3.7	0.7	0.8	—	0.4	1.3
	(3.0)	(0.6)				
B. Total Non-funded Assistance*	**48.8**	**69.8****	**537.3**	**49.8**	**39.4****	**596.9**
	(39.0)	**(55.8)**				

* Non-funded assistance is given in the form of guarantees.

** Guarantees Issued

*** Operative since September, 1989.

Note:- 1) All sanctions, utilisations, and outstanding amounts in foreign currencies have been converted into rupees, using the exchange rate prevailing at the time of sanctions or utilisations or at the end of the year (for outstandings).

2) Data for the period 1988-89 refers to the financial year from January 1988 to March 1989. January 1988 to March 1989 figures have been annualised and indicated in brackets for the purpose of comparison with April 1989 to March 1990 figures.

3) On account of conceptual and data related reasons, regionwise analysis of funded programmes include item 1 to 5 and industry-wise analysis includes items 1 to 8.

Source: Export-Import Bank of India.

The Export Marketing Fund (EMF), is a component of World Bank loan to India for promotion of a select group of engineering products for export to developed country markets. During 1989-90, sanctions and utilisations under this programme aggregated

Table IX-20: Operations of Exim Bank—Regionwise
(April 1989—March 1990)

(Rupees crore)

Lending Programmes	West Asia		Africa*		Americas		South East Asia/Far East & Pacific		South Asia		Europe		Total	
	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
Funded Programmes	**193.3**	**151.5**	**22.3**	**33.8**	**11.7**	**20.6**	**21.0**	**12.6**	**29.1**	**28.8**	**38.4**	**3.0**	**315.8**	**250.3**
Direct Financial Assistance	62.6	78.2	10.0	10.2	3.9	4.2	14.3	6.2	27.9	23.5	36.6	1.2	155.3	123.5
Export Credit Refinance	41.2	40.0	12.3	15.5	5.2	1.6	3.7	1.8	1.2	1.5	1.8	1.8	65.4	62.2
Buyer's Credit	4.5	8.2	—	—	—	9.1	—	—	—	—	—	—	4.5	17.3
Lines of Credit	85.0	25.1	—	8.1	—	5.1	3.0	4.6	—	3.8	—	—	88.0	46.7
Overseas Investment Finance	—	—	—	—	2.6	0.6	—	—	—	—	—	—	2.6	0.6
Non-Funded Programmes+	**22.9**	**22.9**	**1.6**	**1.2**	**—**	**—**	**10.4**	**8.6**	**9.1**	**3.7**	**5.8**	**3.0**	**49.8**	**39.4**

S : Sanctions U : Utilisations

+ : Comprises guarantees sanctioned and guarantees issued.

* : Includes North Africa and Sub-Saharan Africa.

Note: Because of conceptual and data-related reasons, this table excludes Export Bills Rediscounting, Small-Scale Industry Export Bills Rediscounting, Pre-shipment Credit, Finance for Export Oriented Units, Agency Credit Line, Finance for Computer Software Exports, Bulk Import Finance and Export Development Finance.

Source: Export-Import Bank of India.

Table IX-21: Operations of Exim Bank—Industry-wise*
(April 1989-March 1990)

(Rupees crore)

Lending Programmes	Construc-tion goods and services		Commercial vehicles		Bicycle and bicycle parts		Textile machinery		Consult-ancy services		Power generation and distri-bution equipment		Computer software		Others @		Total	
	S	U	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	18	19
Funded Programmes	**45.1**	**59.2**	**36.5**	**38.3**	**4.0**	**18.0**	**18.1**	**20.2**	**1.6**	**16.6**	**63.9**	**26.2**	**16.0**	**6.6**	**90.1**	**112.7**	**275.3**	**297.8**
Direct Financial Assistance	29.8	33.8	34.2	26.8	—	6.0	11.9	8.2	1.6	11.0	62.0	21.0	—	—	15.8	16.7	155.3	123.5
Export Credit Refinance	10.8	15.6	2.3	1.8	4.0	8.7	6.2	5.9	—	5.6	0.7	1.3	—	—	41.4	23.4	65.4	62.3
Finance for Export Oriented Units	—	—	—	—	—	—	—	—	—	—	1.2	—	1.4	1.0	28.1	36.3	30.7	37.3
Finance for Computer Software Exports	—	—	—	—	—	—	—	—	—	—	—	—	14.6	5.6	—	—	14.6	5.6
Overseas Investment Finance	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2.6	0.7	2.6	0.7
Buyer's Credit	4.5	9.8	—	—	—	—	—	6.0	—	—	—	—	—	—	—	1.6	4.5	17.4
Agency Credit Line	—	—	—	—	—	—	—	—	—	—	—	—	—	—	2.2	4.4	2.2	4.4
Lines of Credit	—	—	—	9.7	—	3.3	—	0.1	—	—	—	3.9	—	—	—	29.6	—	46.6
Non-funded Programmes+	**16.7**	**14.2**	**—**	**—**	**—**	**—**	**—**	**—**	**4.1**	**5.6**	**7.4**	**3.0**	**—**	**—**	**21.6**	**16.6**	**49.8**	**39.4**

S : Sanctions U : Utilisations

\+ Comprises guarantees sanctioned and guarantees disbursed

@ Other include railway rolling stock, auto ancillaries and spares, paper-mill machinery, machine tools, diesel engines and pumps, pharmaceuticals, surgical instruments, telecommunications, tomb/granite stones, electronic components, steel pipes, stationery items, jewellery, glass machinery and spares, air compressors, leather and leather goods, chemicals, sport goods, garments and miscellaneous industrial machinery exports.

* Because of conceptual and data-related reasons, this table excludes sanctions and utilisations under Export Bills Rediscounting, SSI Export Bills Rediscounting, Pre-shipment Credit, Bulk Import Finance and sanctions under Lines of Credit.

Source: Export Import Bank of India.

Rs. 1.6 crore and Rs. 2.9 crore, respectively. The programme is expected to catalyse additional exports of Rs. 800 crore over a five-year period.

Export Marketing Fund (II), is a second loan programme from World Bank (which is operative since September 1989) for promoting export of all manufactures to developed country markets by providing loan-cum-grant finance in support of strategic export development loans to firms. Sanctions of loans during the year amounted to Rs. 2.7 crore and grant finance has been approved for one firm. Under the Agency Credit Line (ACL), Exim Bank provides loans in foreign currency and rupees to small and medium enterprises for investment in plant and machinery to create and enhance export capabilities. During 1989-90, sanctions of foreign currency loans amounted to US $ 1 million and sanction of rupee loans amounted to Rs. 2.2 crore. Utilisation of foreign currency loans amounted to US $3 million and rupee loans of Rs. 4.4 crore. Outstandings at the end of the year stood at US $ 5 million and Rs. 8 crore, respectively.

During 1989-90, Exim Bank extended sanctions amounting to U S $6 million and rupee term loans of Rs. 4.2 crore under the finance for computer software export programme introduced in 1987. Utilisations under the programme aggregated US $ 2 million and Rs. 2.5 crore, respectively. Sanctions during the year are expected to catalyse exports valued at Rs. 89 crore.

Over the past four years, the Exim bank has actively promoted Indian participation in projects funded by multilateral agencies such as World Bank, Asian Development Bank and African Development Bank. Cumulative value of contracts secured by Indian companies over the last four years amounted to Rs. 350 crore. Contracts secured by Indian companies during 1989-90 exceeded Rs. 150 crore.

(ix) Housing Development Finance Corporation Limited (HDFC)

During 1989-90, HDFC sanctioned housing loans of Rs. 603 crore in respect of over 96,000 dwelling units spread over 1,800 towns and cities and disbursed loans aggregating Rs. 489.3 crore. An additional 217 towns were covered during the year. Both sanctions and disbursements recorded an increase of 42 per cent and 53 per cent, respectively, over the previous year (sanctions—Rs. 425.8 crore and disbursements Rs. 320.7 crore). As at the end of March 31, 1990, cumulative loan sanctions were Rs. 2,089.4 crore in respect of over 3,99,000 units while cumulative disbursements were Rs. 1,578.2 crore.

During the year, HDFC raised Rs. 40.2 crore by way of term loans from the commercial banks, under RBI guidelines. Deposits mobilised through various deposit schemes also showed a net increase of Rs. 45.8 crore. Outstanding term loans and deposits as at March 31, 1990 were Rs. 624.4 crore and Rs. 528.9 crore, respectively. There was no change in the lending rates charged by HDFC during 1989-90.

As on March 31, 1990, HDFC had drawn a cumulative amount of US $150.4 million equivalent (amounting to Rs. 236.3 crore) out of the Housing Mortgage Loan Program signed with International Bank for Reconstruction and Development (IBRD) in April 1988. HDFC has negotiated a line of credit from the Kreditanstalt Fur Wiederaufbau of West Germany to the tune of DM 25 million (Rs. 26.3 crore) to fund loans for low cost housing projects for economically weaker section households. Six projects totalling Rs. 7 crore in Andhra Pradesh, Gujarat, Kerala, Maharashtra and Uttar Pradesh have been approved for this purpose and Rs. 0.5 crore was disbursed as on March 31, 1990.

Shelter assistance reserve was established to help promote new and innovative development initiatives which fall outside the scope of HDFC's normal lending activities. During the year, Rs. 1 crore has been contributed to the reserves from profits earned during the year of which utilisations were to the tune of Rs. 0.3 crore.

(x) Housing and Urban Development Corporation Ltd. (HUDCO)

The Housing and Urban Development Corporation Ltd., (HUDCO) sanctioned financial assistance of Rs. 906.9 crore during 1989-90 (April-March), registering a substantial rise of 39.2 per cent over the year. Disbursements during this period showed a rise of 25.8 per cent from Rs. 415.0 crore to Rs. 521.7 crore. During 1988-89, sanctions and disbursements recorded a rise of 30 per cent and 35 per cent, respectively, as compared with those in the preceding year.

The cumulative operations of HUDCO indicate that as on March 31, 1990, it has financed 6,760 projects with total project cost of about Rs. 6,763 crore with HUDCO's loan commitment of about Rs. 4,220 crore. This assistance had enabled sanction of 38.50 lakh houses, about 49.2 per cent of which are in rural areas. The total loans disbursed upto end of March 1990 are around Rs. 2,789 crore; of these Rs. 1,228 crore or 44 per cent have already been repaid by the borrowing agencies. HUDCO is dealing with over 250 borrowing agencies.

HUDCO's loan sanctions upto March 31, 1990 will help provide 38,50,436 residential units, 21,537 non-residential buildings and 3,23,879 plots and 6,60,486 basic sanitation units. The schemes sanctioned by HUDCO are spread over 886 towns/cities and thousands of villages in 25 States and 5 Union Territories.

HUDCO's scale of operations are undertaken at highly sympathetic lending rates oriented to serve the social housing needs of economically weaker sections (EWS) and low income group (LIG) families. It may be added here that 55 per cent of HUDCO's loans are earmarked for EWS & LIG categories. Besides, 15 per cent of total loans are earmarked for rural areas. Thus a major portion of HUDCO's lending is at subsidised rates of interest. It charges as low as five per cent rate of interest per annum for Scheduled Castes/Scheduled Tribes (upto Rs. 5,000 per dwelling unit), six per cent for village abadi housing improvement/repair schemes and landless labour housing. Site and services projects are financed at five per cent and economically weaker sections built-up houses carry an interest rate of seven per cent, while housing improvement loans carry interest of six per cent. The schemes for natural calamities are financed at five per cent.

During the year 1989-90, a scheme entitled Urban Employment through Housing and Shelter Bond upgradation under Nehru Rozgar Yojana (NRY) designed for promoting employment amongst the urban poor was launched by Government of India in October 1989.

The guidelines under this scheme were finalised in December 1989. During the year, HUDCO sanctioned loans of Rs. 39.4 crore for 88 schemes to upgrade/strengthen 1,26,418 existing houses.

HUDCO was nominated during 1989-90 as the nodal agency for the implementation of Government of India's programme viz., "Integrated Scheme of the Liberation of Scavengers and Improvement in Sanitation Programme" launched by the Government of India during 1989-90. The programme aimed to eliminate manual scavenging and improved sanitation conditions throughout the country. The target for the year was set at 300 small and medium towns with less than 5 lakhs population in "whole twon" basis. Under the programme, the grants available from the Ministry of Welfare for the liberation of scavengers was to be dovetailed with HUDCO's loan available for the same purpose to enable the local bodies to extend loans and subsidy for conversion/construction for low cost sanitation units upto plinth level. During the year, under this scheme, HUDCO sanctioned a total of 32 schemes covering 106 towns in 5 States of the country for a loan assistance of Rs. 11.9 crore for conversion of 12,24,493 individual latrines and 382 community latrines.

(xi) Infrastructure Leasing and Financial Services Limited (IL & FS)

Infrastructure Leasing and Financial Services Ltd. (IL & FS) was formed jointly in 1987 by Central Bank of India, Unit Trust of India and

Housing Development Finance Corporation Ltd., and commenced its operations in 1988. By virtue of the shareholdings, the company is a subsidiary of Central Bank of India. IL & FS has been mandated to undertake operations in four broad business segments: i) financing of large infrastructure projects like highways, bridges and power plants through the formulation of commercially viable scheme of financing, ii) equipment leasing with focus on infrastructure development including pollution control systems, transportation and telecommunication net-works etc., iii) a range of investment banking services including advisory services related to corporate finance, the extension of venture capital and promotion of mutual funds and iv) participation as members of the stock exchange with a focus on development of secondary markets.

In the initial phase of any assignment relating to infrastructure finacing the role of IL & FS has been that of merchant bank entrusted with the task of structuring the financing under appropriate schemes. IL & FS also participates in the projects by extending financial assistance once their viability is established. The company has made progress in several infrastructure projects. Among the infrastructure projects for which IL & FS has been provided a mandate are the followings:

(1) The construction of a 11.5 km. link road from Rao to Pithampur (in Madhya Pradesh near Indore), financed by private capital. The investment incurred on the construction of the road would be recouped by the levy of toll tax on vehilces using the road. This would be the first venture of its kind in the country.

(2) A 74 km. pipeline for transportation of ethylene to a petrochemical complex at Bombay and

(3) The construction of a bridge across Thane creek in North Bombay that would provide a speedy interlink between emerging Nhava Sheva port and North-Bombay.

In the field of leasing, the IL & FS has continued to place emphasis on financing capital assets related to infrastructure requirements. Within this ambit are transactions relating to material handling equipment, pollution control systems, transportations, telecommunication system, etc. which are required by the corporate sector.

In addition to conventional merchant banking services, the IL & FS provides non-traditional project financing. For projects where the total capital cost is upto Rs. 50 crore, IL & FS's focus is on underwriting the delivery of all the components of financing, in its capacity as adviser to the company.

IL & FS has been admitted as a member of the Delhi Stock Exchange and has commenced undertaking broking business. As an institutional representative, it is expected that in addition to an active brokerage and market making operation, IL & FS would contribute to the orderly development of the exchange. The money market operations of IL & FS also include a major focus on Government securities, as well as secondary market operations in corporate debentures and bonds of public sector undertakings. This activity *inter alia* enables IL & FS to raise valuable short-term cost effective resources.

(xii) Technology Development and Information Company of India Limited (TDICI)

Technology Development and Information Company of India Ltd. (TDICI) is a public financial institution and provides assistance to industrial concerns. The assistance is provided directly or through venture funds which are managed by TDICI or out of its resources. TDICI also provides Technology Information Services. TDICI began its operations in 1989 with a venture fund of Rs. 20 crore (VECAUS-I). During the year 1989-90, TDICI took steps to raise a second venture capital fund of Rs. 100 crore under Venture Capital Unit Scheme 1990 (VECAUS-II), to provide resources for the company's expanding operations. The fund is constituted as a scheme of the Unit Trust of India. Besides the UTI and the ICICI, multilateral institutions, Indian banks and

financial institutions and the corporate sector were invited to subscribe to the fund. The resources under this fund were to be raised in three instalments and amount for the first tranche of Rs. 30 crore under the scheme is being raised. Further, to augment resources of TDICI, ICICI had given a loan of Rs. 2.5 crore to TDICI to finance long gestation/R & D projects.

During 1989-90 (April-March), TDICI approved assistance of Rs. 21.3 crore. Of this, Rs. 7.8 crore was provided to 20 companies out of Venture Capital Unit Scheme 1989 (VECAUS-I), Rs. 10.7 crore to 19 companies under Venture Capital Unit Scheme-1990 (VECAUS-II) and Rs. 2.7 crore to 11 companies out of the loan received from ICICI. Cumulatively, upto March 31, 1990 total assistance of Rs. 34.2 crore has been approved to 67 companies comprising Rs. 19.5 crore to 37 companies under VECAUS-I, Rs. 11.4 crore to 19 companies under VECAUS-II and Rs. 3.3 crore to 13 companies under ICICI loan. The total commitments and disbursements for these schemes upto March 1990 amounted to Rs. 19.4 crore and Rs. 12.9 crore, respectively. TDICI launched Technology Information Service (TIS) during the year 1989-90. This service went through a six-month pilot phase from September 1989. During this period, TIS provided information on over 75 topics to about 50 clients in the corporate sector.

(xiii) Tourism Finance Corporation of India Limited (TFCI)

The Tourism Finance Corporation of India Ltd. (TFCI) was incorporated on January 27, 1989 and commenced business in February 1989. The TFCI has been operating as a specialised development financial institution for providing assistance to tourism projects and tourism related activities, facilities and services. At present TFCI's activities relate to sanctioning of rupee loans and direct subscription to equity. The Corporation has provisions of providing financial assistance in the form of rupee loans, foreign currency loans, underwriting or/direct subscription of share capital and debentures, deferred payment/foreign loan guarantees, assistance under supplier's credit scheme and equipment leasing. TFCI is also expected to provide merchant banking and advisory services. Further, TFCI would be co-ordinating and formulating guidelines and policies relating to the financing of tourism projects and would play a developmental role within the overall policies of Government.

TFCI commenced business from February 1, 1989 and during the fourteen months period till the end of March 1990, TFCI sanctioned assistance for Rs. 52.8 crore (Rs. 51.5 crore as rupee loans and Rs. 1.3 crore as direct subscription to equity) for 39 projects and had disbursed Rs. 12.8 crore for 19 projects during this period. Of the total assistance sanctioned, 15 projects were promoted by new entrepreneurs entering the field of tourism for the first time and assistance sanctioned aggregated Rs. 19.1 crore. The Corporation has sanctioned assistance of Rs. 11.4 crore to 8 projects set up in backward areas.

(xiv) Risk Capital and Technology Finance Corporation Ltd. (RCTC)

IFCI had sponsored in 1975, Risk Capital Foundation (RCF) with a view to giving positive encouragement to the new entrepreneurs and the RCF was converted into Risk Capital and Technology Finance Corporation Ltd. (RCTC) on January 12, 1988. RCTC provides both risk capital and technology finance under one roof to innovative entrepreneurs and technocrats for their technology oriented ventures.

In the area of risk capital assistance, RCTC sanctioned during 1989-90, assistance of the order of Rs. 4 crore to 38 promoters of 25 projects. Most of these projects were based either on new technology of new projects or new usages. These included, *inter-alia*, manufacture of antibiotic drugs, radio paging systems, pay phones, calcium silicate bricks, granite and marble processing machinery, polymer concrete products, etc. Cumulatively, since inception of RCF in 1976, and upto March 31, 1990, RCTC had sanctioned assistance of Rs. 25.6 crore to 331 promoters of 199 projects.

RCTC under its Technology Finance and

Development Scheme, sanctioned during the year, a total assistance comprising loans and other venture capital of the value of Rs. 8.2 crore to 13 high risk technology oriented projects. The projects assisted included, *inter-alia,* those for the development of artificial intelligence software for three dimensional computer animation, software for local area network, digitized fonts, digitizers, educational robots, thin film composite membranes, hybrid seeds, hexachloro-cyclopentadiene and tissue culture plantlets etc. Cumulatively, upto March 31, 1990, RCTC had sanctioned assistance of Rs. 9.4 crore under its Technology Development Scheme against which disbursements of Rs. 0.7 crore had been made.

(xv) The Credit Rating Information Services of India Limited (CRISIL)

The Credit Rating Information Services of India Limited (CRISIL) which was set up jointly by ICICI, UTI, LIC, GIC, Asian Development Bank and some other institutions as the first credit rating agency in the country, started its operations in January 1988. The primary objective of CRISIL is to rate debt obligations of Indian companies, thereby providing a guide to investors as to the risk of timely payment of interest and principal on a particular debt instrument. It rates debentures, fixed deposit programmes, short-term instruments and preference shares on receipt of request to that effect from the company. However, the ratings of CRISIL relate to a particular debt instrument and are not a rating for the company as a whole. CRISIL assigns ratings after taking into account various key factors like industry risk, market position and operating efficiency of the company, track record of management, planning and control system, accounting quality and financial flexibility, profitability and financial position of the company, apart from its liquidity management and asset quality (i.e., quality of company's credit risk management). CRISIL's ratings assists in improving the marketability of debt instruments of the borrowing companies and thereby in fund-raising by them. The ratings on debentures facilitates the investors to measure credit risks quickly, thus leading to greater liquidity in the secondary market.

The Ministry of Finance has issued a circular stressing the desirability of public/private sector companies to have their debt instruments rated by CRISIL. The State Bank of India and some other nationalised banks have started asking leasing and hire-purchase companies which approach them for financial assistance to obtain a CRISIL rating for their fixed deposit programmes. UTI and merchant banking subsidiaries of nationalised banks are also asking for CRISIL rating in the case of private placement of debentures.

During the year 1989-90 (April-March), CRISIL assigned 'ratings' to 72 debt instruments as compared with 26 during the previous year. Of the 72 ratings assigned during the year, 34 ratings have been accepted and are being used by the companies. The value of instruments rated during the year was Rs. 2,098.4 crore covering 49 companies, while instruments valued at Rs. 906.2 crore covering 22 companies were rated during the last year (Table IX-22). As on March 31, 1990, the cumulative number and value of debt instruments rated were 101 and Rs. 3,093.4 crore, respectively. Of these, ratings for 48 instruments covering a debt volume of Rs. 1,887.6 crore have been accepted by the concerned companies and are in use.

(xvi) Stock Holding Corporation of India Ltd. (SHCIL)

The Stock Holding Corporation of India Limited (SHCIL) sponsored by the seven all-India financial institutions viz., IDBI, IFCI, ICICI, UTI, LIC, GIC, and IRBI commenced its operations in August 1988. The principal objective of the Corporation is to introduce a book entry system for the transfer of shares and other types of scrips replacing the present system that involves voluminous paper work.

During 1989-90 (April-March), the Corporation received delivery instructions for purchase and sale of securities of Rs. 349 crore as against Rs. 110 crore in the previous year.

Table IX-22: Details of Credit Ratings by CRISIL

(Year : April-March)

Sr. No.	Instruments	1988-89 No.	1988-89 Value (Rs. crores)	1989-90 No.	1989-90 Value (Rs. crore)
1	2	3	4	5	6
1.	Debentures	9	142.9	15	681.1
2.	Fixed Deposit Programmes	17	763.3	37	1,189.5
3.	Commercial Paper Programmes	—	—	20	227.8
	Total (1+2+3)	**26**	**906.2**	72	**2,098.4**

Source: Credit Rating Information Services of India Ltd.

SHCIL which was handling the operations of U T I since inception has now extended its services to New India Assurance Company Ltd., L I C Mutual Fund and General Insurance Corporation of India. The Corporation also commenced its depository for keeping scrips into custody during the year.

The Corporation was made trustee for L I C Mutual Fund during the year for the purpose of holding and dealing in securities pertaining to the Trust. The Corporation has commenced the additional service of dividend collection of L I C Mutual Fund during 1989-90.

During the year under review, the Corporation commenced its depository in Bombay which has the capacity to store about 78 lakhs securities. About 10 lakhs scrips of U T I have been taken into custody from the State Bank of India. It is expected that all the certificates of U T I lying with SBI, Bombay would be transferred to the depository. Efforts for automation were commenced by the SHCIL in mid-1988 and the Corporation expected to commission computerised operation from July 1990.

The SHCIL in consultation with major stock exchanges and other connected agencies concerned with the development of the country's capital market, has submitted to the Government proposals in the way of draft legislation viz., Stock Holding and Special Transfer Procedures Act. The Act aims at making suitable legal provisions for the introduction of electronic transfer of scrips through a Central Securities Depository (CSD).

(xvii) Small Industries Development Bank of India (SIDBI)

With a view to ensuring larger flow of financial and non-financial assistance to the small-scale sector, the Government of India announced in the budget for 1988-89, its decision to establish Small Industries Development Bank of India (SIDBI) as a subsidiary of IDBI. The SIDBI Act was passed by the Parliament in October 1989. The Bank has commenced its operations from April 2, 1990.

The immediate thrust of SIDBI will be on:

(i) initiating steps for technological up-gradation and modernisation of existing units;

(ii) expanding the channels for marketing the products of SSI sector in domestic and overseas markets;

(iii) promotion of employment oriented industries especially in semi-urban areas to create more employment opportunities and thereby checking migration of population to urban and cosmopolitan areas.

The financial assistance of SIDBI to the small-scale units scattered throughout the country will be channelised through the existing credit delivery mechanism comprising State Financial Corporations, State Industrial Development Corporations, Commercial Banks, Co-operative Banks and Regional Rural Banks which have vast network of branches in the country. The

total number of institutions eligible for assistance from SIDBI is 869.

The authorised capital of SIDBI is Rs. 250 crore with an enabling provision to increase it upto Rs. 1,000 crore. As provided in the Act, SIDBI has taken over the outstanding portfolio of IDBI relating to small-scale sector as of March 31, 1990. The value of such assets taken over by SIDBI is over Rs. 4,000 crore.

To start with the activities of SIDBI would be as under:

(a) Refinancing of loans and advances extended by the primary lending institutions to industrial concerns in the small-scale sector and also providing resource support to them;

(b) Discounting and rediscounting of bills arising from sale of machinery to, or manufactured by, industrial concerns in the small-scale sector;

(c) Extension of seed capital/soft loan assistance under National Equity Fund, Mahila Udyam Nidhi and Seed Capital Schemes through specified lending agencies;

(d) Granting direct assistance as well as refinancing of loans extended by primary lending institutions for financing export of products manufactured by industrial concerns in the small-scale sector;

(e) Providing services like factoring, leasing, etc.,to industrial concerns in the small-scale sector;

(f) Extending financial support to State Small Industries Development Corporations for providing scarce raw materials to and marketing the end-products of SSI units;

(g) Extending financial support to National Small Industries Corporation for providing leasing, hire-purchase and marketing support to SSI units.

At present there are nineteen schemes of financial assistance for SSI Units.

Chapter X

Developments in India's Foreign Trade

I. INDIA'S FOREIGN TRADE DURING 1989-90.

Overall Trends

The pressure of large trade imbalances experienced since the inception of the Seventh Five-Year Plan continued to prevail in 1989-90, the closing year of the Plan. The merchandise trade deficit widened during the year though more modestly than during 1988-89. The pace of export growth that has been achieved in recent years in a highly supportive policy environment was further accelerated. According to the provisional data of the Directorate General of Commercial Intelligence and Statistics (DGCI & S), exports rose by 36.5 per cent in 1989-90, over and above the increase of 29.0 per cent in the preceding year and well above the average growth rate of 15.6 per cent recorded in the first four years of the Plan. Imports, which have shown a rising trend throughout the Plan period, except in 1986-87, also increased sharply by 27.9 per cent during the year under review as against a rise of 23.9 per cent during 1988-89. The surge in imports effectively counterbalanced the robust performance of exports and resulted in increasing of the trade deficit by Rs. 319 crore to Rs. 7,731 crore. (On the basis of partially revised data for 1988-89, however, the trade deficit showed a decline of Rs. 161 crore during 1989-90.)

In SDR terms, exports rose significantly by 23.0 per cent during the year as against an increase of 14.7 per cent during 1988-89. Imports also registered a rise of 15.3 per cent as compared with 10.2 per cent during the preceding year. The trade deficit contracted by SDR 230 million to SDR 3,618 million during 1989-90.

In terms of US dollars too, exports were higher by 18.7 per cent during 1989-90 as compared with an increase of 15.5 per cent during the preceding year. Import growth at 11.2 per cent was, however, slightly lower than that prevailing in 1988-89. As a result, the trade deficit narrowed down marginally over the year by US $475 million to US $4,643 million. The relatively subdued growth rates of exports and imports when measured in US dollars reflect some strengthening of the US dollar against major international currencies during the year (Table X-1).

Seventh Plan Performance in Retrospect

Measured in terms of current prices and exchange rates, export performance showed a distinct improvement during the Seventh Plan period vis-a-vis the preceding Plan period. In rupee terms, export growth averaged 19.8 per cent during the Seventh Plan and was significantly higher than the average growth of 13.0 per cent achieved during the Sixth Plan period. In US dollar terms, the average growth more than doubled to 11.6 per cent for the Seventh Plan from 4.5 per cent during the Sixth Plan period. Import growth was however, subdued.

In rupee terms, the average growth in imports rose moderately from 13.9 per cent to 16.0 per cent, and in US dollar terms, from 6.2 per cent to 8.2 per cent. The sustained strength of export performance resulted in an appreciable augmentation of import purchasing power of exports. The export-import ratio rose from an average of 60.5 per cent during the Sixth Plan period to an average of 67.6 per cent during the Seventh Plan period. The average trade balance

Table X-1 : India's Foreign Trade

Year	Rs. crore			U.S. dollars million			SDRs million		
	Exports	Imports	Trade Balance	Exports	Imports	Trade Balance	Exports	Imports	Trade Balance
1	2	3	4	5	6	7	8	9	10
1985-86 (P)	10,420 (-7.8)	18,371 (+11.4)	-7,951	8,517 (-10.4)	15,015 (+8.3)	-6,498	8,063 (-14.9)	14,216 (+2.9)	-6,153
1986-87 (P)	12,550 (+20.4)	20,063 (+9.2)	-7,513	9,821 (+15.3)	15,701 (+4.6)	-5,880	8,124 (+0.8)	12,988 (-8.6)	-4,864
1987-88 (P)	15,719 (+25.3)	22,343 (+11.4)	-6,624	12,123 (+23.4)	17,232 (+9.8)	-5,109	9,181 (+13.0)	13,050 (+0.5)	-3,869
1988-89 (P)	20,281 (+29.0)	27,693 (+23.9)	-7,412	14,005 (+15.5)	19,123 (+11.0)	-5,118	10,529 (+14.7)	14,377 (+10.2)	-3,848
1989-90 (P)	27,681 (+36.5)	35,412 (+27.9)	-7,731	16,626 (+18.7)	21,269 (+11.2)	-4,643	12,954 (+23.0)	16,572 (+15.3)	-3,618
1985-86	10,895 (-7.2)	19,658 (+14.7)	-8,763	8,905 (-9.9)	16,067 (+11.5)	-7,162	8,431 (-14.3)	15,211 (+5.9)	-6,780
1986-87	12,452 (+14.3)	20,096 (+2.2)	-7,644	9,745 (+9.4)	15,727 (-2.1)	-5,982	8,061 (-4.4)	13,009 (-14.5)	-4,948
1987-88	15,674 (+25.9)	22,244 (+10.7)	-6,570	12,089 (+24.0)	17,156 (+9.1)	-5,067	9,155 (+13.6)	12,992 (-0.1)	-3,837
1988-89 (PR)	20,302 (+29.5)	28,194 (+26.7)	-7,892	14,019 (+16.0)	19,469 (+13.5)	-5,450	10,540 (+15.1)	14,637 (+12.7)	-4,097

Note : Figures in brackets relate to percentage variation over the previous year.
P : Provisional.
PR : Partially Revised.
Source : D.G.C.I. & S.

Table X-2 : Foreign Trade Performance during Sixth and Seventh Plans

Item	Sixth Plan Average	Seventh Plan Average
1	2	3
1. Growth rates (per cent)		
a) in rupee terms		
i) Exports	13.0	19.8
ii) Imports	13.9	16.0
b) in US dollar terms		
i) Exports	4.5	11.6
ii) Imports	6.2	8.2
2. Trade Balance		
a) Rs. crore	-5,716.0	-7,720.0
b) US dollars million	-5,985.0	-5,661.0
3. Export-Import ratio (per cent)	60.5	67.6

Seventh Plan Averages are based on finally revised data for 1985-86 to1987-88, partially data for 1988-89 and provisional data for 1989-90.

Source : D.G.C.I.&S.

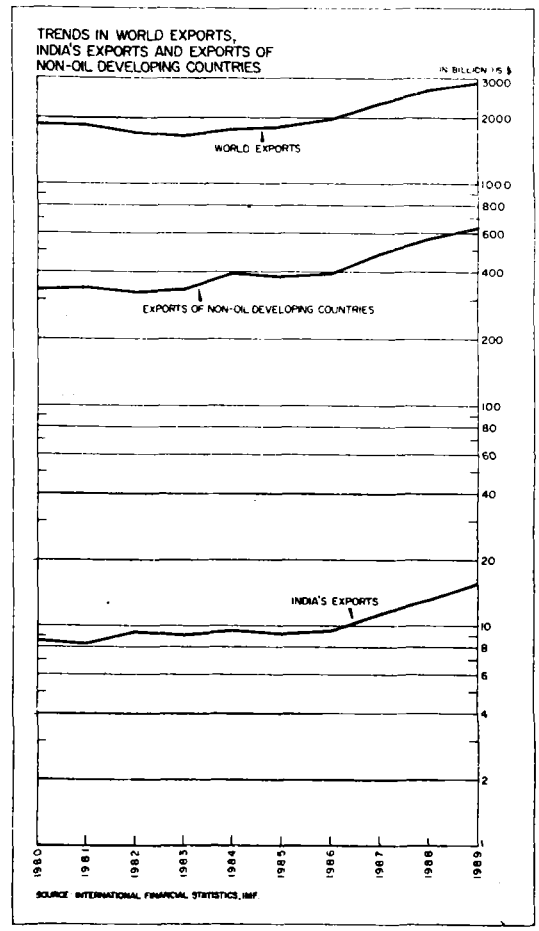
at Rs. 7,720 crore during the Seventh Plan period was higher by 35.1 per cent than that of Rs. 5,716 crore during the Sixth Plan period. Seen in US dollar terms, the trade deficit narrowed from an average of US $5,985 million during the Sixth Plan period to US $5,661 million during the Seventh Plan period, reflecting in some measure, the extent of depreciation of the rupee against the currencies of major trading partners (Table X-2).

Exports

The momentum of export growth which has been nurtured in recent years by a wide array of export promotion initiatives was further built upon during 1989-90. According to the provisional data of the DGCI & S, exports at Rs. 27,681 crore rose sharply by 36.5 per cent, the highest rate of growth in exports achieved since the devaluation of the rupee in 1966. In terms of US dollars and SDRs too, export growth at 18.7 per cent and 23.0 per cent, respectively, was noteworthy. This robust performance resulted in a substantial improvement in the export-import ratio from 73.2 per cent in 1988-89 to 78.2 per cent in 1989-90.

Data on the volume growth of exports are now available upto 1988-89. During 1987-88 and 1988-89, volume growth in exports has been 15.7 per cent and 10.7 per cent, respectively. Taking into account movements in international prices of tradeables and variations in exchange rates of currencies of India's major trading partners, export volume growth during 1989-90 is estimated to be about 12 to 14 per cent. Thus, except for 1985-86, the first year of the Seventh Plan, when there was a decline of 7.9 per cent due to the virtual termination of crude oil exports, volume growth has kept above the Plan target of 7 per cent per annum in every succeeding year of the Seventh Plan. Even taking into account the decline in the quantum of exports during 1985-86, the average volume growth in exports during the Seventh Plan period as a whole compares favourably with the Plan projection.

The export performance during 1989-90 testifies to a measure of resilience acquired by India's exports, since it occurred in the face of a slowing down in the volume growth of world trade to 7.5 per cent in 1989 from the peak of 9.2 per cent achieved in 1988. For the group of industrial countries, both export and import volumes grew at a lower pace, reflecting some terms of trade deterioration on account of higher oil prices unaccompanied by real exchange rate corrections. In US dollar terms, export growth for the industrial countries fell to 7.0 per cent in 1989 from 14.6 per cent in 1988. The group of developing countries experienced a marked deceleration in exports from 11 per cent in 1988 to 7.5 per cent in 1989 in volume terms, and from 14.7 per cent in 1988 to 9.9 per cent in 1989 in terms of US dollars, mainly due to a



substantially lower growth in import demand from industrial countries. The slow-down was particularly pronounced for the group of non-oil developing countries whose exports in US dollar terms rose by 8.8 per cent in 1989, as against that of 17.6 per cent in the preceding year. The worst affected in the group were the heavily indebted countries, which also recorded poor performance in their domestic economies. The newly industrialising economies (NIEs) also underwent a deceleration in export growth, primarily due to a fall in volume of exports from South Korea because of strong domestic demand and real exchange rate appreciation. Exports of oil exporting countries rose sharply, benefiting from the fall in oil prices in the first half of the year and disruption in oil supplies from industrial countries which increased the world's reliance on OPEC for oil.

As in the past few years, the main thrust for the vigorous export growth was provided by manufactured goods whose competitiveness in overseas markets has been considerably improving in recent years due to selective promotional strategies. The proportion of manufactures to total exports has risen from 52.9 per cent in 1970-71 to 73.4 per cent in 1989-90. The annual compound growth rate of exports of manufactures was of the order of 26.7 per cent during the Seventh Five Year Plan period, over double that of 10.2 per cent during the Sixth Plan period and substantially higher than that of 17.3 per cent during the decade of the Seventies (Table X-3). Even during the Seventh Plan period, the growth of these exports exhibited an accelerating profile rising sharply and consistently from 2.6 per cent in 1985-86 to 38.7 per cent during 1989-90.

Commodity-wise review

Manufactured Goods

Exports of *manufactures* at Rs. 20,310 crore contributed 76.8 per cent of the total increase in exports during 1989-90. Substantial increases were recorded in respect of *readymade garments* (Rs. 1,226 crore), *engineering goods* (Rs. 957 crore), *gems and jewellery* (Rs. 897 crore), *chemicals and allied products* (Rs. 624 crore) and *leather and leather manufactures* (Rs. 461 crore). These five items together accounted for nearly three-fourth of the increase in exports of manufacture (Table X-4).

Exports of *leather and leather manufactures,* a thrust area identified for intensive export promotion, have shown a rising trend over the past few years. In 1989-90, these exports rose by 30.9 per cent to Rs. 1,951 crore, falling marginally short of the target of Rs. 2,000 crore set for the year. A distinct shift in the composition of exports in favour of items where value addition is higher is discernible in recent years. The policy measures are further geared to phase out the exports of semi-processed leather items. Simultaneously, modernisation plans are being formulated to complete India's transformation from a raw material exporter to an exporter of value-added high quality leather products. The State Trading Corporation under its scheme offers credit facilities against stocks to units importing hides and skins for export production. The USA is India's major market for footwear exports while Federal Republic of Germany is for leather garments.

Exports of *chemicals and allied products,* another import-intensive sector, continued to perform well, sustained by the various promotional measures undertaken in recent years. During 1989-90, these exports rose by 40.7 per cent and amounted to Rs. 2,158 crore, marginally short of the target of Rs. 2,250 crore fixed for the year. The principal items that contributed to this growth were basic drugs and finished formulations, dyes and intermediates, organic chemicals, cosmetics, toiletries and essential oils. Exports of inorganic chemicals and naptha declined. Promotional measures directed at specific industries have been taken to encourage exports. Cement export has been allowed on a decontrolled basis and cash compensatory support has been granted at the rate of 10 per cent. Export ceiling on polyester staple fibre has been removed and export has been allowed on OGL. Import duty on glove-making machinery and ceramic moulds has been reduced. In general, many items of raw materials required by industries in this sector have been

Table X-3 : India's Exports by Main Sub-Groups

(Rs. crore)

Commodity Group	1970-71	1980-81	1984-85	1989-90 (P)	Annual Compound Growth Rates (per cent)			
					1970-71 to 1979-80	1980-81 to 1989-90	1980-81 to 1984-85	1985-86 to 1989-90
1	2	3	4	5	6	7	8	9
1. Agricultural and allied products	539.6	2,248.2	2,996.5	4,571.0	16.3	7.9	6.9	8.8
	(35.1)	(33.5)	(25.5)	(16.5)				
of which :								
i) Agro-based products	506.0	1,980.0	2,518.0	3,770.0	15.4	7.4	6.3	8.4
ii) Fish and fish preparations	30.5	212.9	396.0	687.0	23.3	10.7	9.7	11.6
iii) Meat and meat preparations	3.1	55.5	82.5	114.0	40.3	10.7	14.8	6.7
2. Ores and minerals	164.4	412.6	642.0	1,380.0	10.9	13.4	10.3	16.5
	(10.7)	(6.1)	(5.5)	(5.0)				
3. Petroleum and petroleum products	8.6	24.9	1,818.2	697.0	9.8	43.5	149.5	-17.4
	(0.6)	(0.4)	(15.5)	(2.5)				
4. Manufactures	811.8	3,952.0	6,210.1	20,310.0	17.3	18.2	10.2	26.7
	(52.9)	(58.9)	(52.9)	(73.4)				
5. Others	10.8	72.8	76.9	723.0	10.0	44.2	32.8	56.5
	(0.7)	(1.1)	(0.6)	(2.6)				
Total	**1,535.2**	**6,710.7**	**11,743.7**	**27,681.0**	**16.3**	**15.8**	**12.9**	**18.7**

P : Provisional

Note : Figures in brackets represent percentages to total.

Source : DGCI&S

Table X-4 : India's Exports of Principal Commodities

(Rs. crore)

Commodities	Unit of Quantity	1985-86		1986-87		1987-88		1988-89 (PR)		Increase (+)/Decrease(-) absolute (10) over (8)	1989-90 (P)		Increase (+)/Decrease(-) absolute (13) over (10)	Percentage variation (13) over (10)
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value		Quantity	Value		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
I. Primary Products			**3,813**		**4,145**		**4,076**		**4,374**	**+298**		**5,951**	**+1,557**	**+36.1**
A. Agricultural and allied products			**3,018**		**3,422**		**3,302**		**3,347**	**+45**		**4,571**	**+1,224**	**+36.6**
of which :														
1. Tea and mate	Mill. kgs.	205.6	626	192.4	577	205.2	594	193.4	599	+5	209.3	905	+306	+51.1
2. Coffee and coffee substitutes	,,	98.9	265	73.4	297	89.3	251	82.6	280	+29	115.1	343	+63	+22.5
3. Rice	'000 tonnes	245.0	196	248.3	197	388.8	339	375.6	331	-8	421.7	427	+96	+29.0
4. Cotton raw	,,	35.7	68	202.3	205		110	13.5	28	-82	53.1	128	+100	+357.1
5. Tobacco (unmanufactured and manufactured)	Mill. Kgs.	80.5	170	89.3	185	72.2	135	56.1	128	-7	70.7	175	+47	+36.7
6. Cashew kernel	'000 tonnes	37.1	225	43.0	328	35.9	311	37.7	277	-34	47.9	368	+91	+32.9
7. Spices	,,	89.0	278	97.0	279	85.9	313	93.8	251	-62	96.7	247	-4	-1.6
8. Oil cakes	,,	806.9	134	1,044.6	190	752.8	182	1,242.6	370	+188	2,204.8	546	+176	+47.6
9. Fruits and vegetables			124		156		132		164	+32		208	+44	+26.8
10. Processed fruits & Juices and miscellaneous processed items			82		76		92		121	+29		160	+39	+32.2
11. Marine products	,,	90.6	420	113.4	538	104.9	533	158.5	633	+100	124.6	687	+54	+8.5
12. Sugar and sugar preparations	,,	39.0	17	3.6	2	19.1	12	52.4	7	-5	158.8	32	+25	+357.1
13. Meat and meat preparations			74		76		88		94	-6		114	+20	+21.3
B. Ores and minerals			**795**		**723**		**774**		**1,027**	**+253**		**1,380**	**+353**	**+34.4**
1. Iron ore	Mill. tonnes	30.1	579	28.7	547	29.4	554	32.9	673	+119	35.6	928	+255	+37.9
2. Mica, coal and other ores & minerals			216		176		220		354	+134		452	+98	+27.7

Table X-4 : India's Exports of Principal Commodities (Concld.)

(Rs. crore)

Commodities	Unit of Quantity	1985-86		1986-87		1987-88		1988-89 (PR)		Increase (+)/ Decrease(-) absolute (10) over (8)	1989-90 (P)		Increase (+)/ Decrease(-) absolute (13) over (10)	Percentage variation (13) over (10)
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value		Quantity	Value		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
II. Manufactures			**6,374**		**7,808**		**10,928**		**14,641**	**+3,713**		**20,310**	**+5,669**	**+38.7**
Of which :														
1. Leather and manufactures			770		922		1,252		1,490	+238		1,951	+461	+30.9
2. Basic chemicals & allied products			498		583		802		1,534	+732		2,158	+624	+40.7
3. Engineering goods			954		1,133		1,412		2,364*	+952		3,321*	+957	+40.5
4. Natural silk textiles			72		85		141		186	+45		205	+19	+10.2
5. Readymade garments			1,067		1,331		1,813		2,098	+285		3,224	+1,126	+53.7
6. Cotton yarn, fabrics, made-ups, etc.			574		637		1,155		1,131	-24		1,480	+349	+30.9
7. Jute manufactures	Lakh tonnes	2.5	262	2.9	244	2.6	241	3.2	250	+9	2.8	298	+48	+19.2
8. Coir and coir manufactures			34		34		30		31	+1		41	+10	+32.3
9. Handicrafts			1,881		2,548		3,266		5,195	+1,929		6,285	+1,090	+21.0
of which :														
a) Gems and jewellery			1,503		2,074		2,613		4,399	+1,786		5,296	+897	+20.4
b) Carpets handmade			233		283		382		470	+88		586	+116	+24.7
c) Works of art			145		191		250		326	+76		403	+77	+23.6
III. Petroleum products			**510**		**411**		**649**		**505**	**-144**		**697**	**+192**	**+38.0**
IV. Others			**198****		**88**		**21**		**782**	**+761**		**723**	**-59**	**-7.5**
Total			**10,895**		**12,452**		**15,674**		**20,302**	**+4,628**		**27,681**	**+7,379**	+36.3

PR : Partially revised.
P : Provisional.
* : Includes exports of project goods amounting to Rs. 42 crore in 1988-89 and Rs. 37 crore in 1989-90. Data on project exports for the preceding years are not available.
** : Includes exports of crude petroleum amounting to Rs. 135 crore. There were no exports of crude oil in subsequent years.
Source : DGCI&S.

brought under OGL for supply at international prices through public sector manufacturing units.

Exports of *engineering goods* which almost stagnated in 1985-86, have since then recovered to a robust performance, indicative of the measure of competitiveness acquired by these products in principal markets abroad. During 1989-90, exports of engineering goods increased by 40.5 per cent to Rs. 3,321 crore on top of a rise of 67.4 per cent and exceeded the target of Rs. 2,200 crore fixed for the year. Sizeable growth was noted in respect of steel and pig-iron based items, non-ferrous products, capital goods and consumer durables. Several measures have been taken during the year to improve productivity, quality standards and maintenance of delivery schedules. Access to imported inputs has been improved by allowing imports of capital goods by engineering units at concessional rates of duty. The Steel Authority of India Ltd. have introduced a scheme of "Off-the-Shelf Supply" of pig-iron, hot rolled coils and billets to exporting units in various regions. Several major modifications have been effected under the International Price Reimbursement Scheme (IPRS) including fixation of minimum value addition levels and streamlining of procedures for ensuring optimal use of funds.

Exports of *readymade garments* which have shown a consistent rising trend in recent years, increased sharply by 53.7 per cent and amounted to Rs. 3,224 crore in 1989-90. Readymade garments thus emerged as the most important item in terms of net foreign exchange earnings, given the large indigenous content of these exports. Exports of readymade garments comprise mostly of cotton garments which are subject to quota stipulations under the Multi-Fibre Agreement. During the year, concerted efforts to secure maximum utilisation of quotas and higher unit value realisations resulted in a significant increase in exports to quota countries such as the EEC and the USA. Exports to non-quota countries also recorded substantial increases supported by policy initiatives designed to induce a shift in favour of these countries. The major markets in this group are the USSR, Japan, Switzerland, Australia and Singapore. During the year, several procedural simplifications were introduced with regard to issue of test reports, country and category combinations for the non-quota entitlement and manufacturer-exporters entitlement, withdrawal of earnest money deposit requirement and reintroduction of first-come-first-serve small order basis under the garment quota policy. The garment export policy for 1990 was announced in October 1989 under which floor prices were raised substantially by 20 to 40 per cent in most cases. Exporters of readymade garments have been allowed to use foreign brand names, subject to the condition that only indigenous fabrics are used and royalties are not repatriated abroad on domestic sales.

Exports of *cotton yarn, fabrics and made-ups* which had suffered a marginal decline in 1988-89 resumed the strong upward trend of the earlier years. During 1989-90, these exports rose by 30.9 per cent to Rs. 1,480 crore, surpassing the target of Rs. 1,200 crore fixed for the year. This improved performance was attributable to increased exports to non-quota countries in keeping with the stance of textile policies in force. Exports to non-quota countries exceed those to quota markets, accounting for around 60 per cent of total exports. A noteworthy feature has been the spurt in exports to Asian countries, particularly Bangladesh, Japan, Dubai, Sri Lanka, South Korea, Hongkong and Singapore. In respect of the quota countries, particularly the USA and Europe, India's exports appear to be losing competitiveness with the poor quality of yarn being the major constraint. Efforts to promote exports of these items included extension of "deemed export" benefits to all indigenous suppliers of all textiles against duty-free licences and addition of two textile machineries to the list of machineries eligible for concessional import duty. A three-year export policy, 1990-92 has been announced for cotton yarn under which all counts within an annual ceiling of 40 million kgs. have been allowed for export. The world demand for these export items continues to be buoyant and these exports may be expected to perform well.

Exports of *gems and jewellery* continued to account for one-fifth of the total exports at Rs.

5,296 crore despite the slackening in growth to 20.4 per cent from 68.4 per cent in 1988-89. Recessionary demand phase worldwide and lower offtakes by the USA and Hongkong—two major buyers—due to a shift in favour of larger diamonds were factors responsible for the deceleration in the growth rate of exports. Net exports of this import-intensive sector, i.e. net of imports of pearls, precious and semi-precious stones, declined from Rs. 1,224 crore in 1988-89 to Rs. 1,024 crore in 1989-90. The policy on import replenishment against the export of cut and polished diamonds was tightened by substantially raising the minimum per carat realisation. Exports of gold and silver jewellery performed well during the year. Gold jewellery exports rose by 56.0 per cent to Rs. 267 crore. The principal markets for these exports are the UK, the UAE, Kuwait and Dubai. India's share in world exports is less than 0.5 per cent as gold jewellery fabrication in India is mainly for domestic sale. Special incentive schemes have been provided under the Import-Export policies and requirements of value addition have been modified for Export-Oriented Units, among other things, to boost these exports.

Agricultural Products.

Exports of *agricultural and allied products* rose by 36.6 per cent during 1989-90 and amounted to Rs. 4,571 crore. These exports have plateaued in the range of Rs. 3,000-3,400 crore over the first four years of the Seventh Plan, reflecting inclemental climatic conditions affecting the agricultural sector and the pressure of domestic demand. However, with the better performance of exports of agricultural and allied products during 1989-90 the annual compound rate of growth of these exports moved up from 6.9 per cent during the Sixth Plan period to 8.8 per cent during the Seventh Plan period but was much below the annual compound rate of 16.3 per cent recorded during the decade of the Seventies which coincided with the international commodities boom. In volume terms, all the principal commodities, except marine products recorded increases during the year. In value terms, the commodities which contributed most to the improved performance were tea (Rs. 306 crore), oil cakes (Rs. 176 crore), cotton (Rs. 100 crore), rice (Rs. 96 crore), cashew kernel (Rs. 91 crore) and coffee (Rs. 63 crore). Exports of processed items and meat and meat preparations continued to increase at a steady pace. Exports of marine products declined in volume terms, though in terms of value, there was a modest increase. Exports of spices declined marginally despite an increase in the volume of exports, while tobacco exports increased, reversing declining trend of the two earlier years.

Exports of *tea* recovered strongly from the period of stagnation experienced since 1985-86 and rose by 51.1 per cent to Rs. 905 crore in 1989-90. During 1989-90, tea exports in volume terms rose by 8.2 per cent to 209 million kgs. after having suffered a decline of 5.8 per cent in the preceding year. There was an improvement in the production of North Indian tea, whereas South Indian tea declined due to adverse weather conditions. Exports of tea, however, benefited from the firming up of tea prices in world markets and unit value realisation rose substantially from Rs. 30.97 per kg. in 1988-89 to Rs. 43.24 per kg in 1989-90. Export promotion programmes undertaken in respect of tea exports concentrate on value-added items such as packet tea, tea bags, instant tea, etc. The Tea Board has made concerted efforts to identify potential markets abroad. As a part of this initiative, the Darjeeling Logo Campaign was held during September to November, 1989 and the Assam Logo Campaign was launched in February 1990.

Exports of *coffee and coffee substitutes* showed a substantial increase of 22.5 per cent as compared with that of 11.6 per cent in the preceding year and amounted to Rs. 343 crore in 1989-90. This was because of an increase of 39.3 per cent in the quantum of exports which rose to 115 million kgs. constituting around 2.0 per cent of world exports. Unit value realisation fell from Rs. 33.90 per kg. in 1988-89 to Rs. 29.80 per kg. in 1989-90 reflecting the steep decline in international coffee prices following the suspension of the quota system under the International Coffee Agreement in July, 1989. Major coffee producers such as Brazil, Columbia and Indonesia have been offloading surplus stocks on the international markets,

irrespective of the impact on prices.With stagnant domestic consumption and rising production, large exportable surpluses enabled the counter-balancing of the fall in prices. The minimum release price of Arabica and Robusta varieties was revised in March, 1990. Cash Compensatory Support (CCS) and import replenishment is provided on exports of instant coffee. During the year, the rate of CCS on exports of instant coffee in consumer packs was raised from 15 per cent to 20 per cent and on bulk instant coffee from 10 per cent to 18 per cent.

Exports of *rice* increased by 29.0 per cent to Rs. 427 crore during 1989-90, due to rise in unit value realisation from Rs. 8,813 per tonne in 1988-89 to Rs. 10,126 per tonne in 1989-90. The Gulf region is the most important market for both basmati and non-basmati rice, whereas the USSR and the UK are major markets for basmati rice. During the year, the minimum export price of basmati rice was raised to Rs. 9,500 per tonne from Rs. 8,800 per tonne (f.o.b) and the levy on basmati rice was abolished in order to improve competitiveness. Exports of non-basmati rice were allowed at a minimum export price of Rs.6,000 per tonne. The norms governing exports of non-basmati rice were made more stringent with no exporter being allowed to obtain more than 20 per cent of the available ceiling on exports to all destinations except the USSR.

Exports of *raw cotton,* boosted by a bumper crop in 1988-89, rose sharply to Rs. 128 crore from the low level of Rs. 28 crore during 1988-89. In terms of quantity, there was a sharp rise from 13.5 thousand tonnes in 1988-89 to 53.1 thousand tonnes in 1989-90. This was accompanied by a moderate increase in unit value realisation. Additional quantities of medium staple cotton, extra-long staple cotton, Assam Comilla and Bengal Deshi cotton were released during the year for exports based on minimum export prices. The stress of policy measures here has been on modernisation with a view to ensuring higher production of quality cotton. Imports of capital goods needed by the sector have been allowed at concessional rates of duty and the policy for replacing spindles by rotors and air jets has been liberalised.

The declining trend in the exports of *tobacco (manufactured and unmanufactured)* noticed since 1987-88 was reversed during the year under review. Exports at Rs. 175 crore exceeded the target of Rs. 135 crore (Rs. 119 crore for unmanufactured tobacco and Rs. 16 crore for tobacco products) fixed for the year, due to increase in the quantity of exports to 70.7 million kgs. as well as an improvement in unit value realisation from Rs. 22.82 per kg. in 1988-89 to Rs. 24.75 per kg. in 1989-90. Exports to the Western Europe, the Middle East and Africa rose, while those to the USSR and China declined. Indonesia and Iraq re-entered the Indian market after a gap of six years. Significant efforts are underway to identify new markets and to cultivate existing markets by creating an awareness for Indian tobacco.

After two successive years of decline, exports of *cashew kernel* recovered in 1989-90, by 32.9 per cent to Rs. 368 crore, aided by volume growth of 27.1 per cent to 47.9 thousand tonnes and a moderate improvement in unit value realisation from Rs. 73.47 per kg. in 1988-89 to Rs. 76.83 per kg. in 1989-90. Net foreign exchange earnings (excess of exports over imports) rose from Rs. 216 crore in 1988-89 to Rs. 291 crore in 1989-90. Higher production in India and better quality of cashew nuts were the main reasons for the improved export performance. Offtakes by the major buyers such as Australia, Canada, the Netherlands, Saudi Arabia, Singapore, the USA and the USSR showed appreciable increases, though exports to the Federal Republic of Germany, Hongkong, the UK and the UAE declined.

India's exports of *spices* which account for around 20 per cent of world exports continued to decline during 1989-90 *albeit* at a lower rate of 1.6 per cent and amounted to Rs. 247 crore despite the increase in quantity from 93.8 thousand tonnes in 1988-89 to 96.7 thousand tonnes. Exports exceeded the volume target of 86.7 thousand tonnes but fell short of the value target of Rs. 300 crore, as the unit value realisation declined from Rs. 26.80 per kg in 1988-89 to Rs. 25.50 per kg. in 1989-90. The major factor contributing to this decline was a sharp fall in the export price of pepper, which

accounts for the 70 per cent of spices exports. Other spices such as cardamom, turmeric, chillies, etc.,however, performed well.

Exports of *oilcakes* continued with their robust performance for the third year in succession. During 1989-90, exports increased by 47.6 per cent to Rs. 546 crore due to 77.4 per cent growth in quantity of exports reaching 2,204.8 thousand tonnes. Unit value realisation, however, declined by 16.9 per cent from Rs. 29.78 per tonne in 1988-89 to Rs. 24.76 per tonne in 1989-90 as against an increase of 23.2 per cent noted during the previous year. Action plans have been drawn up for boosting exports of oilcakes to the potential markets of the Far East.

Exports of *fruits and vegetables* which had recovered in 1988-89 from the drought of the preceding year, continued to rise. During 1989-90, these exports rose by 26.8 per cent to Rs. 208 crore. Exports of processed items such as preserved fruits and vegetables, processed fruits and juices and other items such as gums, walnuts, papads, etc., also rose by 32.2 per cent to Rs. 160 crore.

Exports of *marine products* grew at a moderate pace of 8.5 per cent to Rs. 687 crore as compared with a rise of 18.8 per cent recorded in the previous year and were marginally short of the target of Rs. 700 crore set for 1989-90. In volume terms, exports declined by 21.4 per cent from 158.5 thousand tonnes in 1988-89 to 124.6 thousand tonnes in 1989-90. This was more than counterbalanced by increased unit value realisation from Rs. 39.94 per kg. to Rs. 55.14 per kg. in 1989-90. The share of marine products in exports of agricultural and allied products declined from 18.9 per cent in 1988-89 to 15.0 per cent in 1989-90. Intensive efforts have been made over the years to improve production in this sector through encouragement of deep-sea fishing and brackish water farming. However, the low level of exploitation continues to be the biggest impediment. Lack of adequate information about the distribution occurrence, costs involved in fish scouting and insufficient trained manpower are other bottlenecks. Japan and the USA are the two major markets for marine products accounting for 53.8 per cent and 11.4 per cent of these exports, respectively. Efforts are on towards diversifying shrimp exports which account for nearly 60 per cent of total exports. Other items of export are frozen lobster tails, frozen cuttle fish and frozen squid.

With a view to developing the exports of marine products,promotional measures taken during the year under review include a scheme to motorize fishing craft with 50 per cent subsidy from the Government, introduction of beach landing craft suitable for launching and landing on surf-beaten coasts through fishermens' co-operatives, financial support for acquisition of deep sea trawlers and catching equipment, etc. Several externally aided projects are also underway to develop cold water fishing.

Exports of *sugar and sugar preparations* which were virtually absent during the major part of the Seventh Plan period recorded a substantial increase of 203.1 per cent in terms of volume and amounted to Rs. 32 crore in 1989-90.

Ores and Minerals

Exports of ores and minerals rose from Rs. 1,027 crore to Rs. 1,380 crore or by 34.4 per cent, on top of a rise of 32.7 per cent in 1988-89. For the Seventh Plan period exports grew at a higher annual compound rate of 16.5 per cent as compared with 10.3 per cent for the Sixth Plan period. Exports of *iron ore* which constitutes the most important item in this category (67.2 per cent), recorded a significant increase of 37.9 per cent to Rs. 928 crore, benefiting mainly from an increase in unit value realisation to Rs. 260 per tonne in 1989-90 from Rs. 205 per tonne in 1988-89. There was also a modest increase of 8.2 per cent in the volume of exports. There has been better price realisation for both iron ore lumps and fines as well as concentrates. Japan accounts for more than 60 per cent of India's total exports of iron ore, followed by South Korea, Romania and the Federal Republic of Germany. Exports of other ores like *coal, manganese and chrome ore, bauxite,* canalised mainly through the Minerals and Metals Trading Corporation, rose by 27.7 per cent to Rs. 452 crore during 1989-90. During the year, exports of manganese

ore were decanalised. For mica, a gradual decline in exports of processed mica is planned for the medium term, while exports of mica scrap, silvered mica and mica powder are proposed to be increased gradually.

There has been no *crude petroleum* exports since 1986-87. Exports of *petroleum products* at Rs. 697 crore were higher by 38.0 per cent than those of Rs. 505 crore during 1988-89.

Imports

According to provisional data of the DGCI&S, imports at Rs. 35,412 crore during 1989-90 surged by 27.9 per cent (Rs. 7,719 crore) over and above an increase of 23.9 per cent (Rs. 5,350 crore) during the preceding year. In SDR terms, too, imports were higher by 15.3 per cent than those during the preceding year, when they had recorded a rate of growth of 10.2 per cent. In terms of US dollars, import growth at 11.2 per cent was slightly lower than that of the preceding year. Higher imports of petroleum,oil and lubricant (POL) at Rs. 6,274 crore during the year, accounted for 26.3 per cent of the increase in total imports, as against just 5.6 per cent in 1988-89. Non-POL imports at Rs. 29,138 crore recorded a lower rate of growth of 22.3 per cent than that of 30.9 per cent during 1988-89 on account of some import saving in respect of certain bulk items. Consequently,their share in incremental imports declined to 73.7 per cent from that of 94.4 per cent in the preceding year. The persistent rising trend of imports witnessed over the past two decades reflects the impact of a combination of external and internal factors. During seventies, imports were subject to severe terms of trade shocks brought on by the hikes in oil prices by OPEC, first in 1973-74 and then more deleteriously in 1979-80, whose full impact prevailed over the early eighties. The economy was also affected by a major drought in 1979-80. During the eighties, besides the higher outgo on POL imports brought about as a legacy of the preceding decade, and severe shortages on account of the unprecedented drought of 1987, the growing pressure of domestic demand concomitant with a stepping up of real growth of the economy and the gathering momentum of the process of liberalisation set in motion over the past few years have all contributed to a relatively larger dependance of the economy on imports.

Within this rising profile, there have been different patterns exhibited by the various categories of imports. Bulk imports which comprise basic raw materials, intermediates and foodstuffs and are linked to the growth and stability of the economy, grew at an annual compound rate of 23.2 per cent during the seventies. As a result, their share in total imports rose from 50.5 per cent in 1970-71 to 69.6 per cent in 1980-81. During the eighties, however, there was a significant deceleration in the growth of these imports to an annual compound rate of 8.9 per cent, particularly during the Seventh Plan period. Similar trends were visible in respect of the major items in the group. The deceleration in growth during the eighties in general and during the Seventh Plan period in particular was noticeable in respect of POL imports whose annual compound rate of growth fell from 37.5 per cent in the seventies to 6.5 per cent in the eighties and to 3.0 per cent during the Seventh Plan period. POL imports declined in the first two years of the Seventh Plan, both in terms of quantity and value. The weakening in oil prices also enabled some saving on oil imports. Since 1987-88, however, the quantity of imports began rising and stood at 26.5 million tonnes in 1989-90. As a result, despite the sluggishness in international prices, POL imports began to rise moderately in 1988-89 and then accelerated in 1989-90. Among the non-POL bulk items, consumption goods comprising cereals and cereal preparations, edible oils, pulses and sugar declined at an annual compound rate of 8.0 per cent during the period of the Seventh Plan. On the other hand, imports of iron and steel, whose growth was lower during the eighties than during the preceding decade, recorded a substantial quickening in the annual compound rate of growth to 16.5 per cent during 1985-86 to 1989-90. Broadly, the annual compound growth rate of bulk imports was subdued during the Seventh Plan in comparison with the Sixth Plan. The share of bulk items in total imports fell to 58.6 per cent in 1984-85 and further to 40.2 per cent in

1989-90 (Table X-5).

Commodity-wise Review

During 1989-90, *bulk* imports at Rs. 14,239 crore increased by 27.4 per cent (Rs. 3,064 crore) as against an increase of 22.5 per cent (Rs. 1,983 crore) during 1988-89, and accounted for 42.4 per cent of the incremental imports of Rs. 7,218 crore.

Imports of *POL* rose by 43.4 per cent in value terms and by nearly 10 per cent in quantity terms in 1989-90. The growth reflected the steady rise in domestic consumption of 7 to 8 per cent annually and the levelling of domestic production. Average unit values paid out on POL imports at Rs. 2,368 per tonne by 1989-90 were also higher by 30.5 per cent than those of Rs. 1,815 per tonne during 1988-89. This rise reflected the edging up of international oil prices during the later half of the year and in part, the appreciation of the international oil-invoicing currency, the U.S. dollar, against major international currencies (Table X-6).

Among the bulk consumption goods, imports of *cereals and cereal preparations, edible oils and pulses* declined substantially in value as well as volume terms. The improved domestic availability of these essential items in the wake of sustained strength of agricultural production significantly reduced import dependence. Imports of *cereals and cereal preparation* fell sharply by 67.9 per cent to 761 thousand tonnes in 1989-90 from that of 2,372 thousand tonnes during the preceding year. As a result, the value of these imports fell by 40.1 per cent to Rs. 378 crore. The volume of *edible oils* imports at 292 thousand tonnes declined to a third of the volume imported during 1988-89. Consequently, the value of *edible oil* imports declined sharply by 71.0 per cent to Rs. 211 crore. The volume of imports of *pulses* almost halved to 429 thousand tonnes during 1989-90, resulting in a decline of 40.5 per cent in the value of imports to Rs. 228 crore. However, imports of *sugar* which were virtually absent in 1988-89 amounted to Rs. 97 crore in 1989-90.

Imports of *fertilisers* comprising crude fertilisers, sulphur and unroasted iron pyrites and manufactured fertilisers increased from Rs. 928 crore to Rs. 1,776 crore or by 91.0 per cent during 1989-90 as compared with an increase of 82.6 per cent in the previous year. In quantum terms, these imports recorded a substantial increase of 34.0 per cent to 7.1 million tonnes from 5.3 million tonnes during 1988-89. The large increase in these imports was due to the strong input demand generated by the buoyancy in the agricultural sector as well as restocking needs brought on by the depletion of stocks in the preceding year. There was also an escalation of import costs by 30 per cent, on an average. The rise in unit values paid was particularly high in respect of manufactured fertilisers, whose production is energy-intensive.

Imports of *paper, paperboard and manufactures* rose by 17.0 per cent to Rs. 358 crore from Rs. 306 crore in 1988-89 mainly on account of a rise of 15.4 per cent in unit value to Rs. 13,759 per tonne during 1989-90. Imports of *pulp and waste paper* rose by 20.2 per cent from Rs. 253 crore to Rs. 304 crore during 1989-90, as against 5.9 per cent rise in the preceding year. The increase of 14.3 per cent in the volume of imports was accompanied by a rise of 5.1 per cent in the unit value.

Imports of *metalliferrous ores and metal scrap* increased by 30.4 per cent to Rs. 883 crore on top of a rise of 53.2 per cent recorded in 1988-89, while those of *non-ferrous metals,* increased at an accelerated rate of 59.4 per cent to Rs. 1,253 crore as against that of 23.0 per cent in 1988-89. Imports of *iron and steel* declined in volume terms, reflecting some success in import substitution. In value terms, these imports at Rs. 2,305 crore rose at a lower rate of 19.0 per cent during 1989-90 than that of 46.7 per cent during 1988-89. There has been some hardening of prices with the recovery of the international iron and steel industry from depressed conditions during 1986-87. Imports of *rubber* declined, both in terms of quantity as well as value, though there was a modest increase in unit value.

Non-bulk items

The main impetus for the burgeoning growth

Table X-5: India's Imports by Main Sub-Groups

(Rs. crore)

Commodity Groups	1970-71	1980-81	1984-85	1989-90 (P)	Annual Compound Growth Rates (Per cent)			
					1970-71 to 1979-80	1980-81 to 1989-90	1980-81 to 1984-85	1985-86 to 1989-90
1	2	3	4	5	6	7	8	9
1. Bulk items	825	8,739	10,039	14,239	23.2	8.9	10.7	7.2
	(50.5)	(69.6)	(58.6)	(40.2)				
i) POL	137	5,267	5,409	6,274	37.5	6.5	10.2	3.0
ii) Non-POL bulk items	688	3,472	4,630	7,965	16.1	11.4	11.3	11.5
a) Consumption goods	326	901	1,389	914	5.0	4.8	19.4	—8.0
b) Fertilisers	100	818	1,346	1,776	16.0	13.1	21.1	5.7
c) Iron and steel	147	852	941	2,019	26.6	8.8	8.3	16.5
2. Non-bulk items	809	3,810	7,095	21,173	14.0	21.2	18.1	24.4
	(49.5)	(30.4)	(41.4)	(59.8)				
i) Capital goods	404	1,910	3,168	8,831	13.7	19.7	16.8	22.8
a) Electrical machinery	70	260	663	1,922	14.0	23.3	22.8	23.7
b) Non-electrical machinery	258	1,089	1,995	3,532	11.2	15.9	19.8	12.1
ii) Pearls, precious, semi-precious stones	25	417	1,032	4,242	31.2	28.4	24.4	32.7
iii) Others	380	1,483	2,895	8,100	12.2	20.2	17.6	22.8
TOTAL	**1,634**	**12,549**	**17,134**	**35,412**	**19.2**	**14.5**	**13.4**	**15.6**

Note: Figures in brackets represent percentages to total.
Source: DGCI & S.
P: Provisional

of imports during the eighties came from the category of non-bulk items. The annual compound growth of these items accelerated from 14.0 per cent in the seventies to 21.2 per cent in the eighties, due mainly to a step-up in the growth rate of these items to 24.4 per cent during the Seventh Plan period from that of 18.1 per cent during the Sixth Plan period. As a result, the share of non-bulk items in total imports which had fallen to 30.4 per cent in 1980-81 from 49.5 per cent in 1970-71, rose to 41.4 per cent in 1984-85 and further to 59.8 per cent in 1989-90. Within the category, imports of capital goods have shown a rising trend in every period, particularly that of the Seventh Plan. The significant inter-temporal increase in these imports reflects the emphasis on modernisation and upgradation of production capacities that is part of the process of liberalisation initiated during the eighties. Within the group, while the annual compound growth of imports of *non-electrical machinery* did pick up over the decade, there was some deceleration during the Seventh Plan. However, imports of *electrical machinery* comprising electrical appliances and consumer durables have shown a consistent rising trend throughout. The imports of *pearls, precious* and *semi-precious stones* which are export-related, decelerated somewhat during the eighties, particularly during the Sixth Plan period. During 1985-86 to 1989-90, the annual compound rate of growth rose to 32.7 per cent from 24.4 per cent during the preceding Plan period. The category of *"others"* comprising a heterogeneous group of raw materials and intermediates required for industry as also some inputs for export production continued to rise over time, with an acceleration in their compound rate of growth during the more recent period.

During 1989-90, non-bulk imports at Rs. 21,173 crore accounted for 57.6 per cent of the increase in aggregate imports as against 64.9 per cent in the preceding year. This was due to a deceleration in the growth rate of these imports to 24.4 per cent from 29.3 per cent in 1988-89. Among the group of non-bulk imports, imports of capital goods increased by 27.3 per cent (Rs. 1,892 crore) to Rs. 8,831 crore during 1989-90, as against a rise of 5.7 per cent in 1988-89, and continue to account for one-fifth of the aggregate imports. The pattern of industrial activity, stance of commercial policy and consequent ordering of investment priorities govern these imports. Thus, imports of capital goods rose sharply in 1985-86, the first year of the Seventh Plan, plateaued in the succeeding three years before rising significantly during 1989-90. Within the group, imports of *machinery*, both non-electrical and electrical, rose by Rs. 592 crore (20.1 per cent) and Rs. 314 crore (19.5 per cent), respectively, during the year and together accounted for 61.8 per cent of capital goods imports as against 82.0 per cent in 1985-86. Imports of *electrical machinery* recorded the highest growth rising at an anual compound rate of 23.7 per cent over the Seventh Plan period as against an annual compound rate of 12.1 per cent, in respect of *non-electrical machinery*. Imports of *transport equipment* showed a substantial rise of 99.0 per cent or of Rs. 759 crore during 1989-90, due to the inclusion of imports of civilian aircraft during the year. Project good imports, which had declined by 17.1 per cent during 1988-89, rose by 10.5 per cent during the year under review.

Imports of *pearls, precious and semi-precious stones* which are directly related to exports of gems and jewellery have been growing significantly year after year. However, the growth in these imports at 33.6 per cent (Rs. 1,067 crore) during 1989-90 was subdued in comparison with the preceding years. This reflected the depressed demand for exports of India's diamonds abroad, a rise in the price of roughs without a commensurate increase in the price of polished diamonds and some shift in the pattern of preferences away from small diamonds in which India specialises.

The category of others, as stated earlier, includes a heterogeneous group of raw materials and intermediates for industry, as also some inputs which are, to varying degrees, export-related such as *chemicals, textile yarn, fabrics made-ups, hides and skins*, etc. In this category, *professional, scientific instruments and photographic optical goods* recorded a sizeable

Table X-6: India's Principal Imports

(Rs. crore)

Sr.	Commodities	Unit of Quantity	1985-86		1986-87		1987-88		1988-89 (PR)		Increase (+) or Decrease (−) in 1988-89 over 1987-88 (In value)		1989-90 (P)		Increase (+) or Decrease (−) in 1989-90 over 1988-89 (In value)	
			Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Absolute	Percentage	Quantity	Value	Absolute	Percentage
1		2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
I.	**BULK IMPORTS**			**10763**		**8024**		**9084**		**11175**	**+2091**	**+23.0**		**14239**	**+3064**	**+27.4**
	i) Cereals & cereal preparation	'000 tonnes	297.2	110	212.3	87	143.6	66	2372.1	631	+565	+856.0	761.2	378	−253	−40.1
	Of which i) Wheat	—do—	175.9	61	114.7	44	21.5	9	1567.2	378	+369	+4100.0	39.6	21	−357	−94.4
	(ii) Rice	—do—	43.7	14	6.9	2	5.4	2	614.5	193	+191	+9550.0	544.5	283	+90	+46.6
	ii) Pulses	—do—	431.4	189	624.8	234	731.7	275	826.5	383	+108	+39.3	429.1	228	−155	−40.5
	iii) Fertilizers i) Crude	—do—	1904.2	163	2123.3	145	1822.5	139	2008.9	185	+45	+32.1	2059.8	253	+68	+36.8
	ii) Sulphur and unroasted iron pyrites	—do—	989.9	220	1067.1	200	1148.8	181	1234.6	250	+70	+38.9	1181.0	295	+45	+18.0
	iii) Manufactured	—do—	5171.9	1053	3768.4	576	1403.7	188	2071.2	493	+305	+162.2	3840.9	1228	+735	+149.1
	iv) Vegetable oils, fixed (edible oils)	—do—	1048.3	749	1483.1	634	1944.9	969	986.7	727	−242	−25.0	292.2	211	−516	−71.0
	v) Paper, paper boards & manufactures thereof	—do—	237.2	226	270.6	217	282.8	270	256.7	306	+36	+13.3	260.2	358	+52	+17.0
	vi) Metalliferrous ores, metal scrap, etc.	Value	—	363	—	472	—	442	—	677	+235	+53.2	—	883	+206	+30.4
	vii) Petroleum, petroleum products & related materials	Million tonnes	19.0	4989	18.5	2811	21.9	4043	24.0	4374	+331	+8.2	—	6274	+1900	+43.4
	viii) Pulp and waste paper	'000 tonnes	551.2	245	569.7	244	473.7	239	394.1	253	+14	+5.9	450.6	304	+51	+20.2
	ix) Iron and steel	—do—	2360.8	1395	3136.5	1556	2298.6	1320	3352.4	1937	+617	+46.7	3055.9	2305	+368	+19.0
	x) Sugar	—do—	1811.8	418	814.1	224	738.3	193	0.3	Neg.	−193	−100.0	134.3	97	+97	—
	xi) Non-ferrous metals	Value	—	542	—	517	—	639	—	786	+147	+23.0	—	1253	+467	+59.4
	xii) Crude rubber (including synthetic & reclaimed)	'000 tonnes	76.0	101	80.2	107	78.5	120	88.3	173	+53	+44.2	83.0	172	−1	−0.6
II.	**CAPITAL GOODS**			**4286**	**—**	**6488**	**—**	**6566**	**—**	**6939**	**+373**	**+5.7**	**—**	**8831**	**+1892**	**+27.3**
	i) Machinery other than electrical	Value	—	2705	—	2849	—	2826	—	2940	+114	+4.0	—	3532	+592	+20.1
	ii) Electrical machinery	Value	—	811	—	1212	—	1093	—	1608	+515	+47.1	—	1922	+314	+19.5
	iii) Transport equipment	Value	—	569	—	804	—	760	—	767	+7	+1.0	—	1526	+759	+99.0
	iv) Manufactures of metals	Value	—	201	—	209	—	161	—	194	+33	+20.5	—	271	+77	+39.7
	v) Project goods	Value	—	—	—	1414	—	1726	—	1430	−296	−17.1	—	1580	+150	+10.5
III.	**PEARLS, PRECIOUS AND SEMI-PRECIOUS STONES**	Value	—	**1100**	**—**	**1489**	**—**	**2018**	**—**	**3175**	**+1157**	**+57.3**	—	**4242**	**+1067**	**+33.6**
IV.	**OTHERS (Specified)**		—	**2435**	**—**	**2796**	**—**	**2833**	**—**	**4342**	**+1509**	**+53.3**	—	**5097**	**+755**	**+17.4**
	i) Organic & inorganic chemicals	Value	—	1089	—	1145	—	1082	—	1940	+858	+79.3	—	2135	+195	+10.1
	ii) Professional, scientific controlling instruments, photographic optical goods	Value	—	379	—	512	—	500	—	696	+196	+39.2	—	886	+190	+27.3
	iii) Artificial resins & plastic materials, etc.	Value	—	322	—	434	—	567	—	810	+243	+42.9	—	996	+186	+23.0
	iv) Textile yarn, fabrics, made-ups, etc.	Value	—	153	—	151	—	187	—	287	+100	+53.5	—	349	+62	+21.6
	v) Medicinal and pharmaceutical products	Value	—	177	—	214	—	168	—	202	+34	+20.2	—	272	+70	+34.7
	vi) Non-metallic mineral manufactures	Value	—	102	—	129	—	105	—	166	+61	+68.1	—	168	+2	+1.2
	vii) Chemical materials & products	Value	—	144	—	152	—	191	—	204	+13	+6.8	—	222	+18	+8.8
	viii) Synthetic & regenerated fibre	'000 tonnes	43.3	69	37.8	59	20.5	33	20.5	37	+4	+12.1	30.0	69	+32	+86.5
Total of the above				**18584**		**18797**		**20501**		**25631**	**+5130**	**+25.0**		**32489**	**+6778**	**+26.4**
Others (not included above)				**1074**		**1299**		**1743**		**2563**	**+820**	**+47.0**		**3003**	**+440**	**+17.2**
Grand Total				**19658**		**20096**		**22244**		**28194**	**+5950**	**+26.7**		**35412**	**+7218**	**+25.6**

Note: Imports of project goods in 1985-86 are merged under machinery.
P : Provisional
PR : Partially revised.
Source : DGCI & S.

growth of 27.3 per cent (Rs. 190 crore) to Rs. 886 crore over and above that of 39.2 per cent noted for the previous year. Imports of organic and inorganic chemicals and artifical resins recorded sizeable growths of Rs. 195 crore (10.1 per cent) and Rs. 186 crore (23.0 per cent), respectively.

Direction of Foreign Trade

The geographical pattern of India's foreign trade has remained broadly unchanged over the years, though there have been shifts at the margin between country groups. By and large, the industrial market economies have been gaining ground both as markets for India's exports as well as sources of India's imports. Oil-exporting countries and the socialist countries of the East Europe have experienced some erosion in their shares in India's trade flows. The developing countries have held their share in India's exports (Table X-7).

India's trading partners are classified into four broad categories:

(a) Organisation for Economic Co-operation and Development (OECD)
(b) Organisation of Petroleum Exporting Countires (OPEC)
(c) Eastern Europe
(d) Developing countries

Over the period of the Seventh Five Year Plan, the OECD group of countries have steadily improved their shares in India's foreign trade. Their share in India's exports rose from 50.8 per cent in 1985-86 to 55.9 per cent in 1989-90 while that in imports increased from 53.6 per cent to 60.0 per cent. The growing importance of these countries as destinations for India's exports has been mainly due to a sharp rise in the share of the EEC from 17.7 per cent in 1985-86 to 24.9 per cent in 1989-90. The OECD countries of North America and Asia and Oceania have faced a decline in their shares in India's exports, while that of other OECD countries have shown marginal improvement.

As regards sources of imports, a similar pattern emerges with the EEC accounting for the largest portion of the increase in the share of the group as a whole. There has also been some increase in the share of the OECD countries of North America in India's imports.

During the year under review, while the growth of exports to the OECD group was stepped up to 31.0 per cent, the increase of 24.2 per cent in imports from the group more than offset the strong growth in exports. As a result, the trade deficit with the group which has increased in every year of the Seventh Plan period except in 1987-88, widened by 9.0 per cent to Rs. 5783 crore, which constituted 74.8 per cent of India's global trade deficit in 1989-90. This was mainly due to a widening of the deficit with the EEC by 18.5 per cent to Rs. 4,830 crore, brought about by the sharp escalation in the growth of imports from 21.9 per cent during 1988-89 to 30.1 per cent during 1989-90, notwithstanding the acceleration in the rate of export growth to 39.6 per cent from 25.7 per cent in 1988-89. Within the EEC, the trade deficit with the UK widened by Rs. 136 crore and that with Belgium by Rs. 335 crore. In respect of these countries, the continuing strength of import growth worked upon the relative large import dependence on these countries to dissipate the beneficial effects of strong export growth. However, the better performance of exports to the Federal Republic of Germany was effective in bringing about a narrowing of the trade deficit with that country by Rs. 263 crore. The trade deficit with France increased mainly on account of a doubling of imports therefrom over those of Rs. 822 crore during 1988-89. India's trade balance with the OECD countries of North America has turned into a surplus since 1986-87. However, the trade surplus which has been declining since 1988-89, fell precipitously to barely Rs. 25 crore during 1989-90, mainly due to a decline of Rs. 324 crore in the surplus with the USA. Export growth to the USA decelerated sharply, while import growth continued to be high. The trade deficit with Canada declined by Rs. 40 crore, due to export growth of 34.0 per cent and broadly unchanged imports. The trade deficit with the OECD countries of Asia and Oceania has an uneven profile, rising and falling in alternate years of the Seventh Plan Period. During 1989-90, the trade deficit declined by 26.5 per cent to Rs. 680 crore, due to a sharp fall in the trade

Table X-7: Direction of Trade

(Rs. crore)

Region	1980-81			1985-86			1986-87		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1	2	3	4	5	6	7	8	9	10
I. OECD Countries	**3126**	**5747**	**−2621**	**5532**	**10528**	**−4996**	**7004**	**12903**	**−5899**
	(46.6)	**(45.8)**		**(50.8)**	**(53.6)**		**(56.3)**	**(64.2)**	
a) EEC	1447	2639	−1192	1929	5234	−3305	2736	6549	−3813
	(21.6)	(21.0)		(17.7)	(26.6)		(22.0)	(32.6)	
b) North America	806	1851	−1045	2106	2515	−409	2468	2258	+210
	(12.0)	(14.7)		(19.3)	(12.8)		(19.8)	(11.2)	
c) Asia and Oceania	708	932	−224	1304	2257	−953	1501	3041	−1540
	(10.5)	(7.4)		(12.0)	(11.5)		(12.1)	(15.1)	
d) Other OECD Countries	165	325	−160	193	522	−329	299	1055	−756
	(2.5)	(2.6)		(1.8)	(2.7)		(2.4)	(5.3)	
II. OPEC Countries	**745**	**3490**	**−2745**	**835**	**3422**	**−2587**	**774**	**1958**	**−1184**
	(11.1)	**(27.8)**		**(7.7)**	**(17.4)**		**(6.2)**	**(9.7)**	
III. Eastern Europe	**1521**	**1341**	**+180**	**2416**	**2243**	**+173**	**2390**	**1537**	**+853**
	(22.6)	**(10.7)**		**(22.2)**	**(11.4)**		**(19.2)**	**(7.7)**	
IV. Developing Countries	**1266**	**1971**	**−705**	**1462**	**3465**	**−2003**	**1869**	**3698**	**−1829**
	(18.9)	**(15.7)**		**(13.4)**	**(17.6)**		**(15.0)**	**(18.4)**	
a) Asia	880	1428	−548	1155	2343	−1188	1561	2409	−848
	(13.1)	(11.4)		(10.6)	(11.9)		(12.5)	(12.0)	
i) SAARC Countries	236	140	+96	328	98	+230	371	113	+258
	(3.5)	(1.1)		(3.0)	(0.5)		(3.0)	(0.6)	
ii) Others	644	1288	−644	827	2245	−1418	1190	2296	−1106
	(9.6)	(10.3)		(7.6)	(11.4)		(9.5)	(11.4)	
b) Africa	345	204	+141	287	592	−305	275	881	−606
	(5.2)	(1.6)		(2.6)	(3.0)		(2.2)	(4.4)	
c) Latin American Countries	32	303	−271	15	507	−492	27	406	−379
	(0.5)	(2.4)		(0.1)	(2.6)		(0.2)	(2.0)	
d) Other developing Countries	9	36	−27	5	23	−18	6	2	+4
	(0.1)	(0.3)		(0.1)	(0.1)		(0.1)	(0.0)	
V. Others	**53**	**—**	**+53**	**650**	**—**	**+650**	**415**	**—**	**+415**
	(0.8)	**(—)**		**(5.9)**	**(—)**		**(3.3)**	**(—)**	
Total	**6711**	**12549**	**−5838**	**10895**	19658	**−8763**	**12452**	**20096**	**−7644**

Table X-7: Direction of Trade *(Concld.)*

(Rs. crore)

Region	1987-88			1988-89 (PR)			1989-90 (P)		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
	11	12	13	14	15	16	17	18	19
I. OECD Countries	**9234**	**13310**	**—4076**	**11813**	**17117**	**—5304**	15477	**21260**	**—5783**
	(58.9)	**(59.8)**		**(58.2)**	**(60.7)**		**(55.9)**	**(60.0)**	
a) EEC	3934	7400	—3466	4946	9022	—4076	6906	11736	—4830
	(25.1)	(33.3)		(24.4)	(32.0)		(24.9)	(33.1)	
b) North America	3086	2301	+785	3933	3624	+309	4738	4713	+25
	(19.7)	(10.3)		(19.4)	(12.9)		(17.1)	(13.3)	
c) Asia and Oceania	1819	2679	—860	2459	3384	—925	3099	3779	—680
	(11.6)	(12.0)		(12.1)	(12.0)		(11.2)	(10.7)	
d) Other OECD Countries	395	930	—535	475	1087	—612	734	1032	—298
	(2.5)	(4.2)		(2.3)	(3.8)		(2.7)	(2.9)	
II. OPEC Countries	**962**	**2953**	**—1991**	**1209**	**3793**	**—2584**	**1841**	**5074**	**—3233**
	(6.2)	**(13.3)**		**(6.0)**	**(13.4)**		**(6.6)**	**(14.3)**	
III. Eastern Europe	**2594**	**2126**	**+468**	**3356**	**1947**	**+1409**	**5336**	**2990**	**+2346**
	(16.5)	**(9.6)**		**(16.5)**	**(6.9)**		**(19.3)**	**(8.5)**	
IV. Developing Countries	**2228**	**3849**	**—1621**	3404	**5325**	**—1921**	**4309**	**6077**	**—1768**
	(14.2)	**(17.3)**		**(16.9)**	**(18.9)**		**(15.6)**	**(17.2)**	
a) Asia	1871	2693	—822	2835	3712	—877	3653	4462	—809
	(11.9)	(12.1)		(13.9)	(13.2)		(13.2)	(12.6)	
i) SAARC Countries	406	98	+308	550	149	+401	697	97	+600
	(2.6)	(0.4)		(2.7)	(0.5)		(2.5)	(0.3)	
ii) Others	1465	2595	—1130	2285	3563	—1278	2956	4365	—1409
	(9.3)	(11.7)		(11.2)	(12.7)		(10.7)	(12.3)	
b) Africa	315	654	-339	402	1014	—612	538	886	—348
	(2.0)	(2.9)		(2.2)	(3.6)		(2.0)	(2.5)	
c) Latin American Countries	42	502	—460	167	599	—432	118	729	—611
	(0.3)	(2.3)		(0.8)	(2.1)		(0.4)	(2.1)	
d) Other developing Countries	—	—	—	—	—	—	—	—	—
	—	—	—	—	—	—	—	—	—
V. Others	**656**	**6**	**+650**	**520**	**12**	**+508**	**718**	**11**	**+707**
	(4.2)	**(0.0)**		**(2.4)**	**(0.1)**		**(2.6)**	**(—)**	
Total	**15674**	**22244**	**—6570**	**20302**	**28194**	**—7892**	**27681**	**35412**	**—7731**

Notes: (a) Exports of crude oil from Bombay High for the year 1985-86 amounting to Rs. 135 crore is taken into account in Total and Others but this is not included in the country-wise details. There were no crude oil exports from Bombay High in subsequent years.

(b) Exports of Petroleum Products amounting to Rs. 510 crore in 1985-86, Rs. 411 crore in 1986-87, Rs. 649 crore in 1987-88, Rs. 505 crore in 1988-89 and Rs. 697 crore in 1989-90 are taken into account in Total and Others but these are not included in country-wise details.

(c) Figures in the brackets indicate percentages to total.

(d) The total figures for 1988-89 are partially revised (PR).
P = Provisional.
Source: DGCI & S.

deficit with Japan from Rs. 472 crore during 1988-89 to Rs. 93 crore during 1989-90. There was a slowing down of both export and import growth, the deceleration being more pronounced in the latter. The trade deficit with other OECD countries declined by 51.3 per cent to Rs. 298 crore, as a result of a substantial increase in exports and a cutback in imports from these countries.

The OPEC group of countries have been losing importance in India's foreign trade over the years. India's dependence on imports of POL is the most important determinant of merchandise transactions with these countries. As such, their share in India's imports which was as high as 27.8 per cent in 1980-81, the year following the second oil shock, fell to 17.4 per cent in 1985-86 and further to 14.3 per cent in 1989-90. The share of these countries in India's exports has also been declining, though not as sharply, from 11.1 per cent in 1980-81 to 7.7 per cent in 1985-86 and to 6.7 per cent in 1989-90. The trade deficit with the countries of this group declined during 1986-87 but has been rising thereafter. During 1989-90, the trade deficit widened by 25.1 per cent to Rs. 3,233 crore. The trade deficit with Saudi Arabia narrowed by Rs. 550 crore due to a sharp decline of 23.6 per cent in imports. However, a relatively subdued growth of exports and a massive increase in imports led to a substantial widening of the trade deficit with the UAE (by Rs. 283 crore), Kuwait (by Rs. 595 crore), Iran (by Rs. 218 crore) and Iraq (by Rs. 194 crore) which counterbalanced the improvement in trade balance with Saudi Arabia and resulted in a higher trade deficit for the group as a whole.

The trade surplus with the East European countries which had declined during 1987-88, resumed a strong uptrend in the succeeding two years. During 1989-90, the trade surplus surged by 66.5 per cent to Rs. 2,346 crore. This was attributable to the relatively stronger growth of 59.0 per cent in exports as against a growth of 53.6 per cent in imports. The sharp increase in exports was associated with the repayment of technical credits as trade agreements which govern trade with these countries drew to a close. The USSR, which accounts for the bulk of India's trade with the region, is also India's second largest export market, after the USA. While imports from the USSR rose by 62.0 per cent, export growth was relatively higher at 71.1 per cent. As a result, India's trade surplus with the USSR nearly doubled to Rs. 2,425 crore during 1989-90. India's trade deficit with developing countries has been declining since 1985-86, but for 1988-89 when there was an increase. During 1989-90, the trade deficit declined by 8.0 per cent to Rs. 1,768 crore. The trade deficit with developing countries of Asia (excluding SAARC) and Africa declined, while the trade surplus with SAARC countries rose by Rs. 199 crore.

Import Licences:

Import licences issued are classified by major categories and sectors and are presented in Table X-8. The interpretation of these data, as in the past, is subject to the following limitations:

(a) the validity of different categories of licences ranges between one or two years.

(b) extension is granted in some cases in the period of validity or revision is effected in the value of licences and

(c) there is some revalidation of licences issued earlier.

In the context of these limitations, it is not possible to correlate the data on actual imports in a given period with the import licences issued. However, a broad trend of the relative importance of licensing in the import trade of the country may be discernible from the data. During 1989-90, the ratio of value of licences issued to overall imports rose further to 52.6 per cent from 48.9 per cent in 1988-89. Since the lag between the issue and utilisation of licences is not uniform, the ratio too, has to be interpreted with caution.

For the Seventh Plan period, there has been a substantial rise in the value of licences issued and these rose at an annual compound rate of 17.7 per cent as compared with that of 14.4 per cent recorded during the Sixth Plan Period. This higher growth may be attributed to liberal policy stance adopted since the mid-eighties and substantial growth rate in exports. During 1989-90, the value of licences issued increased by 35.1 per cent to Rs. 18,634 crore from Rs. 13,797 crore as against an increase of 32.5 per cent in

1988-89. The rise was mainly due to Rs. 2,040 crore increase in the value of licences issued to the category of 'Others'. Licences under the category of 'Others' include, 'Ad-hoc Licences', 'Customs Clearance Permits', 'Director General of Supplies and Disposals Contracts', 'Blanket Licences', 'New Comers', etc., and these accounted for 42.2 per cent of the total increase in value of licences issued during 1989-90. Licences issued to Indian Airlines for imports of Air buses and spare parts of Rs. 2,251 crore alone accounted for 90.5 per cent of the total value of licences issued under this category.

imprest licences and import-export pass book scheme), imprest licences, additional licences, duty free licences and licences against deemed exports. Licences issued to Registered Exporters rose by 24.4 per cent to Rs. 10,535 crore and accounted for 56.5 per cent of the total licences issued during 1989-90, as against 61.4 per cent in 1988-89. Within the category of Registered Exporters, REP licences increased by 19 per cent to Rs. 3,500 crore and imprest licences increased by 28.1 per cent to Rs. 3,180 crore and together accounted for 63.4 per cent of the licences issued to this category.

Table X-8 : Value of Import Licences Issued : Classified by Major Categories and Sectors 1988-89 and 1989-90

(Rs. crore)

Category	Government Sector		Private Sector		Total	
	1988-89	1989-90	1988-89	1989-90	1988-89	1989-90
1	2	3	4	5	6	7
1. Actual Users (Industrial)	69	22	21	13	90	35
	(1.9)	(0.4)	(0.2)	(0.1)	(0.7)	(0.2)
2. Actual Users (Non-Industrial)	31	9	13	19	44	28
	(0.9)	(0.2)	(0.1)	(0.1)	(0.3)	(0.2)
3. Raw Materials for Scheduled Industries	746	1,160	936	1,546	1,682	2,706
(DGTD Units)	(21.0)	(21.0)	(9.1)	(11.8)	(12.2)	(14.5)
4. Small Scale Industries	—	—	83	141	83	141
			(0.8)	(1.1)	(0.6)	(0.8)
5. Registered Exporters	715	691	7,754	9,844	8,469	10,535
	(20.2)	(12.5)	(75.7)	(75.1)	(61.4)	(56.5)
6. Capital Goods/Heavy Electrical Plants	1,420	1,492	1,136	1,150	2,556	2,642
	(40.0)	(27.0)	(11.1)	(8.8)	(18.5)	(14.2)
7. State Trading Agencies	426	60	—	—	426	60
	(12.0)	(1.0)			(3.1)	(0.3)
8. Others*	142	2,100	305	387	447	2,487
	(4.0)	(37.9)	(3.0)	(3.0)	(3.2)	(13.3)
Total	**3,549**	**5,534**	**10,248**	**13,100**	**13,797**	**18,634**

* : 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 : Figures in parenthesis are percentages to the value of total licences issued during the years.

Source : Chief Controller of Imports and Exports.

Licences issued to Registered Exporters comprise replenishment licences (REP), licences under the Duty Exemption Scheme (advance licences, intermediate advance licences, special

Licences issued to Actual Users (Industrial), Actual Users (Non-industrial) and Small Scale Industries, taken together, at Rs. 204 crore registered a further decline of 6.0 per cent over

and above that of 61.3 per cent recorded in 1988-89. Licences issued to scheduled industries for imports of raw materials, on the other hand, at Rs. 2,706 crore recorded a significant rise of 60.9 per cent as against 1.9 per cent in 1988-89. During 1989-90, licences for Capital Goods/ Heavy Electrical Plants increased marginally by 3.4 per cent and at Rs. 2,642 crore accounted for 14.2 per cent of total licences issued during the year. Licences issued to State Trading Agencies declined significantly by 85.9 per cent to Rs. 60 crore from Rs. 426 crore in 1988-89.

The data on import licences classified according to the sectors indicate that licences issued to Government sector rose by 55.9 per cent to Rs. 5,534 crore and accounted for 41.0 per cent of the total increase in value of import licences issued during 1989-90. Consequently, this sector's share rose to 29.7 per cent from 25.7 per cent in 1988-89. Within the Government sector, residual licences under the category of 'Others' accounted for the largest share of 37.9 per cent followed by licences for Capital Goods/ Heavy Electrical Plants (27.0 per cent) and Raw Material for Scheduled Industries (21.0 per cent). Licences issued to private sector rose by 27.8 per cent to Rs. 13,100 crore from Rs. 10,248 crore in the preceding year. Within this category, licences to Registered Exporters at Rs. 9,844 crore rose by 27.0 per cent and accounted for 73.3 per cent of the total increase in import licences issued to the private sector during 1989-90. The share of licences issued to Registered Exporters in the total licences issued to private sector continued to be predominant at 75.1 per cent. Licences issued for Raw Materials for Scheduled Industries (DGTD Units) rose by 65.2 per cent to Rs. 1,546 crore from Rs. 936 crore in the previous year.

II. DEVELOPMENTS IN FOREIGN TRADE POLICY

Export Promotion Measures

Over the decade of the eighties, commercial policy has shed the preoccupation with import substitution that characterised the preceding decades and has acquired a clearly perceptible orientation towards export promotion. This has involved the setting in motion of an incremental and cumulative process of liberalisation with regard to access to imported inputs and technology. The rationale underlying this policy stance has been to improve the competitiveness of exports in overseas markets by upgrading technologies in the exports sector, raising productivities in terms of value addition and augmenting production capabilities. As a part of this strategy, the various categories of import licences particularly those availed by registered exporters have been endowed with enhanced flexibility in terms of value limits as well as in terms of the types of imported inputs allowed. Further, since 1985, three year import-export policies have been announced so as to bring in a measure of stability and certainty and to enable the drawing up of long term export plans. Even these three-year policies have been subjected to continuous reviews and rationalisations and simplifications have been effected from time to time to improve administration of policies, bring in qualitative upgradation of the various incentives available to exporters and also allow better access to them. Mention was made in last year's Report of the announcement of the Import-Export policy for 1988-91 in March, 1988 built upon the stance adopted by the earlier policy. During the year under review,certain modifications therein were made so as to accentuate the emphasis on export promotion. Some of the important changes are given below:

1. Under the policy, 99 items of machinery were added to the list of Open General Licence (OGL). These relate to electronics, silk and tea. During the year, 74 items of plant and machinery required for manufacture of rubber and canvas footwear were placed under OGL at reduced rates of customs duty.

2. Actual industrial users were allowed to utilise replenishment (REP) licences and additional licences were issued to export and trading houses

for the import of limited permissible and canalised items subject to the furnishing of industrial licence/registration certificate and a declaration to the effect that (i) imported items will be used in the manufacture of the end-product and (ii) items imported are strictly in accordance with the terms and conditions of the industrial licence/registration certificate.

3. Goods manufactured and exported from customs bond against import licences (other than those containing export obligation) were made eligible for grant of special REP licences equal to 10 per cent of value addition subject to a minimum value addition of 33 per cent achieved in each consignment of export. Liberalisations were effected in the provisions for utilisation of flexibility available on REP/Additional licences in respect of specified non-ferrous items. Exporters of engineering goods and steel products availing of the facility of the International Price Reimbursement Scheme were made eligible for replenishment as permissible ordinarily. Import replenishment against export of cut and polished diamonds was tightened by raising minimum per carat realisation. It was also decided to grant diamond imprest licences without "Actual User" condition. Special replenishment rates were allowed for promoting exports of passenger cars and light commercial vehicles.

4. Under the Duty Exemption Scheme, a registered manufacturer—exporter having a minimum annual average domestic turnover of Rs. 15 crore during the preceding three licensing periods but having a nil or an insignificant export performance was also made eligible for issue of licence under the scheme, with import entitlement limited to 10 per cent of annual average domestic turnover.

A Sub-Committee on procedures was set up by the Board of Trade for the simplification of procedures for grant of advance licences.

The guarantee period under the Duty Exemption Scheme by a bank was reduced from five years to three years, and in the event of the obligations of the importer not being discharged within the time limit the guarantor bank (and importer) should either renew the validity of the guarantee or pay the amount demanded by the Government.

Holders of advance licences for export of engineering goods and chemicals were allowed to dispose of the imported material to any person on the basis of permission from licensing authority.

5. Intermediate Advance licence holders were permitted to make supplies to advance licence holders as well as to holders of Import-Export Passbooks. However, value addition was to be computed by taking into account the c.i.f. value of all imported inputs obtained. Norms were also tightened regarding endorsement about acceptance of supplies by ultimate exporters and authentication by licensing authority, before the intermediate manufactures could claim export incentive.

6. Merchant exporters of garments with minimum average exports of Rs. 50 lakhs (f.o.b) in the three preceding licensing years,were made eligible for the grant of Import-Export Pass books.

7. The facility of "deemed exports" was made available for supply of fitment items to Indian shipyards for installation on ocean going vessels.

The Import-Export policy, 1988-91, was terminated a year earlier and a new Import-Export policy, 1990-93, was announced on April 30, 1990, details of which are discussed in section V of this chapter.

During the year, the fiscal incentives available to exporters were rationalised and strengthened. Due attention was also devoted to the plugging of loopholes and the prevention of misuse of these promotional measures.

A new Cash Cmpensatory Support Scheme (CCS) was announced on April 1, 1989 with a period of validity of three years (1989-92). While

broadly continuing the framework of the earlier scheme, the new scheme extended CCS to 48 new products from the engineering, chemicals, sports goods, leather goods, textile and jute industries, handicrafts, carpets and agricultural products. In all, 283 items are now eligible for support under the scheme. CCS is now restricted to a cut-off point of 25 per cent of the net foreign exchange earned, measured as f.o.b. realisation net of import content. The latter is defined to include imports under licences for registered exporters. Higher rates have been prescribed for items with strong export potential. In jute items, a uniform rate of 12 per cent is applicable. In the case of handicrafts and sports goods the existing rate of CCS has been maintained. For leather and leather products, CCS rates have broadly been maintained, though for leather footwear, it has been reduced from 22 per cent to 20 per cent, while for some food items such as walnuts, honey, glucose, bakery products, etc., it has been decided not to grant CCS. CCS for the export of woollen fabrics, garments and hosiery and coir products was available upto March 31, 1990, while in respect of cotton textile items, the CCS rate will be valid upto December 31, 1991. During 1989-90, according to the revised estimates, disbursals under the scheme amounted to Rs. 1,775 crore as against Rs. 1,271 crore in 1988-89.

The Duty Drawback Scheme has been under continuous review and changes have been effected from time to time to compensate for increase in import duties, exchange rate variations and movements in international prices. On June 1, 1989, a new drawback schedule was introduced which included 16 more items and All-Industry rates were fixed for them. These include floppy diskettes, vacuum flasks, pickles, injection moulding machines, motor-cycles, etc. Duty drawback rates were increased in respect of 126 items from a wide range of industries especially where rates are on a specific basis. In the case of 52 items, increase in rates was more than 20 per cent, while in other cases, increases ranged from 10 per cent to 20 per cent. Items for which rates have been increased cover products of engineering, electronics, chemicals and processed food industries. For 70 items, existing rates were found to be realistic and were kept unchanged. These include readymade garments, drugs and pharmaceuticals, dyes and intermediates, cotton fabrics, etc. For 7 items, no rates were announced mainly due to lack of data and for 20 items, there was a marginal reduction in rates. The facility of reduced rates for certain industries where exporters avail of advance licence or Passbook Scheme benefits, has also been extended to a number of new products to obviate the need for brand rate application in individual cases. The total amount of drawback on exports paid in 1989-90 is estimated at Rs. 600 crore as against Rs. 500 crore in 1988-89.

A Simplified Payment Scheme was introduced under the International Price Reimbursement Scheme (IPRS) since May 8, 1989,under which specified exporters would be disbursed 75 per cent of their claims within 7 working days of the submission of claims. Significant modifications under the IPRS were brought into effect from March 1, 1990.

Minimum levels of value addition have been prescribed for engineering goods in order to qualify for reimbursement. To help exporters to fulfill the prescribed value addition, the new scheme provides for announcement of international prices on a monthly basis. The method of calculation of value addition has also been modified.

The exports sector has been completely exempted from income-tax under the provisions of Section 80HHC of the Income Tax Act, since April 1989. However, under the Union Budget, 1990-91, availability of the benefits of complete exemption of export proceeds from income tax has been made conditional to the realisation of export proceeds in convertible foreign exchange in the country within a period of six months or such extended period as the Income-tax authorities may allow. Similar condition applies to hotel-owners, tour operators and travel agents who are eligible for income-tax deduction under Section 80 HHD of the Income Tax Act.

Interest subsidy on both pre-shipment and post-shipment export credit given by banks has been raised by the Ministry of Commerce. The rate of interest subsidy on pre-shipment credit has been raised from 3 per cent to 5 per cent, and the rate of interest subsidy on post-shipment credit has been increased to 3.85 per cent from 3 per cent. According to the revised estimates, disbursements towards export credit development amounted to Rs. 295 crore in 1989-90 as against Rs. 100 crore originally budgeted.

As part of the strategy to boost exports, the Reserve Bank of India has given favourable consideration to the demands for extension of the normal transit period during which exporters are eligible to get post-shipment credit from the existing maximum period of 30 days. Commercial banks have also been advised to pay back 50 per cent of the utilised portion of the bank guarantee commission to exporters. The RBI has also allowed banks to give credit facility at the normal rate to exporters due to receive payments from countries facing balance of payments problems.

In view of the rising number of export and trading houses, these were required to obtain prior approval of the RBI to open offices abroad. Any export/trading house which has obtained prior permission of the RBI can use its blanket foreign exchange permit entitlement for expenditure on maintenance of overseas offices. The Reserve Bank of India has been undertaking periodic reviews of the per diem rates for foreign exchange released for travel abroad for business purposes. With effect from July 1, 1989, per diem rates for all group of countries were revised upwards. Exporteres are required to receive export proceeds through normal banking channels in accordance with the approved methods of payment. An exception was made for exporters with proven track records, who on application to the RBI could accept payment of export proceeds in the form of travellers cheques/banker's cheques/drafts/pay orders subject to a monetary ceiling of US $10,000 per shipment. With effect from December 12, 1989 the monetary limit for direct receipt of export proceeds has been enhanced to US $15,000, subject to the condition that the amount of currency notes should not be more than US $2,000. With effect from November 4, 1989, export credit refinance limits for scheduled commercial banks were scaled down from 100 per cent to 75 per cent of the increase in export credit are the monthly average for 1987. This measure was taken in the light of the oveall credit situation and the need to curtail the growth of reserve money.

The Blanket Exchange Permit Scheme has been further expanded. Exporters eligible for assistance and term loans under the Export Development Project were made eligible for the issue of blanket permits by the RBI, subject to the terms and conditions contained in the original letter issued by the operating institution.

The EXIM Bank continued to play a pivotal role in promoting project exports such as construction projects, turnkey projects and consultancy services. During 1989-90, its sanctions rose by 12.4 per cent to Rs.955 crore from Rs. 850 crore in 1988-89. Utilisations at Rs. 887 crore were higher by 21.5 per cent. The EXIM Bank has also set in place a Project Preparatory Services Overseas Programme under which loans/grants are available for using Indian consultancy inputs at preparatory stages in overseas projects. The focus of the programme is on projects which have potential for ultimate financing by multilateral agencies and on projects in thrust countries and thrust sectors in India's exports.

Project exports have been given a conducive

environment for growth. Such projects are entitled to assistance to the extent of 10 per cent of net foreign exchange earnings from the service portion of the contracts and a 50 per cent subsidy for submission of tenders. Market development assistance for reimbursement of 50 per cent of cost of preparing and submitting of bids is also available. The facility of deferred payment has also been extended to Indian firms to promote project exports and consultancy services.

The Export Credit Guarantee Corporation has liberalised the cover policy for exports to Iraq and Iran with effect from October 17, 1989. Open cover has been made availbale for all short-term exports, i.e., payment for which is within 180 days, supported by irrevocable letters of credit. Exports on other terms of payment require a case-by-case approval. Waiting period for claims has been reduced from 6 months to the standard period of 4 months.

The facility of supply of raw materials at international prices has been extended to all major export sectors. Public sector units are required to reserve 15 per cent of their total production of raw materials for supply to such units against firm export contracts. It has also been decided to provide facilities of power supply to export units. Those who export 25 per cent or more of their production and want to install captive generating units would be supplied with diesel oil at cheaper rates.

A warehouse for stocking engineering goods at Rotterdam for off-the shelf sale has become functional.

The list of thrust sectors was expanded to 15 with the inclusion of granite.

The Board of Trade set up by the Ministry of Commerce in May 1989 was reconstituted on February 23, 1990.

Other Measures

With the priority accorded to export promotion in overall balance of payments management, recourse to export control has been progressively diminishing. Export control is limited to a few items which are essentially needed within the country or which are important in the interests of conservation of natural resources and environmental protection. Export control is exercised in accordance with the provisions of the Export (Control) Order, 1988. Only items in Schedule I thereof are under control and cannot be exported unless covered by a valid licence. All other goods can be freely exported unless coming under the purview of any other law in force. The Export (Control) Order also provides certain exceptions and concessions in terms of which certain items can be exported to a limited extent without licence. There is no discrimination between export destinations. However, exports to the South Africa and Fiji are banned.

The few controls that exist comprise stipulations in respect of minimum export prices, quality control, canalisation, restriction or banning, etc. Important notifications on export control issued during the period April 1989 to March 1990 are covered in Appendix I-A. During the year 1989-90, exports of safflower seeds, nylon filament yarn, semi-processed hides and skins, viscose staple fibre, peacock tail feathers, barley and high performance viscose staple fibre were allowed within a specified ceiling, while exports of Psyllium seeds, silk goods, vegetable seeds, micronutrient fertilisers and mixtures thereof, ivory articles, galvanised sheets, sandalwood in the form of dust, chips, flakes and powder, other extractions (solvent extracted oilmeals), niger seeds, small onions and iron ore of Goa origin were allowed under OGL subject to certain conditions. Exports of polyester staple fibre and fresh forzen silver pomfrets were decontrolled during the year, while those of exotic birds, clinker and mulberry silkwaste were allowed on merits.

Exports of machine-finished sandalwood products, non-basmati rice, basmati rice, silk carpets, mulberry dupion silk, wheat bran, flue cured virginia tobacco, jaggery and buffalo meat were allowed subject to conditions like minimum export price, registration of contract with appropriate authority or on fulfilment of required financial/administrative conditions. The minimum export price for exporting non-

basmati rice was fixed at Rs. 6,000 per metric tonne (f.o.b.) while that for basmati rice was raised from Rs. 8,000 to Rs. 9,500 per metric tonne (f.o.b.). In case of jaggery, a minimum export price of Rs. 8,000 per metric tonne (f.o.b.) was fixed.

During 1989-90, exports of manganese ore (excluding chemically processed manganese-di-oxide) was canalised through Minerals and Metals Trading Corporation under Open General Licence, whereas in the case of silk carpets with hundred per cent natural silk pile, affixation of 'Silk Mark' by the Central Silk Board was made compulsory. Also, a ban was placed on exports of readymade garments/dress materials imprinted with excerpts or verses of the Quran.

Mica scrap and waste was exempted from export duty in order to boost exports thereof (Appendix I-B).

Import Policy Changes

Within the parameters of the balance of payments constraint facing the country over the past few years, a major emphasis in import policy has been on strengthening the impulses for growth and exports with a measure of prioritisation. Consequently, substantial concessions have been built into the import duty structure in favour of inputs for export production. At the same time, it has been found necessary to provide duty relief to sectors such as small scale industry, agriculture and environmental pollution. Concessional import duties have also been prescribed in relation to import requirements which go to improve the quality of life. Changes announced in import duties during 1989-90 are presented in Appendix II-B and a resume of the major changes in import duties is presented below.

Specified goods imported for manufacture of jute belt were exempted from basic customs duty in excess of 35 per cent and the whole of additional and ancillary duties. Certain specified items for use in leather industry were exempted from basic duty in excess of 40 per cent ad valorem and auxiliary duty in excess of 5 per cent ad valorem. Cuprammonium filament yarn was completely exempted from basic duty. Concentrated dispersion of colouring matter polypropyline for the manufacture of polyproplyene multi-filament yarn was exempted from basic duty in excess of 70 per cent ad valorem, subject to certain conditions. Likewise, basic duty on paraxylene was reduced to 35 per cent ad valorem. Butadiene used for manufacture of synthetic rubber was exempted from customs duty in excess of 40 per cent and whole of additional duty. An auxiliary duty of 5 per cent was, however, levied. Tags, labels, printed tags and stickers imported for use of export goods were exempted from the whole of basic and additional customs duties.

The Union Budget for 1990-91 also provided many relaxations in customs duties with a view to strengthening the momentum of export growth. Specified iron and steel melting scrap, hot-rolled stainless steel coils, seamless hot finished pipes and tubes of stainless steel were exempted from basic customs duty in excess of 20 per cent, 40 per cent and 60 per cent ad valorem, respectively. Furthermore, specified machinery and equipment for forged hand tool industry, for rubber belting industry, sea food/food processing equipments, heat recovery system and automatic cycle multi-surface grinding machines, quality control equipment, fill seal machinery for pharmaceutical industry used in packaging and specified liquid nitrogen plants used in artificial insemination centres for cattle breeding were exempted from basic customs duty in excess of 35 per cent and the whole of additional duty. Several concessions on items like computer equipments, accompanying system software (other than floppy diskettes), spare parts of computers and start-up spares were announced to boost computer software industry.

As mentioned earlier, certain concessions in import duty have been effected to provide for qualitative upgradations in the standard of living. To upgrade facilities at airports, customs duty in excess of 25 per cent and the whole of additional duty were exempted on navigational communication, air traffic control and landing equipments. Specified goods for the purpose of search, rescue, investigation, repairs, salvage of

damaged aircrafts, consumable goods imported by public funded research institutions under the Departments of Space, Defence and Atomic Energy, recorded magnetic tapes imported by University Grants Commission for the use in computers, specified items imported for manufacture of laser and laser-based instrumentations, alatheon and copper wire for the manufacture of Copper-T contraceptives, sports goods and sports equipments imported by National Sports Federation, Sports Authority of India or sports person of outstanding eminence, gift goods, supplies and equipments imported by CARE (Co-operative for Amercian Relief Everywhere) are exempted from the whole of basic, additional and auxiliary customs duties. Certain parts of scientific instruments and apparatus, 49 specific goods for offshore oil exploration/exploitation, specified iron and steel melting scrap, specified dyes for manufacture of synthetic industrial diamonds, newsprint for printing of newspapers, books and periodicals and pulses have attracted concessions in basic duty and/or additional and auxiliary duty during the course of the year.

Basic customs duty was raised by 2 per cent on imports of computer software, aluminium ingots, polyester film, vegetable saps and extracts used for homeopathic medicines, LDPE based sheathing compound or insulation compound, VP latex, waste paper and waste paper board and aluminium ingots attracted higher rates of duty (Appendix II-B).

The structure of import duties has been under continuous review and efforts towards simplification of the widely dispersed rate structure have culminated in the measures undertaken under the Union Budget 1990-91, whereby the total of basic and auxiliary duty rates have been placed in a limited number of slots in the range of zero to 125 per cent in respect of most items.

Import control was introduced in India in 1940, primarily as a war time measure to conserve foreign exchange resources and reduce the pressure on limited shipping space. Over the years, the scope of import control has been expanded from 68 commodities to practically all commodities, which appear in Schedule I of the Import (Control) Order, 1955. Import control has developed into a powerful instrument of directing imported inputs into desirable channels of production activity. Changes in import control embody the ruling priorities in the approach of policy towards foreign trade.

During the year under review, the main focus of import control measures was on the augmentation of import capacities of exporters, simplification and rationalisation of procedures in relation to licences available to them. Several items of plant and machinery required for silk industry, tools, testing equipment for computer systems, educational, scientific and technical books to be imported by universities, national and state libraries, Research and Development Units and professionals, audio visual material, etc., were allowed to be imported unde OGL. In order to contain the imports of certain items related to consumption such as components for consumer durables were deleted from the OGL list and added to restrictive list (Appendix II-A).

III. SPECIALISED FOREIGN TRADE AGENCIES

State Trading Corporation of India (STC)

The State Trading Corporation of India (STC) plays an important role in the country's foreign trade as a major canalising agency for exports and imports. During 1989-90, exports by the Corporation increased by 41.9 per cent to Rs. 752 crore as against a decline of 8.6 per cent during 1988-89. Imports, on the other hand, declined further by 47.7 per cent to Rs. 1,070 crore on top of a decline of 33 per cent in 1988-89. The significant decline in imports for the second year in succession has been primarily due to reduced imports of edible oils, fatty acids, sugar, chemicals, etc.(Table X-9)

Exports:

During 1989-90, canalised exports at Rs. 135 crore rose by 73.1 per cent from Rs. 78 crore in the previous year. The increase in exports under this head were achieved in respect of almost all commodities viz., castor oil, alcohol, molasses,

TABLE X-9 : EXPORTS AND IMPORTS BY STC-MAJOR ITEMS

(Rs. crore)

Items	1988-89	1989-90
1	2	3
A. Exports		
I. Canalised		
Sugar	20	16
Castor oil	41	..
Alcohol	..	21
Molasses	..	12
Jute goods	..	..
Opium	..	9
Total I	**78**	**135**
II. Non-Canalised		
Coffee and instant coffee	..	11
Tobacco	..	12
Tea	14	5
Food grains (excl. rice)	..	..
Rice	..	82
Footwear components	51	43
Leather goods and garments	11	12
Finished leather	10	9
Semi-processed leather	2	4
Engineering products and construction material	14	2
Drugs and chemicals	1	70
Fresh and process food	61	3
Meat and marine products (incl. dry and frozen fish)	..	4
Extractions	45	38
Castor oil	..	..
Jute goods	10	..
Consumer products	11	18
Others	276	290
Total II	**448**	**603**
Total I+II	**526**	**738**
Special Trading Arrangements (Off-shore Trading)	**4**	**14**
B. Imports (Sales Value)		
I. Canalised		
Edible oils	784	200
Sugar	—	—
Natural rubber	84	45
Newsprints	233	259
Fatty acids	87	11
Chemicals	39	12
Drugs & pharmaceuticals	2	1
Others	761	517
Total I	**1,990**	**1,045**
II. Total Non-Canalised	**55**	**25**
Total (I + II)	**2,045**	**1,070**

jute goods and opium. During 1989-90, the share of canalised exports in total exports improved to 18.0 per cent from 14.7 per cent in the previous year. Non-canalised exports, on the other hand, at Rs. 603 crore rose by 34.6 per cent from Rs. 448 crore in 1988-89. Items contributing to this increase were rice, spices, sports goods, consumer products, jute goods and castor oil. The share of non-canalised exports in the total exports declined from 84.5 per cent to 80.2 per cent in 1989-90.

Imports:

During 1989-90, imports of canalised items declined by 47.5 per cent to Rs. 1,045 crore from Rs. 1,990 crore in the previous year. Items which showed a significant decline during the year were edible oils, natural rubber, fatty acids, chemicals, etc. Decline in imports of edible oils alone accounted for 59.9 per cent of the decline in total imports. Non-canalised imports during the year declined by 54.5 per cent to Rs. 25 crore from Rs. 55 crore during 1988-89.

Minerals and Metals Trading Corporation (MMTC)

The Minerals and Metals Trading Corporation (MMTC), the main canalising agency for exports of major minerals and imports of critical raw materials like non-ferrous metals, fertilisers and steel, recorded a sizeable increase in its turnover to Rs. 5,097 crore during 1989-90 from Rs. 3,880 crore in 1988-89.

During the year, exports increased by 31.5 per cent to Rs. 1,148 crore from Rs. 873 crore in 1988-89. Canalised exports at Rs. 623 crore increased by 30.3 per cent and accounted for a

Table X-10 : Exports and Imports by MMTC-Major Items

(Rs. crore)

Items	1988-89 (Actuals)	1989-90 (Actuals)
1	2	3
A. Exports		
I. Canalised		
Iron ore	381	497
Manganese ore	14	38
Chrome ore	62	67
Coal	17	14
Others	4	7
Total - I	**478**	**623**
II. Non-Canalised		
Iron ore concentrates	45	61
Diamonds, gem stones and gold jewellery	54	128
Off-shore trade	24	14
Counter trade	214	211
Project exports	33	74
Others	25	37
Total - II	**395**	**525**
Total (I + II)	**873**	**1,148**
B. Imports		
I. Canalised		
Non-ferrous metals	**1,049**	**998**
Steel	**732**	**760**
IRM	**77**	**91**
Fertilisers	**1,072**	**2,026**
Total - I	**2,930**	**3,815**
II. Non-Canalised		
Diamonds	29	27
Mercury (Flasks)	4	1
Antimony metal	3	1
Others	5	71
Total - II	**41**	**100**
Total (I + II)	**2,971**	**3,915**

share of 54.3 per cent, while non-canalised exports rose by 32.9 per cent to Rs. 525 crore. During 1989-90, imports turnover at Rs. 3,915 crore recorded an increase of 31.8 per cent as compared with that of 39.0 per cent in the previous year. Canalised imports increased by 30.2 per cent to Rs. 3,815 crore in 1989-90, and accounted for 97.4 per cent of the total imports. Non-canalised imports increased by 43.9 per cent to touch a level of Rs. 100 crore as against 32.0 per cent decline during the previous year. The domestic turnover declined marginally to Rs. 34 crore in 1989-90.

Iron ore, manganese ore, chrome ore and coal were the important commodities under canalised exports. Exports of iron ore increased by 30.4 per cent to Rs. 497 crore in 1989-90 from Rs. 381 crore in the previous year and accounted for 43.3 per cent of the total exports. Exports of chrome ore and manganese ore at Rs. 67 crore and Rs. 38 crore,respectively were other major items of exports. Amongst non-canalised export items, exports of cut and polished diamonds, gem stones and jewellery increased sharply to Rs. 128 crore in 1989-90 from Rs. 54 crore in the previous year. Project exports more than doubled to Rs. 74 crore in 1989-90. Off-shore trade, however, declined steeply to Rs. 14 crore during 1989-90 from Rs. 24 crore in 1988-89, representing a decline of 41.7 per cent over the year. Counter trade exports declined marginally to Rs. 211 crore in 1989-90 from Rs. 214 crore in the previous year.

As far as imports are concerned, the major items were non-ferrous metals, steel, fertilisers, and industrial raw materials. The imports of non-ferrous metals declined marginally from Rs. 1,049 crore in 1988-89 to Rs. 998 crore in 1989-90 due to decrease in imports of nickel, aluminium and antimony metal. Similarly, steel imports recorded a decline of Rs. 32 crore to Rs. 700 crore. Imports of fertilisers almost doubled from Rs. 1,072 crore in 1988-89 to Rs. 2,026 crore. Imports of industrial raw materials also showed a rise of 18.2 per cent and amounted to Rs. 91 crore as compared with Rs. 77 crore in the previous year. Under non-canalised items, the import of diamonds declined from Rs. 29 crore in 1988-89 to Rs. 27 crore in 1989-90. **(Table X-10)**

Trade Development Authority (TDA)

The Trade Development Authority (TDA), an export promotion institution under the Ministry of Commerce, strives to promote exports through its multi-dimensional services to exporters. The main objectives of the organisation are to (i) identify and nurture specific products with long range export growth prospects; (ii) identify and nurture technically competent and export-worthy production units mainly in the small and medium scale sectors; (iii) locate and cultivate specific buyers in select overseas markets which have increasing trade potential; (iv) bring about durable merchandising contacts between select Indian suppliers and overseas buyers; (v) provide package of services to execute such contracts and (vi) organise trade intelligence on modern lines. The TDA acts mainly as a catalyst and strives to concentrate on specific products, specific exporters, specific markets and specific buyers without entering into direct commercial transaction by itself.

During 1989-90, the TDA successfully organised four India Promotion Programmes with Department Stores abroad for development of exports in selected markets for selected products. These were with Liberty Department Store, London, UK; Metro Department Store, Singapore; EL Corte Ingle Department Store, Spain and Coin Department Store, Italy. The successful launching of these programmes resulted in purchase of Indian merchandise worth Rs. 28.68 crore by those stores. The TDA also organised buyer-seller meets for auto parts in Australia and for garments and accessories in Japan which generated export orders worth Rs. 13.82 crore and serious enquiries amounting to Rs. 31.73 crore.

The TDA continued to assist a large number of Indian manufacturers and exporters in publicising their products abroad through specialised overseas trade fairs and exhibitions. During 1989-90, it participated in nine such

fairs; (i) Electroshow 1989, USA, (ii) Asian Automative & Accessories Exhibition, Singapore, (iii) International Automobile Austelling for Automobiles & Accessories, Frankfurt, West Germany, (iv) 19th Kobe Import fair, Kobe, Japan, (v) WESCON fair 1989, San Francisco, USA, (vi) International Cycle & Motor Cycle Exhibition, Milan, Italy, (vii) Singapore Informatics 1989, Singapore, (viii) Japan Tex 1989, Tokyo, Japan and (ix) Fiarex 1989, Amsterdam, Netherlands. These programmes resulted in export orders worth Rs. 31.81 crore, export enquiries of the order of Rs. 42.98 crore and spot retail sale worth Rs. 1.69 lakh. Furthermore, with a view to promoting specific products in foreign markets which offer export potential, the TDA organised five Contact Promotion Programmes/Integrated Marketing Programmes, viz., (i) Consumer Electronic Products in Nigeria, Kenya and Mauritius, (ii) Hand and garden tools in the West Coast of the USA, (iii) Leather goods in Australia and New Zealand, (iv) Electro-Mechanical component in the UK, FRG and France and (v) Electronic components in the USA. Under these programmes, the delegations consisting of exporters and experts in the industry were sponsored.

During the year, the TDA prepared Action Plans for promoting exports from the States of Uttar Pradesh, Andhra Pradesh and Madhya Pradesh and also supply study reports in respect of processed food and vegetables, electronic equipment and components and perfumes and perfumery products.

In the field of dissemination of information on exports, the TDA organised displays of foreign products, and catalogues at seven business centres in India. It also arranged workshops and seminars for the benefits of exporters.

Handicrafts and Handlooms Export Corporation (HHEC)

The Handicrafts and Handlooms Export Corporation of India (HHEC) was set up in 1962 as a wholly owned subsidiary of the State Trading Corporation of India (STC) with the twin objectives of export promotion and trade developments of handicrafts and handloom products. The HHEC's exports include handicrafts, handloom fabrics, readymade garments, gold jewellery and silver jewellery/ articles. The products handled by HHEC are generally manufactured by artisans in their homes or in cottage industry.

During the year 1989-90, the HHEC's exports rose marginally by 2.6 per cent to Rs. 77.4 crore from Rs. 75.4 crore in 1988-89. Commodity-wise, exports of gold jewellery at Rs. 48.2 crore accounted for 62.3 per cent of its total exports and recorded a rise of 8.0 per cent over those of Rs. 44.6 crore during 1988-89. Readymade garments exports at Rs. 12.3 crore rose by 31.6 per cent and their share in total exports improved from 12.4 per cent in 1988-89 to 15.9 per cent in 1989-90. Exports of handlooms and carpets were almost stagnant at Rs. 14.9 crore while those of handicrafts declined sharply by 68.7 per cent to Rs. 1.9 crore.

For 1990-91, the HHEC has set a target of Rs. 87.9 crore representing an increase of 13.6 per cent over the exports during 1989-90.

Cashew Corporation of India (CCI)

The Cashew Corporation of India (CCI) was set up in 1970 as a fully owned subsidiary of State Trading Corporation of India with an objective of serving as a canalising agency for import of raw cashewnuts so as to assist the export-oriented units in the cashew industry. However, the decanalisation of imports of raw cashewnuts in April 1981 and the subsequent inclusion of such imports under OGL reduced its role in imports of raw cashew. Since then, the Corporation concentrated its efforts on export activities.

Exports of cashew kernel by the Corporation during the year 1989-90, declined marginally by 7.5 per cent to Rs.7.9 crore from that of Rs.8.5 crore during the preceding year. While the quantity of cashew kernel exported by the Corporation declined by 9.1 per cent to 899 tonnes, unit value realisation improved marginally by 1.8 per cent to Rs.87.35 per kg from that of Rs.85.83 per kg during 1988-89. The Corporation's share in India's total exports of cashew kernel continues to be minuscule. Japan, Hongkong, Australia, France and Kuwait were its major markets accounting for a

share of 76.0 per cent in its total cashew kernel exports. For the year 1990-91, the Corporation plans to export Rs.12.0 crore worth of cashew kernel.

Mica Trading Corporation of India (MITCO)

The Mica Trading Corporation of India (MITCO), a subsidiary of the Minerals and Metals Trading Corporation of India (MMTC), is the canalising agency for the export of processed mica. During 1989-90, the Corporation exported mica (including mica products) valued at Rs.31.8 crore, recording an increase of 27.8 per cent over that in the preceding year. The share of exports to rupee payment countries in the total exports effected by MITCO was significant at 45.3 per cent.

During the year 1989-90, the Corporation undertook several promotional measures, such as participation in buyer-seller meets, utilisation of MMTC foreign offices for marketing assistance and rationalisation of prices of different grades/varieties of mica. The Corporation continued its endeavour of promoting value-added mica products by further developing capacities for value added finished products based on mica.

Free Trade Zones

The six Export Processing Zones (EPZs) continued to perform well reflecting the buoyancy in the export atmosphere in the country. However, in comparison with the preceding year, there was a deceleration in the growth rates of exports from these zones, during 1989-90. Exports from all these zones, taken together, at Rs. 735.6 crore registered an increase of 42.6 per cent, which was somewhat lower than the increase of 55.6 per cent during the preceding year. The share of exports from the EPZs in India's total exports, however, improved marginally from 2.5 per cent in 1988-89 to 2.7 per cent during 1989-90.

Exports from the new EPZs, i.e. Madras, Falta, Noida and Cochin, taken together, rose by 82.7 per cent. As a result, they improved their share in total exports from all the EPZs to 14.8 per cent as against that of 11.6 per cent in 1988-89. However, exports from Noida Export Processing Zone alone accounted for 47.7 per cent of the total exports from these new zones during 1989-90, thereby, reflecting the slow progress in the remaining three zones (i.e., Madras, Falta and Cochin).

The number of units operating in the zones rose from 309 in 1988-89 to 369 during 1989-90. However, about 78.0 per cent of the new units were established in the new zones with Noida export processing zone alone accounting for a share of 55.0 per cent. (Table: X-11)

Kandla Free Trade Zone (KAFTZ)

Kandla Free Trade Zone (KAFTZ), the premier multi-product Free Trade Zone was established in 1965. Exports from KAFTZ during 1989-90 rose by 24.9 per cent to Rs.338.5 crore as against a rise of 47.0 per cent during the preceding year. Exports from KAFTZ accounted for a share of 46.0 per cent of the total exports from all the export processing zones during 1989-90.

The items exported from the zone include light engineering goods, stainless steel utensils, pharmaceuticals, spectacle frames, garments, knitwears, PVC hoses and pipes, pesticides, sports goods, transformer oil, industrial garments, coke oven equipments, perfumes, cosmetic and toiletrics, woollen pullovers, soaps and detergents, castor oil, compressors, carpets, high pressure hydraulic jetting equipments, etc. Though exports from the zone were spread over about 50 countries, the Soviet Union continued to be its largest buyer with a share of 84.4 per cent in total exports from KAFTZ during 1989-90.

Santacruz Electronics Exports Processing Zone (SEEPZ)

The Santacruz Electronics Export Processing

Table X-11: Performance of Free Trade Zones

(Rs. crore)

Zones	Exports			No. of Units operating as on March 31, 1990
	1987-88	1988-89	1989-90	
1	2	3	4	5
1. Kandla Free Trade Zone	185.0	271.0	338.5	137
	(55.8)	(52.5)	(46.0)	(37.1)
2. SEEPZ	108.3	185.2	288.2	96
	(32.7)	(35.9)	(39.2)	(26.1)
3. Madras EPZ	16.4	24.0	29.6	64
	(4.9)	(4.7)	(4.0)	(17.3)
4. Falta EPZ	1.9	8.1	16.4	8
	(0.6)	(1.6)	(2.2)	(2.2)
5. Noida EPZ	16.0	21.3	51.9	48
	(4.8)	(4.1)	(7.1)	(13.0)
6. Cochin EPZ	3.9	6.2	11.0	16
	(1.2)	(1.2)	(1.5)	(4.3)
Total	**331.5**	**515.8**	**735.6**	**369**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**
Variation over previous year	–8.1	+55.6	+42.6	**+19.4**

Note: Figures in brackets represent percentage share in total.

Zone (SEEPZ) was established in 1974 exclusively for augmenting the exports of electronic goods. However, a gems and jewellery complex was also established in the zone in 1987-88. During 1989-90, exports from the zone at Rs. 288.2 crore rose significantly by 55.6 per cent from that of Rs. 185.2 crore in the preceding year. While exports from this zone accounted for a share of 39.2 per cent in the total exports effected from all the EPZs, its contribution to the total increase in exports from all the export processing zones was 46.9 per cent during 1989-90.

Electronic exports at Rs.200.8 crore constituted 69.7 per cent of the total exports from this zone, while gems and jewellery exports at Rs.87.4 crore accounted for the balance of 30.3 per cent. During 1989-90, while electronics exports rose by 17.0 per cent, gems and jewellery exports increased by more than five fold. As regards direction of exports, the share of industrial countries in SEEPZs' total exports improved to 44.7 per cent from 35.7 per cent in 1988-89. The share to the East Europe and the USSR declined from 36.0 per cent in 1988-89 to 21.1 per cent in 1989-90. On the other hand, the share of the South & the East Asia improved from 26.9 per cent in 1988-89 to 31.8 per cent in 1989-90.

During 1989-90, with the addition of 9 new units the number of units operating in the zone increased from 87 to 96.

Madras Export Processing Zone (MEPZ)

Madras Export Processing Zone (MEPZ), established in 1984, is a multi-product zone exporting engineering goods, garments, perfumery, electronic goods, leather products, plastic and rubber, toys, musical instruments, etc. Exports from the zone during 1989-90, rose by 23.3 per cent to Rs. 29.6 crore from Rs.24.0 crore during 1988-89. Data on commodity-wise exports from the zone indicate that garments exports accounted for a share of 55.3 per cent in the total exports effected from the zone, while the share of engineering goods, chemicals and allied products and electronics was 14.0 per cent, 8.5 per cent and 13.1 per cent, respectively.

During 1989-90, nine new units were established in the zone taking the total number of operating units in the zone to 64. However, 12 units established in the zone during 1988-89 discontinued production during 1989-90. For the year 1990-91 the zone has fixed an export target of Rs.50 crore.

NOIDA Export Processing Zone (NEPZ)

NOIDA Export Processing Zone (NEPZ) which was established in 1984 has become the third largest export processing zone in the country in terms of value of exports. During 1989-90, exports from the zone at Rs.51.9 crore recorded a rise of 143.7 per cent as against a rise of 33.1 per cent in 1988-89. The share of exports from NEPZ in the total exports from all the export processing zones improved from 4.1 per cent in 1988-89 to 7.1 per cent during 1989-90. Principal exports from the zone include computer-cum-electronics, readymade garments, light engineering goods, etc.

Upto end—March, 1990, 158 units had been approved in the zone but only 48 units had actually begun production, while the remaining units were in various stages of implementation.

Falta Export Processing Zone (FEPZ)

Falta Export Processing Zone (FEPZ) was established in 1984 at Falta, near Calcutta. During 1989-90, exports from the zone doubled to Rs. 16.4 crore from Rs.8.1 crore in the preceding year and accounted for a share of 2.2 per cent in the total exports of all the EPZs. The number of units operating in the zone rose from 4 to 8 during the year under review. The units operating in the zone are engaged in the production of computer peripherals, tennis rackets,perfume fumigants, gold and diamond jewellery and latex hand gloves. Most of the exports originating from this zone are destined for East European countries.

For the year 1990-91, the zone has fixed an export target of Rs.20.0 crore.

Cochin Export Processing Zone (CEPZ)

Cochin Export Processing Zone (CEPZ) is a multi-product zone established in 1984. Till end-March 1990, 16 units had begun production and were engaged in diverse fields like essential oils, aromatic chemicals, spices oils and oleoresins, precious stones, tissue culture plants, readymade garments, etc. Exports from the zone during 1989-90, at Rs.11.0 crore rose by 77.4 per cent and accounted for a share of 1.5 per cent in total exports from all the EPZs. 56.0 per cent of the exports from the zone were directed to the rupee payment area.

The zone has set an export taget of Rs.16.5 crore for the year 1990-91.

100 per cent Export Oriented Units (EOUs)

The Scheme of 100 per cent Export Oriented Units (EOUs) was introduced in 1980 with a view to generating additional production capacity for exports by providing the appropriate policy framework and incentives. Such units are required to undertake manufacture under customs bond and export for a period of 10 years ordinarily and for 5 years in case of products having high degree of technological content. Liberal imports of machinery and raw materials free of customs duty and domestic requirements free of excise duty are also available for these units.

By end—March 1989, about 143 export oriented units were in operation. Total exports effected through these units rose sharply by 59.2 per cent, reaching Rs.390 crore during 1988-89 as against those of Rs.245 crore during the preceding year. During 1987-88 total exports from these EOUs had declined by 12.2 per cent.

A major restructing of the scheme was undertaken during 1987-88 to improve its effectiveness. The important measures undertaken include, permission to sell upto 25 per cent of the production in Domestic Tarrif Area (DTA), subject to payment of appropriate duties, on a case-by-case basis, tax holidy for a

continuous block of five years within eight year of commencement of production, and the decision to grant cash compensatory support (CCS) on physical exports at the rate of 50 per cent of the level applicable to units in the DTA.

In addition, the Government has decided to supply natural gas to EOUs at international prices.Under a similar policy decision, naphtha is being given to EOUs at international prices. Under the new industrial policy announced in 1990, EOUs with an investment upto Rs.75 crore have been delicensed. This would help to reduce expenditure and delays in implementation of EOU projects and also aid in faster clearance and commissioning of projects.

IV. TRADE AGREEMENTS AND ECONOMIC AND TECHNICAL COOPERATION AGREEMENTS

India's trade with various countries is governed by Economic and Technical Cooperation Agreements entered into at the inter-governmental level. These agreements provide the broad framework for promotion of bilateral trade during a given period. Annual protocols thereunder are signed after periodic reviews of trade complementarities and the changing international scenario of trade. While some agreements indicate only general guidelines, others stipulate commodity-wise values for exports and imports. The trade protocols/agreements signed by India with other countries during 1989-90 are enumerated in Appendix III.

V. IMPORT-EXPORT POLICY FOR 1990-1993

The Import-Export policy for 1988-91 was terminated a year earlier than its full tenure and a new Import-Export policy was announced on April 30, 1990. In line with the objective of providing a stable and continuous framework that has been adopted since 1985, the new policy has three year duration from April 1, 1990 to March 31, 1993. At the outset, the policy recognised that "the improvement in our Balance of Payments position can be achieved not so much through import curtailment as through the promotion of our exports". The new policy has, therefore, provided further momentum to the ongoing process of liberalisation with an emphasis on strengthening the impulses of industrial and export growth. Some prioritisation has been resorted to by shifting relatively inessential imports to more restrictive categories of licences. Considerable attention has been devoted to the rationalisation and simplification of procedures and to the plugging of loopholes and prevention of misuse.

The objectives of the new policy are:

(i) to encourage rapid and sustained export growth, including exports of services, with emphasis on higher net foreign exchange earnings;
(ii) to facilitate availability of necessary imported inputs for sustaining industrial growth, modernisation and technological upgradation;
(iii) to simplify and streamline procedures;
(iv) to support indigenous Reserach and Development by building scientific and technological capability for technology absorbtion and development; and
(v) to promote efficient import-substitution and self-reliance.

The salient features of the new policy are discussed below:

1. The list of items that can be imported under Open General Licence (OGL) has been expanded to facilitate easy access to import of items that are not available within the country. These include 82 capital goods. Certain items have been removed from the OGL list and placed under licensable categories in view of either their domestic availability or the low priority attached to them so that such imports would be allowed on specific justification only.

2. The major thrust of liberalisation has been in respect of capital goods. The number of capital goods items permitted under OGL has been increased from 1261 to 1343. Certain capital goods were shifted to the restricted list, the number of which stood at 153. Other

capital goods are allowed to be imported on merits. The advertisement procedure has been made applicable for imports whose value exceeds Rs.40 lakh, instead of Rs.25 lakh under the earlier policy. Imports of instruments have been allowed under the capital goods procedure if imported as capital goods and under the supplementary licensing procedure if imported as components or spares. Import of instruments required for modernisation and technological upgradation can be made against replenishment (REP) licences and additional licences. However, the import of second hand moulds, etc. under OGL has been abolished. Recognised Research and Development (R&D) institutions have been allowed to import restricted capital goods and instruments and professional grade consumer durables subject to quantity and value limits, for R & D purposes. A similar facility has also been made available to recognised Test-houses.

3. Imports of certain raw materials such as pertroleum products, fertilisers, oils/oilseeds, feature/video films, newsprint, cereals, phosphoric acid, ammonia, etc. have been canalised through public sector agencies, in view of the essential character of these imports from the point of view of bulk consumption and the requirement of small Actual Users. Imports of certain canalised items listed in Appendix 19 can be made by Actual Users against additional licences granted to Registered Exporters and certain categories of REP licences. Trading houses/star trading houses have also been permitted to import canalised items in order to promote exports. Certain essential raw materials, like paraxylene, tin, etc. have been decanalised.

4. 55 items of raw materials, components and consumables have been added to the OGL list for import by Actual Users. For supplementary licences, entitlement is worked out after allowing a growth rate of 10 per cent and deducting the value of unutilised licences, stocks in hand and those in the pipeline. The repeat operation facility for supplementary licences has been made available for two successive years (as against only one in the earlier policy) with the Actual User being required to follow the normal procedure in the year thereafter. A scheme of automatic licensing has been introduced under which upto 10 per cent of the value of the previous year's supplementary licence can be imported. Value limits for imports under supplemetary licence have been raised and flexibility upto 10 per cent has been granted.

5. In respect of spares, provision has been made for the issue of a consolidated licence covering the entitlement for a three-year period (i.e. April, 1990 to March, 1993) and subject to the condition that not more than one-third of the value of the licence can be utilised in a year.

6. The import policy for Registered Exporters has been substantially liberalised both in terms of value limits and type of items allowed for import. Alongside measures to secure procedural simplifications, the concept of net foreign exchange earnings has been made a guiding criterion for issue of licences thereunder.

   a) The Replenishment Licensing Scheme has been expanded and simplified to allow exporters improved access to imported inputs. REP licences have been made eligible for all items listed in Appendix 3 (limited permissible items) and 5A (canalised items) and related to the export products. Only restricted list inputs are not importable, unless specifically allowed. Flexibility has been enhanced to the total value of the licence. REP licences continue to be applicable for import of samples and permissible non—OGL capital goods and are freely transferable.

   b) With a view to reducing the incidence of high capital cost on export prices, and thereby making exports internationally competitive, a new scheme has been introduced under which Registered Manufacturer-Exporters who have been exporting regularly for a period of three years are permitted to import capital

goods upto a maximum value of Rs.10 crore at a concessional cutoms duty of 25 per cent. This is subject to an export obligation equivalent to three times the value of imports and is to be fulfilled within four years of the date of import.

c) In view of the growing importance of exports of services, a separate export promotion scheme has been provided in the new Policy. The scheme covers exports of computer software, overseas management and consultancy service contracts as well as advertising jobs. These service exports will qualify for import replenishment at the rate of 10 per cent of net foreign exchange earned. REP licences thus issued would be valid for import of drawings and designs, specified office machines, prototypes, samples and capital goods, including instruments and accessories. These REP licences are accompanied by Actual User condition and are non-transferable.

d) Under the scheme of registration of Export Houses and Trading Houses, eligiblity for grant of Export/Trading House status is now determined on the basis of net foreign exchange earnings in the preceding three licensing years. The annual average of net foreign exchange earnings in the base period should not be less than Rs.5 crore for an Export House and Rs.20 crore for a Trading House. While determining eligibility, net foreign exchange earnings from products manufactured in the small scale and cottage industries are reckoned at twice the actual earnings. Net invisible earnings are counted at par with admissible export while determining net foreign exchanger earnings. Export/Trading House certificates are valid for three licensing years with a grace period of six months in the year of expiry. Additional licences issued to these Houses are calculated at the rate of 10 per cent of net foreign exchange earned and 13 per cent where there has been a minimum annual growth of 30 per cent in net foreign exchange realisation. Additional licences thus issued are valid for import of raw materials, components, consumables and tools and capital goods allowed under OGL, drawings, designs and other technical documentation, limited permissible items and canalised items, permissble non-OGL capital goods and samples. Additional licences issued to Export/Trading Houses can be transferred to any other person. For import of items specified in Appendix 19, transferability is accompanied by Actual User condition.

e) In order to augment international business status and to strengthen marketing capability of exporters with outstanding performance, a scheme of Star Trading House has been introduced applicable for exporters with an average annual net foreign exchange earnings of Rs.75 crore in the preceding three licensing years of the base period. Exports should be spread over a minimum of two export product groups and any single product should not contribute more than 75 per cent of the net foreign exchange earned. Star Trading Houses are eligible for grant of special additional licences calculated at the rate of 15 per cent of net foreign exchange earned in the preceding year. These are valid for import of limited permissible items, canalised items, permissible non—OGL capital goods, office machines, drawings and designs. These licences are non-transferable and imported goods can be disposed to Actual Users only.

f) Under the Duty Exemption Scheme, Blanket Advance Licensing has been introduced to provide established manufacturer—exporters with full operational flexibility. The licence is issued to manufacturer—exporters having a minimum average net foreign exchange earnings of Rs.10 crore during the preceding three licensing years. The licence indicates only c.i.f. value of licence and f.o.b. value of export obligation

without indicating items of imports with quantity and value. The licence is valid for a period of 12 months with export obligation to be fulfilled within 15 months of the date of issue. The licence is initially issued with a minimum value addition of 50 per cent or higher as decided by the Advance Licensing Committee.

g) The Import-Export Passbook Scheme which was introduced in January 1986 was withdrawn.

7. State Electricity Boards/Projects/Undertakings in the public sector engaged in the production and distribution of electricity have been made eligible for import licences for capital goods, raw materials, components and consumables on the basis of foreign exchange release and indigenous clearance.

8. Imports of aircraft by non-resident Indians out of their own foreign exchange resources has been permitted for the purpose of providing Air-Taxi service.

9. The value limit for imports of drawings and designs has been raised from Rs.30 lakh to Rs.1 crore in a year. Imports of drawings and designs can be made against REP licences and additional licences given to Registered Exporters.

10. Quantity and value limits for import of prototypes without recommendation of sponsoring authority and without indigenous clearance have been raised.

11. In the use of construction equipment on re-export basis, the requirement of indigenous clearance has been dispensed with where the contract has been awarded under the International Competitive Bidding procedure.

12. The export licensing policy has been further simplified. The requirement of bank guarantee for exports of ceiling items has been dispensed with. For revalidation of export licences, powers have been delegated. Procedures for exports of goods for exhibition purposes have been simplified and exports of spares have been allowed on a more liberal basis. The Export policy for 1990-93 regulates the exports of 191 items, of which 68 are not allowed for export, 31 are allowed on merits, 25 under limited ceiling, 18 canalised and 48 under OGL on specific conditions. All other items are freely exportable under OGL.

VI. INTERNATIONAL TRADE NEGOTIATIONS

Global System of Trade Preferences (GSTP)

The Chairman of the GSTP Committee of Participating Countries notified the General Agreement on Tariffs and Trade (GATT) of the Agreement and the tariff schedules established by its GATT contracting participating members. In the discussions that ensued, the USA argued that the GSTP Agreement failed to fulfil the enabling clause's requirement for regional or global arrangements, since it excluded some developing countries, such as Israel and Hong Kong, which are members of the GATT. The USA nevertheless considered the Agreement as an indication that developing countries are willing to participate fully in the Uruguay Round of Trade Negotiations, by liberalising their trade and opening up their markets. The USA suggested that the GSTP undertakings be extended to all GATT contracting parties. It also suggested that the undertakings be bound on a most favoured nation basis and be subject to approval by the GATT contracting parties at their annual session. The European Community supported the US. However, as it was still examining the Agreement, it suggested that the matter should remain on the agenda of the Committee on Trade and Development. On behalf of the GSTP participants, Yugoslavia responded that the Agreement was fully in accord with the Enabling Clause. The Secretariat of the GATT affirmed that, from a legal stand-point, there was no relationship between the GSTP and the protocol for the exchange of concessions among less-developed contracting parties.

Generalised System of Preferences (GSP)

UNCTAD Special Committee on GSP in its ten-year review meeting held at Geneva, during May 14-29, 1990, unanimously reaffirmed the GSP's importance as an instrument for expanding multilateral trade in the 1990s. The Committee called on preference-giving countries to strengthen and otherwise improve their autonomous schemes and on preference-receiving countries to make complementary efforts to maximise their use of the schemes. The preference-giving countries were asked to expand their coverage to include those products of current and potential export interest to developing countries; to reduce limitations and restrictions on preferential imports; and to impart stability and predictability to the schemes so as to improve the investment climate in the developing countries. It also stressed that safeguard measure taken in respect of the GSP should be based on objective criteria and transparent procedures and that the complex rules of origin be simplified and improved.

Common Fund for Commodities

On June 19, 1989, a decision was taken by the countries which ratified the Agreement establishing the Common Fund for Commodities to bring the Agreement into force.

Following the ratification by Portugal in early July 1989, there are at present 104 ratifying countries. They account for about 67 per cent (equivalent of about US $316.66 million) of the Directly Contributed Capital (DCC) of the Common Fund. In addition, there are voluntary contributions pledged to the Second Account amounting to about US $230 million.

The First Account is intended to serve as a source of finance for International Commodity Organisations (ICOs) which are established under international commodity agreements that contain provisions relating to buffer-stocking. However, the Common Fund resources cannot be used for speculative purposes. As in any similar financial institution, it will not be the capital of the Common Fund that will be made available as loans but the resources raised through borrowings guaranteed by stock warrants and additional guarantee capital subscribed by the members of ICOs associated with the Fund. The capital of the Fund would, therefore, increase with the increase in the number of associated ICOs.

The Fund's Second Account will help finance commodity measures other than stocking such as research and development, quality and productivity improvement and market development and efforts to find new uses for commodities. In addition to the US $230 million pledged so far to the Second Account, there is a targetted capital base of US $70 million for allocations from the DCC of the Common Fund.

The Governing Council of the Common Fund decided that the headquarters of the Common Fund be located in Amsterdam (Netherlands). It also elected the first Managing Director of the Fund. At its first meeting, the Council also elected 26 of the 28 Executive Directors, and their alternates who will constitute the Board of the Fund.

The Common Fund for Commodities (CF), is expected to receive project proposals after its Governing Council meets at the end of July, 1990. CF's operating rules, drafted by its Directors in March 1990, are likely to be approved in this meeting. The International Natural Rubber Organisation (INRO) is set to become the first eligible international commodity body to seek funding for commodity development operations from the Second Account. INRO has identified over 20 projects for possible CF financing.

GATT

Costa Rica's Protocol of Accession to GATT was signed on November 27, 1989. On becoming a contracting party to the General Agreement, Costa Rica would be able to participate fully in all GATT's work, including the Uruguay Round of multilateral trade negotiations.

GATT Council's meeting held on May 16, 1990, approved a Soviet request for observer status in GATT.

URUGUAY ROUND

The Uruguay Round of multilateral trade negotiations was launched in September 1986 and is expected to end in December 1990. It aims to liberalize trade further, strengthen the role of the GATT, increase the GATT's responsiveness to the evolving international economic environment and foster co-operative action to strengthen the inter-relationship between trade and other economic policies that affect growth and development.

To conduct the negotiations, a Trade Negotiations Committee was established with two subsidiary bodies: the Group of Negotiations on Goods and the Group of Negotiations on Services. The former was further divided into 14 negotiating sub-groups covering tariffs, nontariff measures, tropical products, natural resource-based products, textiles and clothing, agriculture, safeguards, GATT Articles, multilateral trade negotiation agreements and arrangements, subsidies and countervailing measures, dispute settlement, trade-related intellectual property rights, trade-related investment measures, and the functioning of the GATT system. The present stage of negotiations as at end-August 1990 in the areas of importance to India are as follows:

1 Tariffs

After the Kennedy Round, on account of the fact that the level of tariffs in the industrialised countries were reduced considerably, attention had shifted to non-tariff measures. During the current Round, negotiations in this area have been less important. However, they continue to be meaningful for developing countries because of the fact that the tariff levels of the industrialised countries in areas of interest to the developing countries such as textiles and leather products are still comparatively high. For the developed countries, the main interest is in seeking reduction of tariffs in developing countries, many of whom have already reduced their tariffs autonomously or on the advice of financial institutions.

In the tariffs group, there is agreement that countries would make their offers on the basis of a general formula of reduction by about one third. Some flexibility was provided to the developing countries to make offers which are less extensive. So far,42 countries including 28 developing countries have made their offers. India had also made an offer for reduction of tariffs by 30 per cent of the basic customs duty in respect of capital goods, raw materials and intermediate goods but leaving out agricultural and a few other product categories. India's tariff offers cover more than half of the six digit harmonised system tariff lines and also more than 50 per cent of her imports.

An important issue that had arisen in the tariff negotiations between the major countries was that the European Economic Community (EEC) had not made any tariff offers on agricultural products. USA had been insisting that all products must be covered for tariff negotiations.

2. Textiles

Proposals for dismantling the multi-fibre arrangements (MFA) under which importing countries have been imposing discriminatory restrictions against exporting developing countries in the past are central points of negotiations. A joint proposal was submitted by the developing exporting countries for eliminating these restrictions over a period of 6½ years beginning on August 1, 1991 when the current MFA expires. The EEC agreed with this approach of phasing out the present restrictions. However, EEC had complicated the negotiations by insisting that the exporting countries should also reciprocally give access for their exports of textile products. The US proposal of shifting from discriminatory bilateral quotas to non-discriminatory global quotas is opposed by all participants. During the meeting of the Trade Negotiations Committee, developing countries expressed their disappointment at the lack of political will among the developed countries to make progress in the area of textiles.

3. Agriculture

Heavy subsidisation of production and exports of basic agricultural food stuffs has been the focus of attention in the negotiations on trade in agriculture. USA wanted to eliminate subsidies and EEC and Japan on the other hand were agreeable to reduction but did not regard elimination of subsidies as politically feasible. Smaller industrialised countries and Japan had referred to concerns on food security and non-trade aspects. The participating countries agreed that major contribution for liberalisation of trade in agriculture has to be made by the industrial countries while suggesting some commitments for themselves. India wanted to ensure that in the process of improving disciplines on agriculture, obligations were not imposed on the developing countries in respect of domestic agricultural policies. The Indian Government mentioned that its measures on assistance to encourage agricultural and rural development were an integral part of the development programmes. There is consensus among all developing countries regarding the need to provide special dispensation for developing countries.

4. GATT Articles

A number of Articles have been reviewed and some procedural improvements have been agreed to in order to ensure compliance with the obligations of a few Articles. However, at present,the main discussions are centred around Articles XVIII B and XXIV. GATT Rules permit the use of quantitative restrictions for improving the balance of payment problems. Developed countries want that the developing countries should use principally, price based measures. India has been opposing this move alongwith other developing countries and it does not want the legal basis of her import licensing regime to be changed in any way. An important area of negotiations is Article XXIV which deals with free trade area and customs unions. One of the main threats to multilateralism has been the growing trend towards regional blocs. In the light of the development in EEC, US-Canada free trade agreement, there is a need to re-examine the provisions of GATT relating to economic integration arrangements. India and Japan have strongly supported proposals for review of this Article.

5. Safeguards

One of the major shortcomings of the GATT has been its inability to prevent major importing countries from forcing exporting countries to undertake export restraints in individual products. This has considerably affected the developing countries. India has, therefore, taken a very high profile in the negotiations for obtaining a comprehensive safeguards agreement which emphasises the need to ensure that any safeguard measure is only taken on non-discriminatory basis.

6. Subsidies

GATT rules at present envisage prohibition of export subsidies on industrial products, a weak level of obligations on export subsidies on primary agricultural products and virtually no effective discipline of domestic subsidies. Developing countries are subject to countervailing duties in the event of their subsidised exports. India's main attempt in these negotiations has been to minimise the possibilities of trade harassment in future in the countervailing duty proceedings. India would like the present flexibility for the developing countries to be continued in the new Agreement.

7. Functioning of the GATT System

The most important proposal being discussed in this Negotiating Group is the establishment of a multilateral trade organisation as proposed by the EEC and Canada. The idea is to establish an organisation such as the World Intellectual Property Organisation which will provide a common roof for the General Agreement on Tariffs and Trade, General Agreement on Trade in Services and possible other agreements on intellectual property and investment. Another

aspect of the proposal is to upgrade the Secretariat into an organisation with independent functions. India maintains that although this proposal is not covered by the mandate of the Uruguay Round, she is willing to look at the proposal in detail after the Uruguay Round.

8. Trade related investment measures

The central issue under this is whether investment measures such as export obligations and local manufacturing requirements should be disciplined and even prohibited or whether their adverse trade effects should be duly addressed. The proposals of USA and Japan are highly trade distorting and India opined that the present provisions of GATT are adequate to address the trade effects, if not all of the investment measures and hence no additional provision in this regard is necessary.

9. Trade related intellectual property rights

The main issue of concern to India is lodgement of the outcome in the GATT. India is prepared to have a GATT agreement on border measures relating to counterfeit and pirated goods. In regard to other aspects, India believes that the outcome of the negotiations cannot be in any way linked to GATT. An equally important issue is the need to take into account the technological development and public interest objectives of developing countries in framing the norms and standards. In this context, India's main concern is in relation to patents so as to retain the flexibility for excluding such vital areas as pharmaceuticals, chemicals, food and biotechnology from product patents.

10. Services

On trade in services,a few principles such as transparency, most favoured nation treatment, safeguard and progressive liberalisation will apply across the board to all service sectors. Among the developed countries there are strong differences on the question of coverage of the framework. Most developing countries are in favour of positive list approach whereby no market access commitment would be presumed unless the sector or sub-sector has been mentioned in the list. India distinguishes between trade and investment and is opposed to the proposal of the developed countries. The only aspect which interests India in the negotiation is that of the possibility of export of manpower. The developed countries have been taking the stand that they can only allow managerial personnel and not artisans and unskilled persons. They also wanted to restrict the possibility of movement of personnel only to those situations in which such movement is necessary to the supply of services.

The international trading system is at a very critical stage at present. A successful conclusion of Uruguay Round of multilateral trade negotiations would have favourable consequences, including a significant reduction of tariffs, improved market access for all countries, a reduction in protection in agriculture and textiles, and the extension of multilateral disciplines to services, intellectual property rights and trade related investment rules. But failure to conclude the negotiations could have undoubtedly serious repercussions for the world economy. Failure would not only prevent the achievement of larger gains from liberalisation, but could also intensify protectionist pressures, aggravate the existing disputes among trading partners and encourage bilateral solutions to trade problems. Hence, a decisive effort by all parties involved will now be required.

Super 301

Under the Super 301 provision, USA identified India, Brazil and Japan as priority countries and the U.S. Trade Representative (USTR) was to launch investigations on June 15, 1989, to eliminate significant trade barrier and trade distorting practices through bilateral negotiations. The USTR fixed June 16, 1990 as the deadline for the contemplated action. However, the action was deferred till the end of December 1990, in view, *inter alia*, of the recent liberalisation measures announced by India, especially in regard to imports and industrial policy.

International Agreements in Respect of Selected Commodities

Grains

The 112th Session of the International Wheat Council (28-29 November, 1989, London), reviewing the current grain situation and outlook, noted that supply of and demand for wheat would remain closely balanced in the 1989-90 crop year. Production prospects for 1990 were mixed; plantings were expected to increase in the United States but soil moisture in that country and in Canada gave rise to some concern. Regarding coarse grains, it was observed that despite strong USSR demand, stocks at the end of the current crop year would remain adequate. Member governments informed the Council of recent developments in their grain policies.The representatives of GATT reviewed the latest developments in the Uruguay Round. Many delegations expressed the view that substantial results were needed on agriculture for the successful conclusion of the Round.

The 33rd Session of the Inter-governmental group, which was held at Rome during March 20-23, 1990, reviewed the short term outlook for rice. The Group agreed that while import demand in 1990 was likely to fall, export supplies could increase because of higher production in several countries. As a result, stocks would rise and prices could weaken. The Group urged developed exporting countries to minimise export subsidies.

Tin

The Seventh ministerial conference of the Association of Tin Producing Countries (ATPC) comprising Australia, Bolivia, Indonesia, Malaysia, Nigeria, Thailand and Zaire was held at Kuala Lumpur during October 14-16, 1989, with Brazil and China as observers. It considered the trend in world stocks, which had declined by about 1,700 tonnes to 31,700 tonnes during the first six months (March—August 1989) of the Third Supply Rationalisation Scheme (SRS), and agreed to continue the scheme beyond the expiry date of end-February 1990, so as to ensure price stability. The next annual meeting of Ministers was tentatively scheduled for October 1990.

The Executive Committee of ATPC held its 25th meeting at Kuala Lumpur in January 1990 and agreed to lower the ATPC export quota by over 5 per cent for the Fourth SRS to stem the decline in prices. Brazil and China, which had exceeded their official export quotas in the previous year, had agreed to cooperate with the price stabilization efforts.

The twenty-sixth meeting held at Kuala Lumpur, during May 15 to 17, 1990, of the ATPC noted that tin stocks had increased from 33,200 to 43,200 tonnes during the third six monthly supply Rationalisation period which ended in February 1990. Through its supply rationalisation scheme, the ATPC seeks to limit the export of tin from member states. Last year, however, the price surge tended to have the opposite effect.

Sugar

At the International Sugar Council's sixth session in November 1989, delegates approved the administrative budget and member countries' contributions for 1990. The Council extended, to the end of 1990, the time limit for signatories of the 1987 International Sugar Agreement to deposit their instruments of ratification, acceptance or approval with the depository. The Council noted the efforts of the Executive Director regarding informal consultations with member Governments to prepare for a new Agreement.

Jute

At the 25th Session of the FAO Inter-governmental Group (IGG) on Jute and Allied Fibres in October 1989, it was agreed to raise the indicative price of raw jute by US $20 per tonne and that of kenaf by $30. In the current market situation, producers felt that the suggested increases would neither affect Jute's competitive

position significantly nor lead to surpluses, but would provide them with some incentive. Over the first nine months of 1989, there had been sharp decline in the price of polypropylene which had led to a substantial deterioration in the competitive advantage that jute carpet backing and sacks had maintained throughout 1988. The Food and Agricultural Organisation (FAO) was requested to strengthen its activities aimed at safeguarding jute's competitive position and to ascertain packaging areas in which preference for natural fibres is noticed.

An UNCTAD conference on Jute, held during October 30—November 3, 1989, finalised a new five-year International Jute Agreement (IJA) to follow the existing one negotiated in 1982. The Agreement will enter into force on January 9, 1991. The new IJA is essentially the same as the one that is existing, and is designed to assist producers of raw jute as well as jute goods to meet competition from synthetics by promoting its use, improving its quality and providing information to make markets more transparent. It is important to note that neither the new Agreement nor the current one has any direct price stabilization objective.

The Council of the International Jute Organisation (IJO) at its 13th session held at Dhaka, during May 5-7, 1990, approved a budget of $ 997,051 for 1990-91, a project for the development and test marketing of non-woven products, and a programme of action for possible financing from the Second Account of the Common Fund for Commodities.

Coffee

The fifty-fourth session of the International Coffee Council (September 25-October 6, 1989) was marked by the failure to prepare the way for the negotiation of a new International Coffee Agreement to replace the 1983 agreement which expired on September 30, 1989. The economic effectiveness of the 1983 agreement, however, had already been ended when its export quota arrangements were suspended in July 1989. Coffee prices in fact dropped after July 1989 by about 40 per cent to their lowest level since the mid-1970s. The delegations were nowhere nearer to reaching an agreement. The two important issues that could not be resolved were,discounted sales of coffee to non-member countries and the need for a quota system that is sufficiently flexible to allow for the expanded demand for top quality coffee. Brazil was unwilling to consider a reduction of its 30 per cent export quota. It was, therefore, resolved that there should be a continuation of the consultations with the aim of enabling the Council Chairman to set up a formal negotiating group when he found that a broad consensus emerged.

CHAPTER XI

Balance of Payments and International Monetary Developments

I. Balance of Payments

Balance of payments data are available up to the fiscal year 1988-89. Table XI-1 presents a summary of balance of payments data for the years 1985-86 to 1988-89.

During 1988-89, on account of the spill-over of bulk imports necessitated by the severe drought of 1987-88, the current account deficit went up sharply by Rs. 4,117 crore to Rs. 10,410 crore. A robust export performance since the second year of the Seventh Plan period was more than offset by a number of factors, notably, expanding import bill, larger repayments to the IMF and a fall in net invisible receipts.

The available information on the balance of payments position for the year 1989-90 indicates some improvement over the preceding year. The level of current account deficit during 1989-90 is expected to be marginally below the level recorded during 1988-89. The underlying ratio of current account deficit to GDP is estimated to show a decline from 2.7 per cent in 1988-89 to 2.3 per cent in 1989-90.

Repurchases from the IMF under Extended Fund Facility (EFF) were lower at Rs. 1,460 crore during 1989-90 as against those of Rs. 1,547 crore during 1988-89. In SDR terms, the repurchases stood at SDR 681 million and SDR 804 million, respectively. The level of foreign exchange reserves (foreign currency assets of the Bank, gold and SDR holdings) declined during 1989-90 by Rs. 788 crore to Rs. 6,251 crore as against a fall of Rs. 647 crore to Rs. 7,040 crore in 1988-89. If valuation changes are excluded (i.e. excluding appreciation of foreign currency assets and SDRs), the movement in reserves would show a fall of Rs. 529 crore during 1989-90 as compared with the decline of Rs. 1,449 crore during 1988-89. In SDR terms, the decline in reserves was of the order of SDR 670 million during 1989-90 as against the fall of SDR 771 million during 1988-89. In US dollar terms, the fall in reserves worked out to $840 million during 1989-90 as against $ 1,421 million during 1988-89.

The overall balance, as measured by the movement in reserves (excluding repurchases from the IMF under EFF) showed a surplus of Rs. 931 crore during 1989-90 as compared with a surplus of Rs. 98 crore during 1988-89.

On a payments basis, the current account deficit during 1989-90 is expected to show marginal improvement compared to the preceding year. Under invisibles, the private transfer receipts are estimated to show an increase over the preceding year. On the other hand, interest payments are expected to be higher following the increase in the contracted debt. Other payments like royalties, technical know-how fees, corporate dividends, etc., would also be higher in the face of increasing foreign collaboration.

On the capital side, the net inflow under external assistance would be marginally lower at Rs. 3,151 crore during 1989-90 as compared

with that of Rs. 3,210 crore during 1988-89. The net inflow under external commercial borrowings during 1989-90 is expected to record a fall due mainly to higher repayments in the year. In the case of non-resident deposits (NR(E)R and FCNR Account Schemes taken together), the decline in net inflow during 1989-90 was on account of the net outflow of Rs. 4 crore under NR(E)R (as against a net inflow of Rs. 235 crore during 1988-89) and marginally lower inflow of FCNR deposits at Rs. 2,179 crore (as compared with Rs. 2,230 crore during 1988-89).

The available data on current account transactions as percentages of GDP for the period of the Sixth Plan as a whole and year-wise data thereafter are given in Table XI-2. Imports as a percentage of GDP rose from around 8 per cent in the first three years to around 9 per cent in the fourth year of the Seventh Plan peiod. Export–GDP ratio has shown some marginal improvement during 1988-89, the ratio exceeding 5 per cent for the second year in succession. The ratio of net invisibles to GDP came down from 2.1 per cent during the Sixth Plan period to 0.8 per cent by the fourth year of the Seventh Plan period. The current account deficit which was targeted at 1.6 per cent of GDP during the Seventh Plan period, ruled higher throughout the plan period. This ratio went up to 2.7 per cent during 1988-89. It is, however, estimated to be lower at 2.3 per cent during 1989-90. The average current account deficit for the Seventh Plan period, thus, is estimated to be around 2.2 per cent as against 1.3 per cent in the Sixth Plan period. The balance of payments situation has remained under pressure throughout the Seventh Plan period owing to large trade deficits and a fall in the surpluses on invisible account as well as due to large repurchases from the IMF under the EFF, which amounted to SDR 2,752 million during the Seventh Plan period. During the first four years of the Seventh Plan, the current account deficit has averaged around Rs. 7,115 crore (SDR 4360m) per annum as against Rs. 2,277 crore (SDR 2100m.) during the Sixth Plan period.

Developments in Reserves

The foreign currency assets of the Reserve Bank of India declined by Rs. 817 crore during 1989-90 (April-March) as against a fall of Rs. 683 crore in 1988-89.

The SDR holdings increased by SDR 2.4 million to SDR 81.9 million during 1989-90. In the previous year, they had increased by SDR 9.8 million. During 1989-90, repurchases from the IMF under EFF amounted to SDR 681.3 million; payment of charges on the use of fund resources and interest on SDR allocation aggregated SDR 198.6 million. Acquisition of SDRs during the year amounted to SDR 845.0 million. Receipts from the Fund by way of remuneration, interest on SDR holdings and interest subsidy amounted to SDR 19.0 million, SDR 8.1 million and SDR 10.2 million, respectively. During 1988-89, repurchases from the IMF in SDRs had amounted to SDR 804.2 million. Charges paid to the Fund were SDR 216.5 million. Acquisition of SDRs during 1988-89 amounted to SDR 987.0 million. Receipts by way of remuneration, interest on SDR holdings and interest subsidy were SDR 14.2 million, SDR 6.6 million and SDR 22.7 million, respectively.

Gold holdings of the Reserve Bank increased by Rs. 7 crore to Rs. 281 crore as compared with the previous year's level of Rs. 274 crore (valued at the statutory price of Rs. 84.39 per 10 grammes).

During the first quarter of 1990-91 (i.e. April-June 1990), the foreign currency assets of the Reserve Bank fell by Rs. 431 crore as against a decline of Rs. 529 crore in the corresponding quarter of 1989. SDR holdings increased by SDR 7.2 million to SDR 89.1 million. Repurchases under the EFF amounted to SDR 110.4 million and charges on the use of Fund resources and interest on SDRs totalled SDR 36.5 million. Acquisition of SDRs during the quarter amounted to SDR 147 million. Receipts by way of remuneration and interest on SDR

Table: XI-1: India's Balance of Payments

(Rupees crore)

Items	1985-86	1986-87	1987-88	1988-89
1	2	3	4	5
A. Current Account				
1. Imports, c.i.f.	21,163.6	22,668.9	25,692.5	34,202.3
2. Exports, f.o.b.	11,577.6	13,315.0	16,396.4	20,646.7
3. Trade Balance	—9,586.0	—9,353.9	—9296.1	—13,555.6
4. Official transfers (Net)	307.4	525.3	532.4	724.2
5. Other invisibles (Net)	3,322.8	2,998.6	2,471.1	2,421.1
6. Current Account (Net)	**—5,927.3**	**—5,830.0**	**—6,292.6**	**—10,410.0**
B. Capital Account				
1. External Assistance	**1,675.9**	**1,807.8**	**2,928.2**	**3,209.7**
Disbursements	2,481.0	3,056.2	4,453.9	4,859.6
Repayments	—805.1	—1,248.4	—1,525.7£	—1,649.9
2. Commercial Borrowings£	1,166.0	2,513.2	1,282.6	2,776.9
Disbursements	1,827.0	3,115.6	1,945.7	4,265.0
Repayments	—661.0	—602.4	—663.1	—1,488.1
3. Non-Resident Deposits (Net)	1,767.0	1,650.0	1,840.1	2,465.4
4. Other Capital (Net)	284.8	—71.4	1,442.2	1,852.6
5. Total Capital Account (Net)	**4,893.7**	**5,899.4**	**7,493.1**	**10,304.6**
C. IMF (Net)	—253.0	—672.3	—1,209.0	—1,547.3
D. SDR Allocation	—	—	—	—
E. Capital Account, IMF and SDR Allocation	4,640.7	5,227.1	6,284.1	8,757.3
F. Total Current A/c, Capital A/c, IMF and SDR Allocation	—1,286.6	—602.9	—8.5	—1,652.7
G. Errors and Omissions	580.1	—129.3	—947.7	203.4
H. Reserves and Monetary Gold (Increase-/Decrease +)	706.5	732.2	956.2	1,449.3

£ Excluding refinancing credits.

Table XI-2: Current Account Transactions as percentage of GDP

	Sixth Five Year Plan Average	1985-86	1986-87	1987-88	1988-89
1	2	3	4	5	6
1. Imports	8.4	8.1	7.7	7.8	8.7
2. Exports	5.0	4.4	4.5	5.0	5.2
3. Trade deficit	3.4	3.7	3.2	2.8	3.5
4. Invisible receipts@	3.6	3.0	2.8	2.8	2.8
5. Invisible payments	1.5	1.6	1.6	1.9	2.0
6. Invisibles (net 4—5)	2.1	1.4	1.2	0.9	0.8
7. Current Account deficit (3—6)	1.3	2.3	2.0	1.9	2.7

@ Include official grant assistance

holdings amounted to SDR 5.0 million and SDR 2.1 million, respectively. During the corresponding period of the preceding year, the SDR holdings had increased by SDR 23.1 million. Gold holdings of RBI remained unchanged at Rs. 281 crore during April-June 1990. On the whole, foreign exchange reserves (foreign currency assets of RBI, gold and SDR holdings) fell by Rs. 408 crore as compared with a fall of Rs. 478 crore during the corresponding quarter of 1989. In SDR terms, the foreign exchange reserves declined by SDR 261 million in April-June 1990 as against a fall of SDR 307 million during April-June 1989.

II. Foreign Investment: Policy and Developments

A. NRI Investment

Investment by non-residents of Indian nationality/origin, particularly in the form of deposits made under NR(E)R and FCNR Account Schemes, continued to provide major support to India's external payments during 1989-90. Keeping in view the developments in the international capital markets, interest rates on FCNR deposits were revised. In respect of US dollar deposits, the interest rates were revised nine times while in respect of deposits in Deutsche mark and Japanese yen, the rates were revised twelve times. As regards Pound sterling deposits, there was no revision of interest rate during the year under review (Table XI-3).

During 1989-90, there was an outflow of Rs. 4 crore under NR(E)RA as compared with an inflow of Rs. 245 crore in the preceding year. The inflow under FCNRA at Rs. 2,179 crore during 1989-90 showed a marginal decline of Rs. 51 crore over that of Rs. 2,230 crore during the previous year (Table XI-4).

The outstanding liability under NRI deposits (both NR(E)RA and FCNRA schemes) stood at Rs. 17,831 crore as at end-March 1990, higher by about five times as compared with that of Rs. 3,819 crore as at end-March 1985 (Table XI-5).

The liberal policy of encouraging direct and portfolio investment by non-residents of Indian nationality/origin and by overseas corporate bodies owned to the extent of 60 per cent or more by such non-resident Indians was continued during 1989-90. During 1989 (calendar year), the amount approved for direct investment by non-resident Indians with full repatriation rights increased to Rs. 337 crore from Rs. 193 crore in 1988. As in the past, approvals granted under the 40 per cent scheme during 1989 at Rs. 328 crore accounted for bulk (98 per cent) of the investment approved; such approvals granted during 1988 were lower at Rs. 175 crore and formed 91 per cent of total investment approved. During 1989, approvals under the 74 per cent scheme declined to Rs. 9 crore from Rs. 18 crore in 1988. The proposals approved under direct investment on non-repatriation basis increased by more than 50 per cent from Rs. 43 crore in

Table XI-3: Interest Rates of FCNRA Deposits

(Per cent per annum)

Maturity period / Effective Dates	U.S. Dollar				Pound Sterling			
	6 months to 1 year	1 year to 2 years	2 years to 3 years	3 years only	6 months to 1 year	1 year to 2 years	2 years to 3 years	3 years only
	1	2	3	4	5	6	7	8
March 14, 1989	10.75	11.00	11.25	11.25	11.50	11.75	12.00	12.00
May 17, 1989	10.25	10.50	10.75	10.75	11.50	11.75	12.00	12.00
June 16, 1989	9.50	9.75	10.00	10.00	11.50	11.75	12.00	12.00
August 1, 1989	9.25	9.25	9.50	9.50	11.50	11.75	12.00	12.00
August 24, 1989	9.50	9.50	9.75	10.00	11.50	11.75	12.00	12.00
September 18, 1989	9.50	9.50	9.75	10.00	11.50	11.75	12.00	12.00
October 11, 1989	9.50	9.50	9.75	10.00	11.50	11.75	12.00	12.00
October 23, 1989	9.00	9.00	9.25	9.50	11.50	11.75	12.00	12.00
November 9, 1989	9.00	9.00	9.25	9.50	11.50	11.75	12.00	12.00
December 13, 1989	8.75	8.75	9.25	9.50	11.50	11.75	12.00	12.00
December 27, 1989	8.75	8.75	9.25	9.50	11.50	11.75	12.00	12.00
January 17, 1990	8.75	9.00	9.50	9.75	11.50	11.75	12.00	12.00
January 31, 1990	8.75	9.00	9.50	9.75	11.50	11.75	12.00	12.00
February 21, 1990	8.75	9.00	9.50	9.75	11.50	11.75	12.00	12.00
March 12, 1990	9.00	9.25	9.75	10.00	11.50	11.75	12.00	12.00
March 27, 1990	9.25	9.50	10.00	10.25	11.50	11.75	12.00	12.00

Table XI-3: Interest Rates of FCNRA Deposits (Concld.)

(Per cent per annum)

Maturity period / Effective Dates	DM				Yen			
	6 months to 1 year	1 year to 2 years	2 years to 3 years	3 years only	6 months to 1 year	1 year to 2 years	2 years to 3 years	3 years only
	1	2	3	4	5	6	7	8
March 14, 1989	7.25	7.50	7.50	7.75	5.25	5.50	5.75	6.00
May 17, 1989	7.50	7.75	7.75	8.00	5.50	5.75	6.00	6.00
June 16, 1989	7.50	7.75	7.75	8.00	5.75	6.00	6.25	6.25
August 1, 1989	7.50	7.75	7.75	8.00	5.75	6.00	6.25	6.25
August 24, 1989	7.75	7.75	8.00	8.00	6.00	6.00	6.25	6.25
September 18, 1989	8.00	8.00	8.25	8.25	6.25	6.25	6.50	6.50
October 11, 1989	8.50	8.50	8.50	8.50	6.25	6.50	6.50	6.50
October 21, 1989	8.50	8.50	8.50	8.50	6.75	6.75	7.00	7.00
November 9, 1989	8.75	8.75	8.75	8.75	7.00	7.00	7.25	7.25
December 13, 1989	8.50	8.75	9.00	9.00	7.00	7.00	7.25	7.25
December 27, 1989	8.75	8.75	9.00	9.00	7.25	7.25	7.25	7.25
January 17, 1990	9.00	9.00	9.00	9.00	7.50	7.50	7.50	7.50
January 31, 1990	9.00	9.25	9.25	9.25	7.75	8.00	8.00	8.00
February 21, 1990	9.25	9.75	9.75	9.75	7.75	8.00	8.00	8.00
March 12, 1990	9.25	9.75	10.00	10.00	8.00	8.25	8.25	8.25
March 27, 1990	9.25	9.75	9.75	9.75	8.25	8.50	8.50	8.50

Table XI-4: Inflows under NR (E) R and FCNR Accounts Schemes*

(Rupees crore)

Fiscal Year	Non-Resident (External Rupee) Accounts@	Foreign Currency (Non-Resident) Accounts	Total
1	2	3	4
1985-86	616	1,151	1,767
1986-87	477	1,173	1,650
1987-88	477	1,363	1,840
1988-89	245	2,230	2,475
1989-90	—4	2,179	2,175

@ Excluding the estimated accrued interest

* Based on balance of payments data

Table XI-5: Outstanding Liabilities under NR(E)R and FCNR Accounts (as at end-March)

(Rupees crore)

Year	NR(E)R Accounts*	FCNR Accounts					
		US$	Pound Sterling	DM@	Yen@	**Total**	**Grand Total**
1	2	3	4	5	6	7	8
1985	2,864	618	337			**955**	**3,819**
	(2,304)	(499)	(271)			**(770)**	**(3,074)**
1986	3,461	1,759	430			**2,189**	**5,650**
	(2,817)	(1,419)	(351)			**(1,770)**	**(4,587)**
1987	4,336	3,047	464			**3,511**	**7,847**
	(3,354)	(2,360)	(359)			**(2,719)**	**(6,073)**
1988	5,107	4,406	541			**4,947**	**10,054**
	(3,942)	(3,410)	(418)			**(3,828)**	**(7,770)**
1989	5,899	6,648	535	700	372	**8,255**	**14,154**
	(3,774)	(4,245)	(343)	(448)	(239)	**(5,275)**	**(9,049)**
1990	6,507	9,304	337	1,028	655	**11,324**	**17,831**
	(3,777)	(5,409)	(195)	(598)	(384)	**(6,586)**	**(10,363)**

* Figures include accrued interest

@ With effect from August 1, 1988

Note: Figures in brackets indicate equivalents in US dollar million.

1988 to Rs. 65 crore in 1989. Thus, the value of aggregate approvals for investment by non-residents of Indian nationality/origin both under repatriation and non-repatriation basis, which had showed a steady decline from Rs. 327 crore in 1986 to Rs. 236 crore in 1988, rose to Rs. 402 crore in 1989. Data on actual foreign investment in respect of these approvals are not available. The amount invested by banks on behalf of their non-resident constituents through stock exchanges in respect of approvals granted for portfolio investment declined to Rs. 3 crore in 1989 from Rs. 8 crore in 1988 (Table XI-6).

B. Foreign Collaboration

In regard to foreign collaboration approvals in Indian industry, the number of approvals granted for foreign collaboration declined in 1989 by more than one-third as compared with the

Table XI-6: Value of Approvals for Investment by Non-residents of Indian Nationality/Origin

(Rupees crore)

Calendar year ended	Direct Investment					Portfolio Investment			Grand Total
	On Repatriation Basis			On Non-Repatriation Basis	Total	On Repatriation Basis	On Non-Repatriation Basis	Total	
	40% Scheme	74% Scheme	Total (2+3)		(4+5)			(7+8)	(6+9)
1	2	3	4	5	6	7	8	9	10
1986	254.96	8.60	263.56	63.93	327.49	4.90	0.39	5.29	**332.78**
1987	210.96	9.26	220.22	56.91	277.13	6.00	0.51	6.51	**283.64**
1988	174.65	18.09	192.74	42.83	235.57	7.52	0.39	7.91	**243.48**
1989	328.25	8.80	337.05	65.20	402.25	2.21	0.88	3.09	**405.34**

preceding year. However, the amount of foreign investment approved rose by one-third during the same period. The total number of proposals approved was 605 in 1989 as against 926 in 1988. Of the approvals granted during 1989, 412 or 68 per cent (644 or 70 per cent in 1988) were for pure technical collaboration, drawings and designs, while 193 (282 in 1988) were for technical-cum-financial participation. The continued emphasis on technical collaboration is expected to help improve productivity and efficiency of Indian industries. In the long run, it is expected to impart a competitive edge to Indian export industries as also to reduce dependence on foreign imports. Country-wise, of the total number of proposals approved in 1989, those from the USA were 127, West Germany 112, the UK 66 and Japan 62. These four countries together accounted for more than 60 per cent of the total proposals approved. The decline in the proposals approved during 1989 was shared by all the countries excepting Singapore.

As regards collaboration proposals with financial participation, the proportion of such proposals to total financial proposals showed an increase over the year in the case of West Germany, Italy and Switzerland, remained the same in the case of Japan and Singapore and declined in the case of the USA, the UK and France. West Germany had the largest proportion (20 per cent) followed by the USA (18 per cent) and the UK (11 per cent).

The amount of foreign investment approved rose to Rs. 317 crore in 1989 from Rs. 240 crore in 1988. Country-wise, the amount of investment approved for West Germany was the highest at Rs. 120 crore or 38 per cent of the total, followed by the USA at Rs. 62 crore (20 per cent) and the UK at Rs. 33 crore (11 per cent). The largest increase was in respect of West Germany (Rs. 89 crore or by 288 per cent) followed by the UK (Rs. 20 crore or 141 per cent) and Switzerland (Rs. 5 crore or 182 per cent). Investment approved for the rest of the countries, however, showed a decline in the range of 25-75 per cent (Table XI-7).

As on March 31, 1990, final orders under Section 29(2), FERA 1973, requiring Indianisation/dilution of non-resident equity holdings to a specified level, had been issued to 389 companies. Of these, 371 companies complied with the FERA directives and the remaining 18 companies were at various stages of compliance such as issue/transfer of shares, winding up etc., with an extension of time granted to them at their request. As at end-March 1990, out of 898 applications received only two cases remained to be finally disposed of.

India's objective in the setting up of joint ventures and wholly-owned subsidiaries abroad, apart from serving as an important tool for promoting exports, trade expansion and economic co-operation,also reflected the overall strategy of participation in the developmental

Table XI-7 : Foreign Collaborations Approved

Country	Total No. of proposals approved				Amount of foreign investment approved (Rs. crore)			
	1986	1987	1988	1989	1986	1987	1988	1989
1	2	3	4	5	6	7	8	9
1. U.S.A.	189	196	191	127	29.37	29.52	97.14	62.16
	(71)	(57)	(71)	(34)				
2. U.K.	130	122	134	66	7.72	8.45	13.91	33.46
	(23)	(27)	(36)	(21)				
3. W. Germany	183	149	178	112	20.16	9.87	31.00	120.33
	(40)	(39)	(47)	(38)				
4. France	39	44	42	23	2.05	5.35	11.78	8.45
	(9)	(10)	(13)	(3)				
5. Japan	111	71	96	62	5.62	6.91	17.43	8.78
	(15)	(15)	(16)	(11)				
6. Italy	58	50	53	37	2.33	2.97	27.87	6.90
	(8)	(10)	(18)	(14)				
7. Switzerland	32	31	41	22	3.25	8.85	2.74	7.74
	(8)	(11)	(8)	(9)				
8. Singapore	3	5	11	11	0.25	0.85	4.63	3.49
	(1)	(2)	(5)	(4)				
9. Others	212	184	180	145	36.20	34.94	33.26	65.36
	(65)	(71)	(68)	(59)				
10. Total	**957**	**852**	**926**	**605**	**106.95**	**107.71**	**239.76**	**316.67**
	(240)	**(242)**	**(282)**	**(193)**				

Note: 1. Figures in brackets indicate number of collaboration approvals with technical-cum-financial participation.
2. Amount approved correspond to proposals with technical-cum-financial participation.

efforts of the developing countries, in particular, of Asia and Africa. Besides, these efforts served as an outlet for interaction and exposed Indian enterpreneurs to international management practices and made them aware of marketing prospects.

There were 193 joint ventures as at end-December 1989, of which 152 joint ventures were in operation and 41 were at different stages of implementation. Equity participation by the Indian companies in joint ventures which were in operation abroad stood at Rs. 99 crore (including bonus shares) as at end-December 1989 as against Rs. 97 crore at end-December 1988. The approved Indian participation in the equity of the joint ventures under implementation stood at Rs. 84 crore at end-December 1989. Out of the 152 joint ventures in operation, 94 (62 per cent) were in manufacturing sector and 58 (38 per cent) were in non-manufacturing sector.

Region-wise, of the 193 joint ventures, South-East Asia accounted for 32 per cent (63) followed by America and Europe 24 per cent (46), Africa 16 per cent (31), South Asia 16 per cent (30), West Asia 9 per cent (17) and Oceania 3 per cent (6). Details regarding inflow of remittances from Indian joint ventures abroad are given below:

(Rupees crore)

Calendar Year	Dividend	Other Repatriation*
1986	11.6	34.8
1987	18.7	32.5
1988	17.6	48.3
1989	30.7	60.1

* Includes fees for technical know-how, engineering services, management fee, royalty, etc.

Source: Ministry of Commerce, Government of India, New Delhi.

The remittances of dividends received from Joint ventures abroad almost doubled to Rs. 31 crore as at end-December 1989 compared with Rs. 18 crore at the end of December 1988. Like-wise, the amount received by way of fees for technical know-how, engineering services and consultancy fees, etc., increased from Rs. 48 crore to Rs. 60 crore during the period (Refer to the table given over leaf).

The number of 'wholly-owned subsidiaries' (owned wholly by one or more Indian bodies corporate) stood at 51 at end-December 1989, of which 36 were in operation and the remaining 15 were under various stages of implementation. The UK (11) and the USA (9) accounted for 56 per cent of the subsidiaries under operation. The total value of the equity held in both categories of subsidiaries amounted to Rs. 39 crore out of which Rs. 24 crore was in subsidiaries in operation and the remaining Rs. 15 crore was in subsidiaries in various stages of implementation.

Under the current regulations, consents for all bonus issues and debenture issues, irrespective of their value are to be obtained from the Controller of Capital Issues. However, in regard to initial and further issues and loans, consents are required only if the value of subscription is more than Rs. 1 crore. Hence, the data presented in this section and in Table XI-8 would not indicate the total value of capital raised by Indian joint stock companies.

The value of consents for capital issues granted to Indian joint stock companies by the Controller of Capital Issues increased by 48 per cent (against an increase of 40 per cent in the preceding year) to Rs. 12,217 crore in 1989-90 from Rs. 8,244 crore in 1988-89. The value of consents issued to these companies for raising capital from non-residents showed a significant increase of 140 per cent as against a decline of 23 per cent in the previous year. The number of consents involved was 190 in 1989-90 as against 157 in 1988-89. As a result, the share of non-residents in the total value of consents increased from 2 per cent in 1988-89 to 3 per cent in 1989-90 (Table XI-8).

The rise in the value of consents granted for raising capital from non-residents was noticed under all categories of capital issues. The value of consents for initial issues which declined from Rs. 66 crore in 1987-88 to Rs. 58 crore in 1988-89 increased to Rs. 69 crore in 1989-90. Their share in total initial issues at Rs. 8 crore showed a marginal increase over the previous year. The value of consents issued for further issues also increased from Rs. 22 crore in 1988-89 to Rs. 34 crore in 1989-90, raising their share in total further issues to 6 per cent in 1989-90 from 4 per cent in the preceding year. The value of consents issued for bonus issues showed a significant increase from Rs. 50 crore in 1988-89 to Rs. 65 crore in 1989-90 recording an increase of 28 per cent. Their share in total bonus issues, however, declined, from 26 per cent to 17 per cent. The value of consents for debenture issues increased substantially from Rs. 17 crore in 1988-89 to Rs. 74 crore in 1989-90 whereas their share in total debenture issues rose marginally from 0.3 per cent in 1988-89 to 0.7 per cent in 1989-90. The value of consents issued for raising loans at Rs. 137 crore in 1989-90 showed a significant rise over the previous year figure of Rs. 9 crore. Net of bonus issues, consents for fresh investment for all categories of investors at Rs. 311 crore in 1989-90 showed an increase of 192 per cent as compared with the decline of 18 per cent recorded during 1988-89.

III. External Assistance

The rising trend of fresh authorisations noticed between 1984-85 and 1988-89 was arrested during 1989-90. Fresh authorisations during 1989-90 at Rs. 9,104 crore (provisional) were lower by Rs. 4,096 crore (or by 31 per cent) than those of Rs. 13,200 crore in 1988-89 (revised). During 1988-89, fresh authorisations had shown an increase of Rs. 4,144 crore (or by 46 per cent) over 1987-88. (In U.S. dollar terms, authorisations during 1989-90 showed a sharp decline of 40 per cent to $5,468 million as against an increase by 30 per cent to $9,115 million in the preceding year). The decline in authorisations during the year was wholly accounted for by loans, the authorisation of grants, in fact, showing an increase (Table XI-9). The utilisation of external assistance at Rs. 5,762 crore (provisional) during 1989-90 was higher by

Table XI-8: Consents for Capital Issues*—Aggregate and by Non-residents (NR) 1986-87 to 1988-89

(Rupees crore)

Year	INITIAL ISSUES			FURTHER ISSUES			BONUS ISSUES			DEBENTURE ISSUES			LOANS			GRAND TOTAL		
April to March	Total	NR	2 as % of 1	Total	NR	5 as % of 4	Total	NR	8 as % of 7	Total	NR	11 as % of 10	Total	NR	14 as % of 13	**Total** (1+4+7) +10+13)	**NR** (2+5+8 +11+14)	**17 as % of 16**
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	**16**	**17**	**18**
1986-87	825.0	28.8	3.5	687.4	29.8	4.3	354.1	45.0	12.7	3,976.6	71.9	1.8	286.3	62.9	22.0	**6,262.3**	**238.4**	**3.8**
1987-88	612.8	65.7	10.7	519.4	25.5	4.9	297.1	72.2	24.3	3,737.4	8.8	0.2	681.4	30.3	4.5	**6,121.1**	**202.5**	**3.3**
1988-89	820.0	58.3	7.1	521.9	22.3	4.3	195.5	50.2	25.7	6,584.9	17.2	0.3	8.9	8.9	—	**8,243.6**	**156.9**	**1.9**
1989-90	906.3	69.1	7.6	629.7	34.4	5.5	374.1	64.5	17.2	9,953.0	73.6	0.7	141.3	137.3	97.2	**12,217.2**	**375.9**	**3.1**

* By Indian Joint Stock Companies.

** Includes premium allowed.

Rs. 471 crore as compared with an increase of Rs. 259 crore in 1988-89. Of the total increase in utilisation during the year, 85 per cent (Rs. 400 crore) was accounted for by loans and the balance 15 per cent (Rs. 71 crore) by grants. (In U.S. dollar terms, utilisation decreased marginally by 5 per cent during 1989-90 to $ 3,461 million as compared with a decline of 6 per cent in the previous year to $3,654 million). The pace of utilisation showed a sharp jump during 1989-90 forming 63 per cent of authorisations during the year as compared with 40 per cent during 1988-89 and 56-58 per cent during the preceding two years, respectively.

Authorisations

The fall in loan assistance during 1989-90 was brought about by a decline in fresh authorisations by the USSR (Rs. 4,361 crore), Japan (Rs. 1,103 crore), ADB (Rs. 890 crore) and West Germany (Rs. 304 crore). This was, however, partly offset by higher authorisations granted by the IDA (Rs. 601 crore), the IBRD (Rs. 532 crore), Sweden (Rs. 361 crore) and Hungary (Rs. 333 crore). Consequent to the sharp decline, the share of the USSR in the total authorisations fell to 22 per cent in 1989-90 from 48 per cent in 1988-89. The share of Japan also dropped to 0.2 per cent in the current year from 9 per cent in the preceding year. The other countries which showed increase in fresh authorisations were Netherlands (Rs. 78 crore) and Spain (Rs. 76 crore) (Table XI-10).

Authorisations of grants during 1989-90 at Rs. 816 crore were almost four times those of Rs. 214 crore in 1988-89. Almost all the donors with the exception of Japan accounted for the rise in fresh authorisations. Notable among those which showed larger authorisations were Sweden, EEC, Canada, Denmark, France, Australia and Switzerland. Japan, however, reduced her grants from Rs. 57 crore in 1988-89 to Rs. 33 crore in 1989-90 (Table XI-11).

Utilisation

Utilisation of loans during 1989-90 at Rs. 5,138 crore was higher by Rs. 400 crore in the preceding year. Nearly half of the increase in utilisation was in respect of loans by the IBRD (Rs. 182 crore). The utilisation of Japanese credit was higher by Rs. 103 crore. The other countries/institutions in respect of which larger utilisation was recorded were Sweden, Italy, France and Spain. This was offset by decline in utilisation of credits in respect of certain other countries/institutions of which particular mention may be made of IDA (Rs. 131 crore), Netherlands (Rs. 37 crore) and IFAD (Rs. 11 crore).

Utilisation of grants at Rs. 624 crore during 1989-90 was higher by Rs. 71 crore than that of Rs. 553 crore in the preceding year. While utilisation of grants showed an increase in respect of Sweden (Rs. 126 crore), Netherlands (Rs. 23 crore) and the U.S.A. (Rs. 8 crore), those from Japan, Switzerland, the EEC and other International Institutions declined by Rs. 24 crore, Rs. 16 crore, Rs. 24 crore and Rs. 65 crore, respectively (Table XI-10 and XI-11).

Cumulative Assistance

The cumulative external assistance authorised for India up to end-March 1990 aggregated Rs. 83,929 crore. Of this, loans amounted to Rs. 73,725 crore or 88 per cent, grants at Rs. 7,430 crore or 9 per cent and P.L. 480/665 assistance accounted for the balance of Rs. 2,774 crore or 3 per cent.

Assistance utilised up to end-March 1990 amounted to Rs. 53,419 crore or 64 per cent of the total amount authorised. Of the total aid utilised, loans accounted for Rs. 44,253 crore (83 per cent), grants Rs. 6,347 crore (12 per cent) and P.L. 480/665 assistance Rs. 2,819 crore (5 per cent) (Table XI-13).

As at end-March 1990, the share of the World Bank Group at 43 per cent in total authorisations was nearly the same as at end-March 1989 (45 per cent). Under utilisation of assistance, the World Bank Group improved its share by two percentage points to 44 per cent. Other major sources/ countries/ institutions were the USSR, the USA, Japan, West Germany and the UK which together accounted for 40

Table XI-9 : External Assistance
(Fiscal Years)

(Rupees crore)

Items	Loans	Grants	Total (2 + 3)
1	2	3	4
1. Authorisations during			
a) 1980-81	3237@	76	3313
	(4093)	(96)	(4189)
b) 1981-82	2633	207	2840
	(2936)	(231)	(3167)
c) 1982-83	2542	423	2965
	(2630)	(438)	(3068)
d) 1983-84	1687	387	2074
	(1632)	(375)	(2007)
e) 1984-85	4401	471	4872
	(3702)	(396)	(4098)
f) 1985-86	5335	313	5648
	(4360)	(256)	(4616)
g) 1986-87	5728	430	6158
	(4483)	(336)	(4819)
h) 1987-88	7994	1062	9056
	(6166)	(819)	(6985)
i) 1988-89 R	12986	214	13200
	(8967)	(148)	(9115)
j) 1989-90 P	8288	816	9104
	(4978)	(490)	(5468)
2. Utilisation during			
a) 1980-81	1228@	396	1624
	(1553)	(501)	(2054)
b) 1981-82	1519	351	1870
	(1694)	(391)	(2085)
c) 1982-83	1911	339	2250
	(1977)	(351)	(2328)
d) 1983-84	1964	281	2245
	(1899)	(272)	(2171)
e) 1984-85	1963	369	2332
	(1651)	(310)	(1961)
f) 1985-86	2495	401	2896
	(2039)	(328)	(2367)
g) 1986-87	3176	402	3578
	(2485)	(315)	(2800)
h) 1987-88	4575	457	5032
	(3529)	(352)	(3881)
i) 1988-89 R	4738	553	5291
	(3272)	(382)	(3654)
j) 1989-90 P	5138	624	5762
	(3086)	(375)	(3461)
3. Amount undisbursed as at the end of March 1990 P	**45556**	**2551**	**48107**
	(26295)	**(1472)**	**(27768)**

Notes: 1 Amounts of authorisations and utilisation under 'loans' are inclusive of Government and Non-Government loans.
2. Loan amounts are net of surrenders, de-obligations and cancellations etc.
3. Figures of utilisation of grants are exclusive of grants received from International Institutions such as UNICEF, UNDP, ILO, WHO, UNFPA and UNESCO upto 1986-87. Subsequent data are inclusive of such grants.
4. Amount undisbursed as at the end of March 1990 represents rupee values calculated at the rates prevalent at end-March 1990.
5. Figures in brackets represent amounts in million of US dollars. They are converted at annual average rates for the respective years and amount undisbursed are converted at end-March 1990 rate.

@ Excludes IMF Trust Fund.
P : Provisional.
R : Revised.

Table XI-10 : Loans Authorised and Utilised during 1988-89 and 1989-90 (Fiscal Years)

(Rupees crore)

Country/ Institution	Authorisations		Utilisation		Aid Undisbursed as at the end of:	
	1988-89 R	1989-90 P	1988-89 R	1989-90 P	March 1989 R	March 1990 P
1	2	3	4	5	6	7
1. IBRD	3 004	3 536	2 361	2 543	11 319	13 673
	(2 074)	(2 124)	(1 630)	(1 527)	(7 227)	(7 892)
2. IDA	855	1 456	1 080	949	6 058	7 252
	(590)	(875)	(745)	(570)	(3 868)	(4 186)
3. IFAD	—	28	29	18	69	87
	—	(17)	(20)	(11)	(44)	(50)
4. ADB	890	—	104	108	1 754	1 827
	(616)	—	(72)	(65)	(1 120)	(1 055)
5. Austria	—	—	—	7	12	6
				(4)	(8)	(4)
6. Belgium	—	11	1	1	1	12
		(7)	(1)	(1)	(1)	(7)
7. Bulgaria	—	—	—	—	3	—
					(2)	
8. Denmark	—	—	10	7	21	18
			(7)	(4)	(13)	(10)
9. France	293	284	129	162	501	754
	(202)	(171)	(89)	(97)	(320)	(435)
10. West Germany	556	252	274	286	946	1 130
	(384)	(151)	(189)	(172)	(604)	(652)
11. Italy	—	—	42	105	140	49
			(29)	(63)	(89)	(28)
12. Japan	1 121	18	318	421	2993	2 416
	(774)	(11)	(220)	(253)	(1911)	(1 395)
13. Netherlands	6	84	90	53	19	64
	(4)	(50)	(62)	(32)	(12)	(37)
14. Sweden	—	361	—	90	—	298
		(217)		(54)		(172)
15. Switzerland	—	—	4	18	76	72
			(3)	(11)	(48)	(42)
16. Spain	—	76	—	39	—	49
		(45)		(23)		(28)
17. U.S.A.	—	—	40	40	370	368
			(28)	(24)	(236)	(212)
18. Czechoslovakia	—	—	12	22	59	37
			(8)	(13)	(38)	(22)
19. Hungary	—	333	—	—	—	347
		(200)				(200)
20. OPEC*	51	—	37	51	1063	1 121
	(35)		(26)	(31)	(679)	(647)
21. U.S.S.R.	6 210	1 849	207	218	7 035	15 976
	(4288)	(1110)	(143)	(131)	(4491)	(9221)
Total	**12 986**	**8 288**	**4 738**	**5 138**	**32 439**	**45 556**
	(8967)	**(4978)**	**(3272)**	**(3086)**	**(20711)**	**(26295)**

* Comprises Iran, Iraq, Kuwait, Abu Dhabi, Saudi Arabia and OPEC Special Fund.

R : Revised.

P : Provisional.

Notes: (1) Figures in brackets represent million of U.S. Dollars.

(2) Amount undisbursed are converted at end-March rates for respective years.

Table XI-11 : Grants@ Authorised and Utilised during 1988-89 amd 1989-90 (Fiscal Years)

(Rupees crore)

Country/ Institution	Authorisations		Utilisation		Aid undisbursed as at the end of	
	1988-89 R	1989-90 P	1988-89 R	1989-90 P	March 1989 R	March 1990 P
1	2	3	4	5	6	7
1. Australia	—	45	—	—	—	46
		(27)				(26)
2 Canada	4	85	20	24	509	627
	(3)	(51)	(14)	(14)	(325)	(362)
3. Denmark	—	53	16	13	38	108
		(32)	(11)	(8)	(24)	(62)
4. France	—	51	—	51	—	—
		(31)		(30)		
5. West Germany	2	—	1	1	10	13
	(1)		(1)	(1)	(6)	(8)
6. Japan	57	33	71	47	59	43
	(39)	(20)	(49)	(28)	(38)	(25)
7. Netherlands	—	—	46	69	87	33
			(32)	(42)	(56)	(19)
8. Sweden	—	186	36	162	128	178
		(111)	(25)	(97)	(82)	(103)
9. Norway	—	2	—	20	32	19
		(1)		(12)	(20)	(11)
10. Switzerland	—	43	17	1	12	62
		(26)	(12)	(1)	(8)	(36)
11. U.K.	79	79	155	126	494	578
	(55)	(47)	(107)	(76)	(315)	(333)
12. U.S.A. other than PL. 480/PL. 665	35	68	7	15	285	369
	(24)	(41)	(5)	(9)	(182)	(213)
13. E.E.C.	37	171	94	70	361	475
	(26)	(103)	(64)	(42)	(230)	(274)
14. Other International Institutions	—	—	90	25	—	—
			(62)	(15)		
Total	**214**	**816**	**553**	**624**	**2015**	**2551**
	(148)	**(490)**	**(382)**	**(375)**	**(1286)**	**(1472)**

Note: Figures in brackets represent million of U.S. Dollars.
R : Revised.
P : Provisional.
@ : Including debt relief as under.

(Rupees crore)

Country	Authorisations		Utilisation	
	1988-89	1989-90	1988-89	1989-90
1	2	3	4	5
By Way of Grants				
Japan	13.3	11.4	8.7	36.0
	(9.2)	(6.8)	(6.0)	(21.6)

Table XI-12: Statement showing purpose-wise distribution of loans

(Rupees lakh)

Purpose	Authorisations					Utilisation					Aid undisbursed as at end-March 1989
	1980-85	1985-86	1986-87	1987-88	1988-89	1980-85	1985-86	1986-87	1987-88	1988-89	
1	2	3	4	5	6	7	8	9	10	11	12
I. Transport and Communication	1768,65	380,17	142,01	1073,29	1598,79	702,10	188,73	365,30	469,91	673,39	3966,37
II. Power Projects	3845,55	1599,67	1028,71	2179,75	7653,63	1684,07	594,60	957,29	866,16	1085,86	13591,65
III. Steel and Steel Projects	116,66	—	—	—	—	192,10	26,26	13,57	72,04	29,24	274,88
IV. Iron Ore Projects	—	—	—	—	138,76	—	—	—	—	—	729,77
V. Industrial Development	3270,49	1471,62	2981,60	2212,11	1360,16	2312,05	623,15	758,67	848,60	1204,81	9410,97
VI. Agricultural Development	3898,33	928,18	1354,28	700,49	594,63	3106,88	736,83	830,49	1118,07	903,09	4975,35
VII. Food Aid	2,91	—	—	—	—	2,91	—	—	—	—	—
VIII. Oil and Petroleum Products	198,00	366,98	252,07	346,78	—	18,16	100,94	104,54	220,44	211,99	555,95
IX. Miscellaneous	1414,14	937,84	79,22	1451,25	1603,91	546,31	259,28	284,96	945,18	748,85	4235,77
Total	**14514,73**	**5684,46**	**5837,89**	**7963,67**	**12949,88**	**8564,58**	**2529,79**	**3314,82**	**4540,40**	**4857,23**	**37740,71**

per cent of the total authorisations and 37 per cent of total utilisation as at end-March 1990. As at end-March 1989, the share of this group was 40 per cent in authorisations and 39 per cent in utilisation (Table XI-14). Debt service payments at Rs. 3,686 crore (provisional) during 1989-90 were higher by Rs. 739 crore (25 per cent) than those in the preceding year, viz., Rs. 2,947 crore. As a result, net inflow of external assistance (net of debt servicing) at Rs. 2,076 crore was lower by Rs. 268 crore (11 per cent) than Rs. 2,344 crore in the preceding year (Table XI-16). Due mainly to larger debt service payments,the ratio of debt service payments to gross utilisation rose from 56 per cent in 1988-89 to 64 per cent in 1989-90; the net inflow of external assistance, as a proportion of gross drawals (utilisation) fell from 44 per cent in 1988-89 to 36 per cent during 1989-90. In US dollar terms, the net inflow of external assistance (net of debt service payments) amounted to $1,247 million, lower by around 23 per cent than that of $ 1,619 million in 1988-89. The share of authorisations in total debt service payments fell from 56 per cent to 54 per cent during the year.

Purpose-wise authorisations, utilisation and undisbursed balance as at end-March 1989 are given in the Table XI-12. Of the total loans authorised during 1988-89, the share of Power Projects was highest at 59 per cent (Rs. 7,654 crore) followed by Transport and Communication at 12 per cent (Rs. 1,599 crore). On the other hand, authorisations under Industrial Development and Agricultural Development showed sharp declines while there were no fresh authorisations in respect of Oil and Petroleum Products, Steel and Steel Projects and Food Aid.

The utilisation of loan assistance at Rs. 4,857 crore during 1988-89 was higher by Rs. 317 crore than that of Rs. 4,540 crore during 1987-88. The utilisation of assistance was highest for Industrial Development (Rs. 1,205 crore or 25 per cent) followed by Power Projects (Rs. 1,086 crore or 22 per cent) and Agricultural Development (Rs. 903 crore or 19 per cent).

Aid in the Pipeline

Total aid in the pipeline as at end-March 1990 amounted to Rs. 48,107 crore (57 per cent of aggregate assistance authorised) was higher by Rs. 13,653 crore than the level of Rs. 34,454 crore (50 per cent of aggregate assistance authorised) at the end of March 1989. Out of total aid in the pipeline, loans constituted Rs. 45,556 crore (95 per cent) and grants Rs. 2,551 crore (5 per cent). In dollar terms, the aid stood at $ 27,768 million, higher by $ 5,771 million than the level a year ago. The World Bank Group accounted for the largest share of assistance in the pipeline with 45.9 per cent, followed by the U.S.S.R. at 35.1 per cent.

Purpose-wise (Loans) undisbursed

At the beginning of 1989-90, undisbursed loans stood at Rs. 37,741 crore higher by Rs. 12,260 crore than that of Rs. 25,481 crore at the beginning of last year. Table XI-15 presents data on purpose-wise classification of undisbursed loans. These data show that the largest proportion of undisbursed loans was under 'Power Projects', in particular from the U.S.S.R., followed by 'Industrial Development', in particular from U.S.S.R. and the World Bank Group and 'Agricultural Development' and 'Miscellaneous Group' both from the World Bank Group.

Over the year ended March 1989, the share of World Bank Group in undisbursed aid declined from 63 per cent to 59 per cent in the case of Transport and Communication from 76 per cent to 36 per cent under Power Projects and from 83 to 80 per cent under Agricultural Development. The USSR's share of aid undisbursed under Power Projects was 48 per cent though it was nil in the previous year.

Aid Pledges for 1989-90.

At the Aid-India consortium meeting held in Paris during June 1990, members pledged assistance to India for 1990-91 which was lower

Table XI-13: Aggregate External Assistance (Fiscal Years)

(Rupees crore)

Period	Loans	Grants	P.L. 480/665 Aid and Third Country Currency Assistance	Total (2+3+4)
1	2	3	4	5
1. Authorisations from August 15, 1947				
Upto March 1980	18,894	3,031	2,774	24,699
2. Authorisations during:				
a) 1980-81	3,237	76	—	3,313
	(4093)	(96)		(4189)
b) 1981-82	2,633	207	—	2,840
	(2936)	(231)		(3167)
c) 1982-83	2,542	423	—	2,965
	(2630)	(438)		(3068)
d) 1983-84	1,687	387	—	2,074
	(1632)	(375)		(2007)
e) 1984-85	4,401	471	—	4,872
	(3702)	(396)		(4098)
f) 1985-86	5,335	313	—	5,648
	(4360)	(256)		(4616)
g) 1986-87	5,728	430	—	6,158
	(4483)	(336)		(4819)
h) 1987-88	7,994	1,062	—	9,056
	(6166)	(819)		(6985)
i) 1988-89R	12,986	214	—	13,200
	(8967)	(148)		(9115)
j) 1989-90P	8288	816	—	9,104
	(4978)	(490)		(5468)
3. Total upto March 1990	**73,725**	**7,430**	**2,774**	**83,929**
4. Utilisation from August 15, 1947				
Upto March 1980	15,546	2,174	2,819	20,539
5. Utilisation during				
a) 1980-81	1,228	396	—	1,624
	(1553)	(501)		(2054)
b) 1981-82	1,519	351	—	1,870
	(1694)	(391)		(2085)
c) 1982-83	1,911	339	—	2,250
	(1977)	(351)		(2328)
d) 1983-84	1,964	281	—	2,245
	(1899)	(272)		(2171)
e) 1984-85	1,963	369	—	2,332
	(1651)	(310)		(1961)
f) 1985-86	2,495	401	—	2,896
	(2039)	(328)		(2367)
g) 1986-87	3,176	402	—	3,578
	(2485)	(315)		(2800)
h) 1987-88	4,575	457	—	5,032
	(3529)	(352)		(3881)
i) 1988-89R	4,738	553	—	5,291
	(3272)	(382)		(3654)
j) 1989-90P	5,138	624	—	5,762
	(3086)	(375)		(3461)
6. Total upto March 1990	**44,253**	**6,347**	**2,819**	**53,419**

R :–Revised. P: Provisional.

Notes: 1. Refer to notes to table XI-9.

2. Figures in brackets represent million of US Dollars.

Table XI-14: Aggregate External Assistance—Source-wise (Upto end-March 1990) $$

(Rupees crore)

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	20494	—	—	20494 (24.4)	10568	—	—	10568 (19.8)
IDA	15881	—	—	15881 (18.9)	13007	—	—	13007 (24.3)
EEC	41$	984	—	1025 (1.2)	42$	1046	—	1088 (2.0)
IFAD	201	—	—	201 (0.2)	188	—	—	188 (0.4)
ADB	1703	—	—	1703 (2.0)	233	—	—	233 (0.4)
Canada	899	1074	—	1973 (2.4)	716	610	—	1326 (2.5)
France	2087	56	—	2143 (2.6)	1769	55	—	1824 (3.4)
Netherlands	937	279	—	1216 (1.4)	949	473	—	1422 (2.7)
West Germany	4139	56	—	4195 (5.0)	3451	53	—	3504 (6.6)
Japan	4827	273	—	5100 (6.1)	3350	275	—	3625 (6.8)
Sweden	476	936	—	1412 (1.7)	196	618	—	814 (1.5)
USA	3251	497	2774	6522 (7.8)	3305	285	2819	6409 (12.0)
USSR	13990	9	—	13999 (16.7)	2243	8	—	2251 (4.2)
U.K.	1223	2756	—	3979 (4.7)	1256	2445	—	3701 (6.9)
OPEC*	1995	12	—	2007 (2.4)	1677	12	—	1689 (3.2)
Others	1581	498	—	2079 (2.5)	1303	467	—	1770 (3.3)
Total	**73725**	**7430**	**2774**	**83929 (100.0)**	**44253**	**6347**	**2819**	**53419 (100.0)**

* Comprises Iran, Iraq, Kuwait, Abu Dhabi, Saudi Arabia and OPEC Special Fund.

$ Relates to Special Action Credit.

$$ Provisional.

Note: Figures in brackets represent percentage to the total.

Table XI-15: Purpose-wise Distribution of Aid Undisbursed

(Rupees crore)

Purpose and Country/ Institution	Aid undisbursed as at the end of March 1988R	Aid undisbursed as at the end of March 1989P
1	2	3
I. Transport & Communication		
i. IBRD	1375.56	2029.86
ii. IDA	238.75	291.62
iii. France	45.64	14.52
iv. West Germany	44.55	34.25
v. Japan	354.96	325.80
vi. U.S.A.	3.23	3.88
vii. Others	477.52	1266.50
Total I	**2540.21**	**3966.37**
II. Power Projects		
i. IBRD	4660.43	4725.78
ii. IDA	494.19	179.92
iii. France	1.25	1.08
iv. West Germany	209.20	266.80
v. Japan	985.31	1268.88
vi. USSR	—	6477.66
vii. Italy	81.04	76.26
viii. Others	310.25	595.27
Total II	**6741.67**	**13591.65**
III. Steel & Steel Projects		
USSR	267.96	274.88
Total III	**267.96**	**274.88**
IV. Iron Ore Projects		
i. Iran	488.46	587.09
ii. Others	—	142.68
Total IV	**488.46**	**729.77**
V. Industrial Development		
i. IBRD Public	867.59	1108.89
Private	231.94	208.36
ii. IDA	—	—
iii. Austria Public	11.00	11.60
Private	—	—
iv. Belgium Public	—	—
Private	2.62	1.59
v. Canada Public	—	—
Private	—	—
vi. Denmark Public	29.28	20.94
vii. France Public	3.42	385.75
Private	118.63	0.96
viii. West Germany		
Public	0.65	330.37
Private	414.65	157.12
ix. Japan Public	356.16	644.25
x. USSR Public	5551.43	6148.95
xi. Others Public	558.53	392.19
Total V	**8145.90**	**9410.97**
VI. Agricultural Development		
i. IBRD	975.72	1060.97
ii. IDA	2376.07	2931.83
iii. West Germany	2.12	12.42
iv. Japan	380.10	634.59
v. Others	306.92	335.54
Total VI	**4040.93**	**4975.35**
VII. Food Aid		
Total VII	—	—
VIII. Oil & Petroleum Products		
i. France	116.40	73.68
ii. IBRD	412.70	319.08
iii. Japan	0.04	0.04
iv. Others	135.74	163.15
Total VIII	**664.88**	**555.95**
IX. Miscellaneous		
i. IBRD	680.67	1343.74
ii. IDA	1712.68	2554.30
iii. West Germany	42.37	41.43
iv. Others	155.06	296.30
Total IX	**2590.78**	**4235.77**
Grand Total (I to IX)	**25480.79**	**37740.71**

R—Revised
P—Provisional

by U.S. $0.2 billion than U.S. $6.7 billion pledged for 1989-90. Of the total commitment of U.S. $6.5 billion, concessional aid is likely to be about $3.2 billion or 49 per cent of aid pledged. The share of the World Bank Group in the consortium pledge is likely to be about U.S. $ 1.9 or $ 2 billion.

IV. India's Financial Assistance to Other Countries

Authorisations

During 1989-90, commitments of external assistance extended by India to foreign countries declined by 7.1 per cent from those during the preceding year and amounted to Rs. 143 crore (Table XI-17). Authorisations of grants which comprise 71 per cent of such assistance declined by Rs. 8 crore to Rs. 101 crore, while loan authorisations fell by Rs. 3 crore to Rs. 41 crore. The fall in authorisations of grants was in respect of Bhutan (by Rs. 6.6 crore), Bangladesh and Nepal (by Rs. 1.3 crore each). However, grant authorisations under the Indian Technical and

Table IX-16: Inflow of Foreign Assistance-Gross and Net (Fiscal Years)

(Rupees crore)

Year	Gross Utilisation	Amortisation Payments	Interest Payments	Total Debt Services (3+4)	Net Inflow of Aid (2—5)
1	2	3	4	5	6
1980-81	1624	518	286	804	820
	(2054)	(655)	(362)	(1017)	(1037)
1981-82	1870	538	311	849	1021
	(2085)	(600)	(347)	(947)	(1138)
1982-83	2250	587	360	947	1303
	(2328)	(607)	(372)	(979)	(1349)
1983-84	2245	616	417	1033	1212
	(2171)	(596)	(403)	(999)	(1172)
1984-85	2332	647	529	1176	1156
	(1961)	(544)	(445)	(989)	(972)
1985-86	2896	776	591	1367	1529
	(2367)	(634)	(483)	(1117)	(1250)
1986-87	3578	1176	853	2029	1549
	(2800)	(920)	(668)	(1588)	(1212)
1987-88	5032	1581	1043	2624	2408
	(3881)	(1219)	(804)	(2023)	(1858)
1988-89R	5291	1646	1301	2947	2344
	(3654)	(1137)	(898)	(2035)	(1619)
1989-90P	5762	1987	1699	3686	2076
	(3461)	(1193)	(1021)	(2214)	(1247)

R: Revised.
P: Provisional

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) above.

2. Figures in brackets represent million' of US dollars.

Economic Co-operation (ITEC) Programme increased by Rs. 1.4 crore. Bhutan, with a share of 54.1 per cent, continued to be the biggest beneficiary of grant assistance sanctioned by India during the year, followed by Nepal whose share was maintained at a little below 16 per cent. Loan authorisations to Bhutan and Vietnam declined sharply by 79.5 per cent and 46.0 per cent, respectively. Guyana received fresh loan authorisations of Rs. 10 crore during the year, while loans sanctioned to Nepal were maintained at Rs. 25 crore. There were no loan commitments made to Mauritius during 1989-90, as against those of Rs. 5 crore during the preceding year. Nepal continued to be the largest recipient of loan authorisations during the year with a share of 60.5 per cent, followed by Guyana with a share of 24.2 per cent. Overall, fresh authorisations of external assistance were made in respect of Bangladesh, Bhutan, Nepal, Vietanam, Guyana and under the ITEC Programme during 1989-90. Bhutan continued to account for the largest share of financial aid commitments made by India during the year, followed by Nepal.

Utilisation

The utilisation of aid extended by India also declined by Rs. 35 crore to Rs. 105 crore during 1989-90, due to a steep fall of 71.8 per cent in the utilisation of loans which amounted to Rs. 15.1 crore. There was no utilisation of loan asistance extended to Nepal. Loan utilisation declined in respect of Bhutan, Mauritius, Nicaragua, Sri Lanka and Vietnam. Loan assistance sanctioned

Table XI-17: Assistance Extended by India to other Countries (Fiscal Years)

(Rupees crore)

Country/ Programme	Authorisations						Utilisation					
	1988-89			1989-90P			1988-89			1989-90P		
	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	—	2.8	2.8	—	1.5	1.5	—	2.6	2.6	—	1.3	1.3
2. Bhutan	4.4	61.3	65.7	0.9	54.7	55.6	4.4	61.3	65.7	0.9	54.7	55.6
3. Mauritius	5.0	—	5.0	—	—	—	4.0	—	4.0	0.7	—	0.7
4. Mozambique	—	—	—	—	—	—	—	—	—	0.2	—	0.2
5. Nepal	25.0	17.3	42.3	25.0	16.0	41.0	25.0	12.9	37.9	—	11.9	11.9
6. Nicaragua	—	—	—	—	—	—	2.8	—	2.8	1.8	—	1.8
7. Sri Lanka	—	—	—	—	—	—	4.4	—	4.4	0.1	—	0.1
8. Uganda	—	—	—	—	—	—	—	—	—	4.0	—	4.0
9. Vietnam	10.0	—	10.0	5.4	—	5.4	12.9	—	12.9	7.4	—	7.4
10. Guyana	—	—	—	10.0	—	10.0	—	—	—	—	—	—
11. ITEC	—	27.6	27.6	—	29.0	29.0	—	9.7	9.7	—	22.4*	22.4*
Total	**44.4**	**109.0**	**153.4**	**41.3**	**101.2**	**142.5**	**53.5**	**86.5**	**140.0**	**15.1**	**90.3**	**105.4**

P: Provisional.

* Includes Rs. 1.5 crore provided under SCAAP (Special Commonwealth African Countries Assistance Plan).

Notes: 1. Aid to Nepal excludes grant expenditure on Kosi & Gandak Schemes executed by the Bihar Government and the grant expenditure on training to Nepalese Scholars in India.

2. Authorisations are net of de-obligations/cancellations.

Table XI-18: Aggregate Assistance Extended by India to other Countries (Up to end-March 1990)

(Rupees crore)

Country/Programme	Authorisations			Utilisation			Amount undisbursed as at the end of March 1990(P)		
	Loans	Grants	Total	Loans	Grants	Total	Loans	Grants	Total
1	2	3	4	5	6	7	8	9	10
1. Afghanisthan	6.4	—	6.4	6.4	—	6.4	—	—	—
2. Bangladesh	135.4	156.4	291.8	111.5	139.9	251.4	23.9	16.5	40.4
3. Bhutan	156.3	692.1	848.4	156.3	691.7	848.0	—	0.4	0.4
4. Burma	20.0	—	20.0	20.0	—	20.0	—	—	—
5. Ghana	4.9	—	4.9	4.9	—	4.9	—	—	—
6. Indonesia	10.0	—	10.0	10.0	—	10.0	—	—	—
7. Kenya	5.0	—	5.0	5.0	—	5.0	—	—	—
8. Mauritius	29.5	—	29.5	24.7	—	24.7	4.8	—	4.8
9. Mozambique	8.1	—	8.1	7.8	—	7.8	0.3	—	0.3
10. Nepal	116.9	325.1	442.0	84.9	288.9	373.8	32.0	36.2	68.2
11. Nicaragua	12.5	—	12.5	9.0	—	9.0	3.5	—	3.5
12. Peoples' Democratic Republic of Yemen	1.0	—	1.0	1.0	—	1.0	—	—	—
13. Seychelles	1.9	—	1.9	1.9	—	1.9	—	—	—
14. Sri Lanka	94.4	—	94.4	70.3	—	70.3	24.1	—	24.1
15. Tanzania	14.2	—	14.2	14.2	—	14.2	—	—	—
16. Uganda	6.5	—	6.5	6.5	—	6.5	—	—	—
17. Vietnam	155.7	—	155.7	146.6	—	146.6	9.1	—	9.1
18. Zambia	5.8	—	5.8	5.8	—	5.8	—	—	—
19. Zimbabwe	4.8	—	4.8	4.8	—	4.8	—	—	—
20. Assistance under ITEC	—	130.9	130.9	—	105.3*	105.3*	—	25.6	25.6
21. Guyana	10.0	—	10.0	—	—	—	10.0	—	10.0
Total	**799.3**	**1304.5**	**2103.8**	**691.6**	**1225.8**	**1917.4**	**107.7**	**78.7**	**186.4**

P: Provisional.

* Includes Rs. 1.5 crore provided under SCAAP (Special Commonwealth African Countries Assistance Plan).

Notes: 1. Refer to notes to table XI-17.

2. Aid to Bangladesh does not cover the relief goods of the value of Rs. 17 crore supplied to that country in 1971-72.

to Mozambique and Uganda was utilised to the extent of Rs. 0.2 crore and Rs. 4.0 crore, respectively, notwithstanding no fresh authorisations of financial assistance to these countries during the year. On the other hand, there was an increase of Rs. 3.8 crore in the utilisation of grants which amounted to Rs. 90.3 crore, mainly due to a substantial rise in the disbursement of grants under the ITEC Programme. Grant assistance sanctioned to Bangladesh was utilised to the extent of Rs. 1.3 crore. However, in respect of Bhutan and Nepal (together accounting for 74 per cent of loan utilisations) there was a decline. (Table XI-17).

Cumulative Assistance Extended by India

Total aid authorised up to end-March 1990 amounted to Rs. 2,104 crore, of which 62 per cent was by way of grants and the balance by way of loan assistance. The principal beneficiaries were Bhutan (40 per cent), Nepal (21 per cent), Bangladesh (14 per cent) and Vietnam (8 per cent). These four countries together accounted for 83 per cent of the total authorisation, the same as in the preceding year (Table XI-18). Aid utilised by end-March 1990 amounted to Rs. 1,917 crore or 91 per cent of the amount authorised. Bhutan, Nepal, Bangladesh and Vietnam together accounted for 84 per cent of the total utilisation, almost the same as in the preceding year.

As utilisation of aid during the year was lower than fresh authorisations, undisbursed aid in the pipeline increased from Rs. 149 crore at end-March 1989 to Rs. 186 crore at end-March 1990. Of this, Bangladesh, Nepal and Sri Lanka accounted for 71 per cent of undisbursed balances. For Bangladesh and Sri Lanka, utilisation ratios (proportion of utilisation to authorisations) remained at the levels of the preceding year, whereas in respect of Nepal, it declined. However, Bhutan had utilised the assistance almost fully.

V. India's External Debt

The large current account deficit that emerged since the beginning of eighties had to be financed largely through inflow of capital from abroad by way of multilateral and bilateral assistance, commercial borrowings and non-resident deposits. As a result, India's external debt rose significantly during the past few years. India's medium and long term external debt (other than non-resident deposits) rose from Rs. 13,430 crore ($ 16.9 bn.) at end-March 1980 to Rs. 35,800 crore ($ 28.8 bn.) at end-March 1985, the end of the Sixth Plan Period, and further to nearly Rs. 82,000 crore ($47.1 bn.) at end-March 1990 (Table XI-19). As a per cent of GDP at current market prices, external debt went up from 11.7 per cent at end-March 1980 to 18.4 per cent by end-March 1990. The debt-export ratio (exports of goods and invisibles) rose from 131 per cent in March 1980 to 223 per cent in March 1989. The debt-service ratio, i.e., ratio of debt service payments exclusive of interest on non-resident deposits to current receipts (exports plus gross invisible receipts other than official transfers) went up from around 8 per cent in 1979-80 to 13.6 per cent in 1984-85 and to 23.0 per cent in 1988-89. (Table XI-20). In 1989-90, however, it is estimated to have declined to 21.5 per cent.

VI. Exchange Rate Developments

The exchange value of the rupee continues to be linked to a weighted basket of currencies of India's major trading partners, with the pound sterling as the intervention currency. The rupee-pound parity was changed 252 times during 1989-90 as compared with 200 times in the preceding year. The adjustments during the first quarter of the current financial year 1990-91 numbered 55, which were less than such adjustments (66) made during the corresponding quarter of the previous year. Month-wise data show that the maximum number of adjustments that took place in a single month in 1989-90 was in June 1989 with 26 such adjustments while the minimum number of adjustments in a single month numbered 14 and were carried out in December 1989. The data showing annual averages of the rupee exchange rate vis-a-vis the SDR and currencies of India's important trading partners for the years 1985-86 to 1989-90 are given in Table XI-21. The rupee depreciated against the SDR and all major currencies during the year.

In terms of annual averages, the depreciation of rupee during 1989-90 with respect to major currencies was the highest in case of U.S. dollar,

Table XI-19: India's External Debt

(Rupees crore)

	As at end-March						
	1980**	1985	1986	1987	1988	1989	1990P
1	2	3	4	5	6	7	8
1. External assistance	12,178	24,004	26,638	32,312	36,578	46,838	54,095
2. IMF	—	4,888	5,271	5,548	4,732	3,696	2,573
3. External Commercial Borrowings*	1,252	6,908	8,075	11,243	13,543	19,147	24,500
4. **Total (1+2+3)**	**13,430**	**35,800**	**39,984**	**49,103**	**54,853**	**69,681**	**81,168**
Memorandum Item							
5. U.S. dollars in million	16,932	28,801	32,391	37,699	**42,993**	**44,485**	**47,109**

* Include non-Government loans under external assistance programme and suppliers'credits from East European countries repayable in rupees.

** Based on Survey of India's International Investment Position, Reserve Bank of India Bulletin, April 1985.

P Provisional.

Table XI-20: Debt Service Ratio

Year	Debt Service Ratio*
1984-85	13.6
1985-86	16.0
1986-87	22.0
1987-88	24.0
1988-89	23.0
1989-90	21.5@

* Debt-Service payments, excluding those on NRI Deposits, as percent of export of goods and invisibles other than official transfer receipts.

@ Estimate.

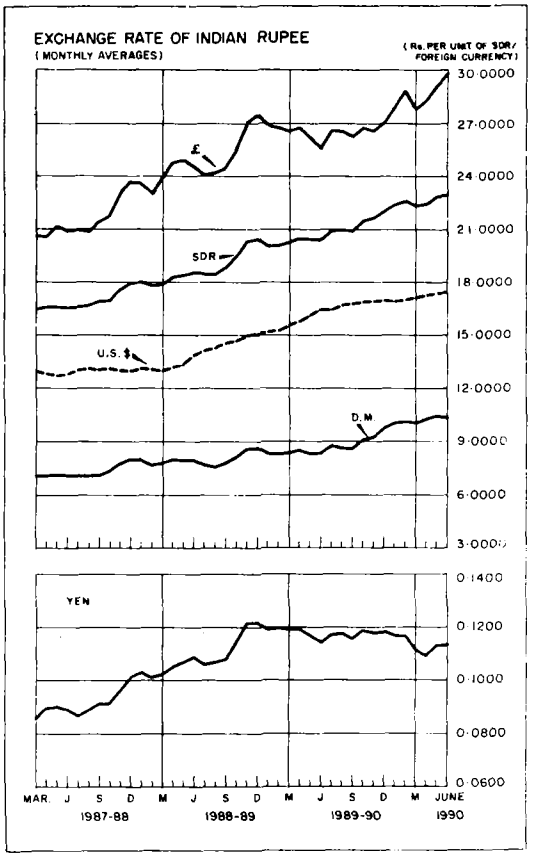
followed by D.M., pound sterling and the yen. The rupee depreciated by 13.0 per cent against the U.S. dollar from Rs. 14.48 per U.S. dollar to Rs. 16.65 per U.S. dollar, as compared with its depreciation of 10.4 per cent during the preceding year.

Vis-a-vis the DM, the rupee eased from Rs. 8.05 per DM to Rs. 9.09 per DM., recording a higher depreciation of 11.4 per cent during 1989-90 than that of 8.1 per cent during the preceding year.

The depreciation of rupee against the pound sterling by 4.9 per cent during the year from Rs. 25.60 per pound sterling in 1988-89 to Rs. 26.92 per pound sterling during the current year was considerably lower than that of 13.7 per cent during 1988-89. Like-wise, the rupee depreciated against the yen marginally by 3.1 per cent from Rs. 0.1130 per yen to Rs. 0.1166 per yen as compared with the softening of rupee by 16.7 per cent witnessed during the preceding year. In relation to the SDR, the rupee depreciated by 9.9 per cent from Rs. 19.2619 per SDR to Rs. 21.3684 per SDR as compared with its depreciation by 11.1 per cent during the preceding year.

With regard to the currencies of other developed countries, excepting the Canadian dollar, the depreciation of the rupee was higher during 1989-90 as compared with that in the preceding year. However, in the case of the Canadian dollar, the depreciation of 15.1 per cent during the year 1989-90 was marginally lower than its depreciation of 17.1 per cent during the preceding year.

As regards the currencies of developing countries, including some of the newly industrialised countries, the rate of depreciation of rupee during 1989-90 was higher against the Bangladesh taka, Thailand baht, Indonesian rupiah, Singapore dollar, Hongkong dollar and Malaysian ringgit. However, it was lower against South Korean won and Pakistani rupee. when compared with its depreciation during the preceding year. The rupee, however, marginally appreciated (by 0.7 per cent) against the Sri Lankan rupee as compared with its depreciation



of 3.0 per cent during the preceding year.

Monthly averages of the rupee exchange rates against the four major currencies and the SDR for the period March 1988 to June 1990 are given in Table XI-22. In relation to the SDR, barring May, June, September and March, the rupee ruled easy during all other months of fiscal year 1989-90. Between March 1989 and March 1990, the rupee softened against the SDR by 9.4 per cent as compared to its softening of 11.7 per cent during the corresponding period of the preceding year. The rupee continued to depreciate against the SDR during the first quarter of 1990-91, the extent of depreciation being 2.7 per cent as compared to that of 1.0 per cent in the corresponding quarter of 1989-90.

The rupee generally ruled easy against the U.S. dollar during the year 1989-90, barring July 1989 and January 1990 when it appreciated marginally by 0.28 per cent and 0.23 per cent, respectively. Between March 1989 and March 1990, the rupee depreciated by 9.4 per cent as compared with 16.3 per cent in the twelve months of the preceding year. During the first quarter of 1990-91, the rupee depreciated marginally by 1.7 per cent as against 5.6 per cent in the corresponding quarter of the preceding year. In relation to the pound sterling, the rupee weakened by 4.4 per cent between March 1989 and March 1990 as compared with its weakening of 10.5 per cent in the corresponding period of the preceding year. Month-wise, the rupee appreciated during May, June, August, September and November 1989 and March 1990 but depreciated during the remaining six months of the year. During the first quarter of 1990-91 (June 1990 over March 1990), the rupee depreciated by 6.6 per cent as compared with an appreciation of 4.1 per cent in the corresponding quarter of 1989-90. Against the D.M., the rupee depreciated substantially by 17.3 per cent between March 1989 and March 1990, as compared with its weakening of 6.8 per cent over the same period in the preceding year. There were wide fluctuations between months. While the rupee marginally hardened during May, August and September 1989 and March 1990, it weakened during the remaining months. During the first quarter of 1990-91, the rupee weakened by 2.9 per cent whereas it had remained more or less stable during the corresponding quarter of the preceding year.

In relation to the yen, the rupee strengthened by 6.4 per cent between March 1989 and March 1990, as against its weakning of 14.2 per cent during the preceding year. The rupee firmed up during most of the months, barring July, August, October and December 1989 the highest appreciation being in March 1990. During the first quarter of 1990-91, however, the rupee softened by 1.3 per cent as against its hardening of 4.3 per cent in the corresponding quarter of the preceding year.

During 1989-90, the rupee-rouble rate in respect of credit agreements and commercial transactions was changed three times, i.e. on July 9, October 8 and December 16, 1989. It varied between Rs. 18.11 per rouble (end-March

Table XI-21: Exchange Rate of the Indian Rupee (Annual Averages)* (April-March)

(Rupees per unit of SDR/foreign currency)

	1985-86	1986-87	1987-88	1988-89	1989-90
1	2	3	4	5	6
SDR	12.9232	15.4472	17.1208	19.2619	21.3684
		(—16.3)	(—9.8)	(—11.1)	(—9.9)
U.S. Dollar	12.23	12.78	12.97	14.48	16.65
		(—4.3)	(—1.5)	(—10.4)	(—13.0)
Pound Sterling	16.85	19.07	22.09	25.60	26.92
		(—11.6)	(—13.7)	(—13.7)	(—4.9)
D.M.	4.56	6.30	7.40	8.05	9.09
		(—27.6)	(—14.9)	(—8.1)	(—11.4)
Yen	0.0562	0.0802	0.0941	0.1130	0.1166
		(—29.9)	(—14.8)	(—16.7)	(—3.1)
French Franc	1.4908	1.9290	2.2035	2.3703	2.6802
		(—22.7)	(—12.5)	(—7.0)	(—11.6)
Canadian Dollar	8.8892	9.3095	9.9139	11.9597	14.0931
		(—4.5)	(—6.1)	(—17.1)	(—15.1)
Swiss Franc	5.4688	7.6068	8.9791	9.5672	10.3368
		(—28.1)	(—15.3)	(—6.1)	(—7.4)
Italian Lira	0.0068	0.0091	0.0102	0.0109	0.0124
		(—25.3)	(—10.8)	(—6.4)	(—12.1)
Netherlands Guilder	4.0426	5.1506	6.5760	7.1438	8.0641
		(—21.5)	(—21.7)	(—7.9)	(—11.4)
Bangladesh Taka	0.4316	0.4282	0.4242	0.4636	0.5308
		(+0.8)	(+0.9)	(—8.5)	(—12.7)
Thailand Baht	0.4612	0.4941	0.5146	0.5750	0.6514
		(—6.7)	(—4.0)	(—10.5)	(—11.7)
Indonesian Rupiah	0.0109	0.0093	0.0078	0.0085	0.0093
		(+17.2)	(+19.2)	(—8.2)	(—8.6)
South Korean Won	0.0139	0.0147	0.0162	0.0205	0.0247
		(—5.4)	(—9.3)	(—21.0)	(—17.0)
Sri Lankan Rupee	0.4508	0.4562	0.4352	0.4487	0.4456
		(—1.2)	(+4.8)	(—3.0)	(+0.7)
Pakistan Rupee	0.7773	0.7641	0.7517	0.7907	0.8002
		(+1.7)	(+1.6)	(—4.9)	(—1.2)
Singapore Dollar	5.6167	5.8807	6.2583	7.2868	8.6239
		(—4.5)	(—6.0)	(—14.1)	(—15.5)
Hongkong Dollar	1.5721	1.6413	1.6615	1.8558	2.1368
		(—4.2)	(—1.2)	(—10.5)	(—13.2)
Malaysian Ringgit	4.9803	4.9327	5.1469	5.4534	6.1751
		(+1.0)	(—4.2)	(—5.6)	(—11.7)

* Based on monthly averages.

Notes: 1. The SDR rate is as given in the IMF Survey. For 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 rate 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.

Table XI-22: Exchange Rate of the Indian Rupee
(Monthly Averages)

(Rupees per unit of SDR/foreign currency)

Month/Year	SDR	US $	£	D.M	Yen
1	2	3	4	5	6
March 1988	17.8284	12.9793	23.7897	7.7435	0.1021
1988-89					
April	18.2386	13.1778	24.7439	7.8825	0.1055
May	18.3232	13.3206	24.9016	7.8631	0.1068
June	18.5573	13.8269	24.5718	7.8700	0.1086
July	18.4011	14.1010	24.0338	7.6412	0.1060
August	18.4104	14.2484	24.1838	7.5414	0.1065
September	18.7541	14.4984	24.4153	7.7689	0.1079
October	19.4342	14.6847	25.5206	8.0810	0.1140
November	20.3269	14.9571	27.0739	8.5636	0.1215
December	20.4069	15.0369	27.4755	8.5708	0.1218
January	20.0137	15.1667	26.9027	8.2615	0.1191
February	20.0779	15.2482	26.7423	8.2408	0.1195
March	20.1989	15.5137	26.5858	8.3083	0.1190
	[—11.74]	[—16.34]	[—10.52]	[—6.80]	[—14.20]
1989-90					
April	20.4582	15.7115	26.7237	8.4063	0.1190
	(—1.27)	(—1.26)	(—0.52)	(—1.17)	(—)
May	20.4155	16.0957	26.2151	8.2690	0.1167
	(+0.21)	(—2.39)	(+1.94)	(+1.66)	(+1.97)
June	20.4079	16.4349	25.5284	8.3079	0.1141
	(+0.04)	(—2.06)	(+2.69)	(—0.47)	(+2.28)
July	20.9180	16.3889	26.6304	8.6637	0.1167
	(—2.44)	(+0.28)	(—4.14)	(—4.11)	(—2.23)
August	20.9775	16.6404	26.5548	8.6433	0.1178
	(—0.28)	(—1.51)	(+0.28)	(+0.24)	(—0.93)
September	20.9027	16.7464	26.3019	8.5856	0.1155
	(+0.36)	(—0.63)	(+0.96)	(+0.67)	(+1.99)
October	21.4516	16.8563	26.7594	9.0327	0.1186
	(—2.56)	(—0.65)	(—1.71)	(—4.95)	(—2.61)
November	21.6229	16.9212	26.6120	9.2554	0.1179
	(—0.79)	(—0.38)	(+0.55)	(—2.41)	(+0.59)
December	22.0424	16.9621	27.0614	9.7515	0.1180
	(—1.90)	(—0.24)	(—1.66)	(—5.09)	(—0.08)
January	22.3702	16.9227	27.9885	10.0098	0.1168
	(—1.47)	(+0.23)	(—3.31)	(—2.58)	(+1.03)
February	22.5575	16.9830	28.8168	10.1361	0.1166
	(—0.83)	(—0.36)	(—2.87)	(—1.25)	(+0.17)
March	22.2961	17.1274	27.8218	10.0454	0.1118
	(+1.17)	(—0.84)	(+3.58)	(+0.90)	(+4.29)
	[—9.41]	[—9.42]	[—4.44]	[—17.29]	[+6.44]
1990-91					
April	22.4947	17.2801	28.2909	10.2436	0.1091
	(—0.88)	(—0.88)	(—1.66)	(—1.93)	(+2.47)
May	22.8417	17.3635	29.1307	10.4449	0.1129
	(—1.52)	(—0.48)	(—2.88)	(—1.93)	(—3.37)
June	22.9224	17.4206	29.7858	10.3484	0.1133
	(—0.35)	(—0.33)	(—2.20)	(+0.93)	(—0.35)

Notes: 1. Figures in brackets indicate percentage appreciation (+)/depreciation (—) of the rupee in terms of the SDR/foreign currency concerned over the preceding month.

2. Figures in square brackets for March show appreciation (+)/depreciation (—) of the rupee over the preceding March.

1989) and Rs. 19.92 per rouble (end-March 1990) during the year, showing a depreciation of the rupee by 9.1 per cent as compared to its depreciation by 12.4 per cent in the corresponding period of the preceding year. During the first quarter of 1990-91, the rupee-rouble rate was further revised on May 10, 1990 from Rs. 19.92 per rouble to Rs. 20.55 per rouble showing a depreciation of rupee by 3.1 per cent.

VII. International Monetary Developments

The world output grew at 3 per cent during 1989 as against 4.1 per cent in 1988. The restrictive monetary policies which have been implemented in most industrial countries to cope with the pressures on productive capacity and rising inflation were mainly responsible for this slowdown. The volume of world trade expanded by 7.2 per cent in 1989 as against 9.1 per cent in 1988. The deceleration in world trade growth reflects the slowdown of the global economic activity and in particular, the weakening growth of world investment, a component of demand which is highly trade-intensive. The output growth in developing countries revealed more deceleration in 1989, from a growth of 4.1 per cent in 1988 to 3.0 per cent in 1989, as compared with the industrial countries which grew by 3.5 per cent in 1989 as against 4.4 per cent in 1988. In terms of volume, exports of developing countries grew by 7.3 per cent in 1989 as against 11 per cent in 1988. Industrial countries' exports (volume) expanded by 7.0 per cent in 1989 as against 9 per cent in 1988. The ratio of external debt to exports of goods and services revealed continuous decline from 160.6 per cent in 1987 to 141.9 per cent in 1988 and further to 127.5 per cent in 1989. Inflation rates were higher in 1989 than in 1988 in both the industrial and developing countries. The rate of inflation in developing countries increased from 70.5 per cent in 1988 to 104.1 per cent in 1989, whereas in the industrial countries, the rate moved up from 3.3 per cent to 4.4 per cent.

As mentioned in the previous Report, the persistence of large external imbalances among the three largest industrial countries viz., U.S.A., Japan and West Germany continued during 1989. In the near future, the imbalances in absolute terms are expected to widen, which would imply pressures for further protectionist tendencies and might involve risk of instability in financial markets.

According to the World Economic Outlook, May 1990, brought out by the International Monetary Fund (IMF), world output is expected to grow by 2.3 per cent in 1990 as against 3.0 per cent in 1989. The slowdown would be reflected in moderation of growth of industrial countries from 3.5 per cent in 1989 to 2.7 per cent in 1990. In the case of developing countries, growth in output is likely to improve to 3.2 per cent in 1990 from 3.0 per cent in 1989. Consequent to deceleration in output, growth in the volume of world trade is expected to moderate to 6.6 per cent in 1990 from 7.2 per cent in 1989. The current account deficits of industrial countries are expected to improve to $ 79.1 billion in 1990 from $ 81.9 billion in 1989 but that of developing countries is projected to worsen from $ 13.8 billion in 1989 to $ 19.9 billion in 1990.

The projections for 1990 have been made on the usual assumptions of continuity in economic policies pursued in industrial countries, and constancy in interest rates and exchange rates. The recent dramatic developments in Eastern Europe and the U.S.S.R. have not been taken into account while making the estimates.

Domestic Activity:

Industrial Countries

Industrial countries' output grew by 3.5 per cent in 1989 as compared with 4.4 per cent in 1988. All industrial countries except Federal Republic of Germany experienced a deceleration in output. For Germany, output growth was 4 per cent in 1989 as against 3.6 per cent in 1988. The major factor contributing to the output deceleration in the industrial countries was the decline in productive capacity and the slowdown of domestic demand due to the slackened business investment. In the light

of the expected continuation of tightness in monetary conditions, the IMF staff projected a further deceleration in output to 2.7 per cent in 1990 from 3.5 per cent in 1989.

The consumer price inflation rate in the industrial countries picked up by almost 1 percentage point in 1989 to 4.4 per cent, reflecting the high rate of capacity utilisation and the existence of a few temporary factors, such as steep rise in the world prices for oil, food and metals and increases in indirect taxes in Canada, Federal Republic of Germany, Italy and Japan. According to the IMF staff, the inflation rate in the industrial countries will slowdown to 4.2 per cent in 1990 and 3.6 per cent in 1991, due to the temporary nature of some of the factors that underlined the pick up in consumer prices in 1989, the cautious stance of monetary policy, the weak outlook for commodity prices and the expected moderation in economic growth.

Reflecting the slowdown of economic activity in the industrial countries, the volume of world trade expanded by 7.2 per cent in 1989 as against the strongest performance of 9.1 per cent in 1988. The growth in import volume had declined to 8.0 per cent in 1989 from 9.2 per cent in 1988, much of the decline being concentrated in U.K., Japan and Canada. The growth in export volumes during 1989 in France, Italy, U.K. and Germany was higher than that in 1988. However, the export volume growth of the United States declined from 23.5 per cent in 1988 to 12.0 per cent in 1989 which was mainly responsible for the decline in the export growth in industrial countries. Progress in reducing the current account imbalances among the three largest countries had been uneven mainly due to slackening of policy coordination. External surplus of Japan declined from 2.8 per cent of GNP in 1988 to 2 per cent in 1989 and in the case of the United States,the deficit fell from 2.6 per cent of GNP in 1988 to 2 per cent in 1989. However, in Germany the external surplus increased from 4 per cent of GNP in 1988 to 4.4 per cent in 1989. According to IMF staff projection, the imbalances will remain broadly unchanged in relation to GNP during the period ahead.

One of the most notable developments in the exchange markets during the year 1989 was the strong depreciation of the Yen. In real effective terms, the Yen had depreciated by more than 17 per cent during the year ended February 1990, inspite of the declining Japanese external surplus. The narrowing down of external surplus since the first quarter of 1989 reflected the continued portfolio diversification by large Japanese companies. In nominal terms, the Yen depreciated by about 12 per cent against the U.S. dollar and by 20 per cent against the DM. The relative weakness of Yen in 1989 stemmed to a larger extent as a reaction to its remarkable strength in the preceding year and as a delayed response to adverse movements in interest rate differentials.

Until mid-September 1989, the U.S. dollar remained strong. Since then, the pressure was released following large scale official sales of dollars in September and October 1989 which contributed to the dollar's decline. Continuous shifts in interest rate differentials in favour of non-dollar assets and increasing attractiveness of DM were also responsible for the dollar depreciation. By February 1990, the U.S. dollar had depreciated against DM by 9½ per cent from its level a year earlier.

Higher short-term interest rates in Germany and expectation of higher interest rates in the light of the expected German monetary and financial unification had resulted in a rapid rise in the value of DM in the last quarter of 1989 and in early 1990.

Even though short-term interest rates in U.K. remained the highest among the major industrial countries, the Pound sterling depreciated by about 4 per cent in real terms in the year ended February 1990. During the first half of 1989,the pound's decline was associated with the generally bullish market sentiment towards the U.S.dollar, but in the second half of the year the pound stabilised against the weakening U.S. dollar.

There have been large changes in the reserve position of the major industrial countries since the September 1985 Plaza Agreement, reflecting the pattern of exchange market intervention.

Japan's reserves rose sharply through early 1989, but declined later. Germany's reserves which rose as the DM appreciated in late 1987, fell sharply as the DM weakened between early 1988 and mid-1989. In the case of the U.S.A.,reserves declined as the dollar depreciated between 1985 and mid-1988 but have increased strongly since then.

Conditions in major financial markets firmed markedly during 1989 except in the USA. Reflecting the tightening of monetary policies throughout the industrial world, the rise in interest rates was to some extent the result of downward pressure of exchange rate in some countries. In the second half of 1989 and in early 1990, monetary conditions were tightened in Germany and Japan; in contrast, they were eased in the USA. Although the long-term interest rates are rising since early 1989 in all the industrial countries except the USA.,the yield curves flattened significantly and became inverted in most countries during the year. However, in early 1990, long-term interest rates rose significantly. By early March, the yields on 10 year Government bonds had risen by 2 percentage points above their average level in the fourth quarter of 1989 in Germany and U.K.

Fiscal policy made considerable progress in 1989 as U.S. Federal budget deficit as a percentage of GNP declined marginally from 3 per cent in 1988 to 2.9 per cent in 1989. In the case of Japan, deficit ratio declined from 1.3 per cent in 1988 to 0.5 per cent in 1989. For the seven major industrial countries, the fiscal deficit ratio declined to 2.5 per cent in 1989, the fourth year of continuous decline.

Developing Countries:

The output growth rate in the developing countries fell considerably to 3.0 per cent in 1989, the lowest since 1983, as against 4.1 per cent in 1988. The deceleration stems from the less favourable environment like the slower growth rate in world trade, the firming up of international interest rates, and the weakening of primary commodity prices. Further, the progress towards debt reduction has been far from satisfactory and only a few developing countries have been benefitted by the debt reduction plan.

In the developing countries of the Western Hemisphere, output expanded by 0.9 per cent in 1989. However, this was more than what was anticipated. In Africa, output growth firmed modestly in 1989 at 2.9 per cent as against 2.3 per cent in 1988, but the base of this recovery was narrow. In large parts of sub-Saharan Africa, the output performance remained unsatisfactory as a result of the decline in the prices of commodites like coffee and cocoa. In the developing countries of Europe, output increased marginally in 1989 (0.3 per cent in 1989 as against 1.3 per cent in 1988) reflecting the deep economic crisis of most of the countries in Eastern Europe. Real GDP growth rate of developing countries in Asia averaged 5.1 per cent in 1989 as against 9 per cent in 1988, the lowest growth rate in more than a decade but still higher compared to the other developing country groups.

Consumer price inflation rate was 104.1 per cent in 1989 as against 70.5 per cent in 1988. The sharp acceleration of prices in several high inflation countries was due to policy slippages. In Argentina, Brazil, Peru and Yugoslavia, inflation accelerated to over 1000 per cent in 1989. In Mexico, Bolivia, Mozambique, Uganda and Vietnam, significant reductions in inflation rates were achieved. The inflation rate in developing countries is projected to be 104.8 per cent in 1990 and this depends critically on the success of recently implemented adjustment programmes.

The combined current account deficit of developing countries was $13.8 billion in 1989 as against $ 13.2 billion in 1988, which was due to the net effect of stronger oil price, the modest weakening in non-oil terms of trade, the surge in domestic absorption in several large countries and the higher international interest rates. The volume of exports of fuel exporting countries increased by 7.2 per cent in 1989 as against 12.8 per cent in 1988. As a result of the declining price of oil, the volume of exports of non-fuel exporters grew by 7.3 per cent in 1989 against a rise of 10.5 per cent in 1988. Consequent to the

lower increase in import prices, the developing countries' terms of trade improved by 1.7 per cent in 1989 as against the loss of 3.3 per cent in 1988.

International Trade and Payments

In contrast to three years of acceleration, the volume growth of world trade decelerated in 1989, being only 7.2 per cent as against 9.1 per cent in 1988. The deceleration reflected the slowdown of global economic activity, particulary, the weakening of world investment, the component of demand which is trade intensive. The decline in world trade growth was reflected in the decline of volume growth of both exports and imports of industrial as well as developing countries.

The volume exports of industrial countries grew by 7 per cent in 1989 as against 9 per cent in 1988, whereas for the developing countries,this was 7.3 per cent in 1989 as against 11 per cent in 1988. Among the developing countries, fuel exporting countries had lower growth rate of their volume exports at 7.2 per cent in 1989 as against 12.8 per cent in 1988. This was accompanied by lower export volume growth of non-fuel developing countries at 7.3 per cent in 1989 as against 10.5 per cent in 1988.

Similar deceleration was reflected in the volume imports of both industrial and developing countries. While the industrial countries' imports grew by 8 per cent in 1989 as against 9.2 per cent in 1988, imports growth of developing countries was 8.9 per cent in 1989 as compared with 11.2 per cent in 1988. The fuel exporting developing countries experienced smaller decline in their import growth rate (6 per cent in 1989 as compared with 6.5 per cent in 1988) and non-fuel developing countries had higher decline in their import growth rate of 9.6 per cent in 1989, against 12.4 per cent in 1988.

The decline in the real export growth of the four Asian newly industrialising economies was particularly sharp, being only 9.5 per cent in 1989 as against 14.1 per cent in 1988. An encouraging feature during 1989 was that the sub-Saharan Africa's exports improved considerably, at 3.3 per cent as against a negative growth rate of 4.1 per cent in 1988

According to the IMF Staff, the growth in the world trade is expected to decelerate further to 6.6 per cent in 1990 as against 7.2 per cent in 1989. While the volume exports of industrial countries is expected to pick-up marginally, that of developing countries is expected to deteriorate to 6.6 per cent as against 7.3 per cent in 1989.

The terms of trade of industrial countries did not show any remarkable change in 1989 but for the developing countries they improved by 1.7 per cent due to increase in the oil prices. But during 1990,the terms of trade for developing countries are expected to deteriorate by about 1 per cent in view of the expected decline in the prices of primary commodities.

The world oil market was considerably firmer in 1989 than had been anticipated and the average oil prices rose by about 22 per cent in 1989 reversing the drop recorded in 1988. This reflected the continued increase in oil consumption, reduced oil supply of non-OPEC countries, and some temporary factors such as unusually cold weather in major consuming areas. Oil prices declined significantly during the first four months of 1990 due to continued high level of OPEC production and onset of warmer weather in North America.

During 1989, non-oil commodity prices weakened,consequent upon the slowing down of economic activity in the industrial countries and due to excess supply in some commodity markets. Even though the IMF index of non-oil commodity prices was virtually unchanged in 1989, there was considerable price decline especially for tropical beverages, minerals and metals.

The current account deficit of the industrial countries increased considerably to $ 81.9 billion in 1989 from $ 52.3 billion in 1988 mainly due to strong domestic demand and significant autonomous capital flows. Among the industrial countries, current account deficits of U.K., Canada and Italy worsened considerably in

1989. The current account deficit of U.K. deteriorated from $ 26.3 billion during 1988 to $ 34.2 billion during 1989. The current account deficits of U.S.A. and F.R. Germany showed considerable improvement in 1989. The current account deficit of U.S.A. improved from $ 126.5 billion in 1988 to $ 106 billion in 1989 and the surplus of Germany rose from $ 48.6 billion in 1988 to $ 52.8 billion in 1989. During 1990, the current account deficit of industrial countries is projected to decline marginally to $ 79.1 billion. While Japan's current account surplus is expected to be the same, that of F.R. Germany is projected to increase to $ 62.3 billion in 1990 against $ 52.8 billion in 1989.

In the case of developing countries, the current account deficits almost remained at the same level, at $ 13.8 billion in 1989 as against $ 13.2 billion in 1988. However, fuel exporting countries' current account deficits declined to $ 4.5 billion in 1989 from $ 20.4 billion in 1988 in view of oil price increases. But in the case of non-fuel exporters, the current account surplus of $7.1 billion in 1988 turned into a deficit of $9.3 billion in 1989, as a result of the decline in primary commodity prices. According to the Fund staff, the deficit of developing countries as a whole is expected to deteriorate further to $ 19.9 billion in 1990. The current account surplus of the newly industrializing Asian economies declined to $ 21.3 billion in 1989 as against $27.8 billion in 1988 reflecting the continued import liberalisation, flexible exchange rate management and support to domestic demand expansion in these economies.

Long term external borrowings from official creditors continued to be the major source of financing the current account deficits of developing countries. Net long term borrowings from official creditors increased to $31.8 billion in 1989 as against $18.2 billion in 1988. The non-debt creating flows comprising official transfers and direct foreign investment declined from $30.1 billion in 1988 to $25.1 billion in 1989. The net use of IMF credit continued to be negative in 1989, though of a lower order. Another interesting feature in 1989 was that the substantial negative flow of commercial bank borrowings to developing countries at $ -20.8 billion in 1988 was arrested in 1989 ($ -0.1 billion).

Resource Flows

Total net resource flows to developing countries rose in nominal terms by 4.5 per cent to $ 109 billion in 1989. The increase resulted from both higher private flows and export credits. Total official development assistance (ODA) from all sources amounted to $ 51.3 billion in 1989, virtually the same as in 1988.

Net disbursements of ODA from DAC (Development Assistance Committee) countries to developing and multilateral institutions declined from $ 48.1 billion in 1988 to $ 46.5 billion in 1989. At 1988 prices and exchange rates, this represented a decline of 1.87 per cent. As per cent of GDP, ODA declined from 0.36 per cent in 1988 to 0.33 per cent in 1989. Bilateral ODA to GNP ratio declined from 0.25 per cent in 1988 to 0.24 per cent in 1989. The multilateral agencies received less ODA from DAC countries.

Net total resource flows (ODA, other official flows including export credits and private sector resources) to developing countries are estimated at $ 109 billion in 1989 compared with $ 104.3 billion in 1988. This rise is essentially because of improvements in flows from other official sources and private bank lending.

The ODA performance of the major seven industrial countries, as reflected in ODA disbursements as proportion of their GNP figures, is given below:

	1988	1989
U.S.A.	0.21	0.15
U.K.	0.32	0.31
France (excluding flows to overseas departments and territories)	0.50	0.54
Germany	0.39	0.41
Japan	0.32	0.32
Canada	0.50	0.44
Italy	0.39	0.39

Table XI-23 : Total Net Resource Flows to Developing Countries @

	1981	1982	1983	1984	1985	1986	1987	1988	1989 (P)	1981	1985	1989
1	2	3	4	5	6	7	8	9	10	11	12	13
					Current $ billion					**Per cent of total**		
I. OFFICIAL DEVELOPMENT FINANCE (ODF)	45.5	44.2	42.4	47.7	48.9	56.2	61.6	66.1	67.1	33.1	58.0	61.6
1. Official Development Assistance (ODA)	36.8	33.9	33.9	35.0	37.3	44.4	48.3	51.7	51.3	26.8	44.2	47.1
of which: Bilateral disbursements	28.9	26.3	26.3	27.2	28.8	34.9	38.2	40.3	39.8	21.0	34.2	36.5
Multilateral disbursements	7.9	7.6	7.6	7.8	8.5	9.5	10.1	11.4	11.5	5.7	10.1	10.6
2. Other ODF	8.7	10.3	8.5	12.7	11.6	11.8	13.3	14.4	15.8	6.3	13.8	14.5
of which: Bilateral disbursements	3.0	3.7	1.3	4.5	3.7	4.0	6.6	7.9	9.0	2.2	4.4	8.3
Multilateral disbursements	5.7	6.6	7.2	8.2	7.9	7.8	6.7	6.5	6.8	4.1	9.4	6.2
II. TOTAL EXPORT CREDITS	17.6	13.7	4.6	6.2	4.0	-0.7	-2.6	-0.5	1.2	12.8	4.7	1.1
1. DAC Countries	16.2	12.7	3.9	5.2	3.4	-0.9	-2.9	-0.9	1.0	11.8	4.0	0.9
of which: Short-term	2.9	3.0	-3.5	0.3	3.2	3.0	4.1	2.0	1.0			
2. Other countries	1.4	1.0	0.7	1.0	0.6	0.2	0.3	0.4	0.2	1.0	0.7	0.2
III. PRIVATE FLOWS	74.3	58.2	47.9	31.7	31.4	28.2	34.4	38.7	40.7	54.1	37.2	37.3
1. Direct Investment (OECD)	17.2	12.8	9.3	11.3	6.6	11.3	20.9	23.4	22.0	12.5	7.8	20.2
of which: Offshore Centres	4.1	4.1	3.7	3.8	3.7	6.8	13.5	9.9	. .			
2. International bank lending @	52.3	37.9	35.0	17.2	15.2	7.0	7.0	5.8	8.5	38.1	18.0	7.8
of which: Short-term	22.0	15.0	-25.0	-6.0	12.0	-4.0	5.0	2.0	4.0			
3. Total bond lending	1.3	4.8	1.0	0.3	5.4	2.7	0.5	0.4	1.0	0.9	6.4	0.9
4. Other private	1.5	0.4	0.3	0.3	1.3	3.9	2.5	4.9	5.0	1.1	1.5	4.6
5. Grants by non-governmental organisations	2.0	2.3	2.3	2.6	2.9	3.3	3.5	4.2	4.2	1.5	3.4	3.9
TOTAL NET RESOURCE FLOWS (I+II+III)	137.4	116.1	94.9	85.6	84.3	83.7	93.4	104.3	109.0	100.0	100.0	100.0
Memorandum Items:												
Total net credit from IMF	6.6	6.4	12.5	5.4	0.8	-1.4	-4.7	-4.0	-3.2			
Interest and dividends paid by LDCs, gross	-86.4	-95.3	-84.2	-94.5	-95.6	-83.2	-79.0	-97.9	. .			
					At 1988 prices and exchange rates							
Total Net Resource Flows	201.9	174.5	143.0	131.7	128.3	103.3	100.2	104.3	110.1			
Total Official Development Finance	66.8	66.4	63.9	73.4	74.5	69.3	66.1	66.1	67.8			
Total ODA receipts from all sources	54.1	51.0	51.1	53.8	56.8	54.8	51.8	51.7	51.8			
Total DAC ODA (bilateral and multilateral)	37.6	41.8	41.6	44.2	44.8	45.3	44.6	48.2	47.20			

@. Excludes Taiwan.
P. Provisional.

The pre-page figures show that ODA disbursements in relation to GNP declined in the case of U.S.A.,U.K.and Canada. France and Germany have improved their ODA performance. Italy and Japan maintained their ODA/GNP ratios.

Among the other DAC countries, the countries whose ODA/GNP ratios improved are; Belgium, Denmark, Finland and Sweden. Those whose ODA/GNP ratios showed declines are: Australia, Austria, Ireland, Netherlands, New Zealand, Norway and Switzerland.

Among the DAC countries, the countries whose ODA/GNP ratios are above the U.N. target of 0.70 per cent are:

	1989
1. Norway	1.02
2. Denmark	1.00
3. Sweden	0.98
4. Netherlands	0.94
5. France (including overseas departments and territories)	0.78

Inspite of higher investment flows to European developing countries and the Far East, net foreign direct investment was down slightly in 1989 to $22.0 billion from $23.4 billion in 1988. Net bank lending which had declined in 1988 to $ 5.8 billion, increased to $ 8.5 billion in 1989. Bond lending, on the other hand, rose marginally to $1.0 billion in 1989 from $0.4 billion in 1988. Grants by private voluntary organisations continue to present an important resource flow to poorer countries, amounting to $ 4.2 billion in 1989 (Table XI-23).

Policy on Enlarged Access to Fund Resources

In 1981, as a follow-up to supplementary financing facility, the Fund established a policy of "enlarged access" to its resources. The enlarged access policy enables the Fund to provide additional financing from borrowed resources, in conjunction with its ordinary resources, to members whose payments imbalances are large in relation to their quotas. The enlarged access policy could be used by members if they need more financing from the Fund than available in the form of credit tranches or under the Extended Fund Facilities, and when their problems require to be addressed by adjustment for relatively long periods of time. The extent of access to resources available under the enlarged access policy and continuation of the policy are the two issues that are reviewed annually.

The Interim Committee in its meetings in September 1989 and May 1990 agreed that the enlarged access policy and the present access limits under it should be maintained for 1990 and should remain unchanged until the increase in quotas becomes effective. The current access limits on standby or extended arrangements are 90 or 110 per cent of quota annually, 270 or 330 per cent of quota over three years, and a cumulative limit of 400 or 440 per cent of quota net of scheduled repurchases on the use of the Fund's general resources.

SDR Allocation and SDR Interest Rate

As mentioned in the last year's Report, no SDR allocations have been made since 1982. The main criterion for the allocations of SDRs is that the Fund should meet the long term global need for supplementing the existing reserve assets. No broad support necesary for the allocations of SDRs during the fifth basic period has yet emerged.

The interest rate to be paid to holders of SDRs on their holdings thereof and charges payable by the participants on the cumulative allocations of SDRs continued to be set at 100 per cent of the weighted average interest rates of the chosen short-term instruments of the five countries (U.S.A.,Japan, Germany, UK. and France) whose currencies comprise SDR valuation basket. The rate of remuneration to be paid by the Fund on members' remunerated positions with the Fund continues to be set at 100 per cent of the SDR interest rate.*

* This rate was first set at 100 per cent of the SDR interest rate effective February 1, 1987.

The quarterly rate of interest and the rate of remuneration for the last five quarters are presented in Table XI-24. The SDR interest rate which was 8.13 per cent for the quarter ended June 1989 steadily increased to reach 9.15 per cent for the quarter ended March 1990. There was a slight decline thereafter in the SDR interest rate.

Table XI-24: SDR Interest and Remuneration Rates @

(Per cent per annum)

For the quarter ended	SDR Interest Rate/ Rate of Remuneration
June 1989	8.13
September, 1989	8.20
December, 1989	8.82
March, 1990	9.15
June, 1990	9.06

@ 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.

IMF Quota—Ninth General Review

Each member of the Fund has a quota, expressed in SDRs, that is equal to its subscription to the Fund. A member's quota determines its voting power in the Fund, which is based on one vote for each SDR 1,00,000 of its quota plus the 250 basic votes to which each member is entitled. A member's quota also determines its access to the financial resources of the Fund and its share in the allocation of the SDRs. Quotas in the Fund are reviewed every five years for individual countries. The previous increase in quotas occurred under the Eighth General Review and it was fully subscribed by members by April 20, 1984. The present size of the Fund (i.e. total quotas of all members) is of the order of SDR 90 billion.

Since March 1987, the Committee of the Whole of the Fund's Executive Board has been considering various aspects of an adjustment of quotas under the Ninth General Review, including quota formulae, quota calculations, the size, techniques and distribution of an overall increase in quotas and the principles of quota adjustments.

Resolutions proposing increases in members' quotas were adopted by the Board of Governors of the Fund on June 28, 1990. The total Fund quotas will increase by 50 per cent, from SDR 90.1 billion to SDR 135.2 billion. It was decided that 60 per cent of the overall increases in quotas could be distributed to all members in proportion to their present individual quotas (i.e. the equiproportional element) and the remainder could be distributed in proportion to the proposed share in the total calculated quotas (i.e. the selective element). The increase in quotas will not be effective until the proposed Third Amendment to the Articles of Agreement has been accepted by three-fifths of the members having eighty-five percent of the total voting power. The Third Amendment provides for suspension of voting and related rights of members that do not fulfill their obligations under the Articles. Under the Ninth Review, India's quota would increase from the existing SDR 2207.7 million to SDR 3055.5 million.

International Reserves

Global non-gold reserves in SDR terms rose for the fourth consecutive year in 1989 (global reserves are expressed in SDRs; they include foreign exchange, SDRs and reserve positions in the Fund, but exclude gold). These reserves rose by 8.6 per cent during 1989, to a record level of SDR 588.1 billion compared with an increase of 6.9 per cent (to SDR 541.6 billion) in 1988 and 21 per cent (to SDR 506.6 billion) in 1987.

Aggregate non-gold reserves of industrial countries increased for the seventh consecutive year rising by 8.2 per cent, to a level of SDR 382.0 billion at the end of 1989 from SDR 353.0 billion in 1988. The share of industrial countries' reserves was 65.0 per cent in global reserves. The largest gains in reserves was registered by the United States (by SDR 21.0 billion to SDR 48.4 billion) by end-1989 and Italy (by SDR 9.8 billion to SDR 35.6 billion). The sharpest declines in reserves were recorded by Japan (by SDR 8.0 billion to SDR 63.9 billion) and the

United Kingdom (by SDR 6.3 billion to SDR 26.5 billion). Japan, however, continued to be the largest holder of non-gold reserves (SDR 63.9 billion) and Taiwan Province of China continued to be the second largest holder (SDR 55.7 billion) as at end-December 1989. The United States became the third largest holder of reserves, replacing the Federal Republic of Germany, which became the fourth largest holder of reserves.

Aggregate reserves of developing countries increased for the third consecutive year, rising by 9.2 per cent to SDR 206.0 billion at the end of 1989. Reserves of non-oil exporting countries grew by 10.9 per cent to SDR 163.2 billion, while those of oil exporting countries grew by 3.3 per cent to SDR 42.8 billion. The share of developing countries in global reserves remained almost steady at 35 per cent as against 34.8 per cent in 1988.

declined for the fifth consecutive year from SDR 41.6 billion in 1984 to SDR 25.5 billion in 1989. The major industrial countries which reported fall in reserve position in the Fund were the USA, West Germany and France. Developing countries as a group experienced a continuous fall in their reserve positions in the Fund since 1985. These countries relied on the utilisation of reserve position in the Fund for meeting their payment obligations.

The rising trend in the non-gold reserves continued for the first quarter of 1990 and at the end of March 1990 the reserves of all countries had a rise of SDR 4.3 billion (0.7 per cent) to SDR 592.4 billion as compared to end-December 1989 levels. Of this, industrial countries accounted for a rise of SDR 1.2 billion and developing countries for SDR 3.1 billion.

Table XI-25: International Reserves

(million SDRs)

Country Groups	Total Reserves (excluding gold)		SDRs		Reserve Position in the Fund		Foreign Exchange Reserves	
	1988	1989	1988	1989	1988	1989	1988	1989
1	2	3	4	5	6	7	8	9
All countries	541,642	588,099	20,173	20,485	28,273	25,471	493,196	542,143
Industrial countries	353,064	382,065	17,559	17,663	19,572	19,554	315,933	344,848
Developing countries	188,578	206,033	2,614	2,821	8,701	5,917	177,263	197,294

Source: IFS—June 1990.

Among the components of global reserves, foreign exchange reserves recorded increase, having gone up by SDR 48.9 billion (9.9 per cent) to SDR 542.1 billion in 1989. Holdings of SDRs increased by SDR 0.3 billion (1.5 per cent) to SDR 20.5 billion for the same period. Members' reserve positions in the Fund, which arise largely from the Fund's net use of members' currencies and partly from the reserve asset portion of members subscriptions in the Fund

Use of International Monetary Fund (Fund) Resources

After 5 successive years of decline in the use of Fund resources, total purchases by members increased in 1989 to SDR 3.5 billion from SDR 2.7 billion in 1988 and SDR 3.3 billion in 1987. On the other hand, total repurchases, which stood at SDR 7.9 billion in 1987 declined to SDR 6.7 billion in 1988 and further to SDR 5.9 billion in 1989. Since repurchases by members

exceeded their purchases, the Fund received more than it provided to member countries. Net negative purchases which amounted to SDR 4.6 billion in 1987, declined to SDR 4 billion and SDR 2.4 billion during 1988 and 1989, respectively. The outstanding Fund credit, excluding disbursements under structural adjustment facility (SAF) and enhanced structural adjustment facility (ESAF), declined by SDR 2.4 billion to SDR 22.4 billion at the end of 1989 compared with SDR 24.8 billion at the end of 1988 and SDR 28.8 billion at the end of 1987.

Underscoring a rise in members' use of medium-term resources provided by the Fund to help overcome structural balance of payments maladjustments, drawings under EFF arrangements increased to SDR 1.2 billion in 1989 (34 per cent of total purchases), compared with SDR 0.2 billion a year earlier. Drawings under stand-by arrangements stood at SDR 1.1 billion in 1989. This together with drawings on first credit tranches (SDR 0.4 billion) made by two countries (Chile and Venezuela) amounted to a total of SDR 1.5 billion as against SDR 1.7 billion in 1988 (Table XI-26).

Drawings under the Fund's special facilities rose to SDR 0.8 billion in 1989 compared with SDR 0.7 billion a year earlier. The disbursements in 1988 were made under compensatory financing facility (CFF) and in 1989, under the compensatory element of the compensatory and contingency financing facility (CCFF).

As in the preceding five years, no drawings were made under the buffer stock financing facility which supports members' contributions to Fund-approved international buffer stocks set up to moderate export price fluctuations.

During the first quarter (January-March) of 1990 total purchases, excluding the reserve tranche disbursements and SAF and ESAF disbursements, were SDR 1.4 billion as against SDR 0.3 billion during the same quarter of 1989. The repayment to the Fund amounted to SDR 1.6 billion during the first quarter of 1990 as compared with the SDR 1.5 billion in the corresponding quarter of 1989. As a result, net repurchases by Fund declined to SDR 0.2 billion during the first quarter of 1990 from the net repurchases of SDR 1.2 billion during the corresponding period of 1989.

Disbursements under the SAF during 1989 were SDR 521 million as against SDR 250 million a year earlier. Disbursements under ESAF, which came into effect in December 1987 were SDR 240 million during 1989. In the first quarter of 1990, disbursements under SAF and ESAF were SDR 36.6 million and SDR 10 million, respectively. The number of Fund arrangements with member countries as of March 31, 1990 totalled 50. This included 18 stand-by arrangements (commitments-SDR 4 billion and drawn by members SDR 1.1 billion), 4 extended fund facility (EFF) arrangements (commitments—SDR 7.8 billion and drawn—SDR 2.3 billion), 17 structural adjustment facility (SAF) arrangements (commitments—SDR 1.1 billion and drawn—SDR 0.8 billion), and 11 enhanced structural adjustment (ESAF) arrangements (commitments—SDR 1.4 billion and drawn-SDR 0.6 billion).

The Trust Fund loans outstanding fell to SDR 0.5 billion at the end of December 1989 as compared with SDR 0.9 billion a year earlier. The same were at SDR 0.4 billion at end—March 1990. The decline reflected continuing repayments of loans made to low-income members of the Fund between 1976-81 using resources derived from sales of a portion of Fund's gold. Repayments from the Trust Fund are contributing to finance members programmes under SAF and ESAF arrangements.

Total Fund credit declined to SDR 23.7 billion at end—March 1990 as compared to SDR 24.4 billion a year earlier.

Table XI-26: Fund Purchases and Repurchases

(Billion SDRs)

				(January-March)	
	1987	1988	1989	1989	1990
1	2	3	4	5	6
1. **Total Purchases**[1]	3.3	2.7	3.5	0.3	1.4
Of which:					
Credit Tranche[2]	1.9	1.7	1.5	0.3	0.3
Extended Fund Facility	0.2	0.2	1.2	—	1.1
Compensatory Financing Facility	1.2	0.7	0.8	—	—
2. **Total Repurchases**	7.9	6.7	5.9	1.5	1.6
3. **Net Purchases**	(—)4.6*	(—)4.0*	(—)2.4*	(—)1.2*	(—)0.2*

1. Excludes purchases under the reserve tranche and disbursements under SAF and ESAF
2. Includes purchases under stand-by arrangements
   Since 1984 no purchases are made under Buffer Stock Financing Facility

* Repurchases exceed total purchases

Source: IFS—various issues

Rate of Charge for Use of Ordinary Resources of the Fund and Burden Sharing

The Fund aims at achieving a positive net income position in each financial year to add to its reserves, after covering its expenses including payment of remuneration to its creditors. The Fund's review of its income position takes into consideration developments that affect the cost and use of its resources, including the financial consequences for the Fund of overdue obligations, which are shared between debtor and creditor member countries in a simultaneous and symmetrical manner. Under the current burden sharing arrangement, the cost of overdue charges—as reflected in the deferral of income and additions to a Special Contingent Account (SCA)*, established in January 1988, is shared equally among debtor and creditor members through adjustments to the basic charges to borrowers and remuneration of creditors.

The Fund pays market related rates of interest on borrowings. Members that make purchases financed with these borrowed resources pay charges to the Fund which reflect the cost of borrowing plus a small margin. Under the supplementary financing facility, the margin is 0.325 per cent. Under the policy of enlarged access, the margin is 0.20 per cent. In 1989-90, the average rates of charge on purchases under the supplementary financing facility and under the policy of enlarged access were 8.64 per cent and 8.53 per cent respectively, as compared with 9.32 per cent and 7.74 per cent, respectively in 1988-89.

The Fund pays remuneration to a creditor member when it uses its currency to the extent that its holdings of the currency are reduced below the member's "norm". The basic rate of remuneration is equal to 100 per cent of the SDR interest rate. This rate is adjusted to meet the impact of overdue obligations on the Fund's financial position. The adjusted rate of remuneration cannot fall below 85 per cent of the SDR rate.

In April 1990, the Executive Board took a decision for extension of burden sharing in FY 1991 without any marked changes in its provisions. Subsequently, because of the intensity of the problem of overdues, the Board decided in June 1990 that the extension of burden sharing, which could be reviewed annually, should accumulate additionally, SDR 1 billion over the next five years. This amount would be generated by a further adjustment of 0.35 per cent to the rate of charge and by a

* Subsequent to the establishment of Special Contingent Account-2 (SCA-2), the original SCA has come to be known as SCA-1.

Table XI-27: Rates of Charge and Remuneration

(In per cent)

For the quarter ended	Rate of Charge			Rate of Remuneration		
	Basic Rate*	Adjust-ment†	Adjusted Rate	Unadjusted Average Rate@	Adjust-ment†	Adjusted Average Rate
1	2	3	4	5	6	7
July 31, 1989	7.87	1.00	8.87	8.17	0.93	7.24
October 31, 1989	8.05	0.96	9.01	8.35	0.92	7.43
January 31, 1990	8.62	1.00	9.62	8.95	0.92	8.03
April 30, 1990	8.82	1.06	9.88	9.16	0.99	8.17

* This is determined by assuming that all charges due and accrued would be paid.
† This on account of burden-sharing of overdue charges and the amounts to be placed in SCA-1.
@ This equivalent to the average SDR rate of interest for the quarter concerned.

further adjustment to the rate of remuneration, subject to the limit in the Articles of Agreement, to yield three times the amount generated by the further adjustment to the rate of charge. The amount thus generated would be placed in Special Contingent Account-2 (SCA-2). This would come into effect from the Fund's fiscal year 1991 (May 1, 1990 through April 30, 1991).

The rates of charge and of remuneration together with adjustment to them for the four quarters of the Fund's financial year 1990 ended April 30, 1990 are summarised in Table XI-27.

Gold in International Markets

The components of international reserves of IMF include SDRs, foreign currencies, reserve position in the Fund and gold. Though valuation of IMF's gold is presently made by Fund, the national authorities do their own valuation of gold and decisions in this regard could be influenced by the movements in the gold prices in the international markets.

During 1989-90 (April-March), gold prices in the London market experienced fluctuation ranging between $359.80 at end-August 1989 to $415.05 per fine ounce at end-January 1990. The decline in price during the calender year 1989 was moderate at $9.15 an ounce. There was a sharper decline of $76.35 an ounce in 1988 as against an increase of $95.60 an ounce in 1987. After declining steadily during the first 10 months of 1989 to reach $355.75 an ounce on September 15, 1989, gold prices rose sharply to recoup almost all of the declines in 1989 and to close the year at $ 401 an ounce. Early in 1990, gold markets turned bearish and at the end of March 1990 the price of gold was $368.50 per ounce.

Expectations of higher interest rates in industrial countries and steady appreciation of the US dollar seem to have influenced the decline in gold prices in April and May 1989, when the gold price per ounce had declined from $383.20 at end-March to $361.80 at end-May 1989. Besides the above-mentioned factors, the increase in mined gold from most major producer countries compounded by the growing popularity of gold loans may have contributed to an increase in the amount available for investment purposes to an average of approximately 20 per cent of the total gold stock, thus resulting in some downward pressure on prices and contributing to the persistence of the underlying bearishness in precious metal markets. The downward trend continued steadily until September. Late in October, emerging signs of a possible revival in the demand for gold, triggered by speculation of active bullion buying by investors in the Middle East and in Asia reinforced upward pressure on

precious metal prices. Besides, it was reported that demand for gold could increase substantially in Japan, where the Ministry of Finance has allowed insurance companies (other than those dealing with life insurance) to hold upto 3 per cent of their assets in gold, which was estimated to amount to approximately 11.6 million ounces. Thus, the steady rise in gold prices which started in October 1989 continued till January 1990, and at the end of the month, the price was $415.05 an ounce. After reaching a 14-month high in the beginning of February 1990, the prices of gold weakened markedly towards the end of the month, reflecting in part a stronger US dollar and speculations of tighter monetary policy and higher interest rates in many industrial countries. The downward trend continued in March 1990 and the price of gold declined by $39.20 an ounce during the month to close at $368.50 an ounce, its lowest level since last September. The decline followed reports of large sales, estimated around three million ounces, by a Middle Eastern investment syndicate.

Developments in Exchange Rate of Major Currencies

The tightening of monetary conditions in Japan and Germany relative to those in the United States during 1989 and early 1990, resulted in a substantial narrowing of interest differentials in favour of dollar denominated assets. This in turn has led to a general strengthening of the US dollar. From end-1988 to mid-June 1989, the US dollar had appreciated against the Yen and Deutsche mark (DM) by 15 per cent and 12 per cent, respectively, and by almost 10 per cent in real effective terms. Underpinning the upward movement of the dollar apart from interest rate differentials—inspite of unprecedented dollar sales by major central banks—were political uncertainties arising from developments in China, Japan and Germany.

The dollar remained strong until mid-September despite repeated rounds of concerted intervention. However, following the meeting of the Group of Seven (G-7) Finance Ministers and central bank Governors who reaffirmed their agreement to "co-operate closely in exchange markets", some caution was instilled in the market. By March 1990, the dollar had depreciated against the DM by 8.87 per cent from its level a year earlier. During the same period, however, the dollar had appreciated by 15.85 per cent *vis-a-vis* the Japanese yen and 4.63 per cent against the Pound sterling. The real effective value of the US dollar rose by about 2.5 per cent over this period.

Under the influence of the accelerating developments in eastern Europe and the continued upward movement in German interest rates, which resulted for the first time since the early 1970s in positive interest rate differentials *vis-a-vis* the United States from October 1989, the DM strengthened and held its ground till March 1990 inspite of an incipient rise in the dollar which was met by strategic and timely intervention by the Bundesbank and other central banks. By the year ended March 1990, the DM has appreciated by 9.73 per cent against the US dollar.

One of the most notable developments in exchange markets in 1989 was the depreciation of the Japanese yen. Over the year ended March 1990, the yen depreciated by 20 per cent in real effective terms. Political developments in Japan and abroad, and the turbulence in Japanese equity markets, appeared to have led to a shift in investor preference away from yen-denominated assets, reinforcing the impact of continued portfolio diversification by Japanese institutional investors. Moreover, a substantial decline in Japan's current account surplus and continued rapid increase in outflows for direct investment are likely to have added downward pressure on the yen.

Among other major currencies, the Pound sterling depreciated by about 6.25 per cent in real effective terms in the year ended March 1990, even though short-term interest rates in the United Kingdom remained the highest among the major industrial countries.

In the period ended March 1990, the Japanese yen stood at 21.37 per cent below its level a year earlier, *vis-a-vis* the DM. This development was

influenced by several factors viz., continued rise in German short-term interest rates in 1989 thereby widening the interest rate differentials in Germany's favour, world political developments such as the events in China, the opening-up of eastern Europe which were perceived by the markets as bearish for the yen but positive for the DM, and support from purchases of DM by other ERM member countries. On an average basis, the yen depreciated by 9.71 per cent against the Pound sterling and 21.49 per cent against the French franc as of end March 1990.

The DM appreciated by 27.22 per cent against the yen and 14.83 per cent against the Pound sterling during April-June 1990. However, during the same period, it depreciated marginally by 0.17 per cent against the French franc.

Rising inflationary pressures in the United Kingdom and sharply deteriorating external current account saw the Pound sterling lower against the French franc by 13.0 per cent and DM by 12.93 per cent, on an average basis, during the year ended March 1990. Against the yen, the Pound sterling appreciated by 10.70 per cent during the same period.

The French franc appreciated against all major currencies during the year ended March 1990. The franc appreciated by 9.90 per cent against the US dollar, 27.38 per cent against the yen, 15.0 per cent against the Pound sterling and a marginal 0.16 per cent against the DM.

Debt Strategy

Even after almost eight years of the emergence of Mexican debt default, the problem of external debt continues to be serious and to defy solution. The major initiatives that have been taken so far to address the debt problem, including the Brady Plan and the actions taken by the IMF and World Bank in this regard have already been covered in the last year's Report.

The early experience with the Brady initiative has been promising despite concerns initially expressed about the possible adverse implications for countries which hitherto maintained spontaneous access to international capital markets. The concerns that financial support for debt and debt service reduction operations would divert official funds to highly indebted ones, enhance risks of moral hazard, and further reduce banks' exposure, do not appear to have been borne out. Three middle-income countries—Mexico, Costa Rica and the Philippines—have so far negotiated debt and debt service reduction with their commercial bank creditors. The arrangements agreed so far, provide for a substantial restructuring of commercial indebtedness which, if supported by sustained adjustment efforts, will contribute considerably to the restoration of growth and medium-term external viability. Several other heavily indebeted countries viz., Cote d' Ivoire, Ecuador, Venezuela, Argentina, Poland and Nigeria are also negotiating financing packages with commercial banks. Although the new strategy has been widely welcomed, commercial banks are reluctant to place new money in support of the adjustment programmes that indebted countries are willing to undertake in order to avail of debt reduction. Discussions on financing packages for these countries have been protracted and there are concerns that interest arrears may emerge or persist and that the eventual agreement with banks may result in an underfunded programme. The main causes for delays are the reluctance of commercial banks to refinance interest payments either in full or in part and persistence of differences of views between banks and debtor countries about feasible scale of debt reduction and its expected benefits. There are also such hindrances as the contractual provisions on sharing and non-preference of third parties.

Donors and creditors continue to provide support for the debt-distressed countries in Africa. In 1989, the World Bank set up a facility to provide grants for the repurchase of commercial bank debt in IDA-only sub-Saharan African countries. The three-year programme will make available $100 million, transferred from IBRD net income, mainly for cash buybacks of outstanding debt. In addition, Belgium, France, Germany and United States have announced their intention to forgive

official debt owed by the poorest African countries. Since 1980, official creditors, numbering ten, have cancelled debts totalling $2.3 billion, of which $1.6 billion represented debts of sub-Saharan African countries.

Sub-Saharan Africa, however, recorded low growth rate of 1.9 per cent (as against 2.2 per cent in 1988) in 1989 according to the World Economic Outlook-May 1990, in view of declines in the prices of non-oil primary commodities and deterioration in terms of trade. The prospects seem to be unfavourable in 1990, since commodity prices are projected to show very sharp declines

External Debt Situation

Total external debt (excluding IMF) of developing countries declined marginally to $1,214 billion at the end of 1989 from $1,216 billion in 1988. However, as in the past, the situation differed markedly across regions. The external debt of the Asian developing countries at $336 billion was a little above the 1988 level of $332 billion. In the Western Hemisphere (mostly in Latin America), total debt declined only marginally to $399 billion in 1989 from $401 billion in 1988, notwithstanding market based debt-reduction operations, such as buybacks, debt-equity swaps and private sector discounted prepayments. Africa's debt remained hardly unchanged at $195 billion in 1989 ($197 billion in 1988), but this was rendered possible mainly because of continued official concessional lending.

For the second year in succession, the fifteen heavily indebted middle-income countries as a whole succeeded in obtaining a modest reduction in their indebtedness, especially to commercial banks. Total debt of this group declined slightly to $463 billion (38 per cent of total outstanding debt) in 1989 from $468 billion in 1988 and debt to commercial banks fell by about $7 billion to $269 billion in 1989. The decline in debt to commercial banks was mainly due to a variety of debt conversions and other operations which lowered countries' external debt without entailing conventional repayment. In the case of the sub-Saharan countries, their debt increased to $98 billion in 1989 from $ 95 billion in 1988. Relief on debt to bilateral official creditors of this group under the terms agreed at the Toronto Summit produced a reduction of only $40 million or just 1.75 per cent of debt service payments in 1989. However, the amount of sub-Saharan debt covered by the increasingly concessional Paris Club reschedulings for debt to official creditors jumped from $1 billion in 1988 to over $11 billion in 1989.

In 1989, external debt accounted for a little less than one-third of the developing countries' GDP. The ratio of external debt to GDP at 31.8 per cent in 1989 was lower than the 1988 level of 34.7 per cent, showing an improvement for the third consecutive year since 1986. The highest ratio was registered by Africa at 49.7 per cent in 1989 (47.6 per cent in 1988). The ratio for Western Hemisphere stood at 36.7 per cent (38.7 per cent in 1988). The ratio was the lowest for Asian countries at 22.3 per cent (26.1 per cent in 1988). The ratio for the fifteen heavily indebted countries in 1989 was 37.9 per cent as compared to 39.4 per cent in 1988. The ratio was as high as 67.6 per cent for sub-Saharan Africa in 1989 as compared to 65.5 per cent in 1988.

The aggregate debt-to-export ratio for all developing countries continued to decline to 127.5 per cent in 1989 compared with 141.9 per cent in 1988, mainly reflecting the expansion of export volume (7.3 per cent). For the fifteen heavily indebted countries, the decline in the total stock of debt together with the export growth recorded in 1989 (3.6 per cent) brought the ratio of total debt to exports down to 262.7 per cent in 1989, well below the peak of nearly 350 per cent in 1986, but still higher than that at the outbreak of the debt crisis. Unlike the heavily indebted countries, the debt-to-export ratio in the sub-Saharan Africa declined only marginally by about 3 percentage points to 320.0 per cent in 1989, aided by 3.3 per cent growth in export volume following a 4.1 per cent decline in 1988.

The debt service ratio of the developing countries declined from 19.0 per cent in 1988 to 16.1 per cent in 1989. There was a further reduction in interest payments from $37 billion in 1988 to $32 billion in 1989, partly owing to

Table No. XI—28 : External Debt and Debt Service

	1981	1985	1988	1989
1	2	3	4	5
External Debt (in billions of U.S. dollars)				
Developing Countries	731.5	998.4	1216.4	1213.5
Africa	109.8	144.8	196.6	195.0
Asia	158.4	251.5	332.3	336.1
Europe	82.8	95.6	120.9	116.2
Middle East	91.7	137.4	165.3	167.7
Western Hemisphere	288.8	369.1	401.3	398.6
Sub-Saharan Africa	49.3	66.7	94.7	97.6
15 Heavily indebted countries	333.8	421.9	467.7	462.8
External Debt to Exports of Goods and Services (in per cent)				
Developing countries	95.0	150.5	141.9	127.5
Africa	118.6	188.0	242.5	226.0
Asia	74.6	102.9	79.2	70.2
Europe	137.9	149.8	146.2	134.9
Middle East	34.3	89.5	120.8	109.0
Western Hemisphere	209.8	295.6	292.1	271.6
Sub-Saharan Africa	181.6	261.7	322.6	320.0
15 Heavily indebted countries	220.6	287.1	287.8	262.7
External Debt to GDP (in per cent)				
Developing countries	27.7	35.6	34.7	31.8
Africa	31.2	45.6	47.6	49.7
Asia	18.8	26.4	26.1	22.3
Europe	34.4	40.3	42.4	40.4
Middle East	19.0	28.6	33.0	30.8
Western Hemisphere	39.8	45.4	38.7	36.7
Sub-Saharan Africa	45.9	63.0	65.5	67.5
15 Heavily indebted countries	37.6	45.8	39.4	37.9
Debt Service Ratio				
Developing countries	16.1	20.8	19.0	16.1
Africa	17.7	26.7	25.2	26.8
Asia	9.9	14.7	10.7	9.1
Europe	21.8	22.3	23.1	19.7
Middle East	4.9	10.1	12.1	11.9
Western Hemisphere	43.9	41.3	44.9	35.1
Sub-Saharan Africa	21.4	21.9	20.3	21.6
15 Heavily indebted countries	40.9	40.2	42.4	33.9

accumulation of arrears. Largely owing to a rise in the short-term rates to which floating rate debt is linked, interest due from the heavily indebted middle-income countries increased from $40 billion to $45 billion with its ratio to exports rising by 1 percentage point to 29 per cent.

Asian Development Bank

During 1989, lending and investment operations of the Asian Development Bank (ADB) rose by 16 per cent to $3.7 billion. Lending commitments including private sector loans rose by 15 per cent to $3.6 billion. Loans from Ordinary Capital Resources (OCR) rose by 10 per cent to $2.3 billion. Loans from the Asian Development Fund (ADF) increased by 26 per cent to $1.4 billion. By the end of 1989, cumulative Bank lending had reached $29 billion for 906 projects.

The increased volume was largely due to significant lending to Bangladesh ($338 million), India ($504 million), Indonesia ($772 million), Pakistan ($724 million) and the Philippines ($558 million) and rise in sector loans (7 approvals for $694 million in 1989 as compared with 7 approvals for $434 million in 1988).

During the year, 69 loans were approved for 60 projects in 15 developing member countries (DMCs) as compared with 61 loans for 56 projects in 18 DMCs in 1988. The average loan size rose to about $53 million in 1989 from $52 million a year earlier.

The ADB approved 14 equity operations totalling $56 million consisting of 13 direct investments ($54 million) and one line of equity ($2 million). Co-financing rose by 64 per cent to $1.3 billion.

Technical assistance (grant and loan financed) rose to $239 million for 241 projects from $170 million for 206 projects in 1988.

Loan disbursements rose by 35 per cent to $2.2 billion. OCR disbursements grew by 41 per cent to $1.3 billion and ADF disbursements by 28 per cent to $0.9 billion. The significant increase in loan disbursements was made possible by the DMCs' efforts to speed up project implementation and undertake policy reforms to improve economic efficiency and resource allocation. Programme loans played a significant role in increased disbursements.

In 1989, the Bank provided 4 loans to India from OCR, including one loan to the private sector without government guarantee, totalling $504 million. This brought cumulative lending since 1986 to $1.6 billion for 14 projects. All the 14 projects are under administration. Also, 9 technical assistance projects totalling $3.3 million were approved during 1989.

World Bank Group

The World Bank Group activities in fiscal 1990 (July-June) continued to be characterised by active participation in debt and debt servicing reduction exercises, continued assistance for low income, debt-distressed sub-Saharan African countries, and provision of support for appropriate macro-economic and sectoral policies and environment. Agreement was reached during the fiscal year on a $15.5 billion replenishment of IDA resources (IDA-9) for the period FY 1991-93. Bulgaria and Czechoslovakia applied for membership of the IBRD during the year. Relations were reactivated with Romania. In addition, the Bank began its lending programme to Poland. A total of $3.969 billion was approved as commitment in support of adjustment operation and the Bank launched a programme to integrate its poverty reduction activities into its country assistance strategies. In fiscal 1990, lending for population, health and nutrition amounted to $ 933 million as against its earlier estimate of $800 million annually for a three-year period 1990-92. Efforts were further intensified to integrate environmental concerns into the Bank's operations, policy, and research work. The financial operations during the fiscal year ended June 30, 1990 was marked by a decline in the loan commitment by the World Bank Group to $20.7 billion as against $21.4 billion in FY 1989. While commitments by IBRD declined by 7.6 per cent, those of IDA

increased by a larger percentage, viz., 11.9 per cent (Table XI-29). Disbursements on the other hand, increased by $2.8 billion or 18.8 per cent. The increase in disbursements by IBRD (22.5 per cent) was more pronounced than that of IDA (6.9 per cent).

Table XI-29: Lending by World Bank

($ million)

	IBRD		IDA		World Bank	
	1988-89	1989-90	1988-89	1989-90	1988-89	1989-90
1	2	3	4	5	6	7
1. Lending Commitments	16,433 (+11.3)	15,180 (-7.6)	4,934 (+10.7)	5,522 (+11.9)	21,367 (+11.2)	20,702 (-3.1)
2. Disbursements	11,310 (-2.8)	13,859 (+22.5)	3,597 (+5.9)	3,845 (+6.9)	14,907 (-0.8)	17,704 (+18.8)

Note : Figures in bracket indicate percentage variation over the previous year.

Net transfers by the World Bank to the severely indebted middle income countries amounted to $1.38 billion in FY 1990 as against (—) $0.912 billion in FY 1989.

International Bank for Reconstruction and Development (IBRD):

Fresh commitments of the IBRD rose by $1.7 billion to $16.4 billion in FY 1989 with the number of operations at 119 remaining almost the same as in 1988 (118). Disbursements of IBRD decreased by $0.3 billion to $11.3 billion in FY 1989 from $11.64 billion in FY 1988. While new lending commitments declined by $1.2 billion to $15.2 billion in FY1990 from $16.4 billion in FY 1989, there was a steep increase in disbursements by $2.6 billion to $13.9 billion in FY 1990, with the number of operations increasing to 121 in FY 1990.

Of the 119 countries which received financial support from IBRD in FY 1989, four countries viz., India, Nigeria, Indonesia and Mexico secured loan commitments in amounts exceeding $1 billion each and together accounted for $7.1 billion or 43.2 per cent of the total projects approved. Fresh loan commitments made by the IBRD to India totalled $2.1 billion, the second highest among the four countries mentioned above, Mexico was the highest to receive a commitment of $2.2 billion. Commitments to Indonesia totalled $1.6 billion and to Nigeria amounted to $1.1 billion. The projects for which amounts sanctioned are indicated in Table XI-30.

The fiscal 1989, was yet another year of strong financial performance for the IBRD, in that it strengthened its reserve position considerably. This was achieved through an increase in the absolute level of its reserves sufficient to raise the reserve-to-loans (R/L) ratio to 10.8 per cent at the end of 30th June 1990, from 10.2 per cent a year earlier, and through changes in the currency composition of the reserves, which will make the R/L ratio much less vulnerable to changes in exchange rates. The IBRD also adopted policy changes that will reduce the variability in the effective cost of loans provided to its borrowers and diminish the IBRD's own exposure to market risks. Total subscribed capital as at the end of June 30, 1990, was $125.3 billion out of total authorised capital of $171.4 billion. Finally, the IBRD completed its borrowing programme of $9.3 billion. The IBRD achieved its funding objectives for FY 1990 by borrowing $ 11.7 billion in the world's leading markets at an average cost after swaps, of 7.99 per cent and at an average maturity of 7.7 years. A major feature of the FY 1990 borrowing programme was the

Table XI-30 : IBRD's assistance to India—Sector-wise-FY 1988-1990.

(In millions of U.S. dollars)

Sector	1988	1989	1990
1	2	3	4
Agro-industry and livestock	350.0	30.0	—
Irrigation and Drainage	250.0	165.0	15.0
Area/Urban Development	—	—	20.0
Water Supply and Sewerage	—	—	10.0
Development Finance Companies	—	295.0	—
Education	—	30.0	25.0
Oil, gas and Coal	295.0	340.0	—
Power	610.0	885.0	583.0
Industry	360.0	210.0	445.0
Population, Health and Nutrition	—	11.3	10.0
Highways	—	170.0	—
Railways	390.0	—	—
Total	2255.0	2,136.3	1,108.0
Total loans sanctioned by IBRD	14,762.0	16,433.0	15,180.0
Percentage share of India	15.3	13.0	7.3

introduction of U.S. dollar global bonds in the international capital markets and the government agency market in the U.S. so as to reduce the IBRD's U.S. dollar borrowing costs by developing an instrument and a system of distribution and trading of U.S. dollar denominated bonds which would prove to be more attractive. Outstanding borrowings at end fiscal 1990 were $81.2 billion of medium term and long term borrowings and $5.3 billion of short term borrowings.

The IBRD now has evolved a new method which will improve the predictability of the borrowers debt service needs, by targeting a specific currency composition, which is expected to be achieved by the end fiscal 1991. By then, at least 90% of the pool's composition will be in the ratio of 1 U.S. dollar for every 125 Japanese yen and 2 Deutsche mark.

The IBRD has brought out a number of changes in its financial policies – the targeting of the currency pool, the conversion of reserve and unallocated net income to match the currency composition of loans, changes in the lending rate system for new (and converted) variable rate loans, and possible waiver of a portion of the commitment fee so as to reduce net income in the future.

The IBRD's gross revenues reached a total of $8,317 million in fiscal 1989, an increase of $43 million from the last year. During the fiscal year FY 1990 the interest income on disbursed and outstanding loans was of $6,628 million. In addition, commitment charges of 0.25 per cent on undisbursed loan balances produced $139 million aggregating $6,767 million for a total return on average loans during the FY 1990 of 8.22 per cent.

In FY 1990 the IBRD reduced its commitment fee on undisbursed loan balances to 0.25 per cent from 0.75 per cent causing thereby a saving of about $150 million for borrowers. The commitment fee level for FY 1991 was set at 0.25 per cent.

International Finance Corporation (IFC)

The fiscal 1989 marks the completion of the five year programme (FY 85-89). Most of its operational objectives were achieved. Its growth over the period was supported by the doubling of its authorised capital from $650 million to $1,300

million in December 1985. It planned to undertake more than 400 investments at a total cost of $ 4,400 million. This meant an average annual growth rate over the five year period of over 20 per cent in the volume of investments approved, and 7.5 per cent in the number of projects. The Corporation's income from equity investments and liquid assets exceeded expectations by wide margins. Although loan income was slightly below the original target, total net income over five years was at $404.6 million, more than double the $189 million originally projected. While administrative expenses turned out to be 10 per cent lower than the forecast, paid-in capital and accumulated earnings reached an above-target figure of $1,583 million at the end of the programme.

Table XI-31 : Region-wise Investments of IFC

(Us $ million)

Region	Fiscal Year 1988		Fiscal Year 1989	
	No. of Projects	Amount	No. of Projects	Amount
1	2	3	4	5
Africa	23	135	19	282
Of which:				
Sub-Saharan	(20)	(128)	(18)	(275)
Asia	29	306	25	321
Europe and Middle East	16	206	15	259
Latin America and Caribbean	26	618	30	842
Worldwide*	1	5	1	5
Total	95	1270	90	1709

* Emerging market investment funds

The fiscal 1989 was another record year in terms of the volume of new investments approved and strengthened financial performance. The Corporation's operations included financing of projects involving capital markets, development finance companies, financial services, including export financing, privatisations, corporate restructuring, funding and advisory services. The establishment of a Corporate Finance Services Group during the year strengthened the Corporation's capacity to provide advisory services in two important areas: the restructuring of potentially viable enterprises needing assistance in coping with a difficult economic environment; and the privatisation of public sector enterprises, as developing member countries seek to increase the role of the private sector in their economies.

The Board has agreed that in the coming years, IFC will continue to focus on its three traditional and complementary roles, viz., investment role, involving the commitment of its own capital and borrowed resources, mobilisation role, encouraging other investors and lenders to provide funds for viable projects and stimulating capital flows through capital markets, and advisory role, providing more services to a wide ranging government and corporate clientele backed by its financial and technical skills, as well as its multilateral status and objectivity.

During FY 1989, the IFC approved 90 investments with value of $1,709 million, and overall project costs of $9,694 million. IFC mobilised $8,403 million in funds from other investors and lenders for its projects in FY 1989 which implies that for every dollar that the IFC has invested or lent, other sources provided as much as $6.5. Disbursements on IFC's own account increased by 14 per cent to $870 million and the outstanding loans reached $2,793 million. The Corporation collected dividends of $30.8 million in FY 1989 as against $15.5 million in FY 1988.

Of the 90 projects approved in FY 1989, 38 accounting for $418 million were located in low income developing countries with per capita income of $835 or less. A comparative position of distribution of IFC's investments regionwise, is given in Table XI-31.

The paid-in capital as of June 30, 1989 increased to $948 million from $850.2 million a year earlier. The Corporation's net worth was $1,583 million, up from $1,288 million. In addition, $164.9 million of subscribed capital has not been paid in. The debt-to-equity ratio was 1.34:1, compared with 1.36:1 in the previous

year, indicating that its increased activities were dependent less on borrowings.

Gross income increased to $518.5 million in FY 1989 from $345.6 million in FY 1988, up by $172.9 million or an increase of about 50.0 per cent. The net income almost doubled for the third successive year to $196.5 million in FY 1989 from $100.6 million, an increase of about 95 per cent over the previous year. This was attributed to the exceptional performance of the Corporation's equity portfolio, the continuing strong performance of its loan portfolio and an increase in the fee income from its advisory activities.

As far as the FY 1990 was concerned, the IFC continued to record high growth in its financial position. The Corporation approved investments from its own account of $1.5 billion for 122 projects (including Africa Enterprise Fund projects), worth total cost of $9.45 billion. Disbursements reached $1.0 billion. The net income for the year was $157 million. The IFC tapped the Eurobond market for its largest single borrowing to date, a $300 million, five years issue. The success of this issue furthered the Corporation's objective of becoming a regular, high-quality borrower in the public bond markets.

International Development Association (IDA)

The IDA credits sanctioned during FY 1990 (July 1989-June 1990) totalled $5,522 million showing a rise of $588 million or 11.9 per cent as compared with an increase of $475 million or 10.7 per cent during the previous year. Disbursements from IDA increased from $3,597 million in FY 1989 to $3,845 million in 1990 or an increase of 6.9 per cent over the previous year. Of the 47 countries which received IDA credits during the year, India received the largest amount of credit ($832 million) followed by China ($590 million), Bangladesh ($540 million), and Tanzania ($514 million).

IDA Ninth Replenishment (IDA-9)

Agreement was reached during the FY 1990 on SDR 11.68 billion replenishment of IDA resources for the three-year period fiscal 1991-93 from 31 IDA donors including SDR 184 million grants from Switzerland (not a member of the Association). The agreement was reached on December 14, 1989 in Washington D.C. The amount represents an increase of 12 per cent over the eighth replenishment. The IDA identified three programme areas for higher priority during the Ninth replenishment period, viz. poverty reduction, support for sound macroeconomic and sectoral policies, and the environment.

Donors stressed that the IDA lending programme should retain a focus on the poorest sections of the population. Poverty reduction would be central to the Association's policy dialogue with recipient countries: that these countries would be encouraged to adopt measures to protect the poor during the adjustment process: and that, in defining the performance criteria for the allocation of IDA resources, increased weight be given to an effective governmental commitment to the reduction of poverty.

Donors underscored the importance of sound macroeconomic and sectoral policies as a basis for effective use of IDA funds and urged that IDA's regular assessments of country performance should specifically include determination of the adequacy of policies with a view to identifying countries where improved performance is necessary to build a sustainable and increasingly self-supporting development.

Representatives of donor governments welcomed efforts currently underway in borrowing countries to support environmentally sustainable development and urged the Association to accelerate these efforts at three levels—in lending operations, in country programmes and dialogue, and in global or regional initiatives. The representatives called for strengthening of the dialogue between IDA and the governments, as well as non-governmental organisations, on environmental concerns.

Under the terms of IDA-9, the representatives of the donor governments recommended that

the existing criteria governing the allocation of the Association's resources—need and ability to make effective use of resources (performance)—be continued. IDA-9 will become effective when instruments of notification are received from IDA members whose aggregate share represent 80 per cent of total replenishment.

Multilateral Investment Guarantee Agency (MIGA)

Promotion of investment for economic development in member countries is the principal responsibility of the Multilateral Investment Guarantee Agency. This is achieved through provision of (1) guarantees to foreign investors against losses caused by non-commercial risks, and (2) advisory and consultative services to member countries to assist them in creating a responsive investment climate and information base to guide and encourage the flow of capital.

MIGA also works in cooperation with national insurance agencies, not only to provide additional capacity but also to insure investors who may not be eligible for their own national insurance plans. In addition, MIGA is unique in its structure as an international organisation whose membership of developed and developing countries also include the host country for each insured project. MIGA's policy and advisory services were provided to 22 countries in FY 1990, which ranged from investor identification to strengthening awareness of MIGA and its operations.

MIGA's guarantees programme protects investors against losses arising from the non-commercial (political) risks of currency inconvertibility, expropriation, war and civil disturbance, and breach of contract by the host government. MIGA can insure investments in new projects or the expansion of existing projects (including privatisations and financial restructurings) provided the project is registered with MIGA before the investment is made or irrevocably committed.

In fiscal 1990, MIGA issued its first guarantees, with a maximum contingent liability totalling $132.3 million, for four projects representing a total of $1.04 billion in direct foreign investment. 85 countries have so far signed the MIGA convention representing an increase of 12 over the fiscal 1989 total. Membership in MIGA is open to all members of the World Bank and it rose from 51 countries to 58 countries. Switzerland is also a member of MIGA.

VIII. Developments relating to Exchange Control

1) Investments by NRIs

(a) Subscription to the Memorandum and Articles of Association of Indian Companies

By a notification dated November 20, 1986, the Reserve Bank of India had granted general permission to NRIs to subscribe to the Memorandum and Articles of Association and to take up shares of an Indian company for the purpose of its incorporation and to the Indian company to issue shares to the NRIs up to a face value of Rs. 10,000, provided the company held a letter of intent/industrial licence/certificate of registration etc., issued by the competent authority. By a notification dated June 1, 1989, the Reserve Bank of India further relaxed the facility of subscription by the NRIs even in respect of companies which undertake to obtain the requisite letter of intent, etc., from the concerned Government/Ministry/Authority in due course for undertaking its industrial activity.

With a view to giving further encouragement to NRIs to invest in the hotel industry in India, the ceiling on investment by NRIs in the hotel of three, four or five star category with full repatriation rights under the 74 per cent scheme was raised to 100 per cent of the new issues of shares/convertible debentures. The ceiling on NRI investment under the Scheme in other approved industries such as computer software, hospitals, etc., remained unchanged at 74 per cent of the equity/convertible debenture issues.

2. Upward revision in the per diem rates of exchange for travel abroad

With effect from 1st July 1989, the per diem rates of foreign exchange released for travel purposes have been revised as under:

	Special Scale US $	General Scale US $
I. Group A Countries (Comprising Saudi Arabia, Japan, Kuwait, and Nigeria)	300	240
II. Group B Countries (Comprising UAE, Qatar, Sultanate of Oman, Bahrain, Western Hemisphere, U.K., Western Europe, Iran, Libya and Algeria)	265	210
III. Group C Countries (Other countries in the External Group)	215	185
IV. Bilateral Group Countries	Rs. 3000	Rs. 2750

3. Release of exchange for travel abroad

The requirement of minimum percentage of 55 per cent marks in the Degree examination in India and an undertaking/gurantee from Doctors that they would return to India after completion of their studies/training and a penalty of liquidated damage in case of failure to do so, have been done away with.

4. Foreign Travel under Special Travel Schemes

With effect from August 4, 1989, Singapore has been removed from the Foreign Travel Scheme (FTS) group of countries and included in the group of countries covered under Neighbourhood Travel Scheme (NTS). Accordingly, resident citizens intending to visit Singapore under the Special Travel Scheme are now entitled to draw foreign exchange at the rate of US $250 per adult and US $125 per child under twelve, provided they are otherwise eligible to travel abroad under the Scheme. Travellers wishing to visit Singapore along with any other country/countries covered by FTS will, however, be eligible to draw the FTS quota of exchange.

5. Debits to NRO Rupee Accounts

Withdrawals from Ordinary Non-resident Rupee Accounts in the names of non-residents other than NRIs and OCBs for meeting the expenses of the account holder and his family during their visit to India were allowed upto a limit of Rs. 3,000/- per week. This limit has been done away with effect from March 28, 1990.

6. Blanket Exchange Permit Scheme

The scope of assistance to exporters under the Blanket Exchange Permit Scheme as operated by the Exim Bank has been further enlarged. The Government of India has signed an agreement with the World Bank for a line of credit for US $ 295 million for the Export Development Project which will strengthen efforts made in the earlier Industrial Export Project to motivate firms to draw up and implement systematic export plans resulting in incremental exports. This project includes a term loan component (US $ 275 million) and an Export Development Fund (EDF) component (US $ 20 million). The EDF will be operated by four agencies, namely, EXIM Bank (US $ 7 million), I.C.I.C.I. (US $ 7 million), Bank of Baroda (US $ 3million) and Canara Bank (US $ 3 million).

Exporters eligible under the aforesaid Export Development Fund and term loan component would also be considered eligible to draw exchange against the blanket permit issued to them by the Reserve Bank for expenditure towards various purposes approved under EDF on the basis of and subject to the terms and conditions laid down in the original letter issued to them by the respective institution, viz. EXIM Bank, ICICI, Bank of Baroda and Canara Bank.

7. Raising of deposits by FERA companies through issue of Commercial Paper

In order to facilitate issue of Commercial Paper (CP) by FERA Companies, Reserve Bank

of India has granted general exemption to both the investors and the investee companies to invest in/or raise such deposits, provided the eligibility criteria as laid down in the 'Non-Banking Companies (Acceptance of Deposits through Commercial Paper) Directions, 1989' are satisfied and the company complies with the terms and conditions stipulated by the Reserve Bank relating to the issue of such commercial paper, FERA companies applying for general permission are to ensure that funds raised by way of CP are used only for the purpose of meeting the working capital requirements of the company and also for carrying on the activities approved by the Reserve Bank under Section 28 and 29 of FERA, 1973.

Further from October 9, 1989, the Reserve Bank of India has also granted general permission to Indian companies to issue CP to non-residents of Indian nationality/origin (NRIs) (only individuals and not overseas corporate bodies predominantly owned by NRIs) in accordance with the terms and conditions stipulated by the Reserve Bank of India, provided the amount invested and income earned thereon shall not be allowed to be repatriated and that the CP issued to NRIs shall not be transferable. Indian companies (including FERA companies) issuing CP to NRIs are required to comply with certain conditions specific to the Exchange Control in addition to the conditions stipulated in Reserve Bank of India (Industrial and Export Credit Department) approval letter.

8. Asian Clearing Union (ACU)

Hitherto, export or import transactions between the member countries of the Asian Clearing Union involving settlement on deferred payment basis were not to be treated as current transactions and hence such transactions did not call for compulsory settlement of deferred instalment through ACU mechanism. There was, however, no objection to the advance/down payment/payment against shipping documents in respect of such contracts being routed through ACU. The ACU member countries have since agreed that payments arising out of export or import transactions on deferred payment basis should be brought under the purview of ACU mechanism with effect from March 22, 1990.

The ACU members have also agreed upon a currency swap arrangement among themselves for facilitating the settlement of clearing imbalances subject to certain conditions. Necessary amendments to the ACU Agreement and ACU (Procedure) Rules have, therefore, been made incorporating the above changes.

9. Authorised Dealers in Foreign Exchange

Two foreign banks namely, Credit Lyonnais and Sanwa Bank, Ltd., have been granted licences to deal in foreign exchange in India.

10. Investment by Asian Convertibles and Income Fund (ACIF) in a Mutual Fund in India set up by State Bank of India.

The Asian Development Bank (ADB) has recently sponsored a multi-country Regional Fund called Asian Convertibles and Income Fund (ACIF). ACIF's objective is to promote development of Capital Markets in the Developing Member Countries (DMCs) of ADB, besides providing a window to large institutional investors in capital rich countries like Japan. Assets of the ACIF would be allocated amongst the target countries, i.e., DMCs of ADB, of which India will be receiving the highest allocation, i.e., 20% of the Fund (about US $ 12 million).

ACIF's investment in India will be channelised through a dedicated Mutual Fund established by State Bank of India (as a trust) under the name "Asian Convertibles and Income Fund -Mutual Fund" (ACIF-MF).

State Bank of India Capital Markets Ltd. (SBICAP), a wholly owned Merchant Banking subsidiary of State Bank of India, would act as Investment Manager in India for ACIF. SBICAP will be investing the funds at its discretion in convertible debentures and other equity-linked securities of the companies in India (both primary and secondary markets).

11. Project Exports

During the period July 1, 1989 to June 30, 1990, the Working Group on Project Exports (WG) accorded approval for 69 proposals valued at Rs. 3,013.25 crore. These comprised 28 proposals of turnkey contracts valued at Rs. 1,282.77 crore, 31 proposals of civil construction contracts valued at Rs. 1,513.50 crore and 10 proposals of consultancy service contracts valued at Rs. 216.98 crore. During the period WG also cleared 10 proposals of total value of Rs. 259.70 crore at post award stage.

12. Opening of Liaison etc., offices in India

During the period July 1, 1989 to June 30, 1990, approvals were granted to foreign companies for opening of 70 liaison offices, 14 representative offices and 13 project offices in India.

13. Opening of offices abroad

During the same period, approvals were granted to Indian companies for opening of 26 trading offices, 70 non-trading offices and posting 21 representatives abroad.

14. Rupee-Rouble Exchange Rate

The Rupee-Rouble exchange rate in respect of (a) credit agreements and commercial transactions and (b) contracts (under the deferred payments protocol dated December 23, 1989) relating to deliveries of machinery and equipment from U.S.S.R. & India were revised as under:

	(Rs. per Rouble)	
From	(a)	(b)
July 9, 1989	18.6790	19.7421
October 8, 1989	19.2411	20.3362
December 16, 1989	19.9169	21.0505
May 10, 1990	20.5520	21.7217

APPENDIX-1

IMPORTANT EXPORT CONTROL/PROMOTION ANNOUNCEMENTS

APRIL 1989 - MARCH 1990

A-CHANGES IN EXPORT CONTROL

Sr. No.	Item	Month	Details
1	2	3	4
1.	Safflower Seed (Kardi Seed)	April 1989	Export was allowed within a limited ceiling on 'first-come, first-served basis' against the firm contract. The ceiling will be placed at the disposal of Indian Oil & Produce Exporters 'Association, Bombay, (IOPEA).
2.	Psyllium Seed/Psyllium Husk/Psyllium Powder	April 1989	Export was allowed under O.G.L. No. 3 against registration of contracts with the Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council, Bombay, (CHEMEXCIL).
3.	Polyester Staple Fibre	April 1989	Export was allowed on decontrolled basis.
4.	Nylon Filament Yarn	April 1989	Export was allowed within a limited ceiling.
5.	Silk Goods	April 1989	Shipment was allowed under O.G.L. No. 3 and was permitted only against Letter of Credit or Documents against payment basis.
6.	Exotic Birds	May 1989	Export was allowed 'On Merits' and on production of; i) Certificate from Chief Wild Life Warden of the State to the effect that the birds to be exported are from captive bred stock; ii) CITES certificate of the export is issued in respect of the birds that are covered by the CITES; and iii) Pre-shipment examination of the birds is done before the consignment is actually exported.
7.	Vegetable Seeds and Onion Seeds	May 1989	Export of Onion Seeds was banned with immediate effect. However, pre-ban commitment cases, if any, will be considered in terms of para 10 of Section V at Page 54 of Import and Export Policy, 1988-91 (Vol. II) within 30 days of the imposition of ban and not beyond 30 days. Export of vegetable seeds was allowed under O.G.L. No. 3 on production of; i) Quality Control Certificate; and ii) Certificate that the seeds to be exported are not Foundation or Breeder Seeds from recognised State Certification Agency including National Seeds Corporation.
8.	Silk Goods	June 1989	With effect from 1.7.1989, export of all Hand-knotted Silk Carpets containing 100% natural silk required an affixation of "SILK MARK" by the Central Silk Board.
9.	Semi-processed hides and skins including crust leather and ready-to-finish leather	June 1989	During the period from April 1989 to September 1989, export was allowed within a limited ceiling of 14,84,500 pieces consisting of 9,74,375 pieces of semi-finished E.I. tanned (Buff Calf 1,22,250, Cow Calf 1,04,375, Cow Hide 1,10,625, Buff Hide 6,875, Sheep Skin 2,31,500 and Goat Skin 3,48,750, total 9,74,375 pieces) and 5,10,125 pieces of Wet Blue Goat Skins.
10.	Non-basmati Rice	June 1989	Export was allowed within a limited ceiling. The entire ceiling was placed at the disposal of Agricultural and Processed Food Export Development Authority (APEDA), New Delhi.
11.	Clinker	June 1989	Export was allowed 'On Merits'.
12.	Psyllium Seed/Psyllium Husk/Psyllium Powder	July 1989	Export of Psyllium Husk was allowed under O.G.L. No. 3 against registration of contracts with the Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council, Bombay (CHEMEXCIL) subject to a Minimum Export Price of U.S. $3.20, U.S. $3.00 and U.S. $2.80 per kg. FOB net, for a purity of 98%, 95% and 85%, respectively. Export of Psyllium Seed/Psyllium Powder continued to be allowed as hitherto.
13.	Viscose Staple Fibre including High Performance Viscose Staple Fibre	July 1989	Export of High Performance Viscose Staple Fibre was allowed within a limited ceiling and the entry at Sl. No. 28 (ii) of Appendix 3 was substituted as "Viscose Staple Fibre excluding High Performance Viscose Staple Fibre".

Sr. No.	Item	Month	Details
1	2	3	4
14.	Machine finished Sandal wood products	July 1989	Export of machine-finished sandal wood products such as i) Visiting Cards, ii) Blades for ladies hand fans, iii) Outer cases and dials of watches and iv) Any other products of similar nature was allowed subject to the condition that the maximum weight in respect of each of the items/products mentioned above will be 25 grammes per piece and with maximum value addition of 250% for each item.
15.	Mulberry Silkwaste including cleaned and degummed silkwaste and Noils and Noils Droppings.	August 1989	Linking arrangements with regard to said export was stopped with immediate effect, but exports would be allowed 'On Merits'.
16.	Peacock Tail Feathers and Articles/Handicrafts manufactured therefrom	August 1989	a) Export was allowed within a limited ceiling, with a Minimum Export Price of Rs. 3 per piece. b) Export of Brooms, Dusters, Bundles, Crest Feathers or any other part of Peacock was banned.
17.	Non-basmati Rice	August 1989	Export was allowed subject to a Minimum Export Price of Rs. 6,000 per MT (FOB) and no exporter would be allowed to obtain more than 20% of the available ceiling.
18.	Psyllium Seed/Psyllium Husk/Psyllium Powder	August 1989	Export was allowed under O.G.L. No. 3 against registration of contracts with the Basic Chemicals, Pharmaceuticals and Cosmetics Export Promotion Council, Bombay, (CHEMEXCIL), subject to a Minimum Export Price.
19.	Micronutrient Fertilizers and Mixtures thereof	August 1989	Export was allowed under O.G.L. No. 3 subject to registration of contracts with Chemicals and Allied Products Export Promotion Council (CAMEXCIL). Export of Micronutrient Fertilizers and mixture thereof containing NPK was allowed 'On Merits'.
20.	Barley	August 1989	Export by State Trading Corporation and private trade was allowed within a limited ceiling. The ceiling for distribution to private trade was placed at the disposal of Agricultural and Processed Food Products Export Development Authority, New Delhi, (APEDA).
21.	Basmatic Rice	September 1989	The Minimum Export Price was increased from Rs. 8,000 per MT (f.o.b.) to Rs. 9,500/- per MT (f.o.b.).
22.	Ivory Articles	September 1989	Export of Ivory Articles made out of legally imported unmanufactured Ivory of African Origin was allowed under Advance/Imprest REP Licences/O.G.L. under O.G.L. No. 3.
23.	High Performance Viscose Staple Fibre	September 1989	Export was allowed within a limited ceiling. Export of Viscose Staple Fibre excluding High Performance Viscose Staple Fibre would continue to be 'On Merits'.
24.	Galvanised Sheets made out of raw material imported under Advance Licence	October 1989	Export was allowed under O.G.L. No. 3 to the extent of the f.o.b. value indicated in the Licence. Export of Galvanised Sheets made out of indigenous raw material continued to be canalised under O.G.L. No. 4 through Steel Authority of India Limited.
25.	Manganese Ore excluding Chemically Processed Manganese Di-Oxide	October 1989	Export was allowed within a limited ceiling.
26.	Sandal wood in the form of dust, chips, flakes and powder	October 1989	Export was allowed freely under O.G.L. No. 3 ab initio. However, chips shall be rough, of irregular size and shape and of different sizes and with a weight not exceeding 50 gms. each.

Sr. No.	Item	Month	Details
1	2	3	4
27.	Mulberry X Dupion Silk (100% Natural Silk)	November 1989	Export was allowed under O.G.L. No. 3 subject to Minimum Export Price of Rs. 90, Rs. 110, Rs. 120 and Rs. 135 per meter for a width of 36", 44", 48" and 54", respectively.
28.	Other Extractions (Solvent Extracted Oilmeals) not mentioned elsewhere, Animal/Poultry Feed Compound, Mango Kernel Oil and Sal Seed Oil.	November 1989	Export were allowed under O.G.L. No. 3 subject to registration of contracts with the Solvent Extractors' Association of India, Bombay.
29.	Semi-processed hides and skins including crust leather and ready-to-finish leather	November 1989	During the period from October 1989 to March 1990, export of semi processed leather was allowed within limited ceiling of 18,79,625 pieces including unutilised balance of 3,95,125 pieces left with JCCI & E, (Calcutta) consisting of 9,74,375 pieces of semi-finished E.I. Tanned (Buff Calf, 1,22,250, Cow Calf 1,04,375, Cow Hide 1,10,625, Buff Hide 6,875, Sheep Skin 2,81,500 and Goat Skin 3,48,750, total 9,74,375 pieces) and 9,05,250 pieces of Wet Blue Goat Skin (including 3,95,125 pieces unutilised balance from 1st half year period of 1989-90). In respect of E.I. Tanned (Buff Calf, Cow Calf, Cow Hide, Buff Hide, Sheep Skin and Goat Skin) the ceiling was monitored by Jt. Chief Controller of Imports and Exports, Madras. In respect of Wet Blue Goat Skin, JCCI & E, Calcutta would monitor the ceiling.
30.	Niger Seeds	December 1989	Export was allowed under O.G.L. No. 4 through i) National Agricultural Co-operative Marketing Federation of India Limited (NAFED) and ii) Tribal Co-operative Marketing Development Federation of India Limited, (TRIFED).
31.	Silk Carpets	December 1989	Export was allowed on decontrolled basis. However, all silk carpets containing 100% natural silk pile should bear the 'SILK MARK' duly affixed by the Central Silk Board.
32.	Small Onions as a part of Assorted Vegetables	December 1989	Export was allowed upto 20 Kgs. per consignment by air as a part of Assorted Vegetables under O.G.L. No. 3.
33.	Fresh and frozen Silver Pomfrets	January 1990	Export of fresh and frozen Silver Pomfrets of weight 200 gms. and above was allowed from Tuticorin, Madras, Kakinada, Vishakhapatnam, Paradeep and Calcutta and 300 gms. and above from all other ports on decontrolled basis.
34.	Mulberry X Duipion Silk Fabrics (100% Natural Silk)	January 1990	The Minimum Export Price as indicated at Sl. No. 27 was effective from 1st April, 1990 and the prices were f.o.b. per metre. The prices for other widths would be calculated proportionately.
35.	Manganese Ore excluding chemically processed Manganese Di-oxide	January 1990	Export was canalised through Minerals and Metals Trading Corporation under O.G.L. No. 4.
36.	Peacock Tail Feathers and Articles/Handicrafts manufactured therefrom	January 1990	Minimum Export Price of Rs. 3 per piece as indicated at Sl. No. 16, was removed.

Sr. No.	Item	Month	Details
1	2	3	4
37.	Wheat Bran	January 1990	The ceiling for export of Wheat Bran was placed at the disposal of Agricultural and Processed Food Products Export Development Authority, New Delhi, (APEDA). Also, APEDA would not allocate more than 10% of the total available ceiling to any individual export.
38.	Iron Ore of Goa Origin when exported to Japan, South Korea, Taiwan & West Europe.	February 1990	Export was allowed under O.G.L. No. 3 against registration of contracts with the Goa Mineral Ore Exporters' Association.
39.	Flue-cured virginia, Sun-cured Virginia and Sun-cured 'Natu' (Country) Tobacco-Fixation of Minimum Export Prices of various grades for the crops of 1988, 1989 and 1990.	February 1990	Export was allowed only subject to Minimum Export Prices. However, Crops and Grades of Tobacco for which Minimum Export Prices have not been fixed, will be free from Minimum Export Price restrictions
40.	Jaggery (Gur)	February 1990	The ceiling was placed at the disposal of Agricultural and Processed Food Products Export Development Authority, New Delhi (APEDA). Export during the year 1990 (upto 30.9.90) is allowed subject to Minimum Export Price of Rs. 8,000 per M T
41.	Buffalo Meat	March 1990	In case of Corned Buffalo Meat and Luncheon Buffalo Meat inspection would be done either by State Directorate of Animal Husbandry or the Expert Inspection Agency or the Directorate of Marketing and Inspection, Government of India on payment of fee to be prescribed by the concerned Agency.
42.	Dress Materials/Ready Made Garments/Fabrics-Textile Items.	March 1990	The items on which excerpts or verses of Quran are imprinted would not be allowed for exports.

APPENDIX—I
B-CHANGES IN EXPORT DUTY
(April 1989 - March 1990)

Sr. No.	Item	Date	Duty		Cess	
			Present	Previous	Present	Previous
1	2	3	4	5	6	7
1.	Mica scrap and waste	20.3.1990	Nil (exempted)	..	..	..

Source : Custom Notifications, Ministry of Finance, Government of India.

APPENDIX-II

A - IMPORTANT ANNOUNCEMENTS WITH REGARD TO IMPORT CONTROL POLICY

(APRIL 1989 - MARCH 1990)

Sr. No.	Item	Month	Details
1	2	3	4
1.	Import Policy for Registered Exporters	April 1989	Goods manufactured and exported under customs bonds will be eligible for grant of special REP equal to 10 per cent of the value addition achieved from the CIF value of imports to FOB value of exports, subject to certain conditions.
2.	Addition to the list of restricted items	April 1989	Enzymes used for conversion of Penicilin 'V' into 6-APA are added to the list of restricted items.
3.	Additional condition governing imports under OGL	April 1989	Imports of woollen rags/synthetic rags/shoddy wool will be allowed through two ports only viz; Bombay and ICD Delhi.
4.	Duty Exemption Scheme	April 1989	Intermediate advance licences under duty exemption scheme will also be available where the ultimate manufacturer-exporter is an Import-Export Passbook Licence Holder. Also, such exporters will be given an option to obtain the supplies of one or more items upto the specified quantity and value from an intermediate manufacturer.
5.	Import of Second-hand materials for production of auto tyres	May 1989	Applications from Actual Users for imports of second-hand building drums and presses for production of auto tyres for exports will be considered on merit subject to specified conditions and on execution of Indemnity-cum-Guarantee Bond to export auto tyres to the extent of 20 times of the CIF value of the proposed imports within a period of five years from the date of clearance of the imported machine.
6.	Import of facsimile machine	May 1989	Applications during the licensing year 1989-90 for import of one facsimile machine will be considered from Registered Exporters whose FOB value of exports during any of the two preceding licensing years has been Rs. 50 lakh or more. Export Houses will be eligible to import 2 machines and Trading Houses will be eligible to import 4 machines. The imported machines will be subject to Actual User condition.
7.	Import of floppy diskettes by canalised agency.	May 1989	The licence to import floppy diskettes media is limited to Electronics Trade and Technology Development Corporation (ET & T) under Open General Licence on the basis of foreign exchange released by the Government in its favour. Further, imports, distribution and pricing will be made by the ET & T as per the connected policy in the Department of Electronics, New Delhi.
8.	Modes of import for licence holders	June 1989	A licence holder under the Duty Exemption Schemes and Import-Export Pass-Book Scheme can avail of import facility through Air India/Indian Airlines and Indian vessels subject to certain conditions and documentary evidence.
9.	New input-output norms for engineering good and chemicals and allied products	June 1989	New input-output norms fixed for some varieties of raw materials that can be imported against specified export products.
10.	Addition to the condition governing imports under OGL No. 31	July 1989	In cases where the request for registration of contract is after the stipulated period of thirty days, the importer shall be required to approach the Development Commissioner (Iron and Steel), Calcutta, with full justification for delay in submission of contract documents for registration.
11.	Duty Exemption Scheme	August 1989	An ultimate exporter not being a manufacturer of the resultant product in question but holding the status of an Export House/Trading House can also avail of the facility of Intermediate Advance Licensing Scheme subject to the fulfilment of certain conditions.

Sr. No.	Item	Month	Details
1	2	3	4
26.	Special Licensing Provision	January 1990	A Registered Exporter whose FOB value of exports during any of the two preceding licensing years has been between Rs. 25 lakh to Rs. 50 lakh may be allowed to import one facsimile machine, once in two years, against surrender of REP license issued in his own name, subject to certain conditions and specifications.
27.	Import of car and vehicles by Indian Nationals returning to India for permanent settlement.	February 1990	Such imports may be allowed provided (i) the applicant has stayed abroad continuously at least for a period of two years (earlier one year) and (ii) the vehicle has been in the use of the applicant at least for a period of one year prior to return to India. Such imports may also be considered in respect of a vehicle purchased out of the earning of the spouse, subject to some additional conditions.
28.	General Licensing Procedure	March 1990	(1) Split-up licences for a minimum value of Rs. 25 lakh may be issued against a main licence for clearance of goods of different customs ports, (2) In the case of Actual User licence, it shall be ensured that total imports of a 'single item' against the 'main licence' and the 'split-up licence' put together, shall not exceed the maximum value limit laid down. (3) The main licence shall be utilised in such a way that it bears the proportionate specific value limit apart from the percentage value limit, so that 'split-up' licence/s do not result in the item-wise value exceeding the permissible limits. (4) In case of additional licences the facility of flexibility, wherever permitted, will be retained on the main licence only and not on the 'split-up' licence. (5) The facility of 'split-up' licences will not be available in the case of REP/Special REP licences, DTC and Diamond Imprest Licences and licences issued under the Duty Exemption Scheme (6) For each 'split-up' licence, a fee of Rs. 100/- is payable by way of bank receipt/bank draft.
29.	Conditions governing imports under OGL	March 1990	Life saving equipment allowed for import under OGL which was earlier allowed to be imported by all persons can now only be imported by those having the approval of the Director General of Technical Development or of any other agency designated by the Chief Controller of Imports & Exports. Such importers can import spares of such equipment whether alongwith the machines or separately.
30.	Amendment in OGL	March 1990	OGL nos. 1 to 18 dated 30th March 1988 shall cease to be valid on and from 30th March 1990. However, shipment against irrevocable letters opened prior to 30th March 1990, shall be permitted subject to the conditions laid down in the relevant licences.

Sr. No.	Item	Month	Details
1	2	3	4
31.	Open General Licence No. 1	March 1990	Permission was granted for imports by Actual Users (industrial) for their own use, raw materials, components and consumables subject to fulfilling various conditions.
32.	Open General Licence No. 2	March 1990	Actual Users (both industrial and non-industrial) were allowed to import under OGL capital goods of the description specified in Appendix 1, Part 'B' of Import and Export Policy for 1990 - 93 (vol. 1), subject to following conditions; (i) they are registered with the DGTD or the concerned State Director of Industries or other sponsoring or Government Authority concerned. (ii) The goods so imported shall be new, (iii) Capital goods listed for a particular category can be imported by the Actual Users falling under the same category with the exception of items like machine tools, measuring instruments, testing instruments, packaging machinery and miscellaneous items where import can be made under OGL by all Actual Users, (iv) By import of capital goods in question, the production of the applicant shall not exceed the licensed/authorised capacity.
33.	Open General Licence No. 3	March 1990	Actual Users (industrial) were allowed to import "Permissible" spares, as are required for their own use for maintenance of capital goods, including accessories, ancillary equipment, control and laboratory equipment and safety appliances, installed or in use as on 1st April of the licensing year, subject to the specified conditions.
34.	Open General Licence No. 4	March 1990	Permission was granted for the import of the following specified items, subject to certain conditions: (1) Re-import of same items (excluding consumer durables) sent for repairs abroad, free of charge on c.i.f. basis or on payment (c.i.f.) not more than 10 per cent of the c.i.f. value of the imported machinery or Rs. 1 lakh whichever is lower. (2) free gift of trade catalogues and circulars upto Rs. 2000. (3) blue prints and drawings (including micro films) relating to machinery and plant sites, work and building research data supplied free of charge and having no commercial value (4) bonafide technical and trade samples supplied free of charge not exceeding Rs. 20,000 per consignment in c.i.f. value excepting vegetable seeds, bees, tea and new drugs. (5) bonafide advertising material supplied free of charge not exceeding Rs. 2,000 in c.i.f. value, in one consignment. (6) drugs and medicines, bonafide trade samples of drugs and medicines, human vaccines and sera supplied free of charge with the approval of the Drugs Controller of India, New Delhi. (7) animal vaccines including poultry vaccines supplied free of charge or against payment on the recommendations of the Animal Husbandry Commissioner and (8) goods supplied free of charge by foreign suppliers or imported against an insurance (marine) or marine-cum-erection insurance claim settled by an insurance company in replacement of the goods previously imported but found defective or otherwise unfit for use or lost/damaged after import, provided certain conditions are fulfilled.

Sr. No.	Item	Month	Details
1	2	3	4
35.	Open General Licence No. 5	March 1990	Permission was granted for imports of items of raw materials, components, consumables, machinery, equipment, instruments, accessories, tools and spares, required by any (1) Research and development units recognised by the Department of Science and Technology, Government of India, (2) Scientific or research laboratories, institutions of higher education and hospitals recognised by the Central or State Government, and (3) Test Houses set up by Government of India or recognised by Bureau of Industrial Standards (BIS) subject to prescribed conditions.
36.	Open General Licence No. 6	March 1990	In the case of imports of canalised items by the designated canalising agencies, the imports are made against the foreign exchange released for the purpose and these are distributed as per the policy and procedures laid down.
37.	Open General Licence No. 7	March 1990	Actual Users (industrial) were allowed to import, for use in their own undertakings, jigs, fixtures, dies and patterns (including contour roller dies), moulds (including moulds for die casting) and press tools (except those banned or restricted) and parts thereof, provided (1) the units are registered with DGTD/Sponsoring authority or the concerned State Director of Industries or other sponsoring authority concerned, (2) the imports are of new manufacture, (3) the Actual User (industrial) shall produce all particulars of his Industrial Licence/Registration Certificate, to the satisfaction of the customs authorities at the time of clearance.
38.	Open General Licence No. 8	March 1990	Oil and Natural Gas Commission, Oil India Limited, Gas Authority of India Limited, M/s. Bharat Gold Mines Limited and Steel Authority of India Limited were permitted to import raw materials, consumables, components, machinery, equipments, tools and spares (but not consumer goods) instruments and accessories. The items permitted for import by (1) The Oil India Ltd. and Gas Authority of India Ltd., Oil and Natural Gas Commission shall be those cleared by the Empowered Committee on Indigenisation in the oil industry under the Ministry of Petroleum and Chemicals, from indigenous angle. (2) M/s Bharat Gold Mines Ltd. shall be those cleared by the DGTD, New Delhi, from indigenous angle, (3) Steel Authority of India Limited shall be those required for the modernisation projects of the Steel Plants at Durgapur, Rourkela and Burnpur and cleared by the Empowered Committee under the Chairmanship of Secretary, (Steel) from indigenous angle. The import shall be made only against foreign exchange released by the Government for the purpose and that they shall be subject to "Actual User" condition.
39.	Open General Licence No. 9	March 1990	Members of IATA namely, Air India, Indian Airlines, Vayudoot Limited, Pavan Hans Limited and other Airlines were permitted to import, subject to "Actual User" condition, spares, consumables, aircraft tyres and tubes, manuals, technical drawings, illustration and other technical literature pertaining to the fleet of aircraft operated and maintained by them.

Sr. No.	Item	Month	Details
1	2	3	4
40.	Open General Licence No. 10	March 1990	Permission for the import of the following items by specified Actual Users was granted subject to the fulfilment of the stipulated conditions; (1) All the imports are within the value limit indicated against each item and for the purpose for which imports are sought to be made, (2) For imports of medical instruments, etc., scientific instruments and chemicals and spare parts of motor vehicles and agricultural tractors, the eligible importer shall declare to the Customs Authorities the c.i.f. value of such goods already imported in the same financial year, (3) In addition, the importers of the spare parts of motor vehicle and agricultural tractors shall also produce the valid Registration Certificate of the vehicle or the tractor concerned, with an evidence of up-to-date payment/ exemption of taxes under Motor Vehicles Act, 1939, (4) Import of second-hand computer/computer based system shall not be allowed. The imports allowed under this OGL are (1) Drugs and medicines (2) Medical including surgical, optical and dental instruments and apparatus, sutures and needles for surgical purposes (3) X-Ray intensifying screens (4) Scientific, measuring, testing instruments and chemicals (5) Spare parts of motor vehicles and agricultural tractors (6) Amateur radio communication equipment (7) Specified varieties of bus and truck tyres (8) Feature films, video films and video rights of foreign feature films primarily intended for children (9) Audio-Visual News or Audio-Visual News material including News clippings (10) Specified Equipment/instrument required by transport industries (11) Specified computers and computer based systems.
41.	Open General Licence No. 11	March 1990	Actual Users engaged in ship repairing work were permitted to import capital goods, raw materials, components, consumables and spares subject to the conditions, namely, (1) the importer is registered with the Director General of Shipping, Bombay (2) the goods shall be imported in customs bonded premises and shall be allowed to take them outside for the purpose of carrying out ship repairs (3) the imported goods shall be used in repairs of ocean-going-vessels whether Indian or foreign, in accordance with the provisions of Ministry of Finance, Department of Revenue (4) Actual User shall give an account of the items and their c.i.f. value, imported and used in the ship repairing work and the amount of foreign exchange earned in ship repairs at the end of each financial year, to the licensing authorities as well as the Director General of Shipping, Bombay.
42.	Open General Licence No. 12	March 1990	General permission was granted to import any goods by Government Departments (Central or State), or projects owned or controlled by Government, subject to the condition, that the goods are imported free of cost, in pursuance of an agreement between the Government of India and the foreign Government concerned. Under this Licence, imports of personal effects of foreign expert coming to India under Government to Government agreement for the execution of a project in India are allowed.

Sr. No.	Item	Month	Details
1	2	3	4
43.	Open General Licence No. 13	March 1990	General permission was granted to "Actual User", for the import of machinery, equipment, testing apparatus, tools and implements required for gem and jewellery industry, for new manufacture, for which the registered exporters are required to furnish a declaration at the time of clearance giving particulars of their registration as exporters with the Gem and Jewellery Export Promotion Council.
44.	Open General Licence No. 14	March 1990	Government Departments (Central or State), Departmentally run undertakings, Railways, Department of Posts, Department of Telecommunications, Doordarshan, All India Radio, State Electricity Boards/Undertaking/Projects under the Public Sector and Public Sector Industrial undertakings were permitted to import capital goods, raw materials, components, consumables and spares subject to various conditions.
45.	Open General Licence No. 15	March 1990	Except for teaching aids, the items like instruments and equipment required by blind including braille typewriter, life saving equipment appearing in list no. 2 of Appendix-6 of Import and Export Policy, 1990-93 (Volume-1) and their spares, family welfare equipment/instruments, finished drug preparations, life saving and anti-cancer drugs (List no. 3, Appendix-6), homeopathic medicines in finished form, crude drugs required for ayurvedic and unani medicines, pulses, spices, dates, rock salt, x-ray films (medical), lubricating oils for watches, fishing hooks, educational and instructional films, photographic films—black and white and colour, photographic colour papers, records for learning languages, rudraksha beads, cinematographic films, dental items listed in Appendix-6, items of ophlthalmic use as per list 9 of Appendix-6, ozone generating apparatus, smoke metres for automobile exhaust, energy saving/conservation equipment, spares of printing machinery, machine tools, cinematographic equipment and trawlers, outboard motors, laboratory and reagent chemicals and gibberllic acid may be imported by any person for stock and sale. In case of "Teaching Aids", import will be restricted and allowed only by recognised educational, scientific and research institutions, libraries of such institutions, Central or state government departments, industrial units engaged in research and development, registered medical institutions, hospitals, consultants, recognised chambers of commerce, productivity councils, and professional bodies for their own use.
46.	Open General Licence No. 16	March 1990	Actual Users were allowed to import poultry vaccines, medical gas cylinders, broken electric motors, magnetic/electro-magnetic water conditioning system, grape guard paper, photographic chemicals, computer software in any media polyurethane eather, Indian flag vessels for breaking insecticides, fungicides and weedicides, fresh fruits, protogland in PGF_2 Alpha, seeds of vegetables and flowers, cuttings, saplings, budwood etc. of flowers, educational, scientific and technical books, news magazines and newspapers subject to many conditions.

Sr. No.	Item	Month	Details
1	2	3	4
47.	Open General Licence No. 17	March 1990	The eligible importers, namely, (i) Coal India Limited, (ii) Neyveli Lignite Corporation Limited (iii) Bharat Coking Coal Limited (iv) Central Coalfields Limited (v) Eastern Coalfields Limited (vi) Western Coalfields Limited (vii) Central Mine Planning and Design Institute Limited (viii) Singareni Collieries Company Limited (ix) South Eastern Coalfields Limited (x) Northern Coalfields Limited, were allowed to import 'new' manufacture of capital goods, subject to "Actual User" condition, against foreign exchange released by the Government for the purpose. However, capital goods mentioned in Appendix 1 Part 'A' and instruments appearing in Appendix 8 of Import and Export Policy, 1990-93, will not be allowed to be imported. In respect of other items of capital goods (excluding Appendix I Part B) import shall be subject to indigenous clearance to be obtained from DGTD, New Delhi. In case of electronics item, including marine electronics and communication equipment but excluding telecommunications equipment, prior clearance of the Department of Electronics will be necessary if the value of such imports exceeds Rs. 25 lakh. For telecommunication equipment, clearance of Department of Telecommunication will be necessary if such imports exceeds Rs. 25 lakh.
48.	Open General Licence No. 18	March 1990	Non-Resident Indians who have acquired foreign nationality and persons of Indian origin residing abroad were permitted to import capital goods, raw material, components, consumables and spares under the facilities available to the NRI's provided (1) The imports are made subject to 'Actual User' condition, (2) They are purchased out of his own foreign exchange earnings/resources abroad with no remittance from India, for use in the industry he proposed to set up, (3) at the time of clearance he was required to inform about the import of machinery and other materials to the Director of Industries of the State in which the industry is located and the imported machinery is used (4) neither the capital invested nor the profits would be allowed to be repatriated by the importer (5) import of second hand machinery will not be allowed under this licence.
49.	Open General Licence No. 19	March 1990	Project contractors who undertook project work abroad were allowed to re-import, or import related equipments, machinery, spares, tools and accessories which were either taken by them from India or purchased abroad with the prior permission of the Reserve Bank of India, I.D.B.I. or EXIM Bank into the country after completion of the project work. The permission of the above banks was also required in the case of the office equipments used in the project work for at least a period of one year.
50.	Open General Licence No. 20	March 1990	Units located in Free Trade Zones and Export Processing Zones, fulfilling the 'Actual User' condition were allowed to import under OGL, capital goods (new or second hand), raw materials, components, spares, consumables, packing materials, tools, jigs, fixtures and gauges, prototype and technical samples (2 in each

Sr. No.	Item	Month	Details
1	2	3	4
			type) for product diversification, development or evaluation, and diesel generating sets into the Free Trade Zones/Export Processing Zones. However, items banned for import in Domestic Tariff Areas under Appendix II were not allowed under this OGL. On the recommendation of the Development Commissioner of the concerned zone, the units could also import for their product diversification, development on evaluation, prototypes and technical samples not mentioned above, drawings, blue prints, charts, technical data including micro films and office equipment, spares and consumables thereof. The units could also import goods received for repairs/reconditioning by them in the zone and re-export them.
51.	Open General Licence No. 21	March 1990	Permission was granted for import of 'rejects' manufactured by units located in Free Trade Zones and Export Processing Zones into the Domestic Tariff Area, provided such 'rejects' arise due to definite manufacturing defect and sub-standard products (but does not include spares, tools, wastes or bye-products) and therefore not exportable.
52.	Open General Licence No. 22	March 1990	Permission was granted for import of goods manufactured by the Units located in Free Trade Zones and Export Processing Zones into the Domestic Tariff Area, provided such imports are allowed to all persons on the basis of permission given by the Development Commissioner of the concerned Free Trade Zone or Export Processing Zone.
53.	Open General Licence No. 23	March 1990	Scraps/ waste/remnants generated in the course of production by the units located in Free Trade Zones and Export Processing Zones were allowed to be imported into the Domestic Tariff Area, provided, such imports are permitted to all persons on the basis of permission granted by the Development Commissioner of concerned Free Trade Zone or Export Processing Zone.
54.	Open General Licence No. 24	March 1990	100 per cent Export-Oriented Units, fulfilling the 'Actual User' conditions were permitted to import capital goods (new or second hand) including Generating sets, Proto type and technical samples (not exceeding two in number of each type), raw materials, components, consumables and intermediates, spares, packing materials, material handing equipment like fork lifts, overhead cranes (for initial setting up of unit only) and one number each of specified items relating to its own production, use or product diversification or development or evaluation, subject to the condition that: (1) the goods are imported in customs bonded factory and normal procedure applicable for customs bonding including transit bond for the purpose of goods being taken from the part of importation to the factory should be followed; (2) the entire production and operations were by/under customs bonded factory; (3) import of items banned for imports in Domestic Tariff Area are not allowed. In respect of import of second-hand capital goods, the importer has to produce to the customs the details

Sr. No.	Item	Month	Details
1	2	3	4
			about the age, residual life of the machinery and a certificate from a professional independent Chartered Engineer or an Institution of Engineers in the country from which import is made. Further, such units are also allowed to re-import after repairs abroad, machinery/equipments exported by them for this specific purpose. The provisions of this OGL to import capital goods (whether new or second-hand) were extended to industrial units exporting 100 per cent of their production already during the last 3 financial years, but not approved by Government as such, subject to certain conditions.
55.	Open General Licence No. 25	March 1990	Permission was granted for imports of goods manufactured by 100 per cent Export-Oriented Units into the Domestic Tariff Area, provided such imports are allowed to all persons on the basis of permission given by Export Commissioner in the Office of the CCI & E.
56.	Open General Licence No. 26	March 1990	Permission was granted for import of 'rejects', permitted in the letter of Approval of the 100 per cent Export-Oriented Units, into the Domestic Tariff Area, provided such 'rejects' arise due to definite manufacturing defects and/or sub-standard products (excluding spares, tools, wastes or bye-products) and, therefore, not exportable.
57.	Open General Licence No. 27	March 1990	Scraps/waste/remnants generated in the course of production by 100 per cent Export-Oriented Units were allowed to be imported into the Domestic Tariff Area, provided, such imports are permitted to all persons on the basis of permission granted by the Ministry of Commerce.

APPENDIX-II

B-CHANGES IN IMPORT DUTIES

(APRIL 1989 - MARCH 1990)

Sr. No.	Date	Changes Announced
1	2	3
1.	4.4.1989	Basic customs duty in excess of 25 per cent and the whole of additional auxiliary duty have been exempted on fogging machines imported by Municipal Authority.
2.	13.4.1989	Specified goods imported for the purpose of search, rescue, investigation, repairs or salvage of damaged aircraft have been fully exempted from basic, additional and auxiliary customs duty.
3.	27.4.1989	Specified goods imported for manufacture of jute belt have been exempted from basic customs duty in excess of 35 per cent and whole of the additional and auxiliary duties.
4.	29.5.1989	Parts of instruments and apparatus for i) physical or chemical analysis ii) measuring or checking the viscosity, porosity, expansion, surface tension or the like iii) measuring or checking quantities of heat, light or sound (excluding exposure meters) iv) testing mechanically the hardness, strength, compressibility, elasticity and like properties of industrial materials (for example metals, wood, textiles, paper or plastics) and parts of Microtonnes have been exempted from basic custom duty in excess of 40 per cent.
5.	16.6.1989	Membranes imported for replacement by a caustic Soda Plant have been levied with 30 per cent of basic customs duty and 30 per cent auxiliary duty, but exempted fully from additional duty.
6.	15.6.1989	Basic customs duty on computer software has been raised from 60 per cent *ad valorem* to 62 per cent *ad valorem*.
7.	30.6.1989	49 specified goods imported for offshore oil exploration/exploitation have been levied with 25 per cent of basic customs duty and 5 per cent auxiliary duty.
8.	30.6.1989	Butadiene when imported for manufacture of synthetic rubber has been exempted from basic customs duty in excess of 40 per cent and whole of additional duty but levied with 5 per cent auxiliary duty.
9.	3.7.1989	Ethylene has been exempted from basic customs duty in excess of 20 per cent and whole of the additional (countervailing) duty but levied with 5 per cent auxiliary duty.
10.	4.7.1989	Jigat (bark of machilus makarantha) has been exempted from basic customs duty in excess of 30 per cent but levied with 5 per cent auxiliary duty.
11.	17.7.1989	Food stuffs and provisions imported by a foreign citizen have been exempted from the whole of basic, additional and auxiliary customs duties provided specified conditions are fulfilled.
12.	1.8.1989	Consumable goods imported by public funded research institutions under the Department of Space, the Department of Atomic Energy or the Department of Defence have been exempted from the whole of basic, additional and auxiliary customs duties.
13.	1.8.1989	Recorded magnetic tapes, when imported by University Grants Commission for use in computers, have been exempted from the whole of basic, additional and auxiliary customs duties.
14.	1.8.1989	Tags labels, printed tag and stickers when imported into India by manufacturers of export goods have been exempted from the whole of basic and additional customs duty, subject to certain conditions.
15.	11.8.1989	Basic customs duty of 30 per cent on polyphenylene oxide has also been extended to modified polyphenylene oxide.
16.	21.8.1989	Dead burnt magnesite (of given specifications) has been exempted from basic customs duty as is in excess of 55 per cent and auxiliary customs duty in excess of 5 per cent.
17.	23.8.1989	Lyophilizers imported for manufacture of antibiotics have been exempted from basic customs duty in excess of 35 per cent, whole of additional duty and auxiliary customs duty in excess of 5 per cent.
18.	1.9.1989	LPDE based sheathing compound or insulation compound has been levied with 50 per cent basic customs duty.
19.	1.9.1989	Newsprint for printing of newspapers, books and periodicals has been exempted from the whole of the additional duty.
20.	18.9.1989	Concentrated dispersion of colouring matter in polypropylene (polypropylene Master Batch) for the manufacture in polypropylene multi filament yarn, has been exempted from the basic customs duty in excess of 70 per cent *ad valorem*, subject to certain conditions.
21.	3.10.1989	Specified items imported for the manufacture of laser and laser based instrumentation have been exempted from the whole of basic, additional and auxiliary customs duty.
22.	16.10.1989	Alatheon and Copper wire when imported for the manufacture of Copper-T contraceptives, have been exempted from whole of basic, additional and auxiliary customs duty.

Sr. No.	Date	Changes Announced
1	2	3
23.	16.10.1989	Basic customs duty on aluminium ingots has been increased from nil to 5 per cent *ad valorem* plus Rs. 25000/- per tonne.
24.	24.10.1989	An effective basic duty of 120 per cent has been levied on cuprammonium filament yarn.
25.	24.10.1989	An effective basic duty of 100 per cent *ad valorem* and an effective auxiliary duty of 45 per cent *ad valorem* have been levied on polyester film.
26.	25.10.1989	Sports goods, sports equipments, sports requisites, spares and consumables thereof when imported by National Sports Federation or Sports Authority of India for specified use have been exempted from the whole of customs and additional duty.
27.	25.10.1989	Specified sports goods, when imported by sports persons of outstanding eminence for training have been exempted from the whole of customs and auxiliary duties.
28.	30.10.1989	Basic customs duty on Paraxylene has been reduced from 45 per cent *ad valorem* to 35 per cent *ad valorem*.
29.	1.11.1989	On specified metals obtained by toll smelting, basic customs duty has been reduced from 50 per cent *ad valorem* to 5 per cent *ad valorem*.
30.	1.11.1989	Customs duty on pulses has been reduced from 35 per cent *ad valorem* to 10 per cent *ad valorem*.
31.	1.11.1989	Specified items when imported for use in leather industry, have been exempted from the basic customs duty in excess of 40 per cent *ad valorem* and auxiliary duty in excess of 5 per cent *ad valorem*.
32.	10.11.1989	Goods imported for specified projects, namely, Gas Processing Plant, Bijapur and Bombay City Gas Distribution Project of the Gas Authority of India Ltd. are levied with 40 per cent basic customs duty but exempted from the whole of auxiliary duty.
33.	13.12.1989	Cuprammonium filament yarn has been exempted from the whole of basic customs duty.
34.	23.1.1990	Iron ore pellets have been levied with concessional rate of basic customs duty of 35 per cent and concessional rate of auxiliary duty.
35.	1.2.1990	Gift goods, supplies and equipment imported by CARE (Co-operative for American Relief Everywhere) have been exempted from the whole of basic and additional customs duties.
36.	20.3.1990	Vegetable saps and extracts used for homeopathic medicines have been levied with the basic customs duty in excess of 35 per cent and nil additional duty.
37.	20.3.1990	Oleopine resins used in the manufacture of gum resins and turpentine have been exempted from the customs duty in excess of 20 per cent and nil additional duty.
38.	20.3.1990	Sugar of milk for use in homeopathic medicines has been exempted from the customs duty as is in excess of 15 per cent *ad valorem* and the whole of additional duty.
39.	20.3.1990	Vinyl Pyridine latex has been levied with effective rates of basic customs duty as is in excess of 55 per cent *ad valorem*.
40.	20.3.1990	Basic duty on waste paper and waste paper board has been raised from 15 per cent *ad valorem* to 20 per cent *ad valorem*.
41.	20.3.1990	Specified iron and steel melting scrap has been exempted from basic customs duty in excess of 20 per cent *ad valorem*.
42.	20.3.1990	Hot rolled stainless steel coils imported for manufacture of specified cold-rolled flat products are exempted from basic customs duty in excess of 40 per cent *ad valorem*, subject to specified conditions.
43.	20.3.1990	Seamless hot finished pipes and tubes of stainless steel has been exempted from basic customs duty in excess of the amount calculated at the rate of 60 per cent *ad valorem*, subject to specified end use.
44.	20.3.1990	Basic customs duty in excess of the amount calculated at the rate of 15 per cent and the whole of additional duty, have been exempted on specified dies for manufacture of synthetic industrial diamonds.
45.	20.3.1990	20 specified machinery and equipments for forged hand tool industry have been exempted from so much of the duty as is in excess of 35 per cent and the whole of additional duty.
46.	20.3.1990	10 specified equipments for rubber belting industry have been exempted from basic customs duty in excess of 35 per cent and the whole of additional duty.

Sr. No.	Date	Changes Announced
1	2	3
47.	20.3.1990	Fill seal machinery for pharmaceutical industry have been exempted from basic duty in excess of 35 per cent and the whole of the additional duty.
48.	20.3.1990	Basic customs duty in excess of 15 per cent on components for manufacture of specified electronic testing equipments has been exempted and the whole of the additional duty is also exempted.
49.	20.3.1990	Basic customs duty in excess of 35 per cent and the whole of additional duty have been exempted on specified liquid nitrogen plants used in artificial insemination centres for cattle breeding.
50.	20.3.1990	Specified sea food/food processing equipments, specified heat recovery system and automatic cycle multi-surface grinding machines are exempted from basic customs duty in excess of 35 per cent and the whole of additional duty.
51.	20.3.1990	Basic customs duty in excess of 35 per cent and the whole of additional duty have been exempted on 33 specified quality control equipments.
52.	20.3.1990	Basic customs duty in excess of 100 per cent has been exempted on sparking plugs.
53.	20.3.1990	Basic customs duty in excess of 20 per cent and the whole of additional duty have been exempted on computer equipments, accompanying systems software (other than diskettes) of c.i.f. value exceeding Rs. 3 lakhs imported for execution of contracts on loan basis.
54.	20.3.1990	Basic customs duty in excess of 50 per cent and additional duty in excess of 15 per cent have been exempted on spare parts of computers following under Chapter 84, 85 or 90 of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975).
55.	20.3.1990	Basic customs duty in excess of 30 per cent and the whole of additional duty have been exempted on computer equipments, system software, start-up spares, subject to certain conditions.
56.	20.3.1990	Navigational, communication, air traffic control and landing equipments have been exempted from basic customs duty in excess of 25 per cent and the whole of the additional duty.
57.	20.3.1990	Basic customs duty in excess of 205 per cent has been exempted on baggage imported into India by a passenger or a member of a crew.
58.	20.3.1990	Basic customs duty in excess of 25 per cent has been exempted on specified goods imported as baggage under rule 4 of the Baggage Rules, 1978 or under Transfer of Residence Rules, 1978, subject to specified conditions.

APPENDIX-III

IMPORTANT TRADE AGREEMENTS/TRADE PROTOCOLS ETC. SIGNED BETWEEN INDIA AND OTHER COUNTRIES

(APRIL 1989 - MARCH 1990)

Sr. No.	Country	Date of Agreement/Trade Protocol/Trade plan review	Duration of Agreement/ Trade Protocol/ Trade Plan	Major items of exports and imports from/to India	New commodities of exports/imports added in the Protocol	Remarks
1	2	3	4	5	6	7
1.	Bangladesh	Extension of Trade Agreement 10.9.1989	Three years w.e.f. October 4, 1989	**Exports:** Transport equipments, textile yarn, coal, dye, tanning and colouring materials, electrical and non-electrical machinery, chemical and medicinal foodstuff products etc. **Imports:** Newsprint, hides and skins, books and periodicals, chemicals, etc.	**Imports:** Sanitary wares, electric cables, ceramic table wares, specialised textiles, books & periodicals, super enamelled copper wires, handicrafts, telecommunications subscriber cables, jute carpets and Jamdani sarees.	This was the third extension of the third trade agreement between the two countries.
2.	China	Trade Protocol 20.9.1989	20th September, 1989 to 19th September 1990	**Exports:** Coffee, iron ore, leather and dyes. **Imports:** Raw silk, pulses and chemicals.		
3.	Bhutan	Renewal of Agreement on Trade and Commerce 2.3.1990	March 31, 1990 to March 1995			Under the agreement, India and Bhutan will continue to have free trading arrangements as before. Trade between the two countries will continue to be tranasacted in Indian Rupees or Bhutanese Ngutrums. The agreement provides for refund of excise duty on goods of its origin exported by one country to the other. The major modification in the present agreement is that the free trade will be opened for private Bhutanese traders. Till now, it was controlled by the Royal Government of Bhutan.

Sr. No.	Country	Date of Agreement/Trade Protocol/Trade plan review	Duration of Agreement/ Trade Protocol/ Trade Plan	Major items of exports and imports from/to India	New commodities of exports/imports added in the Protocol	Remarks
1	2	3	4	5	6	7
4.	Pakistan	Indo-Pak trade list expanded 17.7.1989		**Exports:** Iron Ore, spices, tea, engineering goods and chemicals. **Imports:** Yarn, metal scrap, fruits and nuts.	**Exports:** Wood products, wool, silk, paper, stainless steel as well as various non-ferrous metals.	The Government of Pakistan has been adopting a "List approach" for imports from India. The Government of Pakistan added 322 items to the existing list for imports from India by the private trade of Pakistan.
5.	GDR	Trade Protocol 11.12.1989	For 1990	**Exports:** shoe uppers, iron ore, jute products, cotton textiles, agricultural products like de-oiled cakes, spices, tobacco, etc. **Imports:** Fertilizers like DAP and MOP, rolled steel products, chemicals and chemical products, machinery items like printing machinery, railway equipment, diesel generating sets.	**Exports:** Automobile batteries, reflectors, plastic woven sacks, and coco beans. **Imports:** Edible Oil and DAP.	The trade plan envisages a trade turnover of Rs. 670 crore comprising Rs. 330 crore by way of exports to GDR and Rs. 340 crore as imports into India. The turnover represents an increase of 15.5 per cent as compared to the 1989 Trade Plan.
6.	U.S.S.R.	Trade Protocol 10.1.1990	For 1990	**Exports:** Agricultural items, minerals and ores, cotton, woollen and jute textiles including readymade garments, cotton hosiery, woollen knitwear, cotton clothes, jute clothes, jute bags, etc., leather goods, chemicals and allied products including paints, varnishes, dye-stuffs, pesticides and herbicides, medicines, etc., engineering goods such as containers, storage	**Imports:** Rubber machinery.	The trade plan envisages a total trade turnover of Rs. 8,800 crore comprising Rs. 5,300 crore by way of exports to USSR and Rs. 3,500 crore by way of imports into India. This would represent a growth of 25 per cent in total trade turnover over 1989. The existing Trade Agreement between India and USSR providing

Sr. No.	Country	Date of Agreement/Trade Protocol/Trade plan review	Duration of Agreement/ Trade Protocol/ Trade Plan	Major items of exports and imports from/to India	New commodities of exports/imports added in the Protocol	Remarks
1	2	3	4	5	6	7
				batteries, aluminium power cables, copying machines, machine tools, medical equipment, etc. **Imports:** Crude Oil and oil products, fertilizers, raw materials for fertiliser industry, ferrous and non-ferrous metals, other industrial raw materials like newsprint, asbestos, etc., chemicals and allied products, machinery items like steel plant equipment, power equipment, equipment for petroleum industry, coal equipment, etc. and air transportation means.		for the rupee payment arrangement is presently valid upto 31.12.1990. There is a built-in-clause in the Agreement providing for automatic renewal for a further period of five years if no notice for modification is issued by either side at least six months prior to the expiry date.
7.	Czechoslovakia	Trade Protocol 24.1.1990	For 1990	**Exports:** Coffee, pepper, de-oiled cakes, cashew kernel, tobacco, castor oil, iron ore/ concentrates/pellets, finished leather and leather products including shoe uppers, cotton yarn and textiles and some engineering goods like machine tools, auto ancillaries and components, consumer electronic goods, xerographic machines, etc. **Imports:** Newsprint, organic and inorganic chemicals, plastic chemicals like LDPE, HDPE, Fertilizers, roller steel products, alloy steel items,	**Exports:** Sesame seeds, polyester fibre yarn, containers, motorcycles and scooters, delicate components for the automobile industry, industrial screens, steel roller chains for bicycles, vaccum flasks, plastic moulded luggage, etc. **Imports:** Metal scrap, cast basalt products and sulphur.	The Indo-Czechoslovakia Protocol for 1990 envisages a total trade turnover of Rs. 731.3 crore comprising Rs. 365 crore by way of imports from Czechoslovakia and exports of Rs. 366.3 crore from India. The trade target for 1990 would be about 26 per cent higher than the trade target for 1989.

Sr. No.	Country	Date of Agreement/Trade Protocol/Trade plan review	Duration of Agreement/ Trade Protocol/ Trade Plan	Major items of exports and imports from/to India	New commodities of exports/imports added in the Protocol	Remarks
1	2	3	4	5	6	7
				seamless pipes, casings and tubings, ball and roller bearings, printing machinery, textile machinery, machine tools, diesel generating sets, equipment for tyre making industry, equipment for auto industry, mining equipment, equipment for steel plants including for rolling mills, crash fire tenders/components, etc.		
8.	Poland	Trade Protocol 18.12.1989	For 1990	**Exports:** Bulk tea, de-oiled cakes, raw cotton, cotton yarn and textiles, some engineering items like textile machinery, machine tools, photocopying machines, etc. **Imports:** Sulphur, Coking coal, machine tools, coal mining machinery, ship engines, power equipment, etc.	**Exports:** Disposable diapers, gramophone records and cassettes. **Imports:** Metal scrap and pig iron.	The Indo-Polish Trade Protocol for 1990 envisages a trade turnover of Rs. 795.6 crore comprising exports from India to Poland of Rs. 361 crore and imports from Poland of Rs. 434. 6 crore. The trade target for 1990 would be about 16 per cent higher than the target for 1989.
9.	Romania	Trade Plan	For 1990	**Exports:** Iron ore and concentrates, manganese ore, agricultural products like de-oiled cakes, raw cotton, leather goods, coffee, pepper, cashew, cocoa, etc. **Imports:** Chemicals and plastic chemicals, steel products, newsprint, railway equipment, oil drilling equipment, ball bearings etc.	**Exports:** Meat **Imports:** Synthetic rubber	The Indo-Romania Trade Plan for 1990 envisages a trade turnover of Rs. 900 crore comprising exports of Rs. 450 crore from each country. This represents a growth rate of 18.4 per cent over the trade target for 1989.

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