FOREWORD

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

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

Mumbai
April 1, 2009

(Rakesh Mohan)
Deputy Governor
Reserve Bank of India

REPORT ON CURRENCY AND FINANCE 1990-91

VOLUME I

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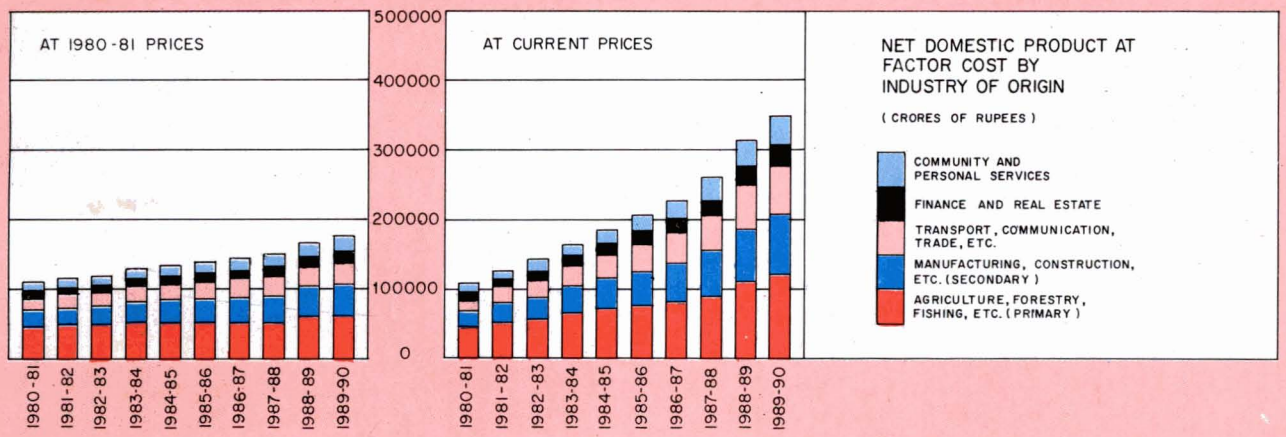

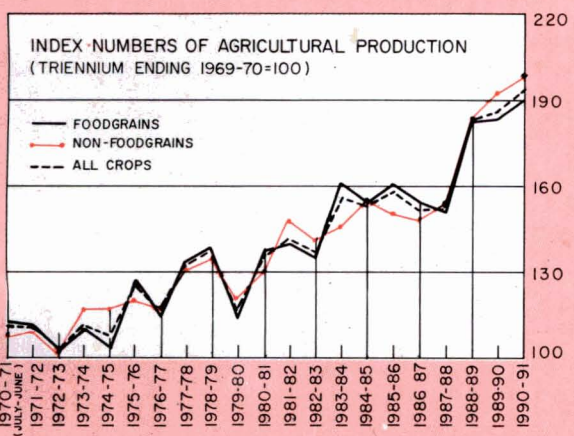

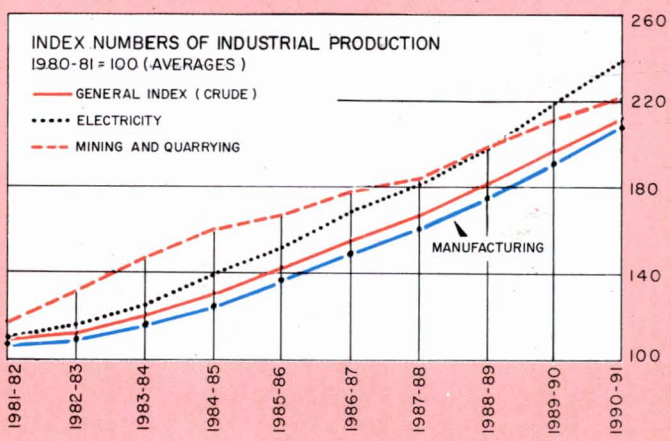

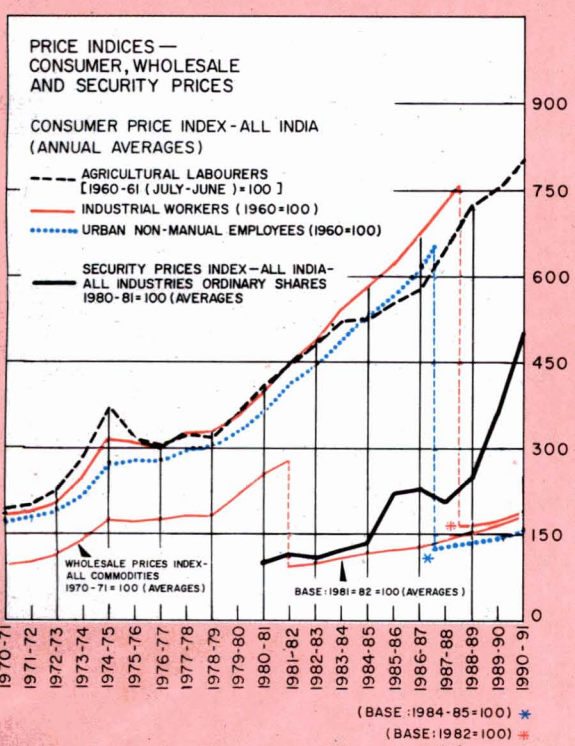

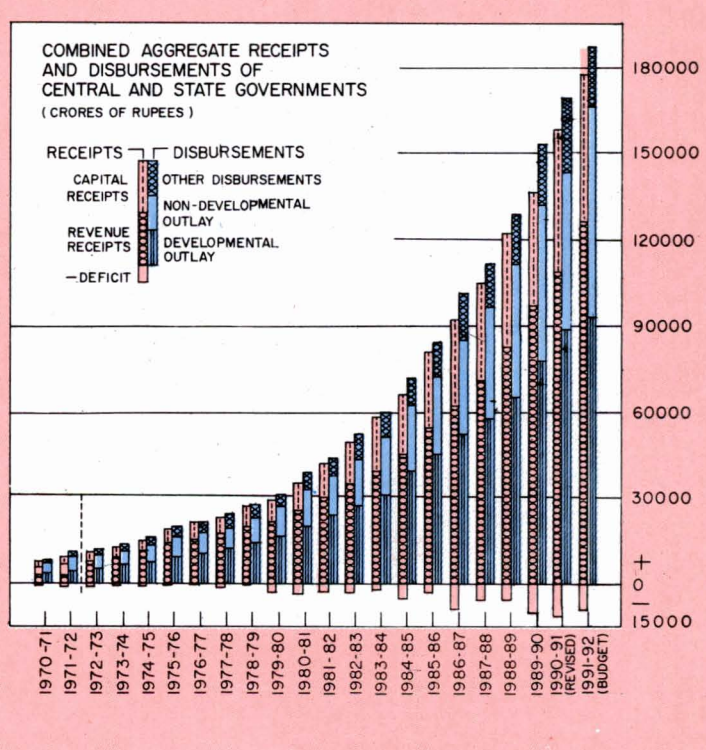

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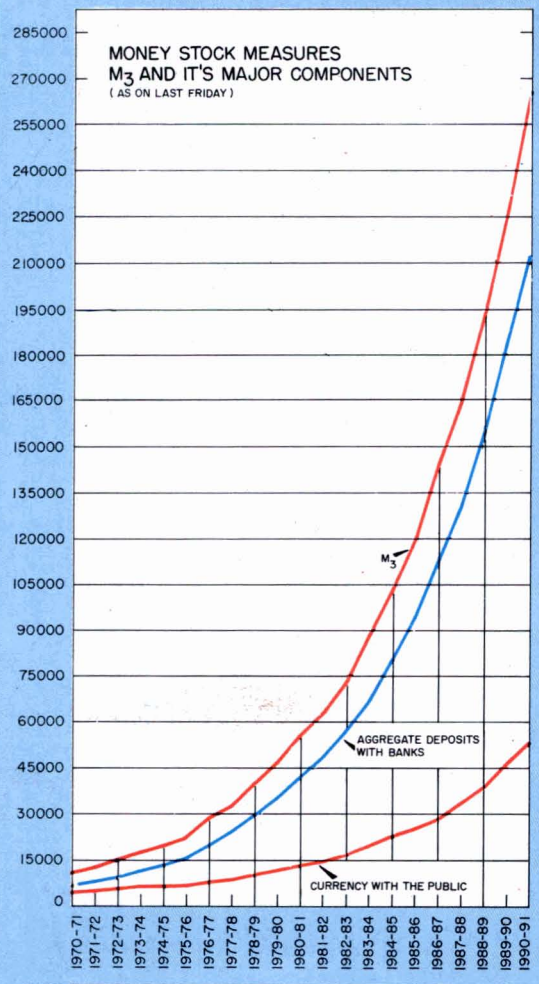

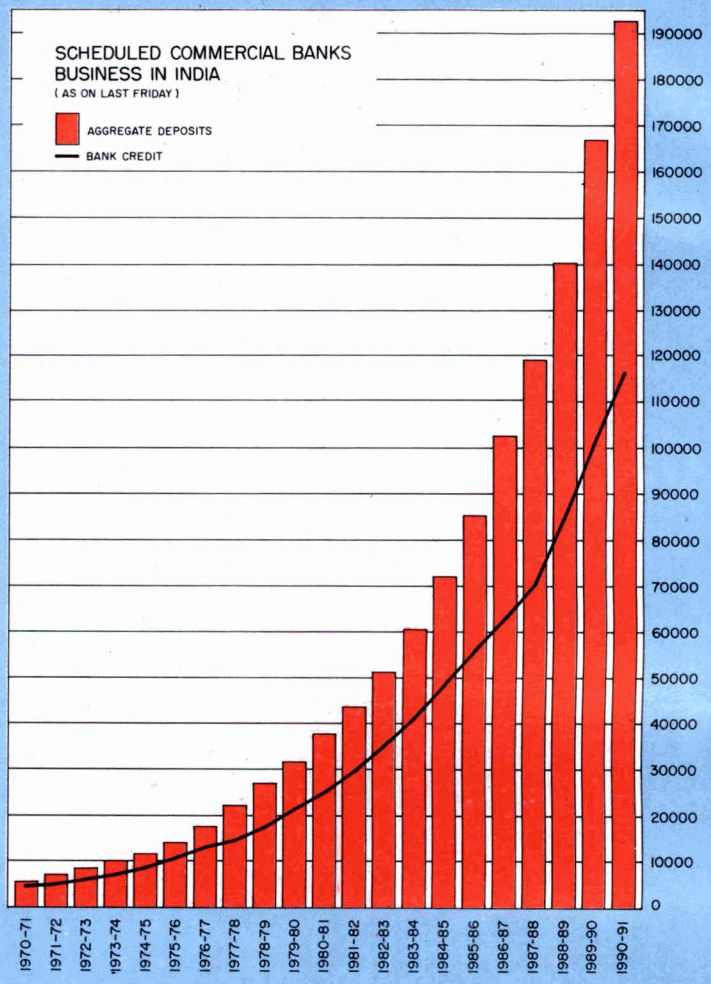

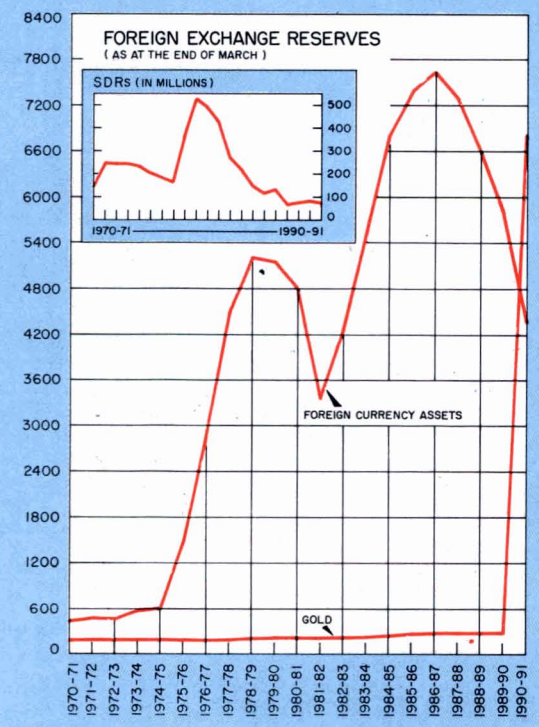

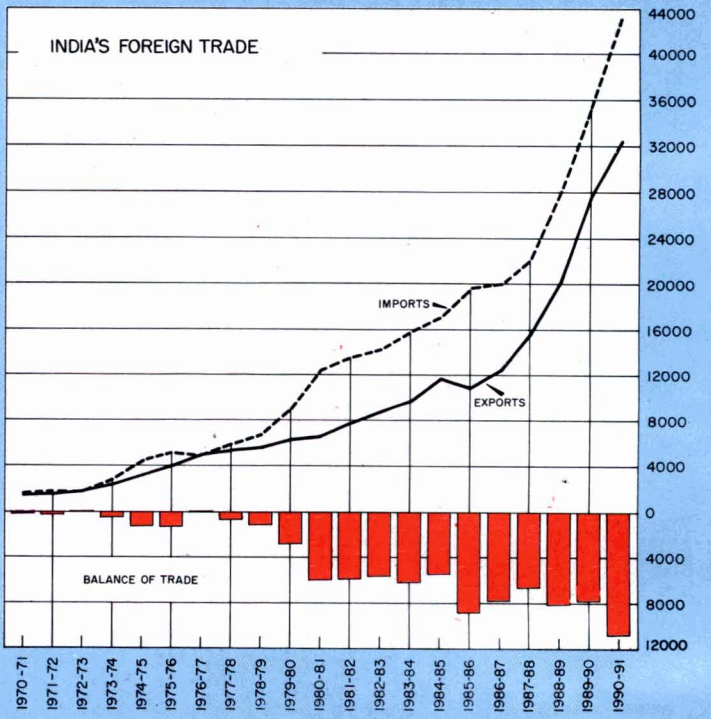

CHAPTER I

Review of Developments

The year 1990-91 was marked by a severe payment crisis due to unfavourable developments in the external sector, which continued in the first half of 1991-92. It was further aggravated by pressures on the price front necessitating the formulation and implementation of a package of reforms in fiscal, industrial and trade areas reinforced by a tight monetary policy. There was, however, a turnaround in the external sector in the second half of 1991-92 although inflationary pressures persist calling for sustained vigilance on the price front.

Review of developments during 1990-91 (April-March)*

The *Gross Domestic Product* (GDP) grew in 1990-91 by 5.6 per cent in real terms which was lower than that of 6.0 per cent during 1989-90.@ The rate of *Gross Domestic Savings* (GDS) and net domestic savings (NDS) declined to 21.6 per cent and 12.6 per cent, respectively, during 1990-91 from that of 22.2 per cent and 13.1 per cent, respectively, during 1989-90. The decline in GDS rate could be attributed mainly to the decline in the saving rate of the household sector from 18.3 per cent during 1989-90 to 17.6 per cent during 1990-91, which in turn was largely the result of a fall in savings in financial assets.

During 1990-91, the primary capital market witnessed a sharp reaction marked by a substantial decline of 52 per cent in convertible debenture issues resulting in a decline of 35.1 per cent in total new capital issues by non-Government public limited companies. The approvals granted by the Controller of Capital Issues (CCI) at Rs. 12,191 crore, however, were higher by 4.2 per cent over the previous year. The secondary market witnessed wide fluctuations in equity prices with an unprecedented buoyant trend till mid-October 1990 followed by a steep decline till mid-January 1991, before staging a recovery in the months of February and March 1991. In 1990-91, the RBI All-India (Weekly) Index Numbers of Ordinary Share Prices, on an average basis, registered an increase of 39.2 per cent over the previous year. Total financial assistance sanctioned and disbursed by all financial institutions during 1990-91 at Rs. 19,917 crore and Rs. 12,369 crore, respectively, showed increases of 27.3 per cent and 23.3 per cent, respectively, over that of the preceding year.

During 1990-91, the growth of *monetary aggregates* was distinctly subdued largely as a result of the massive depletion of net foreign exchange assets of the banking sector in the context of a sizeable current account deficit in the balance of payments. The expansion in broad money (M_3) at Rs. 34,486 crore (or 14.9 per cent) was noticeably smaller than that of Rs. 37,457 crore (or 19.4 per cent) during 1989-90. The slower pace of monetary expansion was also striking in other money stock measures, viz., M_1, M_2 and M_4.

Component-wise, currency with the public registered a lower expansion of Rs. 6,787 crore (or 14.7 per cent) during 1990-91 as against Rs. 7,971 crore (or 20.8 per cent) in the previous year. Expansions in both demand and time deposits with banks by Rs. 4,863 crore (or 14.2 per cent) and Rs. 22,776 crore (or 15.2 per cent)

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* The reference period of the Report is the financial year April 1990-March 1991; more recent data/estimates are presented wherever available.

@ The estimate of the rate of growth of GDP in 1990-91 is based on the latest data available and is higher than that given in Chapter II.

were also lower than those of Rs. 6,399 crore (or 23.0 per cent) and Rs. 23,183 crore (or 18.3 per cent), respectively, in 1989-90.

Source-wise, though net bank credit to Government recorded a lower growth of 19.7 per cent in relative terms as against 21.4 per cent in 1989-90, in absolute terms the expansion was higher at Rs. 23,048 crore as against Rs. 20,676 crore in the previous year. Like-wise, net Reserve Bank credit to Government increased by Rs. 15,165 crore (or 20.6 per cent) as against Rs. 14,068 crore (or 23.6 per cent) during 1989-90. Bank credit to commercial sector experienced a lower increase of Rs. 21,443 crore (or 14.1 per cent) as compared with Rs. 23,822 crore (or 18.6 per cent) in the previous year. The higher expansion in net foreign exchange assets of the banking system by Rs. 1,915 crore (or 28.8 per cent) as against a fall of Rs. 149 crore (or -2.2 per cent) in 1989-90 was due mainly to the revaluation of gold reserve close to international market price effective October 17, 1990.

Despite sustained advance in agricultural production for the third year in succession, *inflationary pressures* increased further in 1990-91. The increase in Wholesale Price Index (Base: 1981-82 = 100), on a point-to-point basis, accelerated from 9.1 per cent in 1989-90 to 12.1 per cent in 1990-91. The sharp increase in prices of essential commodities such as foodgrains, fruits and vegetables and edible oils was reflected in a substantial increase in the major group of 'Primary Articles' (17.1 per cent), followed by 'Fuel, Power, Light and Lubricants' (14.4 per cent) and 'Manufactured Products' (8.9 per cent). Inflation during the year was fuelled, *inter alia,* by continued supply-demand imbalances of essential commodities like pulses and edible oils the import of which was restricted due to the tight foreign exchange situation, hike in administered prices of certain agricultural products, mineral oil, electricity, etc., increases in railway freights, increased excise duties and other levies, cascading effects of the fuel price hike, rising import cost and the overhang of large liquidity in the economy arising from persistent budgetary deficit of Government.

The Consumer Price Index (CPI) for Industrial Workers (Base: 1982 = 100), on a point-to-point basis, rose during 1990-91 by 13.6 per cent which was double that of 6.6 per cent in the preceding year. The Consumer Price Index for Urban Non-Manual Employees and the Consumer Price Index for Agricultural Labourers too registered accelerated increases.

The *balance of payments* position of the country worsened further during 1990-91 due to a combination of adverse short-term factors such as a surge in the POL import bill, continuing erosion in net invisibles earnings, reduced access to international financial markets and outflows under non-resident deposit accounts. Certain unfavourable global developments such as the Gulf crisis contributed to a deterioration of the position. The country had to approach multilateral agencies and donor countries for balance of payments support. Besides, a number of measures were also taken by the Government and the Reserve Bank of India for import compression and to expedite the repatriation of export proceeds. Final balance of payments data for 1990-91 are not yet available. However, according to quick estimates, the current account deficit during 1990-91, excluding accrued interest on deposits by Non-Resident Indians (NRIs) but including official transfers, was Rs. 13,088 crore (US $7,295 million) as against Rs. 9,824 crore (US $5,900 million) during 1989-90. If accrued interest on deposits by NRIs is included, the current account deficit is estimated at Rs. 14,937 crore (US $8,325 million) in 1990-91 as against Rs. 11,381 crore (US $6,836 million) in 1989-90 and as a proportion to GDP (at current prices) it was 2.8 per cent in 1990-91 as compared with 2.6 per cent in 1989-90.

According to the Directorate General of Commercial Intelligence and Statistics (DGCI & S), exports at Rs. 32,527 crore, (or US $18,128 million) showed a decelerated growth rate of 17.5 per cent (+9.0 per cent in dollar terms) in 1990-91 in sharp contrast to a rise of 36.5 per cent (+18.7 per cent in dollar terms) in the previous year. The decline in the growth rate of exports may be attributed to recessionary trends in the world economy, the Gulf crisis and the consequent loss of some markets and an acceleration in the inflation rate affecting the competitiveness of exports. Imports increased by 21.9 per cent (+13.1 per cent in dollar terms) to Rs. 43,171 crore (or US $24,060 million) in 1990-91 over the preceding year's level. The import growth was somewhat moderated by the imposition of import compression measures taken by the Government and the Reserve Bank in the second half of the fiscal year 1990-91. However, trade deficit at Rs. 10,644 crore (or US $5,932

million) increased by Rs. 2,913 crore (or US $1,289 million) from that of Rs. 7,731 crore (or US $4,643 million) during 1989-90; ninety-two per cent of trade deficit was on account of oil in contrast to 71.0 per cent in 1989-90.

During 1990-91, net receipts from invisibles declined substantially (both in terms of rupees and US dollars) over those in the preceding year. This adverse trend was the result of reduced inflow of private transfers, which was partly aggravated by the Gulf crisis, and a decline in tourist traffic by 8.8 per cent. On the other hand, investment income payments continued to rise.

There was a deterioration in foreign exchange reserves position, with foreign currency assets of the Reserve Bank declining by Rs. 1,399 crore (US $1,132 million) during 1990-91 as against a fall of Rs. 817 crore (US $858 million) in 1989-90. The SDR holdings declined by SDR 6.0 million to SDR 75.9 million as compared with an increase of SDR 2.4 million in the previous year. The gold holdings of the Bank at the end of March 1991 amounted to Rs. 6,828 crore. (The revaluation of gold close to international market price was effected from October 17, 1990). During 1990-91, repurchases from the IMF amounted to SDR 524.9 million; payment of charges on the use of Fund resources and interest on SDR allocation aggregated SDR 158.6 million. As part of concerted efforts towards liquidity management, India negotiated with the International Monetary Fund for a drawal of SDR 716.90 million under the Compensatory and Contingency Financing Facility and SDR 551.93 million under the First Credit Tranche of its Stand-by arrangement; these drawals were made on January 23, 1991. Exclusive of the net use of IMF credit and drawal of Reserve Tranche and also adjusted for gold revaluation the actual loss of reserves during 1990-91 was of the order of SDR 2,221 million as against an accretion to reserves, *albeit* nominal, of SDR 11 million in 1989-90.

Developments during 1991-92

Based on the available indicators so far, real GDP (at factor cost) is tentatively forecast to grow at 2.5 per cent during 1991-92. The South-West Monsoon in 1991 was reasonably good inspite of deficient rainfall in 7 out of 35 meteorological sub-divisions and considerable delay in its onset in North-Western and Central India. The North-East Monsoon season, which mainly benefits Tamil Nadu, was normal, though there was considerable delay in the onset of the season. Despite higher agricultural production achieved during three consecutive years owing to good monsoons and prospects of reasonably good outturn during the year, the economy continued to experience severe inflationary pressures due to liquidity overhang and severe import compression. However, the balance of payments situation showed a marked improvement due to several policy initiatives taken by the Government and the Reserve Bank. Monetary and fiscal measuures need to be supported by effective supply management in the immediate future.

Agriculture

Agricultural production, after recording a growth rate of over 2.6 per cent in 1990-91, is expected to remain stagnant in 1991-92 due mainly to a fall in *Kharif* production which was a reflection of erratic monsoon in Northern and Central India. The foodgrains output target for 1991-92 was fixed at 182.5 million tonnes comprising 103.1 million tonnes in the *Kharif* season and 79.4 million tonnes in the *Rabi* season, against the estimated production of 176.2 million tonnes in 1990-91, consisting of 99.9 million tonnes of *Kharif* and 76.3 million tonnes of *Rabi* output. The likely output of foodgrains during 1991-92 is placed lower at around 171.1 – 172.6 million tonnes compared to the previous year's level of 176.2 million tonnes. *Kharif* output is estimated at 94.1 million tonnes, below the level of 99.9 million tonnes in 1990-91. The estimated shortfall in *Kharif* production was sought to be made good by concerted efforts towards enhancing the *Rabi* output. However, according to the latest estimates, *Rabi* output is placed only at 77.0 – 78.5 million tonnes which is slightly higher than the *Rabi* output of 76.3 million tonnes achieved in 1990-91 but still lower than the target envisaged.

As regards other major agricultural commodities, production of sugarcane in 1991-92 is likely to be 240 million tonnes (240.3 million tonnes in 1990-91). Production of jute and mesta is expected to be 9.1 million bales, the same level as in 1990-91 and that of cotton 10.0 million bales (9.8 million bales in 1990-91). Production of oilseeds in 1991-92 at 17.4 – 17.8 million tonnes would be lower than the preceding year's estimated production of 18.5 million tonnes. In the case of edible oils, despite sizeable improvement in output in recent years, a gap of 7-10 lakh tonnes in total availability continues to persist. The supply-demand position in respect of sugar, jute and tea remains comfortable. In respect of cotton, imports were arranged mainly with a view to containing price increases and providing for adequate stocks at the end of the cotton year. The foodgrain stocks of 14.46 million tonnes at the end of January 1992 were lower by 4.72 million tonnes than a year back which points to the need for augmenting supplies.

Industry

With a view to achieving macro-economic stabilisation and bringing about structural adjustments, radical changes were initiated starting from July 1991 in the policy framework relating to industrial licensing, the role of public sector, Monopolies and Restrictive Trade Practices (MRTP) Act, foreign direct investment and foreign technology agreements. The new policy package sought to abolish the requirement of industrial licensing for all industries except for 18 industries and to continue reservation for small-scale sector and to remove the asset limit in respect of MRTP companies and dominant undertakings. It also envisaged approval for foreign equity participation up to 51 per cent in 34 select areas and provided for automatic approval to foreign technology agreements. Besides, a series of measures were put in place for promoting and strengthening small, tiny and village enterprises.

During the first nine months of the financial year, i.e., April-December 1991, industrial production declined by 0.9 per cent as against a rise of 9.2 per cent in the corresponding period of the previous year.[1] This is the first time since 1980-81 that the industrial production index showed an absolute decline in the first nine months of the fiscal year. The decline was on account of the poor performance of the manufacturing sector, wherein output declined by 2.7 per cent in contrast to a rise of 10.8 per cent in 1990-91. Similarly, mining and quarrying sector recorded a decline in output of 0.5 per cent as against a rise of 2.2 per cent in the previous year. The performance of the electricity sector was comparatively better – its rate of growth at 8.8 per cent was higher than in the preceding year (7.0 per cent).

The performance of infrastructure industries during the first eleven months of 1991-92 had been far better in that the growth rate at 6.7 per cent was higher than that of 3.8 per cent in 1990-91. All infrastructure industries, barring petroleum crude and petroleum refinery products, registered substantial gains in output. The decline in petroleum crude output is attributed to closing down of a large number of oil wells for maintenance, power shortage, and law and order problem and floods in some producing areas.

The stagnation in industrial output during the current year could be attributed, *inter alia,* to import compression measures. The subsequent relaxations of the restrictions would have a positive impact on the industrial sector.

Fiscal Developments

The regular budget of the Central Government presented to the Parliament on July 24, 1991 sought to bring about a process of fiscal adjustment by envisaging a lower level of deficit. The budget placed the Centre's aggregate receipts inclusive of Additional Resource Mobilisation (ARM) at Rs. 1,09,044 crore, indicating an increase of 10.6 per cent as against a rise of 16.5 per cent in 1990-91 (Revised Estimates). Aggregate disbursements budgeted at Rs. 1,16,763 crore in 1991-92 are expected to decelerate sharply by 6.7 per cent from 14.9 per cent in the previous year. Consequently, the overall deficit is

1. All comparisons hereafter are with corresponding period of the previous year.

expected to be brought down to Rs. 7,719 crore in 1991-92 from Rs. 10,772 crore in 1990-91 recording a decline of Rs. 3,053 crore (-28.3 per cent). According to RBI records, in 1990-91, the Centre's budget deficit and net RBI credit to the Central Government were placed at Rs. 11,430 crore and Rs. 14,746 crore, respectively. The reduction in overall deficit is to be achieved through large-scale additional resource mobilisation, disinvestment to the extent of 20 per cent of the Centre's equity holding in some of the Public Sector Enterprises, reduction in expenditures on fertiliser and export subsidies, restriction of defence expenditure and curtailment of certain other non-Plan expenditures. The deficit on revenue account, which had been showing unabated increases almost throughout the eighties, is expected to be significantly reduced to Rs. 13,854 crore in 1991-92 from Rs. 17,585 crore in the previous year.

According to provisional data available for April to December 1991, the revenue collection of Central Government from major direct and indirect taxes at Rs. 41,344 crore was higher by 13.5 per cent (Rs. 4,918 crore) over Rs. 36,426 crore for the corresponding period of the previous year. While indirect taxes grew by Rs. 2,476 crore (7.9 per cent), direct taxes showed an increase of Rs. 2,442 crore (47.0 per cent). Excise duty collections at the end of December 1991 amounted to Rs. 19,260 crore which was Rs. 2,272 crore (13.4 per cent) more than that of Rs. 16,988 crore at the end of December 1990, and corresponded to 70.6 per cent of the budget estimates for 1991-92 as compared with 69.8 per cent for 1990-91. Customs revenue up to December 1991, at Rs. 14,442 crore recorded an increase of only Rs. 204 crore (1.4 per cent) from Rs. 14,238 crore in the previous year reflecting the impact of import compression. As a proportion to the respective budget estimates, it corresponded to 55.8 per cent in 1991-92 as against 69.2 per cent in 1990-91. In order to compensate for the sluggish collections in customs, the target for excise duty was subsequently revised upwards.

The surplus on the capital account is estimated to decline from Rs. 6,813 crore to Rs. 6,135 crore in 1991-92, mainly because of the concerted attempt to reduce the reliance on borrowing to finance Government expenditure. With these measures in place, the Gross Fiscal Deficit (GFD) of the Central Government, which had reached a level of Rs. 43,331 crore in 1990-91 and accounted for 8.4 per cent of GDP, is expected to be brought down significantly to Rs. 37,727 crore in 1991-92 so as to restrict its level to 6.5 per cent of GDP.

Monetary Developments and Credit Policy

During March 31, 1991 to March 20, 1992, narrow money (M_1) recorded a substantial increase of Rs. 23,335 crore (25.2 per cent) as against an increase of Rs. 13,620 crore (16.8 per cent) in 1990-91. Broad money (M_3) also registered a higher expansion of Rs. 51,709 crore (19.5 per cent) during the period as compared with Rs. 36,635 crore (15.9 per cent) in the corresponding period in 1990-91. The expansion in net bank credit to Government was Rs. 22,378 crore (16.0 per cent) and it was contributed both by net Reserve Bank credit (Rs. 9,507 crore) and other banks' credit (Rs. 12,871 crore). During the period, expansion in bank credit to the commercial sector was lower at Rs 16,263 crore or 9.4 per cent as against an increase of Rs. 18,942 crore or 12.1 per cent in the previous year. The sharp increase in M_3 could also be related to the increase in net foreign exchange assets of the banking sector by Rs. 9,639 crore as against a rise of Rs. 1,456 crore in the same period in 1990-91. The increase in 1990-91 was essentially on account of revaluation of gold holdings close to international market price effective October 17, 1990. Excluding the revaluation, net foreign exchange assets in the current year would have shown a rise of Rs. 7,683 crore (89.7 per cent) as against a substantial decline of Rs. 4,916 crore (-73.9 per cent) in the preceding year. During the year March 31, 1991 to March 20, 1992, reserve money registered a higher expansion of Rs. 14,171 crore (16.1 per cent) as compared with Rs. 4,671 crore (6.0 per cent) in 1990-91. Source-wise, expansion in net Reserve Bank credit to Government at Rs. 9,507 crore and in net foreign exchange assets of the Reserve Bank at Rs. 9,533 crore were the major factors responsible for reserve money growth.

Scheduled commercial banks' operations during March 22, 1991 to March 20, 1992 were characterised by a mixed trend. Expansion in aggregate deposits at Rs. 37, 916 crore (+19.7 per cent) was higher than that of Rs. 25,582 crore (+15.3 per cent) in 1990-91. The large increase in deposits is explained by : (1) the upward revision of interest rates on term deposits, (ii) increased inflow of foreign exchange, (iii) imposition of minimum cash margins on import of goods, other than capital goods, which were kept as fixed deposits in banks in the names of the importers and (iv) margin money corresponding to the short-term foreign currency borrowings of the oil sector. Expansion in bank credit at Rs. 8,487 crore (7.3 per cent) was significantly smaller than that of Rs. 14,848 crore (14.6 per cent) in the previous year. Food credit showed a smaller increase of Rs. 164 crore owing to lower food procurement in contrast to a rise of Rs. 2,500 crore in 1990-91. Non-food credit growth at Rs. 8,323 crore (7.4 per cent) was lower than that of Rs. 12,348 crore (12.4 per cent) earlier. The smaller rise in non-food credit is attributable to the various monetary policy measures taken in the first half of 1991-92 to control aggregate demand in the economy as also to the fact that industry had access to non-banking sources of financing including higher amounts raised in the capital market. As on March 20, 1992, the credit-deposit ratio at 54.2 per cent was lower by 6.2 percentage point than that a year ago. The incremental credit-deposit ratio at 22.4 per cent on March 20, 1992 was also significantly lower than that of 58.0 per cent on the corresponding date a year ago. Resources are not likely to pose a constraint for meeting credit demand for productive purposes, especially as the capital market is buoyant and the non-banking sources of funds are also available.

Monetary and credit policy during the year was geared to support the cohesive package of measures of macro-economic stabilisation and structural reform initiated by the Government. In the context of inflationary pressures and overhang of liquidity, the projected growth rate in monetary expansion (M_3) during the financial year 1991-92 was placed at 13 per cent. The actual outturn was significantly higher partly due to the turnaround in the foreign exchange situation.

Monetary and credit policy measures taken during 1991-92 with a view to containing overall demand, particularly demand for imports were : restrictions on credit drawals by large borrowers, an interest rate surcharge on import finance, high cash margins on imports (which were subsequently relaxed in the wake of improvement in the foreign exchange reserve position), ceilings on credit to certain sectors to ensure that bank credit does not support speculative activities, an incremental cash reserve ratio of 10 per cent on banks net demand and time liabilities, raising of the Bank Rate and the interest rates on various refinance facilities from the Reserve Bank and withdrawal of all refinancing facilities to banks (except export credit refinance). Export credit was, however, exempted from the rigours of the restrictive policy measures. In the context of Government's withdrawal of the interest rate subsidy on export credit consequent upon the adjustment of the exchange rate of the Rupee export credit interest rates were raised to ensure adequate credit flows to the export sector. The priority accorded to exports was reflected in the exclusion of export credit from the stipulation relating to the incremental net non-food credit-deposit ratio to be maintained in 1991-92 and sizeable enhancement of the export credit refinance limits. With a view to enabling the exporters to avail of post-shipment export credit at interest rates prevailing in the international financial markets, the Bank introduced a new Scheme called "Scheme of Post-shipment Export Credit Denominated in Foreign Currency" (PSCFC) with effect from January 1, 1992. The essence of the Scheme is that, although the exporters are paid the Indian rupee equivalent of the export bill, the indebtedness of the exporter to the banker by way of post-shipment advances is designated in foreign currency, i.e., US Dollars. Consequent upon the introduction of the PSCFC Scheme, Reserve Bank introduced an additional refinance facility called "Refinance Scheme for Post-shipment Export Credit Denominated in US Dollars." Banks are eligible for export credit refinance limit, equivalent to 133 1/3 per cent of

the entire Post-Shipment Export Credit Denominated in US Dollars provided by banks to exporters.

Recognising the abatement of inflationary pressure, effective March 2, 1992, the lending rate on credit limits of over Rs. 2 lakh was reduced by one percentage point to 19.0 per cent (minimum). In the context of the fiscal adjustment and macro-economic stabilisation undertaken by the Government, it was considered feasible to moderate the then levels of statutory preemptions. Following the Narasimham Committee recommendations, it was decided to reduce SLR without disrupting the market borrowing programme. Accordingly, while on the net demand and time liabilities (DTL) as on April 3, 1992 the Statutory Liquidity Ratio (SLR) would remain frozen at 38.5 per cent, for any increase in net DTL above the April 3, 1992 level, the SLR would be 30 per cent. Under the PCSFC effective March 2, 1992 both the interest rate at which credit is provided to exporters and refinance rate to banks were lowered. With a view to providing incentives to non-residents, including overseas corporate bodies, a new Non-Resident (Ordinary Non-Repatriable) Rupee Deposit Scheme was introduced.

Capital Market

During April 1991-February 1992 the primary capital market remained active as both the number and the amount of new capital issues by the non-Government public limited companies were significantly higher than in the previous year. The trends in 1991-92 thus were in marked contrast to the situation in 1990-91 when the new issues market witnessed a considerable slowdown. According to provisional data, new capital issues by non-Government public limited companies during the eleven month period of April 1991–February 1992 amounted to Rs. 4,895.0 crore through 443 issues, showing an increase of Rs. 1,154.2 crore or 30.9 per cent over those in the previous year (Rs. 3,740.8 crore through 331 issues).

During 1991-92 (April-January), the total amount of approvals granted by the Controller of Capital Issues (CCI) to Government and non-Government companies at Rs. 13,481 crore was higher by Rs. 3,432 crore or 34.2 per cent than those in the corresponding period of the previous year. In the case of non-Government companies, the total amount of approvals stood at Rs. 8,142 crore in April-January 1991-92 as against Rs. 5,116 crore in the first ten months of 1990-91, which represent an increase of 59.1 per cent. The total amount of approvals in the case of Government companies aggregated Rs. 5,339 crore showing an increase of 8.2 per cent. The approvals for the public sector bonds at Rs. 5,283 crore recorded an increase of 8.4 per cent.

The secondary market, after witnessing a cautious recovery in the first quarter (April-June 1991) turned buoyant during the second quarter following the policies announced in the Union Budget 1991-92, and a series of far reaching reform proposals made in the Industrial Policy Statement in July 1991. Even though the market was somewhat subdued during the last week of September and October 1991, it recovered subsequently and gathered momentum to reach successive new peak levels. The announcements made in the budget for 1992-93 gave a substantial boost to the market which witnessed a sharp rise during the months of February and March 1992.

Maintaining the tempo of increasing buoyancy, which was witnessed during the previous two years, the equity prices as reflected in the RBI (Weekly) All-India Index Numbers of Ordinary Share Prices (Base : 1980-81 = 100) reached successive high levels, and the average index at 775.3 (provisional) for the financial year 1991-92 witnessed an increase of 55.0 per cent as compared with the rise of 32.2 per cent in the previous year. On a point-to-point basis, the index witnessed a rise of 943.3 points or 178.7 per cent in 1991-92 as against a rise of only 32 per cent during 1990-91. A large part of the rise – over 600 points – was recorded during the two months of February and March 1992.

Balance of Payments

While the first half of the fiscal year 1991-92 was marked by the continuance of the payment

crisis, there was a substantial turnaround from October 1991 onwards. Exclusive of the revaluation of gold holdings, the foreign exchange reserves, comprising foreign currency assets, SDR and gold[2], rose by US $3,574 million during 1991-92, compared with a fall of US $1,137 million during 1990-91. Foreign currency assets rose by US $3,395 million during the period as compared with a fall of US $1,132 million earlier. Support from the IMF in the form of a second drawal of SDR 166.18 million (US $221 million) in July 1991 and a third drawal of SDR 468.9 million (US $637 million) in September 1991 under the Compensatory and Contingency Financing Facility (CCFF) and SDR 85 million (US $117 million) in November 1991 and SDR 185 million (US $263.59 million) in January 1992 under the Stand-by Arrangement helped to build the level of reserves. The gold pledged by RBI, as part of its reserve management policy, to Bank of England (BoE) to raise loans (US $405 million) from BoE and Bank of Japan was redeemed by repayments. The Government had leased 20 tonnes out of confiscated gold to State Bank of India, which in turn entered into a sale with a repurchase option in the international market. The gold was repurchased by State Bank of India in November/December 1991. The gold was subsequently sold by Government to Reserve Bank of India. The gold stocks involved in both the transactions (65 tonnes valued around US $680 million) are kept abroad for the time being.

Government announced a new trade policy on July 4, 1991 to carry out major structural reforms in the area of external trade. This followed the downward adjustment in the value of the Rupee effected on July 1 and 3, 1991 to make exports competitive and improve the current account balance.

According to the Directorate General of Commercial Intelligence and Statistics (DGCI&S), total exports during 1991-92 (April-February) declined by 1.9 per cent to US $15,991 million from US $16,295 million during the corresponding period in 1990-91. Imports fell sharply by 20.5 per cent to US $17,629 million from US $22,167 million. Consequently, the trade deficit declined by 72.1 per cent to US $1,638 million in April-February 1991-92 from US $5,873 million during April-February 1990-91. However, the deficit arose on oil account only. The country had a surplus of US $2,727 million during April-February 1991-92 on non-oil account as against a deficit of US $813 million in the previous year. The decline in exports to the Rupee Payment Area (RPA) during April-February 1991-92 was 42.7 per cent in dollar terms. Exports to the General Currency Area increased by 6.9 per cent. With the break-up of the USSR, the bilateral rupee trade arrangements have taken a new turn. Agreements have been signed with Uzbekistan, Russian Federation, Kazakhstan, Kyrghyzstan, Ukraine and Turkmenistan. As a result of the improvement in the reserves the Reserve Bank liberalised a number of measures imposed for restricting imports. Thus, effective January 1, 1992, the Reserve Bank further reduced the cash margin requirement from 50 per cent to 25 per cent for imports other than capital goods under Open General Licence (OGL) and specific licences. The Bank completely withdrew, effective February 12, 1992, the requirement of 25 per cent of cash margin for imports. Furthermore, the levy of surcharge of 25 per cent on the rate of interest charged on import finance by banks was withdrawn, effective February 13, 1992. Final balance of payments data for 1990-91 and 1991-92 are not yet available. However, quick estimates on a payment basis indicate that the trade deficit is likely to have narrowed down sharply to under US $2.5 billion in 1991-92 from over US $8 billion in 1990-91.

As regards invisibles, earnings from tourism are likely to be moderate during the current year. During April-September 1991 the decline in tourist arrivals was 4.3 per cent as against that of 0.4 per cent in the previous year. In view of this, the tourist receipts may show a fall in terms of US dollars. Private transfers, representing mainly remittances from non-resident Indians working abroad, are likely to remain broadly at the level of the preceding year. However, on aggregate, the level of these transfers may be

2. Includes gold purchased by Reserve Bank from Government of India valued at US $191 million.

higher by around US $500 million than in the preceding year taking into account accruals from the Remittances under Foreign Exchange (Immunities) Scheme 1991. Interest payments on medium and long-term loans during April-December 1991 are also expected to be higher. Outward remittances on account of technicians, technical know-how and professional services would continue to show an increase. On balance, net receipts from invisibles are likely to be smaller than in 1990-91, continuing the trend witnessed in recent years. The current account deficit, however, is expected to show an improvement both in absolute terms as well as in relation to GDP during the full year. Quick estimates point to a substantial contraction in the current account deficit (excluding accrued interest on deposits by NRIs but including official transfers) to around US $1.3 billion in 1991-92 from around US $7.3 billion in 1990-91. Even if accrued interest on deposits by NRIs is included, there would be a significant narrowing down of the current account deficit from around US $8.3 billion in 1990-91 to around US $2.2 billion in 1991-92.

On the capital side, there was a net outflow under the FCNRA Scheme during 1991-92 of US $1,627 million as against a net inflow of US $168 million during 1990-91. Outflows under the FCNRA Scheme, however, slowed down from the peak level of nearly US $1 billion during April-June 1991 to around US $0.2 billion in January-March 1992. Aid receipts during 1991-92 at US $3,214 million were higher than US $2,553 million in the previous year. Commercial borrowings were significantly lower during the year. Disbursements took the form of suppliers' credits and other trade-related credits, in addition to the lines of credit being available in the prevailing pipeline with no exposure to international commercial markets.

Repurchases from the IMF during the year 1991-92 were somewhat lower at US $460 million as compared with US $652 million (excluding repayments to the IMF under Trust Fund loan) during 1990-91.

The first instalment of the structural Adjustment Loan from the World Bank amounting to US $290 million was drawn in December 1991.

Two new schemes were put in place effective October 1, 1991. Under the Remittances in Foreign Exchange (Immunities) Scheme, 1991, inward remittances in foreign exchange were allowed with immunity from the operation of foreign exchange regulations in force. Such remittances are also free of income tax, gift tax and wealth tax. Inflows under this scheme amounted to US $853 million as reported up to March 31, 1992. A similar immunity was provided to investors in India Development Bonds, launched by State Bank of India on October 1, 1991. Total amount of investment made in India Development Bonds as reported up to March 31, 1992 amounted to around US $1,628 million. Inflows under these schemes, which were closed on January 31, 1992, are expected to provide the much needed balance of payments support.

The Aid-India Consortium has committed aid up to US $6.7 billion for India, of which US $2.3 billion would be fast-disbursing. The IMF has approved an Upper Credit Tranche Stand-by Arrangement amounting to US $2.2 billion (SDR 1,656 million) which would be available in instalments ranging over 20 months. The first instalment of SDR 85 million was drawn in November 1991 and the second instalment of SDR 185 million in January 1992.

There are now definite signs of improvement in India's balance of payments. The series of measures taken by Government and the Reserve Bank over the past few months have begun to yield results. On July 12, 1991 the country's foreign currency assets had declined to a trough of US $975 million while SDR holdings were at US $92 million. From this level the position has improved to US $5,631 million of foreign currency assets and US $90 million of SDRs on March 31, 1992. The improvement in reserves has no doubt been facilitated by help received from bilateral/multilateral sources, besides amounts received under the two schemes mentioned above. However, even after allowing for the receipt of foreign exchange from these sources, it is found that about US $1.0 billion remains to be explained. It is essentially the net position of receipts and payments on account of merchandise trade and invisibles (excluding the amount received under the Immunity Scheme). From April 1, 1991 till March 31, 1992 net purchases by Reserve Bank of India from authorised dealers amounted to US $1.8 billion as against the net sales of US $5.8

billion in the previous year implying a turnaround of US $7.6 billion. They indicate a faster repatriation of export proceeds consequent to the measures taken by Government and Reserve Bank of India.

Inflation Rate

The inflation rate accelerated in the initial part of the year with the over-the-year rate touching 16.7 per cent in the fourth week of August 1991. Thereafter, it eased and by the end of the financial year, it had come down to 12.8 per cent on a point-to-point basis as compared with 12.1 per cent during 1990-91. On an average basis, WPI recorded a higher increase of 13.6 per cent in 1991-92 as compared with 10.2 per cent in the preceding year.

A quick review of the overall economic performance in 1991-92 reveals it to be a mixed one. Severe inflationary pressures arising out of liquidity overhang and import compression measures continued to persist. Despite a succession of good harvests there was no respite in the rise in prices of agricultural commodities. Industrial production suffered a setback due largely to import compression measures. Available trends indicate the growth in GDP during 1991-92 to be around 2.5 per cent. In view of the persistent inflationary pressures and liquidity overhang a tight monetary policy has had to be put in place. On the external sector, there was a perceptible improvement consequent to the several policy initiatives taken by the Government and the Reserve Bank of India. It has demonstrated how an integrated package of measures could bring about a substantial change in the situation and has underscored the viability of the structural adjustment programme being implemented. Continued vigilance on the price front and effective implementation of reforms should help in restoring the economy to a path of high growth with low inflation. The proposals contained in the Union Budget for 1992-93, the introduction of the Liberalised Exchange Rate Management System and the Export-Import Policy for 1992-97 should help in the further consolidation of the gains made on the economic front.

CHAPTER II

National Income, Saving and Investment

Estimates of Gross Domestic Product and other macro economic aggregates for 1990-91 have not been yet released by the Central Statistical Organisation (CSO). However, on the basis of available economic indicators, the growth rate of Gross Domestic Product (GDP) (at factor cost at 1980-81 prices) is estimated to be around 5.0 per cent during 1990-91 as compared with 5.2 per cent during 1989-90 and an all-time high growth rate of 10.4 per cent achieved during 1988-89 (Table II-1). During the Seventh Five Year Plan, the annual average growth rate of real GDP at 5.6 per cent was higher than the targeted growth rate of 5.0 per cent, but a shade lower than the average growth rate of 5.7 per cent achieved during the Sixth Five Year Plan.

Performance during 1990-91

Net Domestic Product (NDP) (at factor cost at 1980-81 prices) is also expected to record the growth rate of around 5.0 per cent during 1990-91 as compared with 5.1 per cent during 1989-90 and a high growth of 11.0 per cent during 1988-89. The average growth rate of real NDP at 5.6 per cent during the Seventh Plan was the same as was achieved during the Sixth Plan. The rate of growth of real national income (net national product at factor cost at 1980-81 prices) is estimated at 4.8 per cent as compared with 5.2 per cent during 1989-90 and 11.2 per cent during 1988-89. Accordingly, the real per capita income is also estimated to show the lower growth rate of 1.3 per cent during 1990-91 as compared with 3.1 per cent registered in 1989-90 and 9.2 per cent in 1988-89 (Table II-2). During the Seventh Plan, the real national income recorded an annual average increase of 5.5 per cent which was only a shade higher than that of 5.4 per cent during the Sixth Plan. Similarly, the annual average growth rate of 3.5 per cent in real per capita NNP during the Seventh Plan was higher than that for the Sixth Plan at 3.2 per cent.

The Gross Domestic Saving (GDS) rate which increased from 21.3 per cent during 1988-89 to 22.2 per cent during 1989-90, is estimated to decline to 21.6 per cent during 1990-91. Similarly, the Net Domestic Saving (NDS) rate which increased from 12.4 per cent during 1988-89 to 13.1 per cent during 1989-90, is also estimated to decline to 12.6 per cent during 1990-91. The decline in NDS rate during 1990-91 is accounted for by the increased public sector dissavings and a decline in household sector savings rate which was induced by the reduced savings in the form of financial assets. The private corporate sector savings rate was estimated to show marginal improvement during 1990-91. The aggregate investment-income ratio is estimated to decline to 15.7 per cent during 1990-91 from 15.9 per cent in the preceding year.

A. Trends in National Product

Estimates for 1989-90.

According to the Quick Estimates released by the Central Statistical Organisation (CSO), Gross National Product (GNP) (at factor cost at 1980-81 prices) is estimated to show an increase of 5.2 per cent to Rs. 1,95,237 crore during 1989-90 as compared with the substantial increase of 10.6 per cent to Rs. 1,85,543 crore during 1988-89 (Table II-1). The discernible decline in the growth rate of GNP during 1989-90 is mainly attributable to the perceptible decline in the growth rate of GDP

Note : The estimates presented here may differ from those presented in the Reserve Bank's Annual Report, 1990-91 as the same have been revised in the light of fresh data.

Table II-1 : Trends in Gross National Product

Description	1986-87	1987-88	1988-89	1989-90	1990-91 (Estimated)
1	2	3	4	5	6
1. **Gross Domestic Product (GDP) at Factor Cost (Rupees Crore)**					
At 1980-81 Prices	1,62,711	1,70,041	1,87,725	1,97,419	2,06,739
	(3.9)	(4.5)	(10.4)	(5.2)	(4.7)
At Current Prices	2,59,055	2,94,266	3,51,724	3,95,143	4,64,398
	(11.0)	(13.6)	(20.5)	(12.3)	(17.5)
2. **Gross National Product (GNP) at Factor Cost (Rupees Crore)**					
At 1980-81 Prices	1,60,975	1,67,703	1,85,543	1,95,237	2,04,557
	(3.6)	(4.2)	(10.6)	(5.2)	(4.8)
At Current Prices	2,57,250	2,91,647	3,49,105	3,92,524	4,61,779
	(10.9)	(13.4)	(19.7)	(12.4)	(17.6)
3. **Per Capita GNP (Rupees)**					
At 1980-81 Prices	2,091	2,136	2,319	2,393	2,424
	(1.6)	(2.2)	(8.6)	(3.2)	(1.3)
At Current Prices	3,341	3,715	4,364	4,810	5,471
	(8.7)	(11.2)	(17.5)	(10.2)	(13.7)

Sources and Notes : (1) Estimates upto 1988-89 are provisional and for 1989-90 are Quick Estimates by the Central Statistical Organisation, Government of India.
(2) Figures for 1990-91 are tentative and estimated at the growth rate of 4.7 per cent in real GDP at factor cost.
(3) Figures in brackets are percentage changes over the previous year.

originating from agriculture. The growth rate of GDP originating from industry also displayed a moderate decline during 1989-90.

The real Gross Domestic Product (GDP) (at factor cost) originating from agriculture showed a lower growth rate of 2.3 per cent during 1989-90 as compared with the phenomenal increase of 16.3 per cent achieved during 1988-89 and a negligible rise of 0.7 per cent noticed during 1987-88. As a result, the share of the Primary Sector in total GDP which was 33.3 per cent during 1987-88 rose to 34.7 per cent during 1988-89, but thereafter declined to 33.9 per cent in 1989-90. The real GDP originating from the secondary sector grew at a lower rate of 6.7 per cent during 1989-90 as compared with that of 8.1 per cent during 1988-89. However, the share of the Secondary Sector in total GDP showed a marginal increase from 26.6 per cent during 1988-89 to 27.0 per cent during 1989-90. In the Secondary Sector, the GDP emanating from (i) manufacturing, (ii) construction and (iii) electricity, gas and water supply registered the growth rates of 7.4 per cent, 1.9 per cent and 10.3 per cent, respectively, during 1989-90 as against their corresponding growth rates of 8.4 per cent, 5.0 per cent and 11.8 per cent during the preceding year.

The Tertiary Sector which made the largest contribution of 39.1 per cent to GDP during 1989-90, registered a somewhat lower growth rate of 6.3 per cent during 1989-90 than that of 8.1 per cent during 1988-89 and 6.5 per cent during 1987-88. In the Tertiary Sector, the sub-sector 'transport, storage, communication and trade' registered the growth rate of 6.6 per cent during 1989-90 as compared with the growth rate of 8.9 per cent during 1988-89. The growth rate of GDP emanating from 'community, social and personal services' during 1989-90, however, remained unchanged at the previous year's level of 6.1 per cent. The GDP originating from sub-sector 'finance, real estate and business services' decelerated in the sense that its growth rate was 5.8 per cent during 1989-90 which was significantly lower than that of 8.7 per cent during the preceding year. In this sub-sector, the component 'banking and insurance' registered a growth rate of 8.3 per cent during 1989-90 which was substantially lower than the growth rate of 15.4 per cent achieved during 1988-89.

The Net Domestic Product (at factor cost at 1980-81 prices) originating from agriculture showed a substantially lower growth rate of 2.4 per cent during 1989-90 as compared with the growth of 17.3 per cent achieved during 1988-89. As a result, the share of primary sector declined from 36.1 per cent during 1988-89 to 35.2 per cent during 1989-90. The NDP originating from Secondary Sector also recorded a lower growth rate of 6.7 per cent during 1989-90 as compared with that of 8.3 per cent during 1988-89. However, the share of Secondary Sector in total NDP improved marginally from 25.2 per cent in 1988-89 to 25.5 per cent in 1989-90. In the Secondary Sector, the NDP originating from the sub-sectors (i) manufacturing, (ii) construction and (iii) electricity, gas and water supply recorded growth rates of 7.4 per cent, 1.7 per cent and 13.8 per cent, respectively during 1989-90 as compared with the growth rates of 8.5 per cent, 5.2 per cent and 17.6 per cent, respectively, registered during 1988-89. Despite the decrease in the growth rate of Tertiary Sector from 8.4 per cent during 1988-89 to 6.4 per cent during 1989-90, its share in total NDP marginally improved from 38.8 per cent to 39.3 per cent during the same period.

Net National Product (NNP) (at factor cost at 1980-81 prices) increased by 5.2 per cent to Rs. 1,74,798 crore during 1989-90 as compared with the increase of 11.2 per cent to Rs. 1,66,200 crore during 1988-89. Accordingly, the per capita real income increased by 3.1 per cent to Rs. 2,142 during 1989-90 as compared with the increase of 9.2 per cent to Rs. 2,078 during 1988-89. NNP (at factor cost at current prices) showed a rise of 11.9 per cent to Rs. 3,46,994 crore during 1989-90 as compared with the increase of 20.2 per cent to Rs. 3,10,015 crore during the previous year. As a result, per capita income, in nominal terms, increased by 9.7 per cent to Rs. 4,252 during 1989-90 as compared with a rise of 17.9 per cent to Rs. 3,875 during the previous year (Table II.2).

B. Trends in Domestic Savings

Gross Domestic Savings (GDS) estimated at Rs. 1,12,034 crore during 1990-91 were higher by Rs. 13,616 crore or 13.8 per cent over the level of Rs. 98,418 crore during 1989-90. However, the rate of GDS at 21.6 per cent is estimated to be lower in 1990-91 than 22.2 per cent in 1989-90. The decline in GDS rate is mainly attributed to the decline in the saving rate of the household

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

Description	1986-87	1987-88	1988-89	1989-90	1990-91 (Estimated)
1	2	3	4	5	6
1. Net Domestic Product (NDP) at Factor Cost (Rupees Crore)					
At 1980-81 Prices	1,45,418	1,51,746	1,68,382	1,76,980	1,85,333
	(3.7)	(4.4)	(11.0)	(5.1)	(4.7)
At Current Prices	2,29,232	2,60,580	3,12,634	3,49,613	4,10,142
	(10.6)	(13.7)	(20.0)	(11.8)	(17.3)
2. Net National Product (NNP) at Factor Cost (Rupees Crore)					
At 1980-81 Prices	1,43,682	1,49,408	1,66,200	1,74,798	1,83,151
	(3.3)	(4.0)	(11.2)	(5.2)	(4.8)
At Current Prices	2,27,427	2,57,961	3,10,015	3,46,994	4,07,523
	(10.5)	(13.4)	(20.2)	(11.9)	(17.4)
3. Per Capita NNP (Rupees)					
At 1980-81 Prices	1,866	1,903	2,078	2,142	2,170
	(1.3)	(2.0)	(9.2)	(3.1)	(1.3)
At Current Prices	2,954	3,286	3,875	4,252	4,828
	(8.3)	(11.3)	(17.9)	(9.7)	(13.5)

Sources and Notes : 1. Estimates upto 1988-89 are provisional and for 1989-90 are Quick Estimates by the Central Statistical Organisation, Government of India.
2. Figures in brackets are percentage changes over the previous year.

sector from 18.3 per cent during 1989-90 to 17.6 per cent during 1990-91. The contraction in the saving rate of household sector is due to the decline in its savings in financial assets i.e. savings mainly in the form of currency and bank deposits. The saving rate of the public sector is estimated to remain at the previous year's level of 1.7 per cent during 1990-91 while the saving rate of the private corporate sector is estimated to show a nominal improvement from 2.2 per cent in 1989-90 to 2.3 per cent during 1990-91.

During 1989-90, the overall rate of gross domestic saving showed an improvement mainly due to the increase in the saving rate of the household sector from 17.2 per cent in 1988-89 to 18.3 per cent in 1989-90. The saving rate of the private corporate sector also increased, though marginally, from 2.1 per cent in 1988-89 to 2.2 per cent in 1989-90. However, the rate of public sector saving declined from 2.0 per cent in 1988-89 to 1.7 per cent during 1989-90 (Table II-3).

The share of the household sector in the total savings (gross) which increased from 80.9 per cent during 1988-89 to 82.5 per cent during 1989-90, is estimated to decline to 81.6 per cent during 1990-91. The share of savings by the public sector declined from 9.2 per cent during 1988-89 to 7.7 per cent during 1989-90 but improved thereafter to 8.0 per cent during 1990-91. The share of savings of the domestic private corporate sector

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

(Rs. Crore)

	Description	1988-89	1989-90	1990-91 (Estimated)
	1	2	3	4
1.	Public Sector	7743	7625	8918
		(9.2)	*(7.7)*	*(8.0)*
	Per cent of Gross Domestic Product at Current Market Prices	2.0	1.7	1.7
2.	Domestic Private Corporate Sector (including Co-operatives)	8327	9639	11643
		(9.9)	*(9.8)*	*(10.4)*
	Per cent of Gross Domestic Product at Current Market Prices	2.1	2.2	2.3
3.	Household Sector	68039	81154	91473
		(80.9)	*(82.5)*	*(81.6)*
	Per cent of Gross Domestic Product at Current Market Prices	17.2	18.3	17.6
4.	Total Domestic Savings (1 + 2 + 3)	84109	98418	112034
		(100.0)	*(100.0)*	*(100.0)*
	Per cent of Gross Domestic Product at Current Market Prices	21.3	22.2	21.6

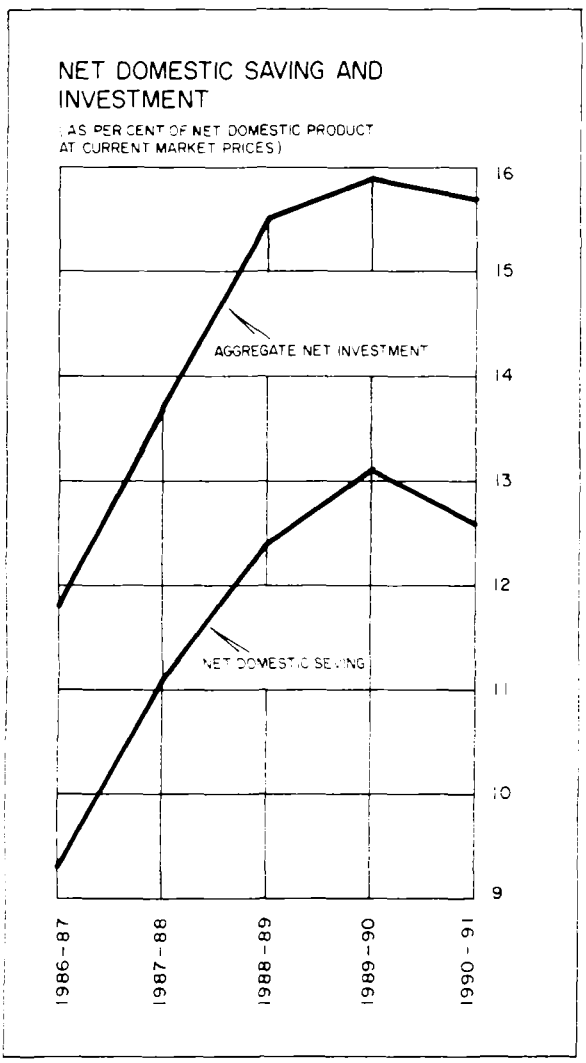
Notes : 1. Figures in brackets are percentages to total.

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 savings of the private corporate sector whereas CSO will provide public sector's savings estimates and those in the form of physical assets of the household sector. In the absence of data from the CSO for the year 1990-91, 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 Savings and Investment as Percentage of Net Domestic Product at Current Market Prices (Provisional)

	Description	1988-89	1989-90	1990-91 (Estimated)
	1	2	3	4
1.	Domestic Savings (Net)	12.4	13.1	12.6
2.	Inflow of Foreign Resources	3.1	2.8	3.1
3.	Aggregate Investment (Net) (1+2)	15.5	15.9	15.7

which marginally declined from 9.9 per cent during 1988-89 to 9.8 per cent during 1989-90, is estimated to improve to 10.4 per cent during 1990-91 (Table II-3).



Aggregate net domestic savings (NDS) which were Rs. 44,066 crore during 1988-89, increased by Rs. 8,118 crore or 18.4 per cent to Rs. 52,184 crore during 1989-90, and further by Rs. 6,271 crore or 12.0 per cent to Rs. 58,455 crore during 1990-91. However, the rate of NDS which increased from 12.4 per cent during 1988-89 to 13.1 per cent during 1989-90, is estimated to decline to 12.6 per cent during 1990-91 (Table II-5). Consequently, the aggregate investment-income ratio is estimated to decline from 15.9 per cent during 1989-90 to 15.7 per cent during 1990-91 as the fall in the rate of domestic saving by 0.5 percentage points to 12.6 per cent was not adequately compensated by the increase in the rate of net inflow of foreign resources from 2.8 per cent to 3.1 per cent during the same period (Table II-4).

The share of savings of public sector in aggregate NDS which deteriorated from (-) 22.2 per cent during 1988-89 to (-) 25.2 per cent during 1989-90, is estimated to deteriorate further to (-) 26.7 per cent during 1990-91. The share of domestic private corporate sector in total NDS increased from 2.6 per cent during 1988-89 to 2.9 per cent during 1989-90 and is estimated to rise further to 3.7 per cent during 1990-91. The share of savings of the household sector in aggregate NDS increased from 119.6 per cent during 1988-89 to 122.3 per cent during 1989-90, and is estimated to increase further to 123.0 per cent during 1990-91; the share of savings of the household sector is more than hundred per cent because of the dissavings by the public sector.

1. Savings of the Household Sector

The household sector consists of individuals, non-government non-corporate enterprises, non-profit organisations and this sector holds its savings in the form of (a) financial assets and (b) physical assets. The savings in the form of financial assets is measured as an addition to financial assets net of financial liabilities.

The net savings of the household sector which were Rs. 63,846 crore during 1989-90 are estimated to increase by Rs. 8,051 crore or 12.6 per cent to Rs. 71,897 crore during 1990-91. As a proportion of NDP, however, it is estimated to decline from 16.1 per cent during 1989-90 to 15.5 per cent during 1990-91 (Table II-5). The decline in the net saving rate of the household sector during 1990-91 is due to the fall in saving rate of financial assets from 10.5 per cent during 1989-90 to 9.7 per cent during 1990-91, despite some improvement in the saving rate of physical assets from 5.6 per cent to 5.8 per cent during the same period.

(a) Savings in Financial Assets

The savings of the household sector in financial assets (net of financial liabilities) which increased by Rs. 12,381 crore from Rs. 29,246 crore during

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

(Rupees Crore at Current Prices)

	Description	1988-89	1989-90	1990-91 (Estimated)
	1	2	3	4
1.	Public Sector	—9782	—13165	—15589
		(—22.2)	(—25.2)	(—26.7)
	Per cent of Net Domestic Product at Current Market Prices	*—2.7*	*—3.3*	*—3.4*
2.	Domestic Private Corporate Sector	1139	1503	2147
		(2.6)	(2.9)	(3.7)
	Per cent of Net Domestic Product at Current Market Prices	*0.3*	*0.4*	*0.5*
3.	Household Sector	52709	63846	71897
		(119.6)	(122.3)	(123.0)
	Per cent of Net Domestic Product at Current Market Prices	*14.8*	*16.1*	*15.5*
4.	**Total Domestic Savings (1+2+3)**	**44066**	**52184**	**58455**
		(100.0)	**(100.0)**	**(100.0)**
	Per cent of Net Domestic Product at Current Market Prices	*12.4*	*13.1*	*12.6*

Note : Figures in brackets are percentages to total.

1988-89 to Rs. 41,627 crore during 1989-90, are estimated to show an increase of a lower magnitude of Rs. 3,194 crore to Rs. 44,821 crore during 1990-91. The share of net financial assets in total net savings of the household sector which increased from 55.5 per cent during 1988-89 to 65.2 per cent during 1989-90 is estimated to decline to 62.3 per cent during 1990-91. Similarly, as a proportion of NDP at current market prices, the household sector savings in net financial assets which increased from 8.2 per cent during 1988-89 to 10.5 per cent during 1989-90, are estimated to fall to 9.7 per cent during 1990-91.

The savings in the form of gross financial assets of the household sector rose by Rs. 13,457 crore from Rs. 42,111 crore during 1988-89 to Rs. 55,568 crore during 1989-90; these are estimated to increase by only Rs. 577 crore to Rs. 56,145 crore during 1990-91. The ratio of these assets to NDP which rose substantially from 11.8 per cent during 1988-89 to 14.0 per cent during 1989-90, is estimated to decline to 12.1 per cent during 1990-91 (Table II-6).

(i) Currency

The savings of the household sector in the form of currency which increased by Rs. 3,399 crore to Rs. 7,655 crore during 1989-90, are estimated to fall by Rs. 1,411 crore to Rs. 6,244 crore during 1990-91. As a result, the currency-NDP ratio which increased from 1.2 per cent during 1988-89 to 1.9 per cent during 1989-90, is estimated to decline to 1.3 per cent in 1990-91. Similarly, the share of currency in total financial assets which rose from 10.1 per cent during 1988-89 to 13.8 per cent during 1989-90, is estimated to decline by as much as 2.7 percentage points to 11.1 per cent during 1990-91.

(ii) Deposits

The savings of the household sector in the form of deposits with commercial banks, co-operative banks, credit/non-credit societies and non-banking companies which increased by Rs. 5,452 crore or 30.5 per cent from Rs. 17,859 crore during 1988-89 to Rs. 23,311 crore during 1989-90, is

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

(Rupees Crore at Current Prices)

	Assets	1988-89	1989-90	1990-91 (Estimated)
	1	2	3	4
	Total Financial Assets (1 to 7)	**42111**	**55568**	**56145**
		(100.0)	*(100.0)*	*(100.0)*
	Per cent of Net Domestic Product at Current Market Prices	*11.8*	*14.0*	*12.1*
1.	Currency	4256	7655	6244
		(10.1)	*(13.8)*	*(11.1)*
	Per cent of Net Domestic Product at Current Market Prices	*1.2*	*1.9*	*1.3*
2.	Deposits	17859	23311	21934
		(42.4)	*(42.0)*	*(39.1)*
	Per cent of Net Domestic Product at Current Market Prices	5.1	5.9	4.8
3.	Insurance	3480	4415	5199
		(8.3)	*(8.0)*	*(9.3)*
	Per cent of Net Domestic Product at Current Market Prices	1.0	1.1	1.1
4.	Provident/Pension Funds	7568	9397	9850
		(18.0)	*(16.9)*	*(17.5)*
	Per cent of Net Domestic Product at Current Market Prices	2.1	2.4	2.1
5.	Claims on Government	5444	6634	7448
		(12.9)	*(11.9)*	*(13.3)*
	Per cent of Net Domestic Product at Current Market Prices	1.5	1.7	1.6
6.	Investment in Shares/Debentures including units of U.T.I.	3375	4026	5340
		(8.0)	*(7.2)*	*(9.5)*
	Per cent of Net Domestic Product at Current Market Prices	0.9	1.0	1.2
7.	Trade Debt (Net)	129	130	130
		(0.3)	*(0.2)*	*(0.2)*
	Per cent of Net Domestic Product at Current Market Prices	0.04	0.03	0.03

Note : Figures in brackets are percentages to total.

estimated to decline by Rs. 1,377 crore or 5.9 per cent to Rs. 21,934 crore during 1990-91. As a consequence, savings in the form of deposits as a proportion of NDP which improved from 5.1 per cent during 1988-89 to 5.9 per cent during 1989-90, are estimated to fall to 4.8 per cent during 1990-91. The share of savings in the form of deposits as a proportion of savings in gross financial assets declined from 42.4 per cent during 1988-89 to 42.0 per cent during 1989-90 and further to 39.1 per cent during 1990-91.

Slowdown in the growth of aggregate deposits with commercial banks largely contributed to the decline in the rate of saving in the form of deposits in relation to gross financial assets. The household sector's deposits with commercial banks which increased by Rs. 5,054 crore or by 36.3 per cent to Rs. 18,982 crore during 1989-90 are estimated to decline by 5.9 per cent or Rs. 1,111 crore to Rs. 17,871 crore during 1990-91. Moreover, the household's deposits with co-operative sector which rose by Rs. 505 crore or 19.4 per cent to Rs. 3,114 crore during 1989-90 are estimated to fall by Rs. 269 crore or 8.6 per cent to Rs. 2,845 crore during 1990-91. However, the deposits of household sector with non-banking companies which declined by Rs. 107 crore from Rs. 1,322 crore during 1988-89 to Rs. 1,215 crore during 1989-90, are estimated to remain, more or less, at the same level during 1990-91. The decline in the savings of household sector in the form of bank deposits during 1990-91 was reinforced by the decline in its savings in the form of currency. Consequently, the combined share of currency and deposits in gross financial assets is estimated to decline from 55.8 per cent during 1989-90 to 50.2 per cent during 1990-91.

(iii) Social Security Funds

Household sector savings in the form of social security funds which include savings in insurance and in provident and pension funds constitute the second major category of financial savings next only to deposits. Savings in these funds which increased by Rs. 2,764 crore or 25.0 per cent to Rs. 13,812 crore during 1989-90, is estimated to further increase by Rs. 1,237 crore or 9.0 per cent to Rs. 15,049 crore during 1990-91. However, as a proportion of gross financial assets, their share which declined from 26.3 per cent during 1988-89 to 24.9 per cent during 1989-90, is estimated to increase to 26.8 per cent during 1990-91. As a proportion of NDP, the household sector savings in social security funds which increased from 3.1 per cent during 1988-89 to 3.5 per cent during 1989-90 is estimated to decline to 3.2 per cent during 1990-91.

Household sector savings in the form of insurance comprising life fund of Life Insurance Corporation of India (LIC), Postal Insurance, State Insurance Fund and Central Government Group Insurance Funds, increased from Rs. 3,480 crore during 1988-89 to Rs. 4,415 crore during 1989-90; these are estimated to rise further to Rs. 5,199 crore during 1990-91. The share of insurance in gross financial assets which declined marginally from 8.3 per cent during 1988-89 to 8.0 per cent during 1989-90, is estimated to improve to 9.3 per cent during 1990-91. As a proportion of NDP, the household sector savings in insurance which increased from 1.0 per cent during 1988-89 to 1.1 per cent during 1989-90 is likely to remain unchanged during 1990-91. Savings in the form of provident and pension funds which increased by Rs. 1,829 crore or 24.2 per cent to Rs. 9,397 crore during 1989-90, is estimated to move up by only Rs. 453 crore or 4.8 per cent to Rs. 9,850 crore during 1990-91. The share of such savings in gross financial assets which declined from 18.0 per cent during 1988-89 to 16.9 per cent during 1989-90, is estimated to move up to 17.5 per cent during 1990-91. However, as a proportion of NDP, the household sector savings in provident and pension funds which increased from 2.1 per cent during 1988-89 to 2.4 per cent during 1989-90, are estimated to revert back to 2.1 per cent during 1990-91.

(iv) Claims on Government

Savings of the household sector in the form of claims on Government comprise investments 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 savings in the form of claims on government which increased by Rs. 1,190 crore or 21.9 per cent from Rs. 5,444 crore during 1988-89 to Rs. 6,634 crore during 1989-90, is estimated to rise further by Rs. 814 crore or 12.3 per cent to Rs.7,448 crore during 1990-91.

The household sector's investment in small savings instruments increased from Rs. 5,560 crore during 1988-89 to Rs. 6,609 crore during 1989-90 and is estimated to further improve to Rs. 7,280 crore during 1990-91. Household's investment in Government securities which declined marginally from Rs. 58 crore during 1988-89 to Rs. 56 crore during 1989-90, is now estimated to be Rs. 60 crore during 1990-91. The repayments under Capital Investment Bonds which had mobilised an amount of only Rs. 1.0 crore during 1988-89, were negligible both during 1989-90 and 1990-91. The repayments of Compulsory Deposits which amounted to Rs. 257 crore during 1988-89, declined to Rs. 142 crore during 1989-90 and are estimated to decline further to Rs. 93 crore during 1990-91. The repayments of National Rural Development Bonds also decreased from Rs. 71 crore during 1988-89 to Rs. 56 crore during 1989-90 and are estimated to fall further to Rs. 17 crore during 1990-91. The repayments under the National Deposit Scheme at Rs. 9 crore during 1990-91 were virtually the same as in 1989-90. The instrument of Relief Bonds garnered an amount of Rs. 222 crore during 1990-91 as compared with Rs. 169 crore during 1989-90. The Deposit Scheme for Retiring Government Employees fetched an amount of Rs. 5 crore during 1990-91 as compared with Rs. 6 crore mobilised during 1989-90.

Taking various schemes together, the savings through small savings instruments constitute an important component among the wide array of

instruments of household sector's savings in the category of claims on Government. The other savings instruments either made an insignificant contribution or there has been an outgo on account of repayment obligations. The proportionate share of claims on Government in gross financial assets which declined from 12.9 per cent during 1988-89 to 11.9 per cent during 1989-90, is estimated to rise to 13.3 per cent during 1990-91. However, as a percentage of NDP, the household sector savings in the form of claims on Government increased from 1.5 per cent during 1988-89 to 1.7 per cent during 1989-90, and is estimated to be 1.6 per cent for 1990-91.

(v) Investment in Shares, Debentures and Units

The investment in shares and debentures of the corporate and co-operative sectors, bonds of public sector enterprises and the units of Unit Trust of India (UTI) by the household sector was Rs. 3,375 crore during 1988-89 and increased by Rs. 651 crore or 19.3 per cent to Rs. 4,026 crore during 1989-90 and is estimated to improve substantially by Rs. 1,314 crore or 32.6 per cent to Rs. 5,340 crore during 1990-91. Accordingly, the ratio of savings to NDP in the form of these instruments showed a continual rise from 0.9 per cent during 1988-89 to 1.0 per cent during 1989-90 and further to 1.2 per cent during 1990-91. However, the share of these instruments in gross financial savings which was 8.0 per cent during 1988-89 declined to 7.2 per cent during 1989-90; however, this ratio is estimated to have improved significantly to 9.5 per cent during 1990-91.

The direct investment of the household sector in joint stock companies (including co-operative non-credit societies) which showed a substantial increase from Rs. 79 crore during 1988-89 to Rs. 707 crore during 1989-90, is estimated to decline by Rs. 132 crore to Rs. 575 crore during 1990-91. The household's investment in the units of UTI increased from Rs. 1,427 crore in 1988-89 to Rs. 1,856 crore in 1989-90 and is estimated to rise further to Rs. 2,900 crore during 1990-91. The investment of the household sector in mutual funds (other than UTI) which declined from Rs. 1,488 crore during 1988-89 to Rs. 1,069 crore during 1989-90, is estimated at Rs. 1,500 crore during 1990-91. The investment of the household sector in Public Sector Bonds has remained unchanged at Rs. 249 crore from 1988-89 onwards upto 1990-91.

(vi) Trade Debt (Net)

The trade debt (net) represents the credit extended by the household sector to the private corporate sector. The net trade debt which was Rs. 129 crore during 1988-89, and Rs. 130 crore during 1989-90, is estimated to remain unchanged during 1990-91. In relation to gross financial assets, trade debt constituted 0.3 per cent during 1988-89, 0.2 per cent during 1989-90 and is now estimated to remain the same during 1990-91. The ratio of trade debt (net) to NDP has remained negligible during these years.

(b) Savings in Physical Assets

The savings of the household sector in physical assets consists of additions to construction, machinery and equipment and inventories. According to the Quick estimates of CSO, savings (net) in these assets declined by Rs. 1,244 crore from Rs. 23,463 crore during 1988-89 to Rs. 22,219 crore during 1989-90. Accordingly, as a percentage to NDP, savings in such assets declined from 6.6 per cent during 1988-89 to 5.6 per cent during 1989-90. The official estimates of household sector savings in physical assets are not yet available for 1990-91. However, on the basis of available indicators, these are estimated to be Rs. 27,076 crore during 1990-91 accounting for 5.8 per cent of NDP (Table II-7).

(c) Financial Liabilities

The household sector's financial liabilities cover 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 which increased by Rs. 1,076 crore or 8.4 per cent from Rs. 12,865 crore during 1988-89 to Rs. 13,941 crore during 1989-90, are estimated to decline to Rs. 11,324 crore during 1990-91. The ratio of household's liabilities to NDP showed steady declines from 3.6 per cent during 1988-89 to 3.5 per cent during 1989-90

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

(Rupees Crore at Current Prices)

	Description	1988-89	1989-90	1990-91 (Estimated)
	1	2	3	4
1.	Financial Assets (Gross)	42111	55568	56145
	Per cent of Net Domestic Product at Current Market Prices	*11.8*	*14.0*	*12.1*
2.	Physical Assets (Net)	23463	22219	27076
	Per cent of Net Domestic Product at Current Market Prices	*6.6*	*5.6*	*5.8*
3.	Financial Liabilities	12865	13941	11324
	Per cent of Net Domestic Product at Current Market Prices	*3.6*	*3.5*	*2.4*
4.	Total Net Savings (Net of Financial Liabilities) (1+2—3)	52709	63846	71897
	Per cent of Net Domestic Product at Current Market Prices	*14.8*	*16.1*	*15.5*

and further to 2.4 per cent during 1990-91 (Table II-7). Borrowings from commercial banks which form a predominant part of these liabilities, increased by Rs. 208 crore or 2.4 per cent from Rs. 8,844 crore during 1988-89 to Rs. 9,052 crore during 1989-90. However, during 1990-91 the borrowings from commercial banks are expected to decline by Rs. 2,746 crore or 30.3 per cent to Rs. 6,306 crore.

2. Savings of the Public Sector

According to the CSO's estimates, the dissavings of the public sector increased from Rs. 9,782 crore during 1988-89 to Rs. 13,165 crore during 1989-90. The rate of public sector saving deteriorated from (-) 2.7 per cent of NDP during 1988-89 to (-) 3.3 per cent during 1989-90, despite the fact that the net savings of the non-departmental undertakings increased from Rs. 3,562 crore to Rs. 4,674 crore during the same period. The enhanced rate of public sector dissaving is attributable to the dissavings by the administrative departments which increased by 33.7 per cent from Rs. 13,344 crore during 1988-89 to Rs. 17,839 crore during 1989-90. Official estimates of public sector savings during 1990-91 are not yet available, but on the basis of available indicators, these are estimated to (-) Rs. 15,589 crore which account for (-) 3.4 per cent of NDP. The dissavings of the administrative departments are estimated to increase from Rs. 17,839 crore during 1989-90 to Rs. 21,123 crore during 1990-91 while the savings of the non-departmental undertakings are expected to rise from Rs. 4,674 crore during 1989-90 to Rs. 5,534 crore during 1990-91 (Table II-8). The dissavings of the public sector as a proportion of aggregate net domestic savings was (-) 22.2 per cent during 1988-89, (-) 25.2 per cent during 1989-90, and is estimated to be (-) 26.7 per cent during 1990-91 (Table II-5). Thus, an improvement in overall saving rate calls for reduction or even elimination of the dissaving of the public sector.

3. Savings of the Domestic Private Corporate Sector

The savings of the domestic private corporate sector (inclusive of co-operatives) increased from Rs. 1,139 crore during 1988-89 to Rs. 1,503 crore during 1989-90 and are estimated to improve further to Rs. 2,147 crore during 1990-91. As a proportion of NDP, domestic private corporate sector saving has improved somewhat in recent years from 0.3 per cent during 1988-89 to 0.4 per cent during 1989-90 and 0.5 per cent during 1990-91. The share of private corporate sector savings in aggregate net domestic savings was 2.6 per cent during 1988-89, which increased to 2.9 per cent during 1989-90 and further to 3.7 per cent during 1990-91 (Table II-5).

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

(Rs. Crore at Current Prices)

Item	Financial Year		
	1988-89	1989-90	1990-91 (Estimated)
1	2	3	4
1. Administrative Departments including Departmental Enterprises	—13,344	—17,839	—21,123
2. Non-Departmental Financial and Non-Financial Undertakings	3,562	4,674	5,534
3. TOTAL (1+2)	**—9,782**	**—13,165**	**—15,589**
Per cent of Net Domestic Product at Current Market Prices	—2.7	—3.3	—3.4

Note : Details from CSO for the year 1990-91 are not yet available and hence estimated.

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
1988-89	54997	27605	193297	14.3
1989-90	63140	29168	202871	14.4
1990-91 (Estimated)	73117	29643	211885	14.0

C. Trends in Domestic Investment

Aggregate Net Domestic Investment (NDI) comprises net domestic savings and net inflow of foreign resources during a year. The aggregate NDI, at current prices, which increased by Rs. 8,143 crore or 14.8 per cent to Rs. 63,140 crore during 1989-90, is estimated to show an increase to Rs. 73,117 crore during 1990-91. As a proportion to NDP, net domestic investment increased from 15.5 per cent during 1988-89 to 15.9 per cent during 1989-90, and is estimated to be 15.7 per cent during 1990-91 (Table II-4). Similarly, at constant prices (i.e. at 1980-81 prices), the investment - NDP ratio which rose from 14.3 per cent during 1988-89 to 14.4 per cent during 1989-90 is estimated to be 14.0 per cent during 1990-91 (Table II-9).

According to the CSO's estimates, the share of public sector investment, at current prices, in aggregate NDI (unadjusted) increased from 39.1 per cent during 1988-89 to 45.3 per cent during 1989-90. As a proportion to NDP, it improved over the year from 6.1 per cent to 6.7 per cent during 1989-90. Similar details for 1990-91 are not available.

However, the trends in some of its components are examined on the basis of available information. The net direct fixed assets formation of the Central Government recorded an increase

of Rs. 566 crore or 9.3 per cent to Rs. 6,674 crore during 1990-91 as compared with the increase of Rs. 844 crore or 16.0 per cent registered during 1989-90. The inventories declined by Rs. 4 crore to Rs. 241 crore during 1990-91 in contrast to the significant rise of Rs. 166 crore registered during 1989-90 (Table II-10).

The information regarding gross capital formation in the Central Government's non-departmental industrial and commercial undertakings which is available only upto 1989-90, indicates that the gross fixed asset formation was stepped up by Rs. 1,250 crore to Rs. 15,572 crore during 1989-90, whereas the inventories rose by Rs. 1,833 crore to Rs. 3,661 crore during 1989-90. Accordingly, the share of inventories in total gross capital formation improved from 11.3 per cent during 1988-89 to 19.0 per cent during 1989-90 (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 displayed a decline of Rs. 1,459 crore or 5.7 per cent to Rs. 24,155 crore during 1990-91 as compared with the substantial increase of Rs. 3,693 crore or 16.8 per cent to Rs. 25,614 crore during 1989-90. The financial assistance

Table II-10 : Capital Formation Through Central Government Budget
(At Current Prices)

(Rupees Crore)

Description	1988-89+	1989-90*	1990-91**
1	2	3	4
I. Central Government Administration and Departmental Commercial Undertakings			
1. Gross Direct Fixed Assets Formation	6,977	7,900	8,895
1.1 Net Direct Fixed Assets Formation	5,264	6,108	6,674
1.2 Expenditure on renewals and replacements	1,713	1,792	2,221
2. Change in Inventories	79	245	241
II. Central Government's Non-Departmental Industrial and Commercial Undertakings			
1. Gross Capital Formation	16,150	19,233	N.A.
	(100.0)	(100.0)	
1.1 Gross Fixed Assets	14,322	15,572	N.A.
	(88.7)	(81.0)	
1.2 Change in Inventories	1,828	3,661	N.A.
	(11.3)	(19.0)	
III. Financial Assistance for Capital Formation	21,921	25,614	24,155
1. To States, Union Territories	13,956	14,385	14,129
2. Non-Departmental Commercial Undertakings	6,317	7,277	5,894
2.1 Financial concerns	935	1,359	1,131
2.2 Others	5,382	5,918	4,763
3. Other Institutions	1,648	3,952	4,132

Sources: 1. An Economic and Functional Classification of the Central Government Budget, 1990-91.
2. Annual Report on the Working of Industrial and Commercial Undertakings of the Central Government, 1989-90.

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

Table II-11 : Capital Formation in Central Government Administration and Departmental Commercial Undertakings — Asset-wise

(at Current Prices)

(Rupees Crore)

Description	1988-89+	1989-90*	1990-91**
1	2	3	4
I. Gross Fixed Capital Formation	6,977	7,900	8,895
	(98.9)	(97.0)	(97.4)
1. Buildings and other construction	4,664	5,085	5,836
Proportion to 1 above	66.8	64.4	65.6
(a) New outlay	3,593	3,932	4,499
(b) Renewals and replacements	1,071	1,153	1,337
2. Machinery and Equipment	2,313	2,815	3,059
Proportion to 1 above	33.2	35.6	34.4
(a) New outlay	1,671	2,176	2,175
(b) Renewals and replacements	642	639	884
II. Increase in Inventories	79	245	241
	(1.1)	(3.0)	(2.6)
III. Gross Capital Formation (I + II)	7,056	8,145	9,136
IV. Gross Capital Formation as Proportion to GDP at Market prices	1.8	1.8	1.8

Source : An Economic and Functional Classification of the Central Government Budget, 1990-91.

Note : Figures in brackets are percentages to Gross Capital Formation.

+ Accounts.

* Revised Estimates.

** Budget Estimates.

provided to the States and Union Territories decreased by Rs. 256 crore or 1.8 per cent to Rs. 14,129 crore, while that to non-departmental commercial undertakings declined by Rs. 1,383 crore or 19.0 per cent to Rs. 5,894 crore during 1990-91 (Table II-10).

The asset-wise composition of capital formation of the Central Government indicates that the share of 'buildings and other construction' in the total gross fixed capital formation increased from 64.4 per cent during 1989-90 to 65.6 per cent during 1990-91, while the share of 'machinery and equipment' decreased from 35.6 per cent to 34.4 per cent during the same period (Table II-11). The total gross capital formation of the Central Government showed a rise of Rs. 991 crore or 12.2 per cent to Rs. 9,136 crore during 1990-91. However, as a proportion to GDP at current market prices, the capital formation remained unchanged at 1.8 per cent during 1989-90 and 1990-91.

CHAPTER III

Agricultural Production and Programmes

For the third consecutive year, agricultural production showed sustained progress during 1990-91 registering a growth rate of a little over 4.0 per cent as against 1.7 per cent in 1989-90 and 21.0 per cent in 1988-89. The good performance of the agricultural sector in 1990-91 was the result of significant increases in production of foodgrains, particularly of wheat and pulses and commercial crops like oilseeds, jute and mesta and sugarcane. The continued progress in agriculture is attributable to the favourable weather conditions coupled with the strategy adopted by the Central and State Governments for increasing agricultural production.

The 1990 South-West monsoon (June-September) was considered as exceptionally good. The rainfall was normal or excess in 32 out of 35 meteorological sub-divisions covering 95 per cent of the country. During the 1989 South-West monsoon period, 29 out of 35 meteorological sub-divisions received normal/excess rainfall. The total rainfall during the South-West monsoon period during the current year was 106 per cent of the normal and considered as one of the best during the last ten years. Rainfall was well distributed in time and space. The three sub-divisions which received marginally deficient rainfall were Kerala, Lakshadweep and Andaman and Nicobar Islands. The North-East monsoon was also favourable.

Total foodgrains production during 1990-91 is estimated over 176.0 million tonnes against the production of 170.6 million tonnes in 1989-90, registering an increase of about 3.3 per cent. The target set for total foodgrains production during 1990-91 was 176.5 million tonnes. *Kharif* foodgrains output is estimated to be lower at 100.4 million tonnes as against 100.9 million tonnes in 1989-90. In view of the very good monsoon in 1990, the *Kharif* production has slightly exceeded the target of 99.1 million tonnes. *Rabi* production is placed higher at 75.6-76.1 million tonnes as against 69.7 million tonnes in 1989-90. The *Rabi* production during 1990-91 was, however, below the target of 77.4 million tonnes. The higher *Rabi* production during 1990-91 is attributable to good soil moisture and favourable water storage position in the reservoirs of the country. Crop-wise, production of rice, wheat and pulses reached new peak levels in 1990-91. While the production of rice at 74.6 million tonnes and that of wheat at 54.0-54.5 million tonnes slightly exceeded their respective targets of production, the output of pulses at 14.0 million tonnes though much higher than that of last year was lower than the target of 15.0 million tonnes.

During 1990-91, output of commercial crops such as oilseeds, sugarcane and jute and mesta recorded increases over the year. Thus, oilseeds production in 1990-91 is estimated at 19.1 million tonnes as compared with that of 16.8 million tonnes in 1989-90. Sugarcane production is also estimated to touch a new peak of 234.7 million tonnes compared with that of 222.6 million tonnes in 1989 90. Production of jute and mesta is placed at 9.1 million bales in 1990-91, higher than that of 8.3 million bales achieved in 1989-90. On the other hand, production of cotton at 10.0 million bales in 1990-91 was much lower than that of 11.4 million bales in 1989-90. Production of tea and coffee has also shown improvement over 1989-90. During 1990-91, tea production is estimated at 714.7 million kgs as against that of 684.1 million kgs in 1989-90. Coffee production during 1990-91 is estimated at 137.8 million kgs compared to that of 118.0 million kgs during the year 1989-90 (Table III-1).

Table III - 1 : Production of Major Agricultural Commodities

Crop	Unit	1970-71	1980-81	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91 Likely Achieve-ment
1	2	3	4	5	6	7	8	9	10
Total foodgrains	**Million tonnes**	**108.4**	**129.6**	**150.4**	**143.4**	**140.4**	**169.9**	**170.6**	**176.0-176.5**
Kharif foodgrains	"	**68.9**	**77.7**	**85.2**	**80.2**	**74.6**	**95.6**	**100.9**	**100.4**
Rabi foodgrains	"	**39.5**	**51.9**	**65.2**	**63.2**	**65.8**	**74.3**	**69.7**	**75.6-76.1**
Rice	"	42.2	53.6	63.8	60.6	56.8	70.5	74.1	74.6
Wheat	"	23.8	36.3	47.0	44.3	46.2	54.1	49.6	54.0-54.5
Coarsegrains	"	30.6	29.1	26.2	26.8	26.4	31.5	34.3	33.4
Pulses	"	11.8	10.6	13.4	11.7	11.0	13.8	12.6	14.0
Oilseeds	"	9.6	9.4	10.8	11.3	12.7	18.0	16.8	19.1
Sugarcane	"	126.4	154.2	170.7	186.1	196.7	203.0	222.6	234.7
Cotton*	Million bales	4.8	7.0	8.7	6.9	6.4	8.7	11.4	10.0
Jute and mesta@	"	6.2	8.2	12.6	8.6	6.8	7.9	8.3	9.1
Tea	Million kgs	419.0	569.6	656.2	624.6	674.3	701.1	684.1	714.7
Coffee	"	109.8	118.6	122.4	192.2	123.0	215.0	120.0	173.0

* 170 kgs each.
@ 180s kgs each.

Source : Ministry of Agriculture, Government of India.

Table III-2 : Targets and Actual Production of Foodgrains

(Million tonnes)

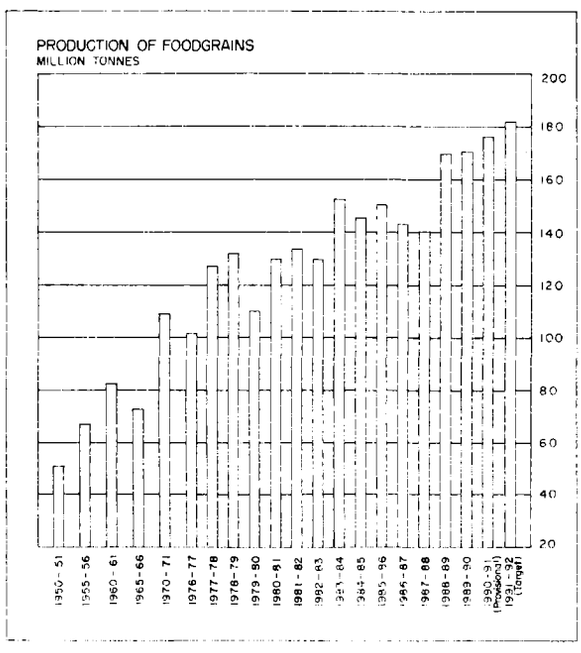
	Rice	Wheat	Coarsegrains	Pulses	Total Foodgrains
1	2	3	4	5	6
1985-86					
Target	63.5	49.2	33.0	13.5	159.2
Actual	63.8	47.0	26.2	13.4	150.4
1986-87					
Target	65.0	49.0	32.0	14.0	160.0
Actual	60.6	44.3	26.8	11.7	143.4
1987-88					
Target	64.0	50.0	32.0	14.0	160.0
Actual	56.8	46.2	26.4	11.0	140.4
1988-89					
Target	68.0	52.3	33.0	13.3	166.6
Actual	70.5	54.1	31.5	13.8	169.9
1989-90					
Target	72.5	54.0	33.8	14.7	175.0
Actual	74.1	49.6	34.3	12.6	170.6
1990-91					
Target	73.7	54.5	33.3	15.0	176.5
Anticipated Achievement	74.6	54.3	33.4	14.0	176.3
1991-92					
Target	76.5	56.5	34.0	15.5	182.5

Source : Ministry of Agriculture, Government of India.

Production and distribution of foodgrains

Production of foodgrains

Total foodgrains production during 1990-91 is estimated over 176.0 million tonnes as against 170.6 million tonnes in 1989-90, registering an increase of about 3.3 per cent. The production during the year is expected to reach the target of 176.5 million tonnes. While production of rice, wheat and pulses reached new peaks in 1990-91, output of coarsegrains was slightly lower than it was in 1989-90. While *Kharif* foodgrains output is estimated to be slightly lower than that of last year, *Rabi* production is placed significantly higher at 75.6-76.1 million tonnes as against 69.7 million tonnes in 1989-90, recording a rise of 5.9 million tonnes or 8.5 per cent. Among *Kharif* crops, production of rice and pulses showed increases during 1990-91 over that in the previous year. *Kharif* coarsegrains production was, however, lower compared to that of last year. Production of rice under *Kharif* at 66.8 million tonnes in 1990-91 was slightly higher by 0.5 million tonnes or 0.8 per cent than the *Kharif* rice production of 66.3 million tonnes in 1989-90. Coarsegrains production at 28.1 million tonnes during *Kharif* 1990 was lower by 1.1 million tonnes or 3.8 per cent compared to the *Kharif* coarsegrains production of 29.2 million tonnes in the preceding season. *Kharif* pulses production at 5.5 million tonnes during 1990-91 was higher by 0.1 million tonnes or 1.9 per cent as compared with the production of 5.4 million tonnes during the 1989-90 *Kharif* season.



Production of foodgrains during *Rabi* 1990-91 at 75.6-76.1 million tonnes recorded an increase of 5.9 million tonnes or 8.5 per cent as compared to the *Rabi* foodgrains production of 69.7 million tonnes in 1989-90. The improvement was mainly on account of higher production of wheat during 1990-91. Production of wheat, the main *Rabi* crop, at 54.0-54.5 million tonnes was higher by 4.4 million tonnes or 8.9 per cent than that of 49.6 million tonnes in *Rabi* 1989-90. While the output of *Rabi* rice and coarsegrains shows slight improvement over the *Rabi* production of the respective crops in 1989-90, the production of *Rabi* pulses at 8.5 million tonnes was much higher by 1.3 million tonnes or 18.1 per cent than the *Rabi* output of 7.2 million tonnes in 1989-90.

Availability of foodgrains

During the calendar year 1990, net availability of foodgrains was lower at 143.3 million tonnes compared with that of 147.3 million tonnes in 1989. The population in 1990 was 827.1 million as against 811.8 million in 1989. On the basis of these projections, per capita net availability of foodgrains during 1990 was 474.6 grammes per day compared with 497.2 grammes in 1989. The decline in per capita net availability of foodgrains in 1990 is attributable to negligible imports as also higher Government stocks of foodgrains during the year. The per capita net availability of cereals also came down from 455.0 grammes per day in 1989 to 438.1 grammes in 1990 and that of pulses from 42.2 grammes to 36.5 grammes. The foodgrains production in 1990-91 has shown considerable improvement over 1989-90; and therefore the net availability of foodgrains in 1991 is likely to be higher than in 1990 (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.

Special emphasis continued to be placed on expansion of the network of fair price shops and issuance of ration cards to all especially the unserved and underserved areas. As a result, the network of public distribution system (PDS) has expanded over the years. As at end - March 1990, there were 3.61 lakh retail outlets/fair price shops supplying essential commodities such as rice, wheat, sugar, edible oils, kerosene at prices fixed by the Government, which are generally lower than the market prices. To further strengthen the distribution system in far-flung, inaccessible remote, hilly and tribal areas, Central assistance has been made available to acquire 428 mobile vans costing Rs. 1022.38 lakhs since the inception of the scheme till March 31, 1991. The State Governments decide the quantum of ration for the consumers which vary widely from State to State. The prescribed norms for coverage envisage one fair price shop for a population of 2,000 on an average in a radius of not more than three kilometers.

Under the PDS, the responsibility for procurement, storage and supply of essential commodities has been assigned to Government agencies, viz., Food Corporation of India (FCI), State Trading Corporation (STC), National Co-operative Consumers' Federation (NCCF), Coal India Ltd. (CIL) 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.

The scheme of distribution of foodgrains at specially subsidised prices to the people in the Integrated Tribal Development Programme (ITDP) areas is being implemented in 19 States/ Union Territories besides covering the entire population in 6 tribal majority States. Wheat and rice at specially subsidised prices (50 paise per kg. below the PDS price) are provided to the people living in ITDP areas. The total quantities of rice and wheat supplied by the Food Corporation of India (FCI) to the State Governments/Union Territories at subsidised rate annually under this scheme is of the order of about 1.75 million tonnes. The State Governments are required to issue these grains to the beneficiaries/ card holders after adding a margin of Rs. 25 per quintal to meet incidental expenses like transport, margins for wholesalers/retailers, storage, etc. The total off-take of foodgrains under the scheme during 1990 (upto December 31, 1990) was about 19.04 lakh tonnes comprising 7.57 lakh tonnes of wheat and 11.47 lakh tonnes of rice.

Distribution of foodgrains

Distribution of both rice and wheat under PDS was lower during the calendar year 1990 compared to that in the preceding year. In the calendar year 1990, a total quantity of 15.02 million tonnes of foodgrains were distributed under PDS (including issues under JRY and open market sale of wheat by FCI) as against 16.46 million tonnes of foodgrains distributed during the calendar year 1989. It comprised 8.05 million tonnes of rice, 6.94 million tonnes of wheat and 0.03 million tonnes of coarsegrains as against 8.56 million tonnes of rice, 7.82 million tonnes of wheat and 0.08 million tonnes of coarsegrains during the calendar year 1989. The lower off-take of foodgrains under PDS is attributable to the bumper harvest the country had during the last three years in succession and resultant easy availability of foodgrains in the open market. However, during the first half year of 1991 (January-June) total off-take of foodgrains was higher at 9.96 million tonnes compared with 7.46 million tonnes during the preceding year. The higher off-take during the first half year of 1991 is partly attributable to the larger quantity of wheat sold by FCI during the period (Table III-4).

Procurement and buffer stocks

Procurement and maintenance of foodgrains stocks is basic to the public distribution. Foodgrains procured by Government agencies are

Table III-3 : Availability of Foodgrains

(Million tonnes)

Year (January to December)	Gross output	Net output	Net imports	Change in Government stocks	Net availability	Per capita net availability per day (in gms.)		
						Cereals	Pulses	All Food-grains
1	2	3	4	5	6	7	8	9
1982	133.3	116.6	1.6	+1.3	116.9	414.8	39.2	454.0
1983	129.5	113.3	4.1	+2.7	114.7	396.9	39.5	436.4
1984	152.4	133.3	2.4	+7.1	128.6	436.1	41.8	477.9
1985	145.5	127.4	(—)0.4	+2.7	124.3	415.6	38.1	453.7
1986	150.4	131.6	(—)0.5	—1.6	133.8	434.3	44.0	478.3
1987	143.4	125.5	(—)0.2	—9.5	134.8	436.1	36.6	472.7
1988	140.4	122.8	3.8	—4.6	131.2	413.2	38.0	451.2
1989	169.9	148.7	1.2	+2.6	147.3	455.0	42.2	497.2
1990	170.6	149.3	Neg.	+6.1	143.3	438.1	36.5	474.6
1991£	176.0–176.5	154.0	—	+0.8$	153.2			

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 Govt. stocks.
4) Figures in respect of change in stocks with traders and producers are not available. The estimates of net availability should not, therefore, be taken to be strictly equivalent to consumption.
£ Preliminary estimates.
$ Changes in stocks : end-June 1991 over end-June 1990.

Source : Economic Survey, 1990-91.

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

(Million tonnes)

Year (January-December)	Rice			Wheat					Coarse-grains	Total Food-grains distribution (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
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	8.44	0.12	8.56	6.95	0.29	—	0.58	7.82	0.08	16.46
1990	7.97	0.08	8.05	6.52	0.14	—	0.28	6.94	0.03	15.02
January-June										
1990	4.02	0.07	4.09	3.18	0.14	—	0.05	3.37	—	7.46
1991@	4.50	0.01	4.51	4.45	0.02	—	0.98	5.45	—	9.96

@ 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.

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
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	8.30	0.12	8.42	6.84	0.26	—	0.23	7.33	0.04	15.79
1990-91@	8.03	0.02	8.05	7.15	0.02	—	1.13	8.30	0.03	16.38
April-June 1990	2.01	Neg.	2.01	1.35	0.01	—	Neg.	1.36	—	3.37
April-June 1991@	2.43	—	2.43	1.99	0.01	—	0.08	2.08	—	4.51

@ 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.

utilised for (1) distribution under PDS, (2) sales to roller flour mills for conversion into wheat products and (3) building up of buffer stocks. Besides procurement of wheat and paddy under the price support policy, rice was also procured through a statutory levy of a stipulated percentage of production imposed by various State Governments on rice millers taking into consideration the conditions prevailing in respective States.

In order to maximise procurement in 1990-91, procurement prices of all varieties of paddy for 1990-91 marketing season were increased by Rs. 20 per quintal. Similarly, procurement price of wheat for 1991-92 was also enhanced by Rs. 10 per quintal to Rs. 225 per quintal (Table III-6).

The building up and maintenance of 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 year as also during periods of droughts and floods. According to the decision taken by the Government in December 1990, the size of the minimum stocks to be maintained by the public agencies in the country should be as under on different dates of a year.

(Total minimum stocks)

(Million tonnes)

Date	Wheat	Rice	Total
1	2	3	4
April 1,	3.7	10.8	14.5
July 1,	13.1	9.2	22.3
October 1,	10.6	6.0	16.6
January 1,	7.7	7.7	15.4

Aggregate foodgrains stocks as at end-June 1991 stood higher at 21.07 million tonnes (comprising 9.86 million tonnes of rice, 11.04 million tonnes of wheat and 0.17 million tonnes of coarsegrains) as compared with 20.31 million tonnes at end-June 1990 (consisting of 6.94 million tonnes of rice, 13.20 million tonnes of wheat and 0.17 million tonnes of coarsegrains). The stocks as at the end of June 1991 were slightly lower than the minimum stocks norm of 22.3 million tonnes prescribed for July 1 of each year. Serious thought is now being given to extend the PDS to areas so far not reached and also to limit its operations to economically weaker sections.

Commodity-wise review

Rice

Rice is the most important cereal crop in India grown over an area of about 42 million hectares which is about 23 per cent of the total cropped area, with an irrigation coverage of about 43 per cent. A large area is rainfed and therefore, *Kharif* rice predominates and is normally grown over an area of 39 million hectares while *Rabi* summer rice is grown over an area of 2-3 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 1990-91 is placed at a new record level of 74.6 million tonnes comprising 66.8 million tonnes of *Kharif* rice and 7.8 million tonnes of *Rabi* rice. As compared to the production of 74.1 million tonnes in 1989-90, the production in 1990-91 was higher by 0.5 million tonnes or 0.7 per cent. Rice production in 1990-91 has exceeded the overall targetted level of 73.7 million tonnes, though the *Rabi* output has fallen short of the target of 8.0 million tonnes. However, *Kharif* rice production at 66.8 million tonnes in 1990-91 has exceeded the target of 65.7 million tonnes by 1.1 million tonnes or 1.7 per cent. The increase in rice production and productivity can be attributed, *inter alia*, to the effective implementation of the Special Foodgrains Production Programme for rice which covered 14 States and the Special Rice Production Programme in eastern States. During 1990-91 the ongoing schemes of Special Rice Production Programme (SRPP) in eastern States and Special Foodgrains Production Programme -Rice (SFPP-Rice) were merged and implemented as unified scheme designated as Integrated Programme for Rice Development (IPRD). The States of Kerala, Goa, Pondicherry, HP and Jammu and Kashmir were included under the IPRD. An outlay of

Rs. 90 crore (Rs. 87 crore for IPRD and Rs. 3 crore for Minikit Programme of rice) was provided as Government of India's share for the implementation of these schemes. The programme implementation, *inter alia,* included the developmental programmes for increasing the basmati rice production for export in 19 identified districts in Uttar Pradesh, Punjab and Haryana. In view of all these, the production of rice has shown improvement over the years.

The green revolution has helped the country to overcome famines, but it has not succeeded in making any significant impact on productivity levels in the rainfed and dry land areas. The need of the hour is to exploit the untapped potential of these areas by creating economic and social overheads in the form of minor irrigation facilities, road networks, adequate transportation, electrification and development of markets, etc.

In Punjab and Haryana, where the green revolution was successful, the yield of rice increased significantly. The yield of rice shot up from 1322 kg. per hectare in 1967-68 to 2772 kg. per hectare in 1988-89 in Punjab and from 1323 kg. per hectare in 1967-68 to 2399 kg. per hectare in Haryana. In Bihar, the rice yield showed a growth of 25 per cent in the last two decades. In Madhya Pradesh, there was only a marginal improvement in rice yield. The yield increased from 766 kg. per hectare in 1967-68 to 966 kg. per hectare in 1988-89. On the recommendations of the Commission for Agricultural Costs and Prices (CACP), procurement prices of paddy for the *kharif* marketing season of the year 1990-91 were raised to Rs. 205, Rs. 215 and Rs. 225 per quintal from Rs. 185, Rs. 195 and Rs. 205 per quintal for 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 procurement prices, increase in transport and distribution 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 1989-90 *kharif* marketing season (October-September) aggregated 11.85 million tonnes compared with 7.71 million tonnes procured during the preceding season. Rice procurement during the 1990-91 *kharif* marketing season (from October 1, 1990 to June 28, 1991) at 12.50 million tonnes was higher by 0.94 million tonnes or 8.1 per cent than the procurement of 11.56 million tonnes in the same period last season (Table III-8).

Rice stocks with the Government as at end June 1991 stood at 9.86 million tonnes compared with 6.94 million tonnes as at end-June 1990, showing an increase of 42.1 per cent.

Distribution of rice through PDS including issues for National Rural Employment Programme (NREP), Rural Landless Employment Guarantee Programme (RLEGP), Employment Guarantee Scheme (EGS) and Jawahar Rozgar Yojana (JRY) during 1990 aggregated 8.05 million tonnes compared with 8.56 million tonnes in the preceding year. During the first half of 1991, 4.50 million tonnes of rice was distributed through PDS compared with 4.02 million tonnes during the corresponding period of 1990, showing a rise of 11.9 per cent.

Wheat

Wheat is the most important *Rabi* cereal crop in the country covering about 52 per cent of the total area under *Rabi* foodgrains crops and contributes 71.5 per cent to the total foodgrains production during the season. The average area under this crop during the last six years has been around 23 million hectares of which around 18 million hectares are irrigated.

Wheat has played a very important role in stabilising the foodgrains production in the country over the past several years. It recorded an all-time high level of production of 54.1 million tonnes in 1988-89. However, in 1989-90 output declined to 49.6 million tonnes due to untimely rise in temperature in January-February 1990 and consequent early flowering of the plant.

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
1982-83	47.1	42.8	27.7	7.0	8.3	—	—	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	—	0.6	2.1	—	6.8	6.5	0.1	7.7	14.7	0.1
1984-85	58.3	44.1	31.1	9.9	10.3	0.2	—	—	—	7.2	9.1	0.1	9.9	15.1	0.2
1985-86	63.2	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	10.3	0.2	4.6	4.7	0.1
1988-89	70.5	54.1	31.5	7.7	9 0	Neg.	0.6	1.6	0.1	8.6	7.8	0.1	6.1	6.0	Neg.
1989-90	74.1	49.6	34.3	11.9	11.1	0.2				8.4	6.9	0.1	9.5	9.4	0.1
1990-91£	74.6	54.3	33.4	12.5	7.7	0.2				4.5	5.5	—	9.9	11.0	0.2
				(11.6)	(10.9)	(0.2)				(4.1)	(3.4)	(Neg.)	(6.9)	(13.2)	(0.2)
1991-92 (Target)	76.5	56.5	34.0												

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.

S : 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 1991.
Neg.: Negligible.

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	1986-87		1987-88		1988-89		1989-90		1990-91		1991-92	
	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
Paddy-Common		146		150		160		185		205		
Paddy-Fine		150		154		170		195		215		
Paddy-Superfine		156		158		180		205		225		
Wheat		162		166		173		183		215		225
Jowar		132		135		145		165		180		
Bajra		132		135		145		165		180		
Maize		132		135		145		165		180		
Ragi		132		135		145		165		180		
Barley	132		135		135		145		180		190	
Gram	260		280		290		325		421		450	
Moong	320		325		360		425		480			
Urad	320		325		360		425		480			
Tur	320		325		360		425		480			

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

Source : Ministry of Agriculture, Government of India.

Table III-7 : Isssue prices of Foodgrains

(Rs. 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		
Open market sales					205	205	210	240	
		29-12-83 (Bajra only)							
Coarsegrains (Jowar, bajra, maize and ragi)		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	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91 (upto end-June 1991)	1989-90 (upto end-June 1990)
1	2	3	4	5	6	7	8	9	10
Andhra Pradesh	1484	1789	1573	1468	1515	1478	2490	3303	2347
Haryana	624	978	1042	680	319	674	957	1036	957
Karnataka	145	101	82	121	67	121	155	144	140
Madhya Pradesh	312	361	571	459	279	284	340	616	337
Orissa	117	112	136	123	67	132	233	206	207
Punjab	3273	4293	4177	4333	3355	2856	4998	4796	4977
Tamil Nadu	731	807	950	886	551	755	948	880	896
Uttar Pradesh	808	1121	1067	1015	607	1215	1523	1319	1510
West Bengal	80	97	69	49	63	97	100	93	83
Others	157	204	168	77	50	99	107	107	104
TOTAL	**7731**	**9863**	**9835**	**9211**	**6873**	**7711**	**11851**	**12500**	**11558**

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

During 1990-91, production of wheat has been estimated at 54.3 million tonnes reaching the target of 54.5 million tonnes. The exceptionally good South-West monsoon in 1990 and consequent favourable soil moisture conditions and comfortable water storage conditions paved the way for a record level of wheat output during 1990-91. Further, the area under wheat crop was also comparatively higher than that in the previous years. The thrust programmes such as cultivation of identified high yielding varieties with a recommended package of practices, provision of high quality seeds of new high-yielding varieties at reasonable rates, use of optimum and balanced doses of fertilizers, efficient water management to provide irrigation at critical stages of crop growth, weed control at the proper time and adequate supply of power and diesel to run tubewells and pumpsets at the time of sowing and subsequent growth stages, etc., helped in reaching a higher level of output of wheat during 1990-91. The Special Foodgrains Programme for wheat which was launched from 1988-89 was implemented in 101 districts spread over seven States during 1990-91 with a provision of Rs. 20.0 crore outlay.

In States like Punjab, Haryana, Bihar and Madhya Pradesh the Green Revolution has helped to increase the yield of wheat to a considerable extent in the last two decades.

Procurement price of wheat of fair average quality was raised by Rs. 10 per quintal to Rs. 225 per quintal for the 1991-92 *Rabi* marketing season. The issue price of wheat supplied through the PDS at Rs. 234 per quintal continued for 1991-92 (Table III-6 and III-7). Wheat procurement during the 1990-91 *Rabi* marketing season (April 1990-March 1991) aggregated 11.1 million tonnes which was higher by 2.1 million tonnes or 23.3 per cent than the procurement of 9.0 million tonnes in 1989-90 season. Wheat procurement during the first quarter of 1991-92 (April 1991-June 1991) was 7.7 million tonnes as against 10.9 million tonnes during the same period of 1990-91 season, showing a decline of 29.4 per cent (Table III-9).

During the financial year 1990-91, total off-take of wheat aggregated 8.30 million tonnes as against 7.33 million tonnes in 1989-90, showing an increase of 13.2 per cent. Off-take of wheat under the PDS (including NREP, RLEGP, EGS, JRY, etc.) was 7.17 million tonnes as against 7.10 million tonnes in 1989-90. Open market sale of wheat by the Food Corporation of India (FCI) was substantially higher at 1.13 million tonnes in 1990-91 as against 0.23 million tonnes in 1989-90 and 1.01 million tonnes in 1988-89. Total off-take of wheat during the first quarter of 1991-92 (April-June) was 2.08 million tonnes compared with 1.36 million tonnes during the same period 1990-91 (Table III-4a).

As at end-December 1990, total stocks of foodgrains with Government agencies stood at 19.0 million tonnes as against 12.1 million tonnes as at end-December 1989. Wheat stocks as at end-June 1991 was 11.0 million tonnes compared with

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

(Thousand tonnes)

States/Union Territories	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1989-90 (April-June)	1990-91 (April-June)	1991-92 (April-June)
1	2	3	4	5	6	7	8	9	10	11
Haryana	1774	1959	2339	2247	1261	1971	2591	1973	2590	1833
Madhya Pradesh	91	14	6	Neg.	—	—	Neg.	—	Neg.	—
Punjab	5012	6151	6484	4419	4748	5600	6744	5601	6723	5535
Uttar Pradesh	2152	2174	1598	1152	521	1323	1601	1063	1481	368
Others	271	49	109	62	5	106	138	106	135	8
Total	**9300**	**10347**	**10536**	**7880**	**6535**	**9000**	**11074**	**8743**	**10929**	**7744**

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

13.2 million tonnes as at end-June 1990, showing a decline of 16.7 per cent (Table III-5).

There were no restriction on movement of wheat and levy free rice throughout the country.

Imports and Exports

During the year 1990-91, there was no import of wheat or rice. A quantity of about 45,000 tonnes of rice was returned by Government of Vietnam during the year out of the rice loan given to that country by India in 1980.

The Government of India decided to export 10 lakh tonnes each of wheat and non-basmati rice during 1990-91. Further, it was also decided to give a gift of 20,000 tonnes of rice to USSR. Of this, a quantity of 10,300 tonnes had been shipped upto end-March 1991.

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. Jowar is mainly grown in Maharashtra. Major bajra producing States are Rajasthan, Gujarat and Haryana. Maize is primarily grown in U.P., Rajasthan and Bihar. Barley cultivation is largely confined to the States of U.P., Rajasthan and Haryana. Coarse cereals are generally rainfed crops and are grown by small and marginal farmers mostly in unirrigated tracts. Only about 7-8 per cent of the area under coarse cereals is irrigated. Coarse cereals are grown over an area of about 40 million hectares.

The production of coarse cereals which had increased by about 9 per cent to 34.3 million tonnes in 1989-90, declined to 33.4 million tonnes in 1990-91 The main constraints in increasing coarsegrains production are : (i) low coverage of area under high yielding varieties/hybrids because of non-availability of seeds in sufficient quantities and (ii) reluctance of the farmers to invest on inputs as yields are uncertain. The uptrend in production of coarse cereals in recent years was largely on account of the increase in production of maize and bajra. The Special Foodgrains Production Programme of maize and millets was implemented in 114 districts spread over 13 States with an allocation of Rs. 19.95 crore. Similarly, the SFPP - Jowar was being implemented in 33 districts of six States, SFPP - Bajra in twenty districts of four States and SFPP-Ragi in twenty districts of six States. The programme components include distribution of inputs like certified seeds, pesticides, plant protection equipments, etc., at subsidised rates.

Procurement and distribution of coarse cereals has so far been modest. From 1985-86 marketing season, NAFED had been the nodal agency for procurement of coarse cereals. In 1989-90, FCI was entrusted with the task of procurement of coarse cereals in Punjab, Haryana and Uttar Pradesh. Procurement of coarsegrains during the 1990-91 marketing season (i.e. October 1, 1990 to September 30, 1991) till end-June 1991 totalled 0.20 million tonnes as against 0.19 million tonnes during the corresponding period of the last season. The off-take of coarse cereals under the PDS during the calendar year 1990 was 0.03 million tonnes compared with 0.08 million tonnes in 1989. Coarsegrains stocks with the Central and State Government agencies at the end of June 1991 stood at 0.17 million tonnes i.e. at the same level a year ago.

Pulses

Pulses form an important part of Indian diet. Pulses are chief source of protein that are essential adjuncts to a predominantly cereal-based diet and enhance the biological value of the protein consumed. However, the per capita consumption is very low as compared to the recommended quantity by the Nutritional Institute of India. This low consumption may be attributed to the inadequate supply and high price of pulses. The inadequate supply is normally due to the low productivity of these crops.

Pulses are grown over an area of 24 million hectares with production in the range of 11-13 million tonnes and account for 18 per cent of the total area under foodgrains. They account for less than 8 per cent of the total foodgrains production with yield per hectare ranging 500-600 kgs. per

hectare. These are grown mainly under unirrigated conditions as irrigated area accounts for about 9 per cent of the total area. Also, most pulses are grown on marginal lands characterised by moisture and fertility stress. Further, unlike cereals, pulses are highly susceptible to various kinds of pests, diseases and weeds. This has reinforced the tendency of growers to cultivate pulses in poorer lands without much input of fertilizer. Although pulses are high protein and energy rich crops, they are grown mostly under energy starvation conditions, resulting in poor production.

Concerned at the production of pulses remaining virtually stagnant since 1970-71, a Centrally Sponsored Scheme - "The National Pulses Development Project" is being operated since 1986-87 on a nation-wide scale with the aim of increasing production of pulses through adoption of crop and area specific varieties and production technology. Under this project, assistance is provided to the farmers by way of distribution of seeds, technology demonstrations, pest control, extension work and plant protection measures. An amount of Rs. 18.05 crore was provided in 1990-91 under the programme on 75:25 sharing basis between the Government of India and the State Governments. An outlay of Rs. 20.0 crore has been earmarked as Government of India's share for implementation of the programme during 1991-92. In addition, pulses development is also being promoted by Special Foodgrains Production Programme (SFPP) — Pulses – a completely Central Government Sponsored Programme with emphasis on (i) plant protection for gram and arhar and (ii) expansion of area under summer moong/urad through distribution of seeds at concessional rates. An amount of Rs. 4.5 crore was sanctioned for the programme during 1990-91 which is being increased to Rs. 6.0 crore during 1991-92.

The production of pulses which had declined in the drought years of 1986-87 and 1987-88 to around 11.0 million tonnes, recorded a substantial increase to reach an all-time peak level of 13.8 million tonnes in 1988-89 as against the earlier peak level of 13.4 million tonnes recorded in 1985-86. However, in 1989-90 there was again a setback in its production when it fell to 12.6 million tonnes solely because of decline in yield per hectare though there was marginal expansion in acreage. The production of pulses during 1990-91 is estimated to reach a new record level of 14.0 million tonnes as against the target of 15.0 million tonnes envisaged for the year.

One disquieting feature is that despite best efforts to increase pulses production, the production trend is not encouraging. As a result, the per capita availability of pulses has been declining every year. From 69.0 gram per day in 1961, the per capita availability has come down to 30.9 gram per day in 1980, but increased thereafter to 42.2 gram per day in 1989. The per capita availability of pulses was 36.5 gram per day in 1990.

As the production has stagnated, the Government has allowed import of pulses under Open General Licence (OGL). During 1989-90, import of pulses was 4.3 lakh tonnes. Import of pulses at 7.9 lakh tonnes during 1990-91 was higher by about 84 per cent over 1989-90. Pulses were brought under the purview of the Technology Mission on Oilseeds in the Department of Agriculture and Co-operation in August 1990.

Cotton

The Ministry of Agriculture has placed the cotton production during 1990-91 cotton season (September-August) lower at 100.0 lakh bales as compared to 114.1 lakh bales during 1989-90. The cotton production during 1990-91 may also be lower than the target of 115.0 lakh bales.

The 1990-91 season commenced with the timely sowings of irrigated kharif cotton in the Northern States of Punjab, Haryana, Rajasthan and Uttar Pradesh. In the rainfed cotton areas of Madhya Pradesh, Gujarat and Maharashtra sowing began with the pre-monsoon showers while sowings was delayed in the Central States as also in certain areas of north Andhra Pradesh and south Rajasthan due to delay in the onset of monsoon. Sowing in these areas could be completed on onset of widespread rains towards the end of June/

beginning of July 1990. Heavy and incessant rains lashed the northern States as also parts of Gujarat during the middle of July causing extensive floods. However, there was deficiency of monsoon in the other parts of Gujarat which not only delayed agricultural operations but also resulted in unsatisfactory plant growth. In Andhra Pradesh and Karnataka too there were long dry spells in rainfed tracts. In Tamil Nadu the North-East monsoon was delayed and the sowing was also held up for some time.

In spite of all these vagaries of weather, the general crop season was satisfactory till the middle of September 1990. However, heavy and excessive rains in the northern States especially Punjab and Haryana affected normal plant growth and increase in the incidence of pests like heliothis, bollworms, jassids, etc. at the time of pod formation/flowering. This damaged the crop considerably in Punjab, Haryana as also in Madhya Pradesh and Maharashtra. The initial expectation of a bumper crop was marred by the September rains and the crop size is expected lower at 100.0 lakh bales as against 114.1 lakh bales in 1989-90.

The Cotton Advisory Board (CAB) at its first meeting held on November 8, 1990, estimated the cotton production at 129.00 lakh bales as against the record production of 133.50 lakh bales achieved during 1989-90 season. The CAB, at its subsequent meeting held on December 17, 1990, scaled down the estimate to 122.00 lakh bales and was further revised downward to 115.00 lakh bales on March 26, 1991. The CAB, at its fourth meeting held on June 21, 1991 retained its earlier estimate of cotton output at 115.00 lakh bales. However, the CAB at its meeting held on August 29, 1991 slightly enhanced the production by two lakh bales to 117.00 lakh bales.

The 1990-91 season, according to CAB, commenced with an opening stock of 30.79 lakh bales as against 22.00 lakh bales in the previous season. Considering the season's output of 117.00 lakh bales, the total availability of cotton during 1990-91 season works out to 147.79 lakh bales as against the availability of 155.50 lakh bales in the last season. On the demand side, the CAB estimated the cotton consumption by mills in 1990-91 season higher at 109.00 lakh bales as compared to 104.50 lakh bales during previous season and non-mill requirements was also estimated higher at 7.50 lakh bales against 6.50 lakh bales during 1989-90 season. The exports are estimated at 11.90 lakh bales as against 13.71 lakh bales during 1989-90. Thus, the total demand for cotton during 1990-91 season works out to 128.40 lakh bales, leaving the closing stock at the end of the 1990-91 season lower at 19.39 lakh bales as against 30.79 lakh bales at the end of the 1989-90 season. The supply-demand position of cotton during the past few years is presented in Table III-10.

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

(Lakh bales of 170 kgs. each)

Item	September-August					
	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91*
1	2	3	4	5	6	7
I. SUPPLY	**135.83**	**134.50**	**113.00**	**126.93**	**155.50**	**147.79**
1. Opening Stock	28.83	39.50	20.00	18.68	22.00	30.79
2. Production	107.00	95.00	90.00	106.00	133.50	117.00
	(87.3)	(69.1)	(63.8)	(87.4)	(114.1)	(100.0)
3. Imports	—	—	3.00	2.25	—	—
II. DEMAND	**96.17**	**115.17**	**97.93**	**105.00**	**124.71**	**128.40**
1. Mills consumption	86.57	95.20	92.00	98.00	104.50	109.00
2. Ex-factory consumption@	5.10	5.50	5.50	6.00	6.50	7.50
3. Exports	4.50	14.47	0.43	1.00	13.71	11.90
III. CLOSING STOCK (I-II)	**39.66**	**19.33**	**15.07**	**21.93**	**30.79**	**19.39**

Note : 1) Figures in brackets represent estimates by the Ministry of Agriculture.
2) Figures showing opening stocks are different than that of closing stock of preceding years as the opening stocks are compiled afresh every year.
@ Including Ambar Charakha, Surgical Dressing Factories and Waste Spinning Units.
* As per CAB meeting held on August 29, 1991.

The Government's price policy for 1990-91 season continued to be guided by the twin objectives of assuring remunerative prices to the farmers and ensuring reasonable prices to the user industry. The minimum support prices for 1990-91 season for two basic varieties of cotton viz. F-414/H-777 for short staple and medium staple group and H-4 variety for long staple group were fixed by the Government on the lines recommended by Commission for Agricultural Costs and Prices (CACP). While fixing the support prices, the Government takes into account the factors such as (i) varieties popularly used by the mills or popular in export or varieties securing higher prices in export, (ii) the changes in the cost of production and other charges incurred by the farmers. 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 1990-91 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 to Rs. 620 per quintal and Rs. 750 per quintal, respectively from that of Rs. 570 per quintal and Rs. 690 per quintal, respectively, last season.

Role of Procurement Agencies

During the 1990-91 season, the Cotton Corporation of India (CCI) continued its purchase operations (i) to undertake price support operations whenever prices of kapas fall below support price announced by the Government, (ii) to procure cotton for meeting the requirements of National Textile Corporation and other institutional buyers like Khadi Village and Industries Commission, State Textile Corporations etc. on indent basis and (iii) to undertake purchases of cotton to fulfil export quota given by Government of India. The Corporation operates in all States where cotton is grown except in Maharashtra which has its own State Monopoly Procurement Scheme.

During the 1990-91 season, the CCI had purchased 10.19 lakh bales of cotton which is lower than 12.43 lakh bales purchased during the 1989-90 season.

In Maharashtra, the State owned agency *viz.*, the Maharashtra State Co-operative Cotton Growers' Marketing Federation (MSCCGMF) undertakes the procurement operations under its Monopoly Procurement Scheme since 1972-73. The CCI does not make any purchases in Maharashtra. The scheme has been extended from time to time and the last extension was up to June 30, 1990. The Central Government has granted further extension of three years to the scheme.

The procurement of cotton by MSCCGMF under the scheme commenced in western Maharashtra on August 15, 1990 and in Vidarbha, Marathwada and Khandesh on November 7, 1990. The MSCCGMF purchased cotton at the guaranteed price fixed by the Government from time to time. As the guaranteed prices were on par with support prices, cotton growers were given advance additional price of around 11 per cent at the time of tendering cotton. However, it was subsequently enhanced to 20 per cent on SUP/FAQ grades and 50 per cent of SUP/FAQ grades to Fair Grades of all varieties.

The MSCCGMF, procured 13.49 lakh bales during the 1990-91 season against 20.90 lakh bales procured in 1989-90 season (Table III - 11). It disbursed an amount of Rs. 462.61 crore to farmers as guaranteed price and a sum of Rs. 87.26 crore as advance additional price for the season.

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					
	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91
1	2	3	4	5	6	7
CCI	15.74	8.23	6.50	5.80	12.43	10.19
MSCCGMF	29.91	13.00	12.59	11.77	20.90	13.49

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

During the cotton year 1989-90, 14.81 lakh bales were released for export, of which 13.71 lakh bales were exported. For the 1990-91 cotton season, the Government of India has targetted 15 lakh bales of cotton for export, of which 12.50 lakh bales have already been allocated to various public sector agencies, co-operative federations and private trade. The details of cotton released for export during 1990-91 season are given in Table-III 11A.

Table III-11-A : Cotton Export Quotas Released During 1990-91 Season

(In bales of 170 Kgs. each)

	Variety	Quantity
1.	Extra long staple cotton (34.5 mm and above)	25,000
2.	Long staple cotton (28 mm to 34 mm)	8,25,000
3.	Medium and Superior Medium staple cotton (24.5 mm to 27.5 mm)	2,75,000
4.	Bengal Deshi cotton/Assam Commilla cotton	75,000
5.	Yellow Picking cotton	25,000
6.	Soft cotton waste	25,000
	TOTAL	**12,50,000***

* In addition to export quota of 12.50 lakh bales, 1,00,000 kgs. of hard cotton waste have also been released for export during 1990-91 season.

Intensive Cotton Development Programme (ICDP)

During 1990-91, the Centrally Sponsored Intensive Cotton Development Programme (ICDP) was continued in all the major cotton growing States viz., Punjab, Haryana, Rajasthan, Uttar Pradesh, Gujarat, Maharashtra, Madhya Pradesh, Andhra Pradesh, Karnataka and Tamil Nadu. The main strategy of the programme is to increase the production and productivity of all types of cotton with major emphasis on increasing the production of medium and long staple cotton which are in short supply. Efforts were directed to increase the production of exportable types viz., extra superior long staple and Deshi cotton to fulfil the export commitments. To achieve the above objectives, efforts were made to increase the area under irrigated cotton particularly at the tail-end of the canals, use of improved varieties/hybrid seeds on large areas, and intensive plant protection measures. The total cost under the project for year 1990-91 was placed at Rs. 779.30 lakh shared equally by Central and State Governments. During 1991-92, the outlay is proposed to be Rs. 763 lakhs.

Raw jute and mesta

The Ministry of Agriculture estimated the raw jute and mesta production during 1990-91 season (July-June) higher at 91.0 lakh bales comprising 77.9 lakh bales of jute and 13.1 lakh bales of mesta as against the production of 82.9 lakh bales (70.7 lakh bales of jute and 12.2 lakh bales of mesta) in 1989-90 season. The production in 1990-91 was 9.8 per cent higher than that in the preceding year and also exceeded the target fixed at 90.0 lakh bales. The target for 1991-92 is fixed at 91.0 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 1990-91 (July-June) at 90.0 lakh bales was much higher as compared to 72.5 lakh bales in the previous year. However, the supply position remained tight initially because of low carry-over stock of 13.5 lakh bales as against 20.5 lakh bales in the previous season. Together with imports of 1.5 lakh bales of raw jute, the total availability during 1990-91 was placed at 105.0 lakh bales as against 95.5 lakh bales during 1989-90 season. Total demand for 1990-91 is expected to be at 85.0 lakh bales (including mills' consumption of 80.0 lakh bales, other domestic consumption of 4.0 lakh bales and exports of 1.0 lakh bales) as compared to the demand of 82.0 lakh bales, during 1989-90. The closing stocks at the end of the 1990-91 season are likely to be higher at 20.0 lakh bales as compared with 13.5 lakh bales at the end of the previous season (Table III-12).

In Calcutta, the prices of raw jute (W-5 variety) (ex-other States) during 1990-91 were not as volatile as during the previous year. In the 1990-91 jute season, the wholesale prices of raw jute commenced with easy trend due to the initial expectations of fairly good crop and the price reached a low of Rs. 455 per quintal on

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

(In lakh bales of 180 kgs. each)

Items	JULY-JUNE				
	1986-87	1987-88	1988-89	1989-90	1990-91(E)
1	2	3	4	5	6
I. SUPPLY					
1. Opening Stock	45.0	45.0	35.0	20.5*	13.5
2. Imports	—	—	—	2.5	1.5
3. Crop	75.0	63.0	65.0	72.5	90.0
	(86.2)	(67.8)	(78.6)	(82.9)	(91.0)
4. Other sources @	7.0	—	—	—	—
Total Supply (1+2+3+4)	**127.0**	**108.0**	**100.0**	**95.5**	**105.0**
II. DEMAND					
1. Mill Consumption	77.6	69.5	78.0	77.5	80.0
2. Exports	0.5	0.5	0.5	0.5	1.0
3. Other domestic consumption	4.0	3.0	4.0	4.0	4.0
Total Demand (1+2+3)	**82.1**	**73.0**	**82.5**	**82.0**	**85.0**
III. CLOSING STOCK (I-II)	**44.9 or 45.0**	**35.0**	**17.5**	**13.5**	**20.0**

* Opening stock figures for the year 1989-90 is 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.

E: Estimated

Source : Jute Commissioner's Office.

August 9, 1990. Prices remained steady in general during September-November 1990. From the third week of December 1990, however, due to the Gulf crisis, the prices gradually firmed up to Rs. 755 per quintal on February 22, 1991. Subsequently, the prices retreated to Rs. 605 per quintal in the last week of June 1991. At the close of the season, the raw jute prices ruled at Rs. 625 per quintal.

With the congenial weather conditions in all jute/mesta growing areas from the beginning of the sowing and adequate availability of the certified seeds and good price realisation prospects, there was a bumper production of 90 lakh bales. The prices of raw jute in almost all markets ruled well above the minimum support price of Rs. 320 per quintal for 1990-91 season, mainly due to strong buying support from trade and industry in the wake of buoyancy in jute goods prices. Hence, Jute Corporation of India confined its activity to commercial procurement only.

In its price policy the Government strives to achieve some degree of stability in prices, availability and supply of raw jute. Price policy aims at curbing undesirable speculative activities and imparting a healthy balance between demand and supply. On the recommendations of CACP, minimum support prices are fixed every year. For ensuring availability of raw jute and raw material to the jute industry at reasonable prices, the Government took measures to maximise the production particularly of the superior grades for export purposes. The policy tries to ensure equitable distribution of available quantity so that financially weak mills are not denied raw material supply. One of the objectives of policy is also to maintain buffer stocks for bringing stability in both prices and supply.

The export of jute goods of 2.41 lakh tonnes valued at Rs. 298 crore in 1990-91 (April-March) was marginally higher as compared to 2.36 lakh tonnes valued at Rs. 296 crore in the previous

year. The increase in volume of exports during 1990-91 was on account of rise in export of sacking. Exports to Rupee Payment Area (RPA) remained static in terms of quantity but recorded a sharp decline in terms of value. However, there was significant increase in exports to General Currency Area (GCA) in terms of both quantity and value.

Minimum Support Prices (MSP) for the basic variety of raw jute TD-5 (ex-Assam) was raised by the Government to Rs. 320 per quintal for 1990-91 season from Rs. 295 per quintal for the previous season. The corresponding minimum support prices of all grades of jute/mesta in different jute/mesta growing States were notified by Jute Commissioner. The MSP was raised by the Government by Rs. 55 from Rs. 320 to Rs. 375 per quintal for the 1991-92 jute season beginning from July 1991.

During the 1990-91 season, the Jute Corporation of India (JCI) purchased 8.5 lakh bales of raw jute on commercial basis as against 5.1 lakh bales of raw jute in 1989-90 season (Table III-13).

Special Jute Development Programme

The Centrally Sponsored Scheme on Special Jute Development Programme (SJDP) was launched in 1987-88 replacing the Intensive Jute Development Programme (IJDP). The SJDP aims at increasing productivity and quality of fibre. The programme covered 275 thousand hectares of jute, 28 thousand hectares of mesta and 15 thousand hectares of sunnhemp spread over eight jute/mesta growing States viz., West Bengal, Assam, Bihar, Orissa, Uttar Pradesh, Meghalaya, Tripura and Andhra Pradesh.

Under SJDP there were provisions for subsidised distribution of certified seeds, seed drill, wheel hoe, sprayer, construction of retting tanks and laying of package demonstration, etc. A total 14,980 quintals of certified jute seeds and 520 quintals of quality mesta seeds were distributed in the earmarked area. Fungal culture packets numbering 2.32 lakh were also distributed in the programmed area for qualitative improvement of barky jute. During 1990-91, an outlay of Rs. 898.0 lakh was provided for the implementation of SJDP.

Oilseeds

According to the Ministry of Agriculture, the oilseeds production during 1990-91 is likely to reach an all-time high of 191.0 lakh tonnes exceeding the target of 180 lakh tonnes set for the year and the actual production of 167.5 lakh tonnes in the previous year.

Season-wise, the kharif oilseed crop during 1990-91 at 98.6 lakh tonnes showed a marginal increase of 3.2 per cent than the production of 95.5 lakh tonnes in the previous year. The rabi oilseed crop during 1990-91 is substantially higher by 28.3 per cent at 92.4 lakh tonnes as compared to 72.0 lakh tonnes in the previous year. The *kharif* 1990 groundnut crop suffered a setback on account of poor rainfall during the sowing period which led to reduction in the main groundnut growing areas of Gujarat and Tamil Nadu and also part of Maharashtra and Andhra Pradesh. However, there was a steep increase in *rabi* oilseeds production during 1990-91 which

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

(In lakh bales of 180 kgs each)

Items	JULY-JUNE						
	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91
1	2	3	4	5	6	7	8
Total Purchases	10.2	28.2	22.2*	5.4	6.8	5.1	8.5
Price Support Operations	—	26.8	22.2	5.4	Neg.	—	—
Commercial Operations	10.2	1.4	—	—	6.8	5.1	8.5

* Revised Neg. : Negligible

Source : Jute Corporation of India.

Table III-14 : Output of Oilseeds

(Lakh tonnes).

Items	1986-87	1987-88	1988-89	1989-90	1990-91
1	2	3	4	5	6
Target	**148.0**	**140.0**	**156.5**	**165.0**	**180.0**
Production	**112.7**	**126.5**	**180.3**	**167.5**	**191.0**
Of which :					
a) Kharif	63.8	64.2	105.3	95.5	98.6
b) Rabi	48.9	62.3	75.0	72.0	92.4
Groundnut (in shell).	58.8	58.5	96.6	80.9	80.9
Rapeseed/Mustard	26.0	34.6	43.8	41.2	54.0
Sesamum	4.5	5.8	6.8	7.1	8.1
Safflowerseed	3.5	4.6	4.4	4.9	3.3
Nigerseed	1.3	1.8	1.8	1.8	1.9
Sunflowerseed	4.2	6.3	3.7	5.9	8.4
Soyabean	8.9	9.0	15.5	17.1	24.4
Linseed	3.2	3.9	3.6	3.5	3.6
Castorseed	2.3	2.0	4.1	5.1	6.4

Source : Ministry of Agriculture, Government of India.

Table III-15 : Support Prices of Oilseeds.
(Marketing Year).

(Rs. per quintal)

Oilseeds (Fair Average Quality)	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92
1	2	3	4	5	6	7	8
Groundnut (in shell)	350	370	390	430	500	580	645
Soyabean (Black)	250	255	260	275	325	350	395
Soyabean (Yellow)	275	290	300	320	370	400	445
Sunflowerseed	335	350	390	450	530	600	670
Rapeseed/Mustard	385	400	415	430	460	575	600
Toria	—	360	375	400	430	545	570
Safflowerseed	—	400	415	415	440	550	575
Copra@	—	—	—	—	1500	1600	1700

@ Announced for the first time for 1989 season.

Source : Ministry of Agriculture, Government of India.

was on account of bumper *rabi* production of rapeseed/mustard crop at 54.0 lakh tonnes as against 41.2 lakh tonnes in the previous year. The soyabean crop also showed a substantial increase at 24.4 lakh tonnes as against 17.1 lakh tonnes in 1989-90. (Table III-14).

With a view to providing fair returns to the farmers for their produce, the minimum support prices are fixed by Government for various oilseeds crops based on the recommendations of CACP. The Minimum Support Prices (MSP) for rapeseed/mustard and safflower seed of fair average quality were raised to Rs. 600 per quintal and Rs. 575 per quintal from Rs. 575 per quintal and Rs. 550 per quintal, respectively, for the 1991-92 marketing season. Also, the MSP for groundnut (in shell) and toria were raised to Rs. 645 and to Rs. 570 per quintal for 1991-92 marketing season from Rs. 580 and Rs. 545 per quintal for the previous marketing season. In addition to this, the Government of India raised the minimum support price of copra of fair average quality to Rs. 1,700 per quintal for 1991-92 season from Rs.1,600 per quintal in the previous season. The National Agricultural Co-operative Marketing Federation Ltd. was designated as the nodal agency to undertake the price support operations for copra. The support prices announced for the 1991-92 marketing season and for the previous seasons are presented in Table III-15.

Despite impressive increase in oilseeds output, the demand for edible oils still outstrips the indigenous supply by about 10 lakh tonnes. The quantum of imports of edible oils to meet the demand supply imbalance is decided by the Government from time to time keeping in view the indigenous availability of oils, price position and feasibility of releasing foreign exchange for the purpose. The edible oils are imported through State Trading Corporation (STC) on Government account. As a result of poor production in 1989-90, the imports had almost doubled during the oil year 1989-90 (November to October) to 6.07 lakh tonnes from 3.73 lakh tonnes in 1988-89. However, during the current oil year upto September 1991 the imports of edible oil have been restricted to only 0.90 lakh tonnes. The imports of edible oil have been curtailed due to a severe foreign exchange crunch and the anticipated bumper rabi oilseed crop. The Government has directed the STC not to import more palmolein till further instructions. The details of imports of edible oils are presented in Table III-16.

Table III-16 : Imports of Edible Oils

Year	Quantity (Lakh Tonnes)	Value (Rs. Crores)
1	2	3
Oil Year (November-October)		
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	6.07	328.32
1990-91	0.90*	62.25*
Financial Year (April-March)		
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	2.95	162.47
1990-91	5.40	305.63

* Upto September 1991.

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

Allocation of Imported Edible Oils under PDS

To augment the overall supply of indigenous edible oils as also to contain rising trend in the prices of edible oils in the open market, the imported edible oils are being allocated to States and Union Territories for distribution to consumers under the Public Distribution System (PDS). The States/Union Territories were being allocated RBD Palmolein, RBD Palm Oil, Refined Rapeseed Oil, Refined Soyabean Oil for the PDS according to their taste preferences. However, during the last oil year keeping in view the good mustard crop, only palmolein was imported for supply through PDS network. With a view to prevent adulteration, leakage and wastage, measures have also been taken to supply maximum possible quantity of imported edible oils to the States in small packs. The Hindustan

Vegetable Oils Corporation Ltd. (HVOC) has been entrusted with the job of supplying and marketing of imported edible oils in small packs of 1 kg. and 2 kgs. In addition to the small packs, the imported oil is being issued in bulk/15 kgs. tins through fair price shops under PDS. The allocation of imported palmolein to vanaspati industry had been discontinued since May 1989. On account of non-availability of imported palmolein, there were no allocation of imported edible oils to the consumers through the PDS during December 1990 and January 1991. The month-wise allocation of imported edible oils to States and Union Territories for Public Distribution System and to Vanaspati Industry for last three years are presented in Table III-17.

Other Developments

In a bid to contain the prices and also to increase oilseeds production, the Government adopted the following measures:

(1) The stock limits of oilseeds (including mustard seed) with wholesalers, retailers and producers of edible oils and vanaspati have been reduced with effect from July 2, 1990.

(2) The State Governments have been requested to take up de-hoarding operations to enforce the reduced stock limits.

(3) Minimum margins on bank advances against oilseeds and vegetable oils including vanaspati were raised across-the-board by 15 percentage points with effect from May 4, 1990 and further by 15 percentage across-the-board effective July 2, 1990.

(4) Allocation of imported edible oils through PDS has been stepped up from the level of 35,200 tonnes in March 1990 to 99,890 tonnes in October 1990. Steps were being taken to supply imported

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

(In tonnes)

	States/Union Territories for PDS			Vanaspati units*
Month	1988-89	1989-90	1990-91	1988-89
1	2	3	4	5
July	83080	28785	70000	69788
	(26945)	(7980)	(26450)	
August	94840	34885	90000	77614
	(35510)	(15680)	(29940)	
September	93940	37665	92000	76883
	(45310)	(16080)	(18890)	
October	96940	38250	99890	69277
	(43693)	(14000)	(24913)	
November	86230	42870	58180	71700
	(36750)	(12050)	(18850)	
December	38523	26000	Nil	18201
	(16170)	(10260)		
January	40673	27000	Nil	16984
	(16080)	(10876)		
February	38265	28490	30750	30625
	(15000)	(13490)	(9970)	
March	32865	35200	34150	19027
	(11630)	(12600)	(15603)	
April	24155	40000	1225	24027
	(7530)	(12100)	(N.A.)	
May	24405	50500	1200	
	(11830)	(14650)	(N.A.)	
June	22955	61100	4940	
	(11780)	(27100)	(N.A.)	
Total	**676871**	**450745**	**482335**	
	(278228)	**(166866)**		

Note : Figures in brackets indicate supply in small packs.

* Allocation of imported edible oil to vansaspati industry has been withdrawn with effect from May 1989.

N.A : Not Available.

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

edible oils through 1 kg. poly packs to facilitate distribution.

(5) With a view to improving availability and acceptability of edible oils, blending of one conventional edible oil with one refined non-conventional oil (like soyabean, cottonseed, safflower) has been permitted under the Prevention of Food Adulteration Act by a Notification issued on April 23, 1990.

(6) The permission for use of 20 per cent of expeller mustard/rapeseed oil in the manufacture of vanaspati was withdrawn with effect from July 7, 1990 so as to increase the availability of these oils during lean/festival season. However, later in view of the bumper crop of mustardseed, the vanaspati producers have been allowed since March 1991 to use 20 per cent of expeller mustard oil in the manufacture of vanaspati.

Production Strategy and Measures - Integrated Policy for Oilseeds

Technology Mission on Oilseeds

The Technology Mission on Oilseeds (TMO) was launched by the Government of India in May 1986. The Mission's basic objective is to achieve self-reliance in oilseeds production and reduce the imports of edible oils. The Mission developed an integrated policy with a four-pronged strategy, viz., (a) improvement of oilseeds crop technology for higher yield and profit to the farmers, (b) improved processing and post-harvest technology to increase the yield by reducing wastages of 5 lakh tonnes oil per annum owing to inefficient storage and processing, (c) strengthening the services to the farmers particularly to supply technology, seeds, fertilisers, pesticides, irrigation, credit, etc. and, (d) improving institutions for post-harvest services including price support to farmers and financial and other support to processing industry. The integrated policy is implemented by the TMO with the help of Departments of Agricultural Research and Education, Civil Supplies, Bio-technology, Scientific and Industrial Research and with State Governments. In August 1990 pulses were brought under the purview of the Technology Mission to boost their production and curtail imports.

Oilseeds Development Programme

In order to achieve the production target, the Government implemented two schemes viz., the National Oilseeds Development Project (NODP) and Oilseeds Production Thrust Project (OPTP). The NODP, which started since 1984-85, remained in operation throughout the Seventh Plan. The scheme was implemented in 181 districts of 17 States for development of nine cultivated oilseeds. In addition to NODP, Oilseed Production Thrust Project (OPTP) was initiated in 1987-88 to give further support to oilseeds programmes in thrust areas of 17 States including Tripura. The project covers the development of four major oilseeds viz., groundnut, rapeseed/ mustard, soyabean and sunflower which account for about 87 per cent of the total oilseed production. However, the two major oilseeds programmes-NODP and OPTP were merged and a new thrust programme viz., Oilseed Production Programme (OPP) was introduced from July 1990 by the Department of Agriculture and Co-operation in about 282 districts of 18 States for the development of nine oilseeds crops. The total outlay under OPP during 1990-91 was Rs. 70 crore on 75:25 basis between Central and State Governments, (i.e. Rs. 54 crore as Government of India's share and Rs. 16 crore as States' share). Out of Rs. 54 crore, a sum of Rs. 2 crore for breeder seed production and Rs. 1.50 crore for organising front line demonstration has been allocated to the Indian Council of Agricultural Research (ICAR). The production of breeder seed and front-line demonstration is a new activity entrusted to ICAR. Allocation of funds would cover improved farm technology and provision of

inputs like seeds, bio-fertilizers, gypsum, plant production, and other services to farmers.

Furthermore, the project seeks to provide adequate credit support to the farmers through institutional agencies viz., Co-operatives and Regional Rural Banks for raising oilseed production. The National Bank for Agriculture and Rural Development (NABARD) has opened a special line of credit to co-operative banks and Regional Rural Banks in OPP districts. During 1991-92, the outlay would be stepped up to Rs. 78 crore.

National Dairy Development Board (NDDB) Oilseeds Project

The Government of India, appointed NDDB in 1989 as the Market Intervention Agency for 5 years. The NDDB adopted the strategy to procure oils directly from the open market and oilseeds through the Oilseeds Growers' Co-operatives associated with NDDB. Most of the oils procurement has been in the form of seeds purchased by associate co-operatives directly from the farmers. The NDDB was given a line of credit for its working capital requirements to the extent of Rs. 870 crore by the Reserve Bank of India. 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 oilseeds growers' co-operative societies. Under its second phase during 1990-91, the project was extended to the States of Rajasthan, Uttar Pradesh and Orissa. The project also continued to strengthen the oilseeds growers' co-operatives in the six States, viz., Andhra Pradesh, Karnataka, Gujarat, Maharashtra, Madhya Pradesh and Tamil Nadu. The total coverage in nine States was 6,30,502 oilseeds co-operative members in 4,120 co-operative societies in 22,365 villages with an area of 15 lakh hectares. Since mustard is emerging as a major oilseed crop, a processing plant for mustard has been planned in Gujarat. Procurement of oilseeds by the co-operatives increased from 4.0 lakh tonnes in 1989-90 to 4.89 lakh tonnes in 1990-91. Andhra Pradesh, Karnataka, and Tamil Nadu Federations procured a record output of 1.2 lakh tonnes as against 0.25 lakh tonnes in the previous year. However, the Gujarat Unions could not procure significant quantities of groundnut during Kharif due to severe draught. The development programmes of the Board during the year 1990-91 involved total outlay of Rs. 475 lakhs. The thrust on multi-oilseeds procurement continued with the procurement of 13,000 tonnes of sunflower/safflower. The co-operatives spread throughout the country have a processing capacity of 3,220 mtpd (metric tonne per day) and refining capacity of 710 mtpd. A storage capacity of 1.70 lakh tonnes for oilseeds and 0.87 lakh tonnes for oil has been built. NDDB has constructed modern oil tank farm with a capacity of 1.0 lakh tonnes at Delhi, while a further capacity of 1.4 lakh tonnes storage is under progress in Kandla and Calcutta and other important centres.

As the Market Intervention Agency, the NDDB has the responsibility to stabilise edible oil prices and also to ensure remunerative returns to oilseeds growers. As a part of MIO, the NDDB within a short span, undertook retail marketing of 'Dhara'- a nationally accepted brand name of edible oil in small consumer packs. The sale of 'Dhara' during 1990-91 at 72,905 tonnes was 300 per cent higher than that of 18,909 tonnes in 1989-90.

National Oilseeds and Vegetable Oils Development Board (NOVOD)

The National Oilseeds and Vegetable Oils Development (NOVOD) Board set up under the NOVOD Board Act, 1983 for integrated development of oilseeds and vegetable oil industry was entrusted with very comprehensive functions covering all aspects of oilseed industry and vegetable oil industry including production, processing, marketing, procurement, storage maintenance of buffer stocks and demonstrating crop production technologies for major oilseeds crops. However, these demonstrations were mainly undertaken outside the OPP areas. The Board's strategy was to give financial assistance through State Governments for such demonstrations. The main programmes undertaken by the Board during 1990-91 were:

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 level		No of villages covered		No. of farmer members		Members' Oilseeds area (in hectares)		Procurement of seeds (in tonnes)	
	1989-90	1990-91	1989-90	1990-91	1989-90	1990-91	1989-90	1990-91	1989-90	1990-91
1	2	3	4	5	6	7	8	9	10	11
Gujarat	1258	1385	2899	3088	279355	178536	453977	496098	189529	181159
Maharashtra	241	248	1939	1946	68858	71862	116475	126845	11664	12984
Madhya Pradesh	1061	1091	9222	9692	129483	107595	533210	423539	124321	168162
Andhra Pradesh	236	529	1002	1894	36818	72141	74623	158189	10365	39827
Karnataka	262	262	1682	2093	86738	89373	172036	223831	6150	40355
Tamil Nadu	335	335	1492	1492	65167	76753	112978	126414	3019	40678
Orissa	251	257	2102	2102	30716	32398	30697	31685	688	7413
Rajasthan	N.A.	13	N.A.	58	N.A.	1844	N.A.	1000	N.A.	N.A.
Total	**3644**	**4120**	**20338**	**22365**	**697135**	**630502**	**1493996**	**1587328**	**345736**	**490578**

N.A. : Not available.

Source : National Dairy Development Board.

1) Diversification of rainfed/low irrigated wheat to rapeseed/mustard; (2) Promotion of sunflower cultivation in ziad season; (3) Popularisation of rabi/summer groundnut cultivation; (4) Promotion of safflower cultivation; (5) Oilseed based cropping system for production of oilseeds in riverine areas and river beds of Ganga and Yamuna in U.P. and (6) Development of rice-bran for production of edible grade rice-bran oil.

The development budget of the Board for the year 1990-91 was Rs. 387.51 lakh. In addition to the developmental schemes, the Board also assisted other activities like strengthening the infrastructure for production of seeds of important oilseeds, building of proper godowns for seed storage, organising regional and national workshops, etc.

Coconut

Coconut is an important source of vegetable oil. During the year, Government of India declared coconut as an oilseed of tree origin. India ranks third in coconut map of the world with an area of 14.72 lakh hectares and an annual production of 8160 million nuts and provides livelihood for more than 10 million people. More than 90 per cent of the total area and production of coconut in the country is concentrated in the four Southern States viz., Kerala, Tamil Nadu, Karnataka and Andhra Pradesh. Of the total area, Kerala's share is about 60 per cent. In Kerala, coconut is mainly a rain fed crop whereas in Tamil Nadu and Karnataka it is predominantly an irrigated crop.

The Coconut Development Board (CDB) strives to achieve an integrated development of coconut industry and so implements a number of developmental programmes like production and distribution of quality planting material, expansion of area under coconut, productivity improvement in major coconut producing States, technological development in post harvest processing and marketing activities, etc.

As part of its programmes, the Coconut Development Board produced and distributed 1.5 lakh hybrid seedlings. The Board also procured 6.19 lakh quality seednuts from disease free areas and supplied to various indenting States/Union Territories. The Board has established five Demonstration cum Seed Production Farms in the States of Karnataka (20 hectares), Madhya Pradesh (40 hectares), Bihar (40 hectares), Tripura (40 hectares) and Assam (40 hectares) for production of quality planting material and for demonstration purposes. Under the 'Area Expansion Scheme' implemented in 14 States and 2 Union Territories, an additional area of 26,000 hectares was brought under new planting from 1982-83 to 1989-90. An area of 2,500 hectares is expected to be covered during 1990-91.

Under the programme for the integrated farming in coconut, small holdings in Kerala were assisted with various activities like removal of disease affected and senile palms and replanting with hybrid seedlings, development of irrigation facilities in coconut holdings, demonstrating the advantages of multispecies cropping system, etc. on an area of 10,000 hectares. Besides Research for developing new technologies was sponsored through the existing research organisations.

Oil Palm

Oil palm yields seven to eight times more oil per unit area than other vegetable oils. The average yield from oil palm is about three tonnes per hectare per year as against 300-350 kg oil per hectare in other oilseeds crop. About 5.75 lakh hectares of land has been identified as suitable for palm cultivation. Of the total area, around 5 lakh hectares is shared by Andhra Pradesh and Karnataka. Palm tree gives oilseed after three years of its cultivation and may remain fruitful for about 30 years. Under the Oil Palm Demonstration Project (ODP) which commenced in 1989 in the States of Karnataka, Andhra Pradesh and Tamil Nadu the harvest is scheduled towards the end of 1992.

At present commercial cultivation and processing of palm oil are being undertaken in Kerala by Oil Palm India Ltd., a joint sector project of the Government of India (Ministry of Agriculture) and the Government of Kerala and in Andaman and Nicobar Islands by the Forest and

Plantation Development Corporation Ltd. The total area planted by these two agencies is 5,298 hectares which is too insignificant compared to the total area of 5.75 lakh hectares identified for palm plantation in nine States. During the year 1990-91, it is targetted to produce 22,233 tonnes of fresh fruit bunches of oil palm. However, the subject matter which was earlier dealt by Horticulture Division has been transferred to Technology Mission on Oilseeds and Pulses (TEMOP) during December 1990. TEMOP has prepared a development plan for the cultivation of oil palm in 68,000 hectares during the Eight Five Year Plan period.

During 1990-91, the following schemes have been initiated for the development of oil palm with an outlay of Rs. 32.69 lakh.

(i) Establishment of oil palm seed garden in West Godavari district of Andhra Pradesh in 20 hectares of land; (ii) Expansion of oil palm seed germinator at Central Plantation Crop Research Institute (CPCRI), Polode (iii) Front line demonstration on oil palm cultivation and processing in 80 hectares under Kabini irrigation project in Karnataka and (iv) Establishment of oil palm nurseries of 30 hectares each in Shimoga and Mysore districts of Karnataka for undertaking area expansion in oil palm.

Sugarcane

The Ministry of Agriculture has estimated the sugarcane output in 1990-91 at an all-time high of 234.7 million tonnes as compared to 222.6 million tonnes in the previous year. The production during 1990-91 surpassed the target of 220 million tonnes. The favourable weather conditions, price incentives, increase in productivity of sugarcane and developmental measures such as a) production and distribution of quality seed cane, b) increasing irrigation facilities, c) judicious and timely use of fertiliser application, d) better management of ratoons, e) greater and effective participation of sugar factories in cane development programmes, f) transfer of technology through various extension systems and g) larger coverage under plant protection measures.

The sugarcane target for 1991-92 has been fixed at 230.0 million tonnes. It is anticipated that the same would be achieved due to favourable monsoon situation and other developmental efforts in place.

The Statutory Minimum Price (SMP) of sugarcane was revised upwards at regular intervals and well in advance to make the cultivation more profitable. Advance announcement of SMP helps to promote cane production by assuring the farmers of definite floor price. The Government raised the SMP of sugarcane linked to basic recovery of 8.5 per cent from Rs. 23 per quintal for 1990-91 to Rs. 24 per quintal for 1991-92. In actual practice, the canegrowers generally received much higher prices as stipulated by the State Governments.

Sugar Development Fund (SDF) was set up under the Sugar Development Fund Act, 1982 for providing financial assistance to sugar factories and undertaking rehabilitation and modernisation and also for initiating other schemes for development of sugarcane by the sugar factories. The Fund is also available for establishing institutions for research projects aimed at development of sugar industry. Since 1982 and up to March 31, 1990 an amount of Rs. 751 crore has been credited to SDF and an amount of Rs. 303.20 crore and Rs. 176.90 crore has been sanctioned for sugarcane development and modernisation, respectively.

Tea

Tea production in India during 1990 recorded an all-time high at 714.7 million kgs. and was higher by 30.6 million kgs. or by 4.5 per cent than the production of 684.1 million kgs. in 1989. However, the target of 720 million kgs. set for the 1990 could not be achieved. The spurt in tea output achieved during 1990 could be attributed to favourable agroclimatic conditions in both North and South India. During 1990, tea production in South India was at 170.5 million kgs. which was substantially higher than that of 151.8 million kgs. in the previous year. Tea output in North India at 544.2 million kgs. in 1990 was also higher as compared to 532.3 million kgs. in

the previous year. In North India, Assam and West Bengal contributed 69.8 per cent and 29.0 per cent, respectively to North Indian tea output. In South India, the share of Tamil Nadu in the total South Indian output was as high as 60.2 per cent. The tea production in Assam Valley remained the highest in India, and constituted 47 per cent of the total production during 1990 (though somewhat lower than that in the previous year). The production in West Bengal showed a substantial increase of about 10.6 million kgs.

Tea production for 1991 is estimated at 735 million kgs. During the first half of 1991 (i.e. January to June 1991), all India output of tea at 263.3 million kgs. was higher by 7.9 million kgs. as against 255.4 million kgs. during the corresponding period of the previous year. Tea production in North India at 170.4 million kgs. was marginally lower than that of 171.5 million kgs. during the corresponding period of the previous year. However, in South-India tea output at 92.9 million kgs. was higher as compared to 83.9 million kgs. during the same period of 1990.

Tea exports during 1990-91 (April 1990 — March 1991) aggregated to 199.5 million kgs. valued at Rs. 1045.4 crore as against 211.8 million kgs. valued at Rs. 914.8 crore in the previous year. The unit value realisation of tea at Rs. 52.40 per kg. in 1990-91 was higher than that of Rs. 43.20 per kg. in 1989-90. The bulk of the tea exports was directed to U.S.S.R., United Kingdom, Iran and A.R.E. (Arab Republic of Egypt). During the first quarter of 1991-92 (i.e. April-June 1991) tea exports stood at 37.1 million kgs. valued at Rs. 191.7 crore as against 33.8 million kgs. valued at Rs. 177.3 crore in the corresponding quarter of the previous year.

The Tea Board continued the schemes for development of tea plantations during the year. The replantation subsidy scheme, tea area rejuvenation and consolidation subsidy scheme, the hire-purchase scheme for machinery and equipment, etc. continued to be in operation during the year.

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 areas where coffee cultivation is taken up in recent years. The latest data on area under coffee are now available for the year 1988-89 which indicate that coffee is cultivated on an area of 243 thousand hectares.

The estimated production of coffee during 1990-91 (October-September) at 173 thousand tonnes comprising 89 thousand tonnes of Arabica and 84 thousand tonnes of Robusta was higher by 44 per cent as against 120 thousand tonnes (64 thousand tonnes of Arabica and 56 thousand tonnes of Robusta) during 1989-90. The production target for 1991-92 is 200 thousand tonnes. Under the Coffee Act, all coffee produced is pooled and held with the Coffee Board for sale and disposal. With the opening stock of 8 thousand tonnes of coffee, the total availability of coffee would be 181 thousand tonnes in 1990-91. The domestic demand for coffee would be around 60 thousand tonnes and taking into account working stock at 20 thousand tonnes required for two months at the beginning of the next year the exportable surplus of coffee would be 101 thousand tonnes during 1990-91. The exports of coffee declined from 134 thousand tonnes valued at Rs. 363 crore in 1989-90 (fiscal year) to 100 thousand tonnes valued at Rs. 279 crore in 1990-91. The unit value realisation in 1990-91 at Rs. 27.90 per kg. was, however, higher as compared to Rs. 27.08 per kg in 1989-90. Of the 100 thousand tonnes of exports more than half of the quantity i.e. 54 thousand tonnes was contracted to USSR. The decline in export of Indian coffee could be attributed to suspension of Quota by International Coffee Organisation (ICO) to which India is a member and also one of the signatories to the International Coffee Agreement.

The Coffee Board has been making all efforts to improve the production and exports of coffee and to increase unit value earning of exports

inspite of global reduction in the unit value for coffee. Some of the steps contemplated are as under:

1) Monsooned coffee is a special variety of Indian coffee which commands a premium of 20 to 30 per cent on the raw coffee. With the increase in the production as also the likely rise in demand for this variety in international market the unit value as well as total export earnings are expected to go up.

2) Special efforts are being made to promote and encourage exports of value added instant coffee.

3) Exporters are being persuaded to enhance exports to hard currency areas.

4) A special type of coffee called "Valley Nuggets" is proposed to be obtained from superior variety. This variety is expected to command a premium as compared to the present superior grade coffee.

During the financial year 1990-91, a total sum of Rs. 374.53 lakhs (provisional) towards development loans and Rs. 71.72 lakhs (provisional) towards subsidies was disbursed as against the budget outlay of Rs. 425.51 lakhs for loans and Rs. 150.29 lakhs for subsidies. During the current financial year 1991-92, a provision of Rs. 500 lakhs for loans and Rs. 100 lakhs for subsidies have been approved by the Government.

At present more stress is given by Coffee Board for consolidation of area planted earlier, increase in productivity by replanting, intensive cultivation, irrigation and development of water sources in plantations.

Tobacco

Tobacco is an important cash crop in the country. India ranks third in the world in the production of tobacco next only to USA and China but in area coverage it ranks second to 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, hookah and for chewing and snuff purpose. Virginia tobacco is used for manufacture of cigarettes and quite a good quantity of it is also exported. The official estimates of area and production of tobacco for 1990-91 have not yet been released. However, according to provisional estimates of the Directorate of Tobacco Development, the total area and production of tobacco during 1990-91 at 370 thousand hectares and 450 million kgs. was lower as compared to 421 thousand hectares and 564.4 million kgs. respectively in 1989-90. The decline in tobacco production is mainly due to decrease in acreage.

Gujarat is the topmost bidi tobacco (Non-VFC) producing State. An area of about 111 thousand hectares has been planted under non-VFC tobacco during 1990-91 as compared to 112.6 thousand hectares in 1989-90. In view of sufficient rainfall and latest research and production technology, the production is expected to be maintained. The production of virginia tobacco is largely confined to the States of Andhra Pradesh and Karnataka. The total production of virginia tobacco during 1990-91 at 109.3 million kgs. was shared by Andhra Pradesh 89.0 million kgs. and Karnataka 20.3 million kgs. as against 94.4 million kgs. in Andhra Pradesh and 9.9 million kgs. in Karnataka in the previous year. The Government of India, on the recommendation of the Commission for Agricultural Costs and Prices (CACP), fixed the minimum support price for two basic grades, viz., F-2 and L-2-L grades of VFC tobacco at Rs. 13.25 and Rs. 14.25 per kg., for 1990-91 crop as against Rs. 12.50 and Rs. 13.50 per kg., respectively, for the previous year. On the basis of the minimum support prices notified for the two selected basic grades and taking into account normal market price differentials, the Tobacco Board notified minimum support prices for all other grades. The entire production of virginia tobacco at 20.3 million kgs. in Karnataka was sold in auctions at an average price of Rs. 26.44 per kg. as against an average price of Rs. 19.53 per kg. sold during the 1989-90 season. However, the highest price realised in the auction was Rs. 48.40 per kg. as compared to that of Rs. 38.60 per kg. in the previous year. In Andhra Pradesh, the entire quantity of 89 million kgs of

VFC tobacco was sold in auction at an average price of Rs. 33.23 per kg. which was substantially higher than the average price of Rs. 14.69 per kg. in the previous year. The increase in average price works out to be as much as 126 per cent over 1989-90 average auction price.

The upsurge in price of tobacco could be attributed to — i) global shortage of tobacco production, ii) absence of carryover stocks with traders and iii) confirmation of export orders from USSR and other countries in the initial stages of auction.

With a view to increasing the productivity and the quality of tobacco, the measures being taken by the Central Government for tobacco development in the country are at present limited to technical guidance to the State Governments and farmers. The Government arranges to provide adequate and timely supply of various inputs viz. pure seeds and seedlings, coal, fertiliser, etc. Under the State Sector Plan Scheme, necessary allocation for demonstration plots, training, etc. are also made to improve the yield and quality of tobacco. The Directorate of Tobacco Development operates schemes for production and distribution 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.

Exports of Tobacco

The export of unmanufactured tobacco during 1990-91 (April-March) at 70.4 million kgs. valued at Rs. 209.16 crore was higher as against 58.9 million kgs valued at Rs. 152.24 crore during the previous year. Buoyant global demand and large exports to USSR mainly contributed to the increase in exports. In case of manufactured tobacco, the exports during 1990-91 declined in terms of quantity to 13.3 million kgs. from 15.5 million kgs. in the previous year; however, in terms of value, the exports showed a substantial increase to Rs. 53.53 crore from Rs. 19.19 crore during the previous year. The decline in terms of quantity was due to reduced exports of hookah tobacco paste, bidis, etc. and the higher rates fetched by it accounted for the rise in exports in value terms.

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

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

States	1986-87		1987-88		1988-89		1989-90	
	Area	Production	Area	Production	Area	Production	Area	Production
1	2	3	4	5	6	7	8	9
Andhra Pradesh	146.5	152.0	107.4	104.9	150.5	185.6	162.6	202.2
	(100.3)	(99.8)	(63.3)	(50.4)	(90.7)	(95.6)	(90.1)	(94.4)
Gujarat	110.4	182.8	81.5	121.8	90.1	151.0	112.6	182.9
Karnataka	46.7	37.4	43.5	33.4	51.2	41.2	56.2	38.9
	(17.0)	(9.1)	(16.0)	(5.1)	(14.8)	(8.2)	(19.1)	(9.9)
Tamilnadu	9.2	11.4	9.0	12.5	5.8	7.3	7.3	9.2
Uttar Pradesh	13.6	20.4	12.8	38.3	14.0	48.0	15.8	70.7
West Bengal	14.1	15.2	14.1	15.2	17.9	19.9	17.9	19.9
	(0.6)	(0.6)	(1.3)	(1.2)	(0.8)	(0.8)	(0.8)	(0.8)
Others	48.7	42.6	49.4	41.3	47.5	39.8	48.7	40.6
Total	**389.2**	**461.8**	**318.0**	**367.4**	**377.0**	**492.8**	**421.1**	**564.4**
	(117.9)	**(109.5)**	**(80.6)**	**(56.7)**	**(106.3)**	**(104.6)**	**(110.0)**	**(105.1)**

Note : Figures in bracket relate to Virginia Tobacco.
Source : Ministry of Agriculture, Government of India.

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.-Sep.)	Exports (April-March)	Internal Consumption (Jan.-Dec.)	Production (Nov.-Oct.)	Yield per hectare (tonne)	Production	Exports (April-March)	Internal Consumption (April-March)
1	2	3	4	5	6	7	8	9	10	11	12	13
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	N.A.
1985-86	10.8	570	656.2	214.2	122.4	99.3	54.9	170.7	60.0	441	64.4	N.A.
1986-87	11.3	605	624.6	197.4	192.2	86.7	54.4	186.1	60.4	462	66.8	N.A.
1987-88	12.7	629	674.3	207.6	123.0	92.4	58.6	196.7	60.0	367	48.1	N.A.
1988-89	18.0	827	701.1	208.8	215.0	98.2	55.7	203.0	61.0	493	39.9	N.A.
1989-90	16.8	729	684.1	211.8	120.0	134.1	63.3	222.6	65.4	564	58.9	N.A.
1990-91	19.1	N.A.	714.7	199.5	173.0	100.0	N.A.	234.7	N.A.	450	70.4	N.A.

N.A. : Not Available.

Production Strategy and Related Development

During the Seventh Plan, a number of thrust programmes were introduced/implemented which contributed considerably to increase agricultural production in the country. The following thrust programmes continued to be implemented during 1990-91 : (i) Integrated Programme for Rice Development (IPRD) (ii) Special Foodgrains Production Programme — Wheat (SFPP-Wheat) (iii) Special Foodgrains Production Programme — Maize and Millets (SFPP-Maize and Millets) (iv) Minikit Programme of Rice, Wheat, Maize and Millets including propagation of new technology (v) Construction of shallow tubewells and dugwell in SFPP districts (vi) Intensive Cotton Development Programme (ICDP) (vii) Special Jute Development Programme (SJDP). For implementation of the above thrust programmes, an amount of Rs.242.80 crore was provided as Central share upto March 31, 1991. Brief description of the above thrust programmes are given under the respective commodities in earlier paragraphs.

Other Development Programmes

High-yielding Varieties Programme

During 1990-91, expansion of area under location specific high yielding varieties continued to be one of the main planks of the strategy for increasing foodgrains production in the country. The area under the HYVP during 1990-91 was 67.0 million hectares as against 63.1 million hectares in the previous year, recording an increase of 6.2 per cent. The target for coverage under the HYVP during 1990-91 was 68.11 million hectares. Crop-wise, the HYV area expansion was the highest for rice, which recorded an increase of 5.8 per cent or 1.6 million hectares from 27.6 million hectares in 1989-90 to 29.2 million hectares in 1990-91. The area under wheat, jowar, bajra and maize have also shown improvement during 1990-91 over 1989-90 (Table III-21).

The HYVP was supported by four Central Sector Schemes, viz. (i) Minikit Demonstration Programme for popularising newly identified varieties suitable for different agro-climatic conditions; (ii) maize and millet demonstrations in Tribal/Backward areas to bring home SC/ST farmers the efficacy of new technology in raising maize and millet crops and increasing yield per unit of area; (iii) State level training of extension workers to disseminate latest production technology and (iv) replacement of rust susceptible wheat varieties in hill areas with rust resistant varieties etc.

Seeds

Quality seed is one of the main inputs for sustaining and increasing the level of productivity of agricultural crops, particularly in small and marginal holdings. Production target of breeder seeds during 1990-91 has been tentatively placed at 28.12 thousand quintals as against anticipated production of 30.59 thousand quintals in 1989-90. The lower production has been due to the fact that from 1990-91, the allocation of breeder seed has been started after taking into account the actual area of the crop, seed rate, seed multiplication ratio and the past performance of different States and also the efficiency of conversion of breeder seed into foundation and certified seeds. Breeder seeds, which represent the primary stage of seed production cycle, are further classified into foundation seeds and certified/quality seeds. Production of foundation seeds during 1990-91 is estimated at 6.93 lakh quintals compared with the production of 5.54 lakh quintals in 1989-90, showing an increase of 1.39 lakh quintals or 25.1 per cent. The target for production of certified seeds for 1989-90 was placed at 67.65 lakh quintals (Table III-22). The target of distribution of certified quality seeds had been tentatively fixed at 60.00 lakh quintals during 1990-91 as against anticipated distribution of 57.04 lakh quintals in 1989-90.

A scheme titled "Transport Subsidy on Seeds" is in operation since 1986-87. The main purpose of the scheme is to subsidise the difference in the cost of transportation of seeds by rail and road to the North Eastern States including Assam. In respect of Assam, 50 per cent and in the other North Eastern States full cost difference is

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

(Million hectares)

Crop	1980-81		1984-85		1985-86		1987-88		1988-89		1989-90		1990-91		
	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)	Area under HYV Achievement
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1 Paddy	40.15	18.24	41.16	22.78	41.14	23.47	38.81	22.25	41.74	25.41	42.18	27.6	..	29.43	29.2
2. Wheat	22.28	16.10	23.57	19.09	23.00	19.08	23.06	19.69	24.11	20.18	23.46	20.7	..	22.09	21.9
3. Jowar	15.81	3.50	15.94	5.08	16.10	6.08	16.00	6.06	14.60	6.11	14.95	6.8	..	7.62	7.6
4. Bajra	11.66	3.64	10.62	5.17	10.65	4.99	8.71	3.95	12.05	5.87	10.89	5.2	..	6.02	5.4
5. Maize	6.01	1.60	5.80	2.02	5.80	1.80	5.56	2.15	5.90	2.54	5.86	2.8	..	2.95	2.9
Total (1 to 5)	**95.91**	**43.08**	**97.09**	**54.14**	**96.69**	**55.42**	**92.14**	**54.10**	**98.40**	**60.11**	**97.34**	**63.1**	**..**	**68.11**	**67.0**

.. = Not Available.

Source : Ministry of Agriculture, Government of India.

subsidised for the quantities of seeds transported to these States. There was a budget provision of Rs. 45 lakh for 1990-91 for the above scheme.

The National Seed Project Phase III (NSP III) was launched in March 1990 at a total cost of Rs. 236.01 crore with the World Bank assistance of 150 million US dollars with the objectives of ensuring timely and adequate availability of certified/quality seeds at reasonable prices, making the National and State Level public sector seed corporations economically viable and providing institutional finance to private seed industry so as to promote their growth.

Fertilizers

Development of irrigation and introduction of high yielding varieties programmes, etc. have pushed up the consumption of fertilizers in recent years. The consumption of fertilizers increased from 55.16 lakh tonnes (nutrients - N+P+K) in 1980-81 to 115.68 lakh tonnes in 1989-90 During 1990-91, fertilizer consumption has been anticipated to reach 125.76 lakh tonnes, registering an increase of 8.7 per cent over that in the previous year. Various promotional measures for increased use of fertilizers continued during the year (Table III-22 and 23).

In August 1991, the Government hiked the fertilizer prices by 30 per cent. The small and marginal farmers with land holdings upto 2 hectares are exempted from the price rise in fertilizers. An amount of Rs. 405 crore has been earmarked for various States/Union Territories for the financial year 1991-92 for the purpose of exempting the small and marginal farmers from the price hike.

Pesticides

Pesticides are very important for achieving optimum levels of agricultural productivity and production. The efficient use of pesticides in the requisite degree and quantum made an important ingredient in the Integrated Pest Management (IPM) approach adopted in this regard. During the year, 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. was taken up. Priority was given to the quality control of pesticides. Under the New Policy on Seed Development, quarantine procedures were made more effective and time bound. Locust Warning Organisation maintains a constant vigil over 2 lakh hectares of Rajasthan desert area

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

Item	Unit	1980-81	1984-85	1985-86	1987-88	1988-89	1989-90 Anticipated	1990-91 Target	1990-91 Likely Achievement
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	22.61	32.13	30.59	28.12	N.A.
ii) Production of certified seeds	Lakh quintals	21.86	49.97	44.84	53.66	65.06	67.65	—	N.A.
iii) Distribution of certified/ quality seeds	,,	25.01	48.48	55.01	56.30	56.80	57.04	60.00	N.A.
B. Consumption of fertiliser									
i) Total (N+P+K)	Lakh tonnes	55.16	82.11	84.74	87.84	110.40	115.68	N.A.	125.76
ii) Per hectare	Kilograms	31.83	46.67	47.39	50.81	63.86	66.91	N.A.	72.27
C. Consumption of pesticides (Technical Grade Material)	Thousand tonnes	45.00	56.00	52.00	49.00	55.00	72.00	83.61	82.36

N.A. = Not Available.

Source : Ministry of Agriculture, Directorate of Economics & Statistics, Government of India.

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	36.78	12.14	6.24	55.16
1984-85	54.86	18.86	8.39	82.11
1985-86	56.61	20.05	8.08	84.74
1986-87	57.17	20.78	8.50	86.45
1987-88	57.17	21.87	8.80	87.84
1988-89	72.51	27.21	10.68	110.40
1989-90	73.86	30.14	11.68	115.68
1990-91 (Anticipated)	79.66	32.86	13.24	125.76

Source : Ministry of Agriculture, Government of India.

along with intercepting cross-invasion of pests from western border. Intensive and regular surveys were conducted around 28 bases for gathering information and also border meetings between Pakistan and Indian officials were arranged for the exchange of information. During 1990-91, the target for the consumption of technical grade pesticides was placed at 83.61 thousand tonnes as against 72.00 thousand tonnes anticipated consumption in the previous year. However, the likely achievement of the pesticides consumption in 1990-91 is estimated as 82.36 thousand tonnes.

Irrigation Schemes

Development of irrigation is the most important factor imparting stability to agricultural production. Therefore, 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 in the irrigation sector is towards achieving the assessed gross irrigation potential of 113 million hectares (comprising 58 m.ha. in the medium and major projects and 55 m.ha. in the minor irrigation projects) 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 Sixth Plan. During the period of the Seventh Plan, an additional area of 12.21 m. ha. has been brought under irrigation against the Plan target of 12.90 m.ha. Thus as at the end of Seventh Plan, the cumulative irrigation potential created both by major, medium and minor irrigation projects in the country was 79.71 m.ha. The average rate of creation of irrigation potential during the Plan periods till the end of the Seventh Plan (from 1950-51 to 1989-90) was 1.4 m. ha. per annum though the average addition to the then existing irrigation potential was 2.4 m.ha. annually during the Seventh Plan (1985-86 to 1989-90).

Expansion of irrigation has been the main element of strategy for increasing agricultural

Table III-24 : Development of Irrigation Potential

(Million hectares)

Item	Ultimate	Created upto VI Plan 1984-85	VII Plan 1985-90 (Target)	1985-89 Cumulative Achievement	1989-90 Anticipated Achievement	VII Plan Anticipated Achievement	1990-91 Target
1	2	3	4	5	6	7	8
A. Major & Medium	58	30.0	4.3	2.01	0.89	2.90	0.67
B. Minor Irrigation	55	37.5	8.6	6.62	2.69	9.31	2.19
(a) Surface Water	15	9.7	1.5	6.62	2.69	9.31	0.33
(b) Ground water	40	27.8	7.1				1.86
Total (A+B)	**113**	**67.5**	**12.9**	**8.63**	**3.58**	**12.21**	**2.86**

Source : Ministry of Water Resources, Government of India.

production. The total foodgrains production during 1984-85 at 145.54 million tonnes increased to 170.63 million tonnes at the terminal year of the Seventh Plan, showing an increase of 17.2 per cent. Also, the yield at 1149 per hectare-kgs during 1984-85 increased to 1349 per hectare-kgs during 1989-90, showing a rise of 17.4 per cent. The increasing irrigation is no doubt an important factor in growth of production by way of assured crops and increased cropping intensity.

a) Major and Medium Irrigation

Under major and medium irrigation, the target for creation of additional potential during Seventh Plan period was 4.3 million hectares with an outlay of Rs. 11,556 crore. As against this, the anticipated achievement was 2.90 million hectares with a total expenditure of Rs. 10,934 crore. During 1990-91, an additional 0.67 million hectares of land is targetted to be brought under irrigation through major and medium irrigation schemes with an outlay of Rs. 2,653 crore. The Central Water Commission is monitoring 58 selected multipurpose irrigation projects including 54 major, 1 medium and 3 modernisation schemes so as to ensure their completion within the scheduled time.

b) Minor Irrigation

Minor irrigation schemes include Ground Water and Surface Water Schemes. Groundwater schemes include dugwells, shallow tubewells and pumpsets while the surface water schemes include tanks and reservoirs, diversion schemes, lift irrigation from rivers and streams, etc. These schemes have been accorded special attention under the Special Foodgrains Production Programme. Minor irrigation was given more importance in the Seventh Plan period in view of its short gestation period and labour intensive content. At present four Centrally sponsored schemes are in operation.

(i) Groundwater and surface water organisations in the States/Union Territories

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 given to the State Governments/ Union Territory Administrations for the purchase of drilling rigs, well loggers, blasting units, boring equipment and other miscellaneous survey equipments. The cost of machinery and equipment is equally shared between the Centre and the States. The allocation under the Seventh Plan for the scheme was Rs. 25.0 crore. The Central share of Rs. 6.3 crore was released to 14 States and Union Territories during 1988-89. During 1989-90, the scheme was bifurcated into surface water scheme and ground water scheme and are being operated by Minor Irrigation Division of the Ministry and the Central Ground Water Board (CGWB), respectively. An allocation of Rs. 4.0 crore and Rs. 2.0 crore, respectively, was made during 1990-91 for the scheme for strengthening Ground Water and Surface Water Organisations in the States.

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

(Rs. crores)

Item	During Plan period upto VI Plan (1980-85)	VII Plan (1985-90) outlay	1985-89 Actual Expenditure	1989-90 Anticipated Expenditure	1985-90 Anticipated Expenditure	1990-91 (outlay)
1	2	3	4	5	6	7
A. Major & Medium	15059.78	11555.56	8670.11	2263.47	10933.58	2653.11
B. Minor Irrigation	8230	6304.99	4930.75	1614.61	6545.36	1820.84
Of which :						
(a) Government Sector	4492	2804.99	2461.62	771.61	3233.23	899.84
(b) Institutional Sector	3738	3500.00	2469.13	843.00	3312.13	921.00
Total (A+B)	**23289.78**	**17860.55**	**13600.86**	**3878.08**	**17478.94**	**4473.95**

Source : Ministry of Water Resources, Government of India.

(ii) Use of sprinklers/drip system/hydramas, water turbines and man/animal operated pumps

Under the scheme, subsidy is provided to small and marginal farmers for installation of water saving and energy saving devices for irrigation. The amount of subsidy is to be shared equally by the Centre and States. 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 tribes, farmers belonging to small and marginal category. Co-operative and 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 above scheme was Rs. 10 crore. A Central share of Rs. 1.8 crore was released to seven States during 1989-90. During 1990-91, Rs. 0.9 crore was provided in the budget for making releases to States/Union Territories.

(iii) Census of Minor Irrigation Schemes

The above Centrally sponsored scheme was introduced in 1986-87 under which 100 per cent Central assistance is being given to the States/ Union Territories for conducting the census. A total amount of Rs. 3.50 crore was allocated for conducting the census. During 1988-89 and 1989-90, Rs. 0.9 and Rs. 0.04 crore, respectively, were released. During 1990-91, Rs. 0.5 crore was provided in the budget for making releases to States.

(iv) Rationalisation of Minor Irrigation Statistics

The above scheme is being operated from 1987-88. Under the scheme, 100 per cent Central assistance is given to the States/Union Territories for creation of Statistical Cell in the nodal departments identified by the States for compilation of minor irrigation statistics for their States. During 1990-91, Rs. 2.0 crore was provided in the budget for making releases to the States. The amount released during 1989-90 under the scheme was Rs. 0.3 crore.

It is estimated that the replenishable ground water resource potential of the country works out 45.23 million hectares per year. The ultimate irrigation potential from groundwater for the country as a whole has been provisionally and tentatively computed as 80.3 million hectares.

Under minor irrigation, the target for creation of additional potential during Seventh Plan period was 8.6 million hectares with an allocation of Rs. 6,305 crore. As against this, the anticipated achievement was 9.31 million hectares with an anticipated expenditure of Rs. 6,545 crore. During 1990-91, the creation of additional irrigation potential targetted under minor irrigation was 2.19 million hectares with an outlay of Rs. 1,821 crore. Though irrigation potential created has increased over the years, its utilisation has not been upto the desired level. 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 to correct the situation. (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. (iv) Co-ordinated use of surface and ground water.

Emphasis was laid on Integrated Watershed Management combining conservation measures with productive programme in all types of land and channel systems within identified watersheds.

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. Till the end of Seventh Plan the programme covered 131 selected irrigation projects with a

total cultivable Command Area of around 18.5 m.ha. in 20 States and 2 Union Territories. Further, another 25 projects have been included till now. Fifty-four Command Area Development Authorities were set up in order to carry out the programme.

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 Seventh Plan (1985-86 to 1989-90), total expenditure on CAD is estimated to be of the order of Rs. 1,437 crore. For 1990-91, a total outlay of Rs. 346 crore including Rs. 110 crore Central Sector share was proposed (Table III-26). The physical targets for the Seventh Plan period envisaged to cover an area of 6.81 m.ha. under field channels, 1.82 m.ha. under land levelling/ shaping and 8.04 m.ha. under warabandi. During 1989-90, as against the targets of 0.74 m.ha., 0.09 m.ha., 1.02 m.ha. and 0.11 m.ha., for field channels, land levelling/shaping, warabandi and field drains, respectively, the areas covered were 0.64 m.ha., 0.04 m.ha., 0.75 m.ha., and 0.18 m.ha., respectively. For the year 1990-91, the target set for the above mentioned four activities are 0.72 m.ha., 0.08 m.ha., 0.96 m.ha., and 0.18 m.ha., respectively (Table III-27).

Plant Protection Measures

The key strategy in plant protection measures continued to be the Integrated Pest Management (IPM) alongwith surveillance of major crop pests, promotion of biocontrol agents for pest control and the application of safe chemical pesticides. Under the New Policy on Seed Development (NPSD), efforts were made to strengthen plant quarantine producers and improve the availability of quality pesticides. The focus under IPM has been given to minimise over dependence on pesticides in crop protection and to avoid harmful effects of pesticides to human beings and environment. The programme emphasises on regular pest surveillance, conservation and augmentation of beneficial species such as parasites, predators and pathogens, promotion of improved cultural practices, use of non-chemical methods of pest control, training of extension functionaries and farmers and IPM demonstrations in the farmers' fields. These efforts have not only reduced the pest outbreaks but also lead to the reduction in the need for pesticides use.

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 carried out through 32 central field stations located in different States/ UT's in collaboration with State Department of Agriculture. In the current year, the Survey teams covered a sample area of 7.60 lakh hectares as against the target of 7.50 lakh hectares and information gathered was helpful in taking need based and timely pest control measures.

With a view to popularise and propagate IPM approach and educating the farmers in IPM practices, field demonstrations were organised at

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

(Rs. crores)

Sector	VII Plan (1985-86 to 1989-90) (Target)	1985-86 (Actual)	1986-87 (Actual)	1987-88 (Actual)	1988-89 (Actual)	1989-90 (Provisional)	1990-91 (Target)
1	2	3	4	5	6	7	8
Total	**1671**	**252**	**286**	**263**	**323**	**313**	**346**
Of which :							
Central sector	500	70	94	92	134*	106	110$

* : Includes Rs. 8.58 crore as assistance under Special Foodgrains Production Programme.

$: Budgetary outlay.

Source : Ministry of Water Resources, Government of India.

Table III - 27 : Achievements under Command Area Development Programme

(Lakh hectares)

Items	VII Plan (1985-86-1989-90) (Target)	1985-86	1986-87	1987-88	1988-89	1989-90 Target	1989-90 Achievement	1990-91 (Target)
1	2	3	4	5	6	7	8	9
Construction of field channels	68.1	6.8	6.9	6.0	5.0	7.4	6.4	7.2
Land levelling/shaping	18.2	1.0	0.7	0.8	0.5	0.9	0.4	0.8
Warabandi	80.4	7.1	9.6	8.7	7.8	10.2	7.5	9.6
Field Drains	..	..	..	..	0.6	1.1	1.8	1.8

.. : Not Available.

Source : Ministry of Water Resources, Government of India.

24 locations in farmers fields by field units of the Central Directorate of Plant Protection.

In view of the emphasis laid on pest control by biological means for minimising the 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 Station and one parasites Multiplication Unit for large-scale field releases. About 6,960 million parasites/predators were released in the year 1990-91, as against 6,810 million in 1989-90. As a result, the population of important crop pests like heliothis, rice Stemborer, Leaffolder, sugarcane borers, scale insects, pyrille, cotton bollwarms, etc. was effectively controlled in different States.

In order to check the entry of exotic pests and diseases through international trade, the plant quarantine regulations were implemented by 26 Plant Quarantine and Fumigation Stations in the country located at major international airports, seaports and land frontiers. During the year 1990-91, 2,94,881 tonnes of agricultural commodities and 4,69,387 numbers of plants/plant materials, imported from various countries were screened by these stations for checking the presence or otherwise of exotic pests and diseases.

To be consistent with the new policy on Seed Development announced by the Government of India, Plant Quarantine Regulations were revised and accordingly, the Plants, Fruits, Seeds (Regulation of Import into India) Order, 1989 were issued. Consequently, the import of vegetables and flower seeds under OGL has increased substantially through the plant quarantine stations, Amritsar, Bombay, Calcutta, New Delhi and Madras.

The Registration Committee, constituted under the provisions of the Insecticides Act, 1968 granted registration for 1788 items along with six new products on regular basis and five on provisional basis.

The production of pesticides (technical grade material) for the year 1990-91 was estimated at 82 thousand tonnes. The pesticides availability position in the current year was stated to be satisfactory. Under Centrally sponsored scheme for the control of pests and diseases of agricultural importance, Central assistance of Rs. 150 lakh was approved to various States and Union Territories. Several innovative activities in the field of pesticides by using modern technologies such as remote sensing techniques in locust monitoring, heliothis control through Nuclear Polyhedrosis Virus (NPV) bio-control of water hycinth weed, etc. were undertaken. Many workshops, conference and seminar both at national and international level were conducted.

Agricultural Implements and Machinery

Agricultural implements play an important role in increasing agricultural productivity by better seed-bed preparation and reducing time and cost of farm operations. Various measures have been taken to manufacture, popularise and distribute agricultural implements and machinery.

Special emphasis was laid on performance evaluation of agricultural machinery so to provide quality implements and machines to farmers. Also, special efforts were made to impart training and skill to technicians, rural youths and farmers for optimising use of implements and machinery. The programme of selective mechanisation has been continued during the year. The sale of tractors, power tillers and combine harvesters were 1,39,699, 6,316 and 353 (provisional) respectively as against 1,22,098, 5,442 and 218 during 1989-90.

The Centrally sponsored scheme, Farmers' Agro-Service Centres (FASCs) introduced to popularise the improved agricultural implements and hand tools was continued during the current year. The scheme envisages an integrated approach for making available customer services and adoption and popularisation of improved agricultural implements and hand tools. During the Seventh Plan 637 FACSs have been set up, 62,124 field demonstrations were organised and 3,93,585 improved implements and hand tools were supplied to farmers at subsidised rates. During the Eighth Plan it is proposed to establish and strengthen composite FACSs throughout the country. The centres shall be equipped with facilities for providing custom services for tractors, power tillers, power threshers, reapers, seed-drills and planters and also repair facilities. The Central Farm Machinery Training and Testing Institutes Budni (Madhya Pradesh), Northern Region Farm Machinery Training and Testing Institutes, Hissar (Haryana) and Southern Region Farm Machinery Training and Testing Institute, Garladinne (Andhra Pradesh) together trained 1,772 (including 11 foreigners) upto March 1991, as against the target of training 1,550 persons.

A scheme for promotion of agricultural mechanisation through small tractors has been approved for 1991-92 with a subsidy of Rs. 30,000/- for tractors for farmers having land holding between 5 - 8 acres. A subsidised scheme for drip irrigation system is also being envisaged for the coming year to encourage drip irrigation by farmers.

Agricultural fairs to display improved implements were arranged. A Japanese aid of 371 million Yen was made available to Farm Machinery Training and Testing Institutes for improvement of training and testing equipment.

Agro-Industries Corporations

Agro-Industries Corporations were established in 17 States during the Third and Fourth Five Year Plan periods. Subsequently, such Corporations were also set up in Manipur and Union Territory of Pondicherry. These 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. The turnover of the 17 State Agro-Industries Corporations during the year 1989-90 was Rs. 830 crores, which is expected to cross Rs. 1,000 crores in 1990-91. For the year 1988-89, Punjab and Kerala won the best and second best National productivity awards, respectively in the Agro-Industries Corporation sector.

Agricultural Extension

Agricultural extension service with its wide network has significantly contributed to modernising Indian agriculture by spreading modern technology to farmers in the shortest possible time resulting in agricultural growth. The Directorate of Extension and Extension Division of the Department of Agriculture and Co-operation assists and facilitates 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. The Agricultural Extension System known as "Training and Visit System" (T&V), introduced in 1974, is continuing in 17 major States in its modified form. Assistance from World Bank has been taken to implement National Agricultural Extension Projects (NAEP) in these 17 States. Five States among these viz., Andhra Pradesh, Kerala, Tamil Nadu, West Bengal and Maharashtra have already completed first phase of World Bank financed State

Agricultural Extension Projects. The Remaining 12 States viz., Assam, Bihar, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Karnataka, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh and Punjab are still being financed under the three World Bank assisted National Agricultural Extension Projects.

The Directorate of Extension is guiding, supervising and monitoring the 'T&V' system as stipulated under the assessments. The implementation and progress of the projects are being monitored and evaluated through interdisciplinary teams, internal consultancy, special studies and national workshops and seminars. During the year under review, 19 inter-disciplinary teams have completed their programmes in areas covering administrative, organisational research, training and transfer of technology under the projects. Thirty one consultants undertook special studies on various extension related topics such as management, information support, training, review of the research-extension linkages, etc. The Directorate of Extension also carried out studies to make the system more effective. Under NAEP-I and NAEP-III, special sub-projects are taken up to bridge the gaps in the operation of State Extension System. These sub-plans cover such important areas as training, farm information support, adaptive research trials and demonstrations, input management computerisation, etc. Fifteen such special sub-projects were undertaken with a total cost of Rs. 8.85 crores.

The Directorate of Extension gives considerable attention to the needs of training extension personnel at the senior, middle and grass-root functionaries. Training plans are formulated every year in collaboration with State Governments. To provide training in extension management, agricultural technology and extension methodology, the training institutions like National Centre for Management of Agricultural Extension, Advanced Centre of Training and Extension Education Institutes have been developed which cater to the training needs of large number of extension personnel every year. Other training programmes for training include: (a) training abroad for select personnel; (b) in-service training facilities to acquire higher qualifications; (c) revision of training manual; (d) exchange of farmers for first hand knowledge from progressive farming areas and (e) special programmes for women farmers. etc. Besides, farm information is provided by journals, publications, exhibitions, shows, fairs and films.

Soil and Water Conservation Programme

Soil and water conservation programmes, launched in First Five Year Plan and suitably modified in the subsequent Plans, are being implemented through several Central and State sector schemes. Integrated Watershed Management for critical/responsive watersheds through multi disciplinary teams remains to be the key approach and strategy of these programmes. Presently, monitoring and evaluation of programme implementation with an in-depth study of programme formulation is being given importance. 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 guidelines and technological package of practices relating to soil and land use characteristics, controlling and stabilising ravines and areas under shifting cultivation and providing support to the States on the National Land Use Policy.

Out of the total geographical area of the country (328.73 million hectares) around 173.64 million hectares or about 53 per cent is subject to degradation hazards arising from water, wind erosion and other location specific problems. The rest of the 155.09 million hectares constitutes the total 'Non-Degrading' area. The States and Union Territories plan and implement most of the soil and water conservation programmes on the basis of integrated watershed management plans. The physical and financial progress under the state sector programmes is as under:

Physical and Financial Progress

Period	Achievement (lakh hectares)	Expenditure (Rs. crores)
Upto Sixth Five Year Plan	270.70	975.17
During Seventh Five Year Plan	37.91	703.10
During 1990-91 (anticipated)	6.64	216.43
Total	**315.25**	**1,894.70**

In addition, Soil Conservation Organisations/ Departments of States/Union Territories are implementing various Central sector programmes.

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 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 550 watersheds identified by the All India Soil and Land Use Survey Organisation. Upto the end of Seventh Plan period an area of 23.95 lakh hectares with an expenditure of Rs. 307.93 crore has been covered in 330 watersheds. During 1990-91, an area of one lakh hectares has been covered costing Rs. 33.00 crore in 20 watersheds. Under the Integrated Watershed Management in the catchments of flood prone rivers, an area of 3.63 lakh hectare has been covered at a cost of Rs. 90.89 crore till the end of Seventh Plan. During 1990-91 an area of 0.58 lakh hectares has been treated at a cost of Rs. 17.0 crore. The scheme of reclamation of alkali soils in the States of Haryana, Punjab and Uttar Pradesh seeks to improve the physical condition and productivity of alkali soils for restoring crop production. During 1990-91, an area of 35,000 hectares has been reclaimed with an expenditure of Rs. 5.0 crore. Ravine reclamation scheme is being implemented in the States of Uttar Pradesh, Madhya Pradesh, Rajasthan and Gujarat States to check the spread of ravine. During 1990-91, an area of 50,000 hectares was reclaimed with an expenditure of Rs. 17 crore. In addition to these programmes, three externally aided projects namely Indo-Dutch North Bengal Terai Development Project, Indo-Dutch Kuttanad Water Balance Study Project and Indo-FRG Project on watershed management were in operation during the year.

All India Soil and Land Use Survey

The All India Soil and Land Use Survey (AISLUS) was set up in 1958 as a premier national organisation to carry out field surveys and standard soil and land use surveys to assist formulation of various developmental programmes. The organisation functions with its Headquarters in New Delhi, with 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, soils 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.

In the current year 1990-91, the organisation has undertaken several important activities. It prepared "Watershed Atlas of India". The entire country has been divided into 3,237 watersheds. The atlas contains 17 sheets on 1:1 million scale accompanied by a compendium of watersheds containing valuable information on the watersheds. The organisation has a Remote Sensing Centre (RSC) at its headquarters. Using remote sensing technology, special soil surveys were conducted in an area of 61.39 lakh hectares. Besides, remote sensing technology was applied for mapping the water-logged lands in the States of Uttar Pradesh, Karnataka, Kerala, Tamil Nadu, Pondicherry and Andhra Pradesh.

Dryland Farming

One of the most important areas of concern at present is dryland farming as it holds the key for achieving foodgrains production target of 240

million tonnes by 2000 AD. Dryland farming is equally necessary to smoothen the fluctuations in annual production, to reduce regional disparities in agricultural growth, to generate employment of rural masses to arrest rural migration of already congested cities and towns, and to restore ecological balance by appropriately greening the rainfed areas with trees, shrubs and grasses. About 70.3 per cent or 98.94 million hectares in the total net sown of 140.72 million hectares constitute the rain dependent area vulnerable to the vagaries of the monsoon. Further, out of this 32 per cent falls in high rainfall zone, receiving more than 1125 mm rainfall and 68 per cent falls in the low 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 practicing subsistence farming and are subject to low as well as fluctuating levels of farm production.

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-watershed include soil and moisture conservation, land shaping, construction of water harvesting structures, adoption of drought-resistant seeds and other productivity improving inputs.

During the year, the Rainfed Farming System Cell (RFSC) created in June 1987 under the Department of Agriculture and Co-operation has been converted into Division of Rainfed Farming and Watershed Development and Management. The Division supervises and monitors all National and Foreign aided integrated/comprehensive watershed development/management projects operating in different agro-climatic zones of rainfed areas in the country. It promotes a holistic approach for sustainable development of rainfed areas by improving the resource base of land and water and by introducing appropriate production patterns through different farming systems. It also gives technical advise and guidance to the States in implementing various watershed Developmnet Programmes.

The Centrally sponsored scheme of National Watershed Development Programme for Rainfed Areas (NWDPRA) launched in 1986-87 in 16 districts was aimed at increasing agricultural production through land and moisture management, improved cropping systems, dryland horticulture, fodder production and farm forestry. The programme has been restructured thereby focussing on the twin objectives of sustainable production of bio-mass and the restoration of ecological balance in the rainfed areas. During the Seventh Five Year Plan, an area of 5.49 lakh hectares in 647 watersheds spread over 99 districts in the country have been covered under the programme. Presently, it is targetted to cover an area of 28 lakh hectares in 2,594 blocks, where less than 30 per cent of the arable land is under assured means of irrigation, with an outlay of Rs. 1,140 crore. The projects will be implemented by the participation of State Governments through 100 per cent Central assistance consisting 75 per cent grant-in-aid and 25 per cent loan. In 1990-91 funds were released for taking up one project each in 2,594 watersheds in each of 2,594 blocks in 361 districts of 27 States and Union Territories. A budget allocation of Rs. 80.25 crore was made during the year, of which Rs. 71.37 crore was released to States.

Apart from the above scheme, the Division services the following on-going projects. The World Bank aided Himalayan Watershed Management Project in Uttar Pradesh launched in 1983 with the objective of minimising further deterioration of the Himalayan eco-system caused by depletion of forest cover, over grazing, bad land use and careless road construction. The project area is spread over 3.12 lakh hectares in two watersheds viz. Nayar and Panar in Garhwal and Kumaon regions of Uttar Pradesh. An area of 48,258 ha. in forestry, 21,761 number of soil conservation structures 2,323 hectares of horticulture development, 64 km. of irrigation channels, 563 tanks and 356 hectares of pasture

development have been covered. Another World Bank aided Pilot Project for Watershed Development in Rainfed Areas is in operation since June 1984 in the States of Andhra Pradesh, Madhya Pradesh and Maharashtra, with the objective of increasing and stabilising production of crops, forage, fuel wood and timber in selected rainfed areas, through the use of proper technology. Two DANIDA assisted projects are in operation, one in the area of Belgaum and Dharwar districts of Karnataka and other in the districts of Tirunelvelli of Tamil Nadu to upgrade soils and to retain moisture to benefit mostly landless, small and marginal farmers.

Drought Prone Areas Programme and Desert Development Programme

The two programmes, Drought Prone Area Programme (DPAP) and Desert Development Programme (DDP) were chiefly meant for the restoration of ecological balance through a harmonious development of land and water resources in arid and semi-arid areas of the country. DPAP aims at achieving drought proofing through harmonious development of land/water and other natural resources. Activities relating to land shaping and moisture retention and conservation of water and its more productive utilisation, fodder, pasture and grass land development, horticulture, etc, are taken up under the programme. The DDP aims at controlling desertification through sand dune stabilisation, shelter belt plantation, conservation of water resources and their efficient management, afforestation, grass land and pasture development and horticulture, with an objective of improving the living conditions of the people in area covered by the programme. The DDP is a fully Centrally funded programme, where as DPAP is funded by Centre and States equally.

Several schemes were promoted under DPAP to reduce the severity of drought by containing the degradation of land and improving its productivity and capacity to support population and livestock.

Activities under DPAP have been taken up on a micro—water shed approach in each of the 615 blocks of 91 districts in 13 States covered under the programme. During the year 1990-91, 1,37,193 hectares of land were treated for soil and moisture conservation, 21,076 hectares were covered under water resources development and 76,527 hectares were covered under afforestation, pasture and fodder development.

The programme has been sanctioned with a total amount of Rs. 102.23 crore, of which Rs. 91.79 crore have been spent upto March 1991.

Activities under DDP have been taken up in 131 blocks of 21 districts in 5 States. During 1990-91, 11,433 hectares of land was treated for soil and moisture conservation, 6,285 hectares were covered under water resources development and 14,494 hectares were covered under afforestation, pasture and fodder development. A total amount of Rs. 49.5 crore have been provided for the programme during 1990-91 against which Rs. 58.33 crore have been spent up to March 1991. The implementation of the programmes is being thoroughly monitored through regular reports and review meetings. The details of the two programmes are given in Tables III-28 and III-29.

Table III-28 : Achievement under Drought Prone Areas Programme

	Item	Unit	1987-88	1988-89	1989-90	1990-91
	1	2	3	4	5	6
1.	Area treated under soil moisture conservation	'000 hectares	73.36	144.97	117.28	143.03
2.	Creation of irrigation potential	,,	37.99	38.42	27.58	21.52
3.	Forestry and Pasture	,,	74.20	102.16	87.65	80.00
4.	Number of beneficiaries	in '000 families	1392.89	488.94	..	..
5.	Mandays of employment created	in lakhs	197.45	171.29	..	..

.. : Not available.

Source : Ministry of Agriculture, Government of India.

Table III-29 : Achievement under Desert Development Programme

Item	Unit	Achievements			
		1987-88	1988-89	1989-90	1990-91
1	2	3	4	5	6
1. Soil and moisture conservation	'000 hectares	12.27	16.16	14.93	12.53
2. Forestry and pasture development	,,	17.25	24.76	17.09	13.83
3. Creation of irrigation potential	,,	6.89	6.22	9.64	6.40
4. No. of beneficiaries					
a) Total	'000 Nos.	4.56	4.65	..	..
b) Scheduled Castes	,,	1.10	1.32	..	..
c) Scheduled Tribes	,,	..	..	..	..
5. Employment generated	'000 mandays	689.65	223.26	..	..

.. : Not available.

Source : Ministry of Agriculture, Government of India.

Jawahar Rozgar Yojana

Rural development for poverty alleviation and employment generation has been a major thrust of Government strategy in recent times. The prime cause for rural poverty has been recognised as the unemployment/underemployment in the rural areas. In order to provide gainful employment as well as the creation of capital assets in rural areas, several programmes have been launched by the Government of India. 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 generate additional gainful employment opportunities for unemployed and underemployed persons in rural areas, while simultaneously creating additional 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 employment generation in 120 backward districts. As mentioned in the last year's Report, in order to implement these three programmes more effectively, NREP, RLEGP and Jawahar Lal Nehru Rozgar Yojana were merged into a single rural employment programme since April 1, 1989, viz. Jawahar Rozgar Yojana (JRY).

Under JRY, during 1989-90, 8,643.87 lakh mandays employment were created against the target of 8,757.25 lakh mandays. During 1990-91, a total of 8,722.31 lakh mandays employment were created as against the target of 9,291.04 lakh mandays. During 1989-90, Rs. 2,106.07 crore was provided under JRY, where as the actual release to States/Union Territories was Rs. 2,139.12 crore. The total availability including the matching share released by the States comes to Rs. 2,687.11 crore as against the actual utilisation of Rs. 2,458.43 crore. In 1990-91, a total of Rs. 2,103.73 crore were allocated as Central share and the actual release was Rs. 2,000.95 crore. The total availability of resources including states matching share was Rs. 3,253.51 crore (including unutilised balance of Rs. 748.12 crore by States), as against the actual utilisation of Rs. 2,554.89 crore.

Table III-30 : Progress of Jawahar Rozgar Yojana Programme

Item	Units	1989-90	1990-91
1	2	3	4
1. No. of mandays employment generated	No. of mandays in lakhs		
a) Target	"	8,757.25	9,291.04
b) Actual	"	8,643.87	8,722.31
2. Funds Allocation	Rs. crores		
a) Centre's allocation	"	2,106.07	2,103.73
b) Actual release	"	2,139.12	2,000.95
c) State's addition	"	547.99	504.44
d) Unutilised balance	"	—	748.12
e) Total availability (b + c + d)	"	2,687.11	3,253.51
f) Final Utilisation	"	2,458.43	2,554.89
g) Percentage of funds utilised	Per cent	91.49	78.52

Source : Department of Rural Development, Ministry of Agriculture, 1991.

Table III-31 : Physical assets created under Jawahar Rozgar Yojana during 1989-90 and 1990-91 (Preliminary)

Items	1989-90	1990-91	Items	1989-90	1990-91
1	2	3	1	2	3
Social Forestry					
1. Area Covered (HACT)	188389.79	144226.77	9. School Buildings (Nos.)	34674	21234
2. Works benefitting SC/ST (Nos.)	488511	255848	10. Development of Houses (Nos.)	9782	9352
3. Minor Irrigation Flood			11. Construction of Houses (Nos.)	57938	42747
Protection Works (HECT)	54024.12	27475.40	12. Panchayat Ghar (Nos.)	9287	7237
4. Soil Conservation Works (HECT)	43001.32	8541.96	13. Mahila Mandals (Nos.)	1620	874
5. Construction of village tanks (Nos.)	20868	6870	14. Sanitary Latrines (Nos.)	34396	25383
6. Land Development (HECT)	13444.73	5468.42	15. Construction of wells under		
7. Drinking water wells, ponds, etc. (Nos.)	154228	62257	M.W.S. (Nos.)	85820	31082
8. Rural Roads (kms)	180238.16	79752.99	16. Construction of Houses under		
			IAY (Nos.)	182216	90717
			17. Other works (Nos.)	213473	95475

HECT : Hectares.
MWS : Million Wells Scheme.
IAY : Indira Awaas Yojana.

Source : Ministry of Agriculture, Government of India.

CHAPTER IV

Industrial Performance

Trends in Industrial Production during 1990-91

During the financial year 1990-91 (April-March), the average monthly index of industrial production for the year (Base :1980-81 = 100) at 213.1 registered a growth rate of 8.5 per cent but was marginally less than the growth rate of 8.6 per cent achieved in 1989-90. This was the third year in succession when the growth rate was more than 8 per cent. During the year (1990-91), manufacturing sector with 77.11 per cent of weight in the index of industrial production, recorded a higher growth rate of 9.1 per cent from 8.6 per cent in the previous year, whereas the mining and quarrying and electricity sectors experienced deceleration in growth rate to 4.5 per cent and 8.7 per cent, respectively, from 6.3 per cent and 10.9 per cent in the previous year. The deceleration in growth rate of mining and quarrying sector is attributable to the poor performance in output of coal and crude oil, whereas lower thermal power generation during the year accounted for deceleration in electricity sector. Over the year, there has been a deceleration in the growth rate of general index, from 12.7 per cent in April-June 1990-91 to 10.6 per cent in the second quarter and 5.5 per cent in the third quarter of the year. However, it picked up to 6.2 per cent in the last quarter of the year 1990-91. A turnaround in the growth of general index in the last quarter can be attributed to higher growth rate of 8.9 per cent and 10.1 per cent, respectively, in the case of mining and quarrying and electricity sectors during the last quarter against an average growth rate of 2.8 per cent and 8.3 per cent, respectively, in first three quarters of the year (April-December 1990).

Industrial output data as per the use-based classification of industries (for 85.5 per cent of the total weight in the general index) shows a lower growth rate of 8.5 per cent during 1990-91 against 9.2 per cent in the previous year. The slowdown was largely on account of deceleration in basic goods and intermediate goods industries, while consumer goods and capital goods industries registered an acceleration in output.

The performance of infrastructure industries during 1990-91 was not satisfactory. The average composite index of the six infrastructure industries viz., electricity, coal, saleable steel, cement, petroleum crude and petroleum refinery products, accounting for 28.8 per cent of weight in IIP recorded a lower growth of 4.8 per cent in 1990-91 as against 6.2 per cent in 1989-90 and 8.2 per cent in 1988-89.

The weighted contribution of manufacturing sector to the overall growth in industrial production in 1990-91 accelerated to 80.4 per cent from 75.0 per cent in the previous year. However, contribution of electricity and mining and quarrying sectors decreased to 13.1 per cent and 6.5 per cent, respectively, from 15.8 per cent and 9.2 per cent in 1989-90 (Table IV-1).

Data on manufacturing sector at 2 digit level are furnished in Table IV-2. During 1990-91, the growth rate in the manufacturing sector accelerated to 9.1 per cent from 8.6 per cent in 1989-90. Of the 17 major industry groups, as many as 14 groups accounting for 71.39 per cent of total weight in IIP recorded positive growth rates and the remaining three groups, textile products, rubber, plastic, petroleum and coal products and other manufacturing industries registered declines. These three groups together account for a weight of 5.72 per cent in IIP. Among the 14 groups, which registered positive growth rates, six groups (including beverages, tobacco and tobacco products, leather and leather and fur products, chemical and chemical products and electrical machinery, apparatus and appliances and supplies, etc.) with a total weightage of 25.64 per cent experienced deceleration and the remaining eight industry groups accounting for 45.75 per cent of weight

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

Sector	Weight	April - March					
		1988-89		1989-90		1990-91	
		Index	Contribution to growth	Index	Contribution to growth	Index	Contribution to growth
1	2	3	4	5	6	7	8
Mining and Quarrying	11.46	199.1 (+7.9)	11.4	211.6 (+6.3)	9.2	221.1 (+4.5)	6.5
Manufacturing	77.11	175.6 (+8.7)	75.0	190.7 (+8.6)	75.0	208.1 (+9.1)	80.4
Electricity	11.43	198.2 (+9.5)	13.6	219.7 (+10.9)	15.8	238.8 (+8.7)	13.1
General Index (Crude)	100.00	100.9 (+8.7)	100.0	196.4 (+8.6)	100.0	213.1 (+8.5)	100.0

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

registered acceleration in their growth rates in 1990-91. These include food and food products, cotton textiles, jute, hemp and mesta textiles, wood and wood products, paper and paper products, basic metal and alloy industries, machinery and machine tools and transport equipments.

Industrial Policy

The Government of India's Statement on Industrial Policy was announced in Parliament on July 24, 1991. It contains initiatives which are proposed to be taken on the industrial front. It seeks to complement structural reforms already initiated by the Government in the areas of trade policy, exchange rate management, fiscal policy, financial sector reforms and overall macro-economic management.

The broad thrust of the new policy is to refine the Industrial Policy Statement of 1956 which was subsequently modified several times so as to (i) permit private and foreign investment in high priority industries, (ii) enhance the role of small-scale sector and (iii) promote internal competition, upgradation of technology, etc. There is a sharp focus on the need to expose the domestic industry to increased competition and to give a measure of autonomy to the public sector.

The changes in industrial policy relate to (1) Industrial licensing, (2) Foreign investment, (3) Foreign technology agreements, (4) Public sector policy and (5) Monopolies and Restrictive Trade Practices (MRTP) Act. The salient features of each of these areas of new policy are as follows:

1. Industrial Licensing Policy

The major policy initiatives and procedural reforms have been proposed to enable the entrepreneurs to make investment decisions on the basis of their own commercial judgement and to attain technological dynamism and international competitiveness. First, the requirement of licensing will be abolished for all industries, irrespective of levels of investment except for a short list of 18 industries related to security and strategic concerns, social reasons, hazardous chemicals, environmental reasons and articles of elitist consumption (Annexure II). The industries reserved for small-scale sector will continue to be so reserved. Projects requiring import of capital goods will also be given automatic clearance where (a) foreign exchange requirement is met through foreign equity or (b) the CIF value of imported capital

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

(Percentage)

Sr. No.	Industry Group	Weight	April-March		
			1988-89	1989-90	1990-91
1	2	3	4	5	6
1.	Food and food products	5.33	6.8	1.7	12.5
			(4.53)	(1.17)	(7.46)
2.	Beverages, tobacco and tobacco products	1.57	8.5	11.8	1.3
			(1.02)	(1.50)	(0.15)
3.	Cotton textiles	12.31	-3.1	4.2	15.9
			(-3.78)	(4.85)	(16.40)
4.	Jute, hemp and mesta textiles	2.00	12.0	-4.8	4.0
			(1.97)	(-0.86)	(0.58)
5.	Textile products (including wearing apparel other than footwear)	0.82	46.2	13.0	-31.6
			(3.14)	(1.26)	(-2.92)
6.	Wood and wood products, furniture and fixtures	0.45	6.2	2.5	12.4
			(0.41)	(0.17)	(0.73)
7.	Paper and paper products and printing, publishing and allied industries	3.23	3.0	6.0	9.0
			(1.46)	(2.88)	(3.92)
8.	Leather and leather and fur products (except repair)	0.49	-4.4	6.1	3.0
			(-0.36)	(0.47)	(0.21)
9.	Rubber, plastic, petroleum and coal products	4.00	8.5	3.1	-0.3
			(4.77)	(1.85)	(-0.15)
10.	Chemicals and chemical products (except products of petroleum and coal)	12.51	16.2	6.1	2.7
			(36.76)	(15.54)	(6.15)
11.	Non-metallic mineral products	3.00	16.8	2.9	1.7
			(7.19)	(1.39)	(0.74)
12.	Basic metal and alloys industries	9.80	6.9	-0.8	10.3
			(8.24)	(-1.03)	(10.80)
13.	Metal products and parts, except machinery and transport equipments	2.29	3.0	6.8	0.3
			(0.81)	(1.82)	(0.07)
14.	Machinery, machine tools and parts	6.24	15.7	6.7	8.2
			(12.36)	(5.90)	(6.55)
15.	Electrical machinery, apparatus, appliances and supplies and parts	5.78	3.9	31.9	22.6
			(6.79)	(56.12)	(44.66)
16.	Transport equipments and parts	6.39	13.6	5.0	6.2
			(11.96)	(4.81)	(5.38)
17.	Other manufacturing industries	0.90	12.3	9.0	-3.2
			(2.73)	(2.17)	(-0.72)
	Manufacturing	**77.11**	**8.7**	**8.6**	**9.1**
			(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).

goods required is less than 25 per cent of total value of plant and equipment, upto a maximum value of Rs. 2 crore. The latter will come into force from April 1992. From locational point of view, licensing would no longer be required in cities with population below one million. In respect of cities with a population of more than 1 million (according to 1991 census), non-polluting industries such as electronics, computer software, printing industry will be allowed to be

located within 25 kms. from the periphery of the city. Other relaxations in this regard include abolition of mandatory convertibility clause for term loans from financial institutions for new projects, provision of broadbanding facility for existing units to enable them to produce any article without additional investment and exemption from licensing for expansion of existing units.

2. Foreign Investments

To encourage industrial development, foreign investment would be permitted so as to bring much needed technology, marketing expertise, modern management techniques and new possibilities for promotion of exports. To this end following decisions are envisaged: (i) Direct foreign investment upto 51 per cent foreign equity will be allowed in high priority industries (Annexure III). To provide access to international markets this facility will also be extended to trading companies primarily engaged in export activities and such trading houses will be treated at par with domestic trading and export houses, (ii) While the import of components, raw materials and intermediate goods and payments of know-how fees and royalty will be governed by the general policy, the payment of dividends would be monitored through RBI to ensure that outflow of dividend payment are balanced by export earnings over a period of time, and (iii) The Government will also appoint a Special Empowered Board to negotiate with large firms and potential investors abroad for investment in the country. The investment programme of such firms would be considered in totality and free from pre-determined parameters or procedures.

3. Foreign Technology Agreements

The Government proposes to provide automatic approval for technological agreements related to high priority industries upto a lump-sum payment of Rs. 1 crore; 5 per cent and 8 per cent royalty for domestic sales and exports, respectively, subject to a total payment of 8 per cent of sales over a 10 year period from the date of agreement or over 7 years from the date of commencement of production. The automatic approval will also be granted to other industries provided they do not require the spending of free foreign exchange. For hiring foreign technicians and foreign testing of indigenously developed technologies, no prior clearance will be required.

4. Public Sector Policy

As regards public sector, henceforth, its attention would be on provision of essential infrastructure and strategic and high-tech areas which are crucial for long-term development. The main features are: (i) Areas being retained for the public sector will be opened up to the private sector selectively (Annexure I). Similarly, the public sector may also enter into areas not reserved for it, (ii) Provision of a greater degree or management autonomy to public sector units through the system of Memoranda of Understanding (MOU) between the Government and the undertaking to improve its performance, (iii) Professional management for public sector units with greater powers, (iv) Offer of a part of the Government's shareholding in the public sector to mutual funds, financial institutions, general public and workers in order to introduce market discipline and to augment resources of Public Sector and (v) In so far as rehabilitaion of sick public sector units is concerned, these would be referred to Board of Industrial and Financial Reconstruction (BIFR).

5. MRTP Act

Monopolies & Restrictive Trade Practices Act (MRTP Act), is proposed to be amended so as to achieve economies of scale, higher productivity and competitiveness. The amendments include: (i) The threshold limit of assets in respect of MRTP companies is sought to be abolished and pre-entry scrutiny of investment decisions under MRTP Act would no longer be required, and (ii) MRTP Act is intended to be strengthened to control monopolistic, restrictive and unfair trade practices and the MRTP Commission will be empowered to investigate complaints received from individual consumers or classes of consumers.

New Industrial Policy - Small-Scale Sector

The new industrial policy for the small-scale industry (SSI) was announced by the Government on August 6, 1991. Keeping in view the sector's potential for output, employment and export, the new policy has conferred greater focus on the promotion and nurturing of tiny enterprises within the small-scale sector. The major elements of the new policy with respect to tiny enterprises are: (i) enhancement of investment limits (in plant and machinery) from Rs.2 lakh to Rs.5 lakh irrespective of their location, (ii) inclusion of industry-related service and business enterprises as small-scale industries, (iii) easier access to institutional finance, (iv) priority in Government purchase programme, (v) relaxation of certain provisions of labour laws, (vi) widening the scope of the National Equity Fund to cover projects upto Rs.10 Lakh for equity support and (vii) enlargement of single window loan scheme to cover projects upto Rs.20 lakh with working capital margin upto Rs.10 lakh and channelising composite loans through commercial banks.

To mitigate the problem of inadequate access of SSI to credit, the new policy envisages a shift of emphasis from 'subsidised/cheap credit' to the 'adequate flow of credit'. It is proposed to set up a special monitoring agency to oversee that the genuine credit needs of the small sector are fully met. To provide access to the capital market and to encourage modernisation and technological upgradation, the new policy proposes equity participation in the SSI by other industrial undertakings upto 24 per cent of their total shareholdings. This is expected to promote ancillarisation and sub-contracting, leading to expansion of employment. Further, to enhance the supply of risk capital to the small-scale sector, a Limited Partnership Act is proposed to be introduced shortly.

In order to mitigate the difficulties faced by SSI units on account of delayed payments, 'factoring' service has already been introduced in the country through the participation of Small Industries Development Bank of India (SIDBI) in the factoring subsidiaries set up by State Bank of India and Canara Bank.

It is proposed to set up a network of such service throughout the country through commercial banks. A suitable legislation will be introduced to ensure prompt payment of small industries' bills.

Marketing of products is another problem faced by the SSI sector. It is proposed to market the items of mass consumption under a common brand name through National Small Industries Corporation (NSIC) and State Small Industries Development Corporation (SSIDC). This will enable the sector to have a significant share in the domestic market.

Recognising the substantial contribution of this sector to total exports and to fully exploit the untapped export potential, Small Industries Development Organisation (SIDO) has been identified as the nodal agency. An Export Development Centre is proposed to be set up in SIDO to further augment export activities of small-scale sector.

To encourage and facilitate location of industries in rural/backward areas a new scheme of Integrated Infrastructural Development for SSI is proposed with active participation from state governments and financial institutions. Further, to improve productivity and competitiveness of SSI units a Technology Development Cell (TDC) is proposed to be set up in SIDO.

Besides the above, other major initiatives include the introduction of two new schemes for handloom and handicraft sectors. They are : i) Project Package Scheme in place of Janata Cloth Scheme, which will provide funds for modernisation, training and quality improvement in handloom sector and ii) setting up of 'Craft Development Centres' to provide all round help in regard to marketing, technical guidance, training, supply of raw materials, etc.

Employment in Organised Sector

Available data on employment in the organised sector showed that at 259.86 lakhs by the end of March 1989, employment recorded a lower rate of growth of 1.1 per cent during 1988-89 as

compared with the rise of 1.3 per cent in last year (Table IV-2A). Within the organised sector, employment of public sector recorded a lower rate of growth of 1.1 per cent during 1988-89 (1.6 per cent last year), while the rate of growth in the private sector accelerated to 1.1 per cent (0.4 per cent last year).

During 1988-89 the highest rate of growth of employment in the public sector was in state government (1.6 per cent). The local bodies recorded a rate of growth of 1.2 per cent while employment in quasi-government bodies and Central Government registered an increase of 0.9 per cent and 0.2 per cent, respectively (Table IV-2B).

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	257.11	+1.6	+0.4	+1.3
March 1989@	185.16	74.70	259.86	+1.1	+1.1	+1.1

@ : Provisional.
Source : Economic Survey 1990-91, Ministry of Finance, Government of India.

Table IV-2B : Employment in Public Sector

(in lakhs)

Public Sector	End March		
	1988	1989	% Growth
1	2	3	4
Central Government	33.81	33.89	+0.2
State Government	67.81	68.90	+1.6
Quasi-Governments	59.48	59.99	+0.9
Local Bodies	22.11	22.38	+1.2
Total	183.20	185.16	+1.1

Source : Economic Survey 1990-91, Ministry of Finance, Government of India.

Employment Situation

The number of employment seekers registered with employment exchanges, rose from 32.8 million at the end of December 1989 to 34.6 million by end of December 1990 (Statement 16 - Vol.II of this Report).

The composition of employment in public and private sectors by major industries and services available only upto December 1989, 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 a decline in employment in the public sector in manufacturing and construction industries; in the private sector, in manufacturing, transport, storage and communication. Employment in manufacturing 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 was in 'services' viz., 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 satisfactory in recent years though there was deceleration in overall growth rate during 1990-91. The number of small-scale units increased by 6.2 per cent to 19.40 lakh in 1990-91 from 18.26 lakh in 1989-90. The estimated value of production of goods and services in the small-scale sector at Rs.1,57,550 crore (at current prices) in 1990-91 was higher by 19.1 per cent than that of Rs.1,32,320 crore in the previous year. The level of employment in this sector increased by 5.5 per cent to 126.20 lakh persons in 1990-91 from 119.60 lakh persons in 1989-90 (Table IV-3).

As a result of the co-ordinated efforts of small-scale sector and the Government agencies, exports from the sector continued to rise during 1990-91. According to the estimates prepared by the Development Commissioner, Small Scale Industries exports by the SSI sector during 1990-91 at Rs.9,100 crore (estimated) were higher by 19.3 per cent than that of Rs.7,625.7 crore in 1989-90. Full details of exports during 1990-91 are not yet available. The data for 1989-90 indicate that the share of small-scale sector in the total exports stood at 27.55 per cent in 1989-90 as against 27.05

Table IV-3 : Small-Scale Sector

Item	April–March			
	1987-88	1988-89	1989-90	1990-91 (P)
1	2	3	4	5
1. Number of Units (Lakh Nos.)	15.83	17.12	18.26	19.40
		(+ 8.1)	(+ 6.7)	(+ 6.2)
2. Production (Rupees Crore at 1984-85 prices)				
a) Target	66,630	73,125	80,220	N.A.
b) Achievement	72,880	82,400	92,080 (P)	N.A.
		(+13.1)	(+11.7)	
3. Production (Rupees Crore at current prices)	87,300	1,06,400	1,32,320	1,57,550
		(+21.9)	(+24.4)	(+19.1)
4. Exports (Rupees Crore)	4,372.96 (R)	5,489.63 (R)	7,625.74 (P)	9,100.00 (E)
		(+25.5)	(+38.9)	(+19.3)
5. Employment (Lakh Persons)	107	113	119.60	126.20
		(+ 5.6)	(+5.8)	(+5.5)

R : Revised. P : Provisional. E : Estimated. N.A. : Not available.

Notes : 1. Figures in brackets indicate percentage change over the preceding year.
2. Data pertain to modern SSI sector only i.e., exclusive of tiny units such as Handlooms, Coir, Khadi, etc.

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

per cent in 1988-89. The non-traditional items such as leather products, marine products, ready-made garments, etc. continued to account for the bulk of exports of this sector. The value of exports of non-traditional products amounted to Rs.7,258.4 crore in 1989-90 as against Rs.5,175.1

Table IV - 4 : Performance of District Industries Centres

Item	Total Achievement (April-March)			Per DIC Achievement (April-March)		
	1988-89 (Actual)	1989-90 (Provisional)	1990-91* (Estimated)	1988-89 (Actual)	1989-90 (Provisional)	1990-91 (Estimated)
1	2	3	4	5	6	7
1. No. of DICs sanctioned	422	422	422	-	-	-
2. No. of DICs reporting	422	422	422	100%	100%	100%
3. New Registrations done (Nos.)	3,12,972	2,70,838	3,01,867	742	642	715
4. New Units established (Nos.)						
i) Artisans	3,01,407	3,01,705	3,18,685	714	715	755
ii) SSI	1,20,541	1,21,125	1,21,869	286	287	289
Total	4,21,948	4,22,830	4,40,554	1,000	1,002	1,044
5. Credit assistance provided by financial institutions through DICs (Rs.crore)	1,325.69	1,591.87	N.A	3.14	3.77	N.A.
6. Additional employment generated (No. of persons)	11,24,166	10,28,314	11,12,535	2,664	2,437	2,636
7. Units given technical and other assistance (Nos.)	2,28,647	1,51,531	1,45,807	542	359	346

* : Based on averages of last three years.

N.A. : Not available.

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

crore in 1988-89, accounting for 95.2 per cent of the total exports from small-scale sector. The exports of traditional products like handloom, handicrafts and coir products rose to Rs.367.3 crore during 1989-90 from Rs.314.6 crore in 1988-89 accounting for only 4.8 per cent of the total exports of SSI as against 5.7 per cent in 1988-89. The total number of items reserved exclusively for production in the small-scale sector stood at 836 as at end-May 1991.

During the period under reference, the following major developments took place with regard to the promotion of the small-scale sector.

1. The Government of India raised the investment limit in plant and machinery for small-scale units from Rs.35 lakhs to Rs.60 lakhs and for ancillary units from Rs.45 lakhs to Rs.75 lakhs.

2. As per the recommendations made by the study group set up for examining introduction of factoring service in India under the Chairmanship of Shri C.S. Kalyanasundaram, banking companies were formally permitted to start factoring service as a business, under section 6 of the Banking Regulation Act, 1949. Under the new guidelines all public sector banks can individually or jointly float a factoring subsidiary. No private sector banking company has been allowed to operate in this field. Accordingly, Small Industries Development Bank of India (SIDBI), a wholly owned subsidiary of IDBI, has joined as the second largest shareholder in the 'SBI Factors and Commercial Services Pvt. Ltd.'.

3. With a view to ensuring larger flow of financial and non-financial assistance to small-scale sector, Small Industries Development Bank of India was entrusted with the work of i) initiating steps for technological upgradation and modernisation of existing units, ii) ensuring the marketing of the products of SSI sector in domestic and overseas market and iii) promoting employment oriented industries, especially in semi-urban areas.

District Industries Centres

The District Industries Centre Programme, which started in 1978-79 as a centrally sponsored scheme, has now covered almost all the 431 districts in the country with 422 functioning District Industries Centres (DICs). According to the estimates prepared by the Development Commissioner (Small Scale Industries), the overall rise in new units established during 1990-91 is expected to be 4.2 per cent as against an increase of only 0.2 per cent in 1989-90. The number of new industrial units estimated to have been established during 1990-91 was 4.41 lakh comprising of 3.19 lakh artisan-based units and 1.22 lakh small-scale units. These units would provide additional employment opportunities to about 11.13 lakh persons as compared with 10.28 lakh persons in 1989-90. According to the provisional data for 1989-90, credit assistance provided by the financial institutions through the DICs at Rs.1,592 crore was higher by Rs.266 crore or 20.1 per cent than in 1988-89 (Rs.1,326 crore). In addition to financial assistance, DICs also render technical and other assistance. The number of such units assisted, however, decreased from 2.29 lakh in 1988-89 to 1.52 lakh in 1989-90 and further to 1.46 lakh in 1990-91 (Table IV-4). Over the years the DICs have played a vital role in providing service and support to the village and small-scale industries as well.

Industrial Sickness

The latest available data as at end-September 1989 on industrial sickness showed that there has been a further rise in the number of sick units financed by commercial banks as well as in total bank credit outstanding against them. The total bank credit locked up in these units (Non-SSI sick units, Non-SSI weak units and SSI sick units)* was of the order of Rs.8,684 crore at the end of September 1989 as against Rs.6,927 crore at the end of June 1988. A large portion of this amount–49 per cent–pertained to

* For definition of categories of sick units please see footnotes to Tables.

non-SSI sick units, 25 per cent to non-SSI weak units and 26 per cent to SSI sick units.

Non-SSI Sick Units

The number of non-SSI sick units as defined in Sick Industrial Companies (Special Provisions) Act, 1985, rose to 1,419 with an outstanding bank credit of Rs.4,257.83 crore at the end of September 1989 from 1,172 with an outstanding bank credit of Rs.3,025.88 crore at end-June 1988 (Table IV-5).

As regards the state-wise position of sick units the largest number of these units were in Maharashtra followed by West Bengal, Gujarat, Tamil Nadu, Andhra Pradesh, Uttar Pradesh and Karnataka. These seven industrially advanced states together accounted for 75.2 per cent of the total number of non-SSI sick units and 80.1 per cent of the total outstanding bank credit to such units as at end of September 1989.

Among the non-SSI sick units, industry-wise classification indicates that sickness was more pronounced in case of textile group with 276 sick units with outstanding bank credit of Rs.1,274.46 crore followed by engineering (271 units), chemicals (140 units), paper (113 units), iron and steel (91 units) with outstanding amount of bank credit of Rs. 873.77 crore, Rs. 215.98 crore, Rs. 244.13 crore, and Rs.241.06 crore, respectively, as at end-September 1989. These five industry groups accounted for 62.8 per cent of the total number of non-SSI sick units and 66.9 per cent of the total outstanding bank credit to such units as at end-September 1989. The banks had completed viability studies in respect of 1167 units out of 1419 units and 456 units were considered as viable. Of the viable units, 280 units were put under nursing programme by the banks.

Non-SSI Weak Industrial Units

There were 762 non-SSI weak industrial units as at end-September 1989 with an outstanding bank credit of Rs. 2,182.69 crore (Table IV-5A) as against 743 units with outstanding bank credit of Rs.1,921.52 crore as at the end of June 1988. State-wise, the number of non-SSI weak units was highest in Maharashtra (111 units with outstanding bank credit of Rs. 252.2 crore) followed by West Bengal (102 units - Rs. 315.4 crore), Uttar Pradesh (83 units - Rs. 350.4 crore) and Gujarat (63 units - Rs. 122.1 crore). Industry-wise, the sickness was more rampant in the case of textiles (162 units - Rs. 571.7 crore) and engineering (111 units - Rs 360.1 crore).

Sick SSI Units

As regards sickness in the small-scale sector, there were 186,441 sick SSI units with outstanding bank credit of Rs. 2,243.31 crore at the end of September 1989. A large number of these units were in the State of West Bengal, Uttar Pradesh, Andhra Pradesh, Kerala, Madhya Pradesh, Maharashtra and Rajasthan (Table IV-5B). Industry-wise details of sick SSI units are given in Table IV-5C. Of these sick SSI units only 16,042 units (8.6 per cent of the total units) with outstanding bank credit of Rs. 568.27 crore or 25.3 per cent of the total credit were considered by banks as potentially viable and 8,201 units were put under nursing programme.

With a view to speeding up the process of implementation of revival packages, the Reserve Bank issued various guidelines to the commercial banks in regard to the rehabilitation of sick units; the important among them were as follows:

i) Banks were advised to encourage the schemes of takeover and revival of sick units by workers by forming themselves into a co-operative unit;

ii) Banks were permitted to consider the extent of reliefs/concessions for revival packages beyond the prescribed parameters, without obtaining prior permission of the RBI;

iii) They were also permitted to sell their existing debt of a sick unit at discount to another bank which is prepared to purchase it;

iv) Two high level conferences under the

TABLE IV - 5 : STATE-WISE AND INDUSTRY-WISE CLASSIFICATION OF NON-SSI SICK

State/Union Territory	Engineering		Electrical		Textiles		Jute		Paper		Rubber	
	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	No. of units	Amount outstanding
1	2	3	4	5	6	7	8	9	10	11	12	13
Eastern Region												
Assam	-	-	-	-	-	-	-	-	3	6.02	-	-
Meghalaya	-	-	-	-	-	-	-	-	-	-	-	-
Bihar	6	12.01	-	-	6	4.23	1	1.69	3	1.14	-	-
Arunachal Pradesh	-	-	-	-	-	-	-	-	-	-	-	-
West Bengal	32	155.11	5	7.67	17	38.01	31	148.24	9	34.48	2	8.43
Orissa	2	5.34	-	-	3	6.80	1	0.58	1	12.81	-	-
Andaman & Nicobar Islands	-	-	-	-	-	-	-	-	-	-	-	-
Northern Region												
Uttar Pradesh	14	23.44	3	8.44	13	65.06	1	3.43	9	14.01	-	-
Delhi	6	14.06	-	-	2	5.08	-	-	4	2.13	-	-
Punjab	5	3.42	1	7.28	6	2.60	-	-	5	7.07	-	-
Haryana	17	42.66	-	-	9	17.41	-	-	3	2.73	-	-
Chandigarh	4	4.95	-	-	2	2.77	-	-	6	7.64	-	-
Jammu & Kashmir	-	-	-	-	-	-	-	-	-	-	-	-
Himachal Pradesh	-	-	-	-	1	1.12	-	-	7	12.81	-	-
Rajasthan	3	1.21	2	10.37	16	40.55	-	-	5	6.99	-	-
Western Region												
Gujarat	27	63.08	-	-	61	327.48	-	-	10	33.78	1	0.17
Maharashtra	84	280.71	8	39.02	75	524.25	-	-	15	27.79	4	17.68
Goa	2	2.35	-	-	1	0.50	-	-	-	-	-	-
Daman, Diu	-	-	-	-	-	-	-	-	-	-	1	2.98
Dadra, Nagar Haveli	-	-	-	-	-	-	-	-	-	-	-	-
Madhya Pradesh	8	11.42	1	1.90	9	68.43	-	-	4	1.88	1	0.28
Southern Region												
Andhra Pradesh	20	57.21	6	16.24	11	35.43	1	3.01	11	47.83	1	3.30
Karnataka	11	39.86	1	6.44	13	56.06	-	-	8	13.66	2	2.36
Tamil Nadu	25	93.49	-	-	26	55.88	-	-	8	9.30	1	0.47
Kerala	4	63.00	1	2.80	5	22.80	-	-	1	0.96	2	25.41
Pondicherry	1	0.45	-	-	-	-	-	-	1	1.10	-	-
TOTAL	**271**	**873.77**	**28**	**100.16**	**276**	**1274.46**	**35**	**156.95**	**113**	**244.13**	**15**	**61.08**

Note : According to Sick Industrial Companies (Special Provisions) Act, 1985, 'Sick Industrial Company' means an industrial losses equal to or exceeding its entire net worth and has also suffered cash losses in such financial year and the companies and small-scale industrial units/ancillary units.

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

chairmanship of the Deputy Governor of RBI were held with the chiefs of the banks, financial institutions and the Board for Industrial and Financial Reconstruction (BIFR) and some important decisions were taken. The mandatory adoption of Single Window

INDUSTRIAL UNITS AND OUTSTANDING BANK CREDIT AS AT THE END OF SEPTEMBER 1989

(Amount in Rs. crore)

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
14	15	16	17	18	19	20	21	22	23	24	25
-	-	1	1.18	-	-	1	0.45	3	2.15	8	9.80
-	-	-	-	-	-	1	1.24	-	-	1	1.24
2	9.23	5	8.14	3	4.44	3	9.02	13	49.07	42	98.97
-	-	-	-	-	-	-	-	-	-	-	-
-	-	18	29.75	1	4.46	10	11.31	57	173.60	132	611.06
-	-	3	23.51	-	-	5	10.66	6	11.71	21	71.41
-	-	-	-	-	-	-	-	1	2.17	1	2.17
2	5.56	5	7.00	2	3.32	9	10.09	24	52.47	82	192.82
-	-	3	10.55	-	-	-	-	12	27.58	27	59.40
-	-	1	2.54	-	-	2	0.37	9	12.00	29	35.28
-	-	6	9.64	-	-	-	-	11	13.35	46	85.79
-	-	-	-	1	2.64	2	15.15	7	10.68	22	43.83
-	-	-	-	-	-	-	-	1	7.78	1	7.78
-	-	-	-	-	-	3	0.62	1	6.63	12	21.18
3	27.41	2	3.07	1	0.02	5	5.05	7	14.62	44	109.29
4	7.06	10	33.48	-	-	13	9.87	28	37.40	154	512.32
5	62.78	16	53.79	6	14.31	34	71.51	74	173.17	321	1265.01
-	-	2	16.57	-	-	1	0.65	9	7.23	15	27.30
-	-	-	-	-	-	-	-	-	-	1	2.98
-	-	-	-	-	-	-	-	1	0.57	1	0.57
-	-	5	14.44	-	-	6	10.47	13	21.10	47	129.92
4	16.19	4	4.80	2	2.88	15	24.67	46	123.13	121	334.69
2	9.91	5	17.87	4	26.62	8	4.54	23	48.30	77	225.62
-	-	4	3.77	-	-	17	17.90	49	86.41	130	267.22
-	-	1	0.96	-	-	5	12.41	12	10.90	31	139.24
-	-	-	-	-	-	-	-	1	1.39	3	2.94
22	**138.14**	**91**	**241.06**	**20**	**58.69**	**140**	**215.98**	**408**	**893.41**	**1419**	**4257.83**

company (being a company registered for not less than seven years) which has at the end of any financial year accumulated financial year immediately preceding such financial year. The provisions of the Act do not apply to Government companies, shipping

Concept of Lending (SWCL) under consortium arrangements for sick and weak industrial units, upto the stage of first disbursal under working capital and disbursement of rehabilitation term loan, was one such major decision. Others relate to designating a

TABLE IV – 5 A : STATE-WISE AND INDUSTRY-WISE CLASSIFICATION OF NON-SSI WEAK

State/Union Territory	Engineering		Electrical		Textiles		Jute		Paper		Rubber	
	No. of units	Amount out-standing	No. of unns	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
1	2	3	4	5	6	7	8	9	10	11	12	13
Eastern Region												
Assam	1	0.33	-	-	-	-	-	-	-	-	-	-
Meghalaya	-	-	-	-	-	-	-	-	-	-	-	-
Tripura	-	-	-	-	-	-	1	2.84	-	-	-	-
Bihar	3	95.79	-	-	1	0.32	2	2.06	-	-	-	-
Arunachal Pradesh	-	-	-	-	-	-	-	-	-	-	-	-
West Bengal	12	75.96	3	2.49	6	17.85	4	11.34	4	4.56	4	24.78
Orissa	7	4.42	-	-	7	23.98	-	-	1	0.40	-	-
Northern Region												
Uttar Pradesh	8	31.28	-	-	16	158.59	-	-	3	2.12	1	2.78
Delhi	2	1.05	-	-	-	-	-		-	–	–	–
Punjab	2	1.47	-	-	4	11.97	-	-	-	-	–	–
Haryana	6	12.22	1	3.73	3	9.79	-	-	-	-	1	1.37
Chandigarh	-	-	-	-	1	1.33	-	-	-	-	-	-
Jammu & Kashmir	-	-	-	-	-	-	-	-	-	-	-	-
Himachal Pradesh	2	4.98	-	-	2	1.43	-	-	1	0.14	-	-
Rajasthan	3	2.29	-	-	5	6.21	-	-	-	-	-	-
Western Region												
Gujarat	9	8.38	2	1.59	33	88.30	-	-	-	-	-	-
Maharashtra	20	50.02	-	-	34	129.96	-	-	4	4.60	2	6.22
Goa	1	0.07	-	-	-	-	-	-	-	-	-	-
Daman, Diu	-	-	-	-	-	-	-	-	-	-	-	-
Dadra, Nagar Haveli	-	-	-	-	-	-	-	-	-	-	-	-
Madhya Pradesh	1	11.88	1	1.15	11	12.56	-	-	1	2.14	-	-
Southern Region												
Andhra Pradesh	11	16.84	6	10.55	7	2.47	2	1.25	3	2.03	–	–
Karnataka	8	4.33	2	12.06	9	20.63	-	-	2	62.23	2	8.07
Tamil Nadu	9	18.34	1	4.15	15	71.51	-	-	2	2.60	-	-
Kerala	5	19.01	2	63.09	5	3.58	-	-	1	11.53	2	4.75
Pondicherry	1	1.39	-	-	3	11.23	-	-	-	-	-	-
Total	**111**	**360.05**	**18**	**98.81**	**162**	**571.71**	**9**	**17.49**	**22**	**92.35**	**12**	**47.97**

Note : With a view to cover categories of non-SSI industrial units, which do not come under the purview of Sick is defined as 'weak' if it has at the end of any accounting year, accumulated losses equal to or exceeding include all categories of borrowers, i.e. limited companies, partnership firms, proprietory concerns, etc.

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

Nodal Monitoring Agency to monitor the implementation of sanctioned rehabilitation packages, appointment of a compliance officer by individual banks, role of operating agency, co-ordination between banks and financial institutions, etc.

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 1990-91 is briefly reviewed below.

INDUSTRIAL UNITS AND OUTSTANDING BANK CREDIT AS AT THE END OF SEPTEMBER 1989

(Amount in Rs. crore)

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
14	15	16	17	18	19	20	21	22	23	24	25
-	-	-	-	1	1.46	2	60.31	32	43.98	36	106.08
-	-	-		-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	5	1.68	6	4.52
-	-	1	0.77	2	2.05	-	-	10	31.70	19	132.69
-	-	-	-	-	-	-	-	1	0.71	1	0.71
1	0.26	7	47.79	-	-	7	19.86	54	110.51	102	315.40
1	0.60	3	2.43	1	0.20	2	49.30	6	22.13	28	103.46
1	22.45	2	4.23	27	40.87	3	6.55	22	81.57	83	350.44
-	-	-	-	-	-	-	-	6	13.46	8	14.51
-	-	-	-	-	-	-	-	6	3.67	12	17.11
-	-	1	2.73	-	-	1	53.80	6	12.67	19	96.31
-	-	-	-	-	-	1	0.61	2	3.15	4	5.09
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	5	6.55
-	-	-	-	-	-	-	-	8	10.62	16	19.12
1	1.15	1	2.18	-	-	1	1.14	16	19.32	63	122.06
-	-	5	12.29	2	0.18	12	11.75	32	37.21	111	252.23
-	-	1	0.13	-	-	-	-	8	16.96	10	17.16
-	-	-	-	-	-	-	-	1	0.32	1	0.32
-	-	-	-	-	-	-	-	-	-	-	-
4	1.94	-	-	2	0.64	4	3.65	10	19.50	34	53.46
3	4.45	2	1.99	1	0.61	8	7.96	20	13.32	63	61.47
2	0.96	4	33.87	-	-	8	46.42	24	31.32	61	219.89
-	-	1	1.65	2	4.80	3	3.30	13	18.64	46	124.99
1	2.19	1	1.08	-	-	4	30.58	8	9.95	29	145.76
-	-	-	-	-	-	-	-	1	0.74	5	13.36
14	**34.00**	**29**	**111.14**	**38**	**50.81**	**56**	**295.23**	**291**	**503.13**	**762**	**2182.69**

Industrial Companies (Special Provisions) Act, 1985, the Reserve Bank of India has advised the banks that an industrial unit 50 per cent of its peak net worth in the immediately preceding five accounting years. It is clarified that 'weak' units will

A. Basic Industries

(a) Coal

The overall output of coal (excluding lignite) during 1990-91 at 211.73 million tonnes was higher by 5.4 per cent over the level of 200.89 million tonnes recorded in 1989-90 (Table IV-6). The production in 1990-91 was, however, 4.2 per cent lower than the target of 221 million tonnes set for the year. Coal India Ltd. (CIL) accounted for 89.6 per cent of the total production in 1990-91.

Table IV - 5B : State-wise classification of sick small scale Industrial units and outstanding bank credit as at the end of September 1989

(Rs. crore)

Sr. No.	State/Union Territory	No. of units	Amount outstanding
1	2	3	4
	Eastern Region		
1.	Assam	5546	17.32
2.	Meghalaya	86	0.56
3.	Mizoram	–	–
4.	Bihar	5250	65.13
5.	Arunachal Pradesh	26	0.15
6.	West Bengal	25648	221.32
7.	Nagaland	33	0.54
8.	Manipur	1220	1.25
9.	Orissa	4486	33.44
10.	Sikkim	70	0.48
11.	Tripura	423	0.93
12.	Andaman & Nicobar Islands	21	0.03
	Northern Region		
13.	Uttar Pradesh	24401	193.09
14.	Delhi	4260	152.94
15.	Punjab	4467	71.31
16.	Haryana	2179	55.92
17.	Chandigarh	276	6.88
18.	Jammu & Kashmir	1806	7.39
19.	Himachal Pradesh	952	8.39
20.	Rajasthan	11925	59.97
	Western Region		
21.	Gujarat	6302	177.89
22.	Maharashtra	14497	450.03
23.	Daman & Diu	5	0.06
24.	Goa	853	11.70
25.	Dadra & Nagar Haveli	8	0.56
26.	Madhya Pradesh	14675	78.42
	Southern Region		
27.	Andhra Pradesh	21461	172.69
28.	Karnataka	8318	121.98
29.	Lakshadweep	–	–
30.	Tamil Nadu	10105	213.92
31.	Kerala	17021	114.12
32.	Pondicherry	121	4.90
	TOTAL	186441	2243.31

Note : A small-scale industrial unit is considered as sick unit if it has, at the end of any accounting year, accumulated losses equal to or exceeding 50 per cent of its peak net worth in the immediately preceding five accounting years. In the case of the tiny/decentralised sector also a unit is considered sick if it satisfies the above definition. However, in the case of such units, if it is difficult to get financial particulars, a unit is considered sick if it has defaulted continuously for a period of one year, in the payment of interest or instalments of principal and there are persistent irregularities in the operation of its credit limit with the bank.

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

CIL achieved an output level of 189.64 million tonnes which was 2.2 per cent lower than the target of 194.00 million tonnes fixed for the year, though it was higher by 6.2 per cent over the previous year's production at 178.62 million tonnes.

Among the subsidiary companies under CIL, three companies viz., Eastern Coalfields Ltd. (ECL), Bharat Coking Coal Ltd. (BCCL) and Western Coalfields Ltd. (WCL) could not achieve their output targets, whereas three companies viz. Central Coalfields Ltd. (CCL), Northern Coalfields Ltd. (NCL) and South-Eastern Coalfields Ltd. (SECL) exceeded their respective targets. Singareni Collieries Co. Ltd., accounted for 8.4 per cent of the total output in 1990-91. Its output at 17.71 million tonnes during 1990-91 fell short of the target of 22.50 million tonnes set for the year, and was also lower than the production of 17.79 million tonnes in the previous year. The output in SCCL was affected due to extraneous reasons, strikes, law and order problems, etc.

The productivity of coal (measured in terms of raw coal output per manshift) in case of CIL

Table IV-5C: Industry-wise classification of sick small-scale industrial units and outstanding bank credit as at the end of September 1989

(Rs. crore)

Sr. No.	Industry	No. of units	Amount outstanding
1	2	3	4
1.	Engineering	19474	416.68
2.	Electrical	4123	97.42
3.	Textiles	15308	151.12
4.	Jute	203	12.75
5.	Paper	1881	46.02
6.	Rubber	953	36.50
7.	Cement	405	13.61
8.	Iron and Steel	2356	110.49
9.	Sugar	371	14.27
10.	Chemicals	6751	206.45
11.	Miscellaneous	134616	1138.00
	Total	186441	2243.31

Table IV-6 : Performance of Coal Industry

(Million tonnes)

Item	April-March 1988-89 (Revised)	1989-90 (Revised)	1990-91 (Provisional)
1	2	3	4
1. Production			
a) Coal (i + ii)	**194.60**	**200.89**	**211.73**
	(+8.2)	**(+3.2)**	**(+5.4)**
i) Coking Coal	42.72	44.43	45.36
	(+6.7)	(+4.0)	(+2.1)
ii) Non-Coking Coal	151.88	156.46	166.37
	(+8.6)	(+3.0)	(+6.3)
b) Lignite	**12.40**	**12.80**	**11.76**
	(+10.0)	**(+3.2)**	**(-8.1)**
2. Imports (Coking Coal)	**4.44**	**5.35**	**5.56**
	(+49.5)	**(+20.5)**	**(+3.9)**
3. Despatches (i + ii)	**184.02**	**191.93**	**200.39**
	(+8.2)	**(+4.3)**	**(+4.4)**
i) Coking Coal	41.19	41.04	41.93
	(+8.6)	(-0.4)	(+2.2)
ii) Non-Coking Coal	142.83	150.89	158.46
	(+8.1)	(+5.6)	(+5.0)
4. Exports	**0.19**	**0.16**	**0.09**
	(+11.8)	**(-15.8)**	**(-43.8)**
5. Year-end Pit-head Stocks (i+ii)	**33.97**	**37.43**	**42.87**
	(+0.3)	**(+10.2)**	**(+14.5**
i) Coking Coal	12.24	11.64	15.30
	(+8.9)	(-4.9)	(+31.4)
ii) Non-Coking Coal	21.73	25.79	27.57
	(-3.9)	(+18.7)	(+6.9)

Notes : 1. Figures in brackets represent percentage variations over the previous 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 : Ministry of Coal, Government of India.

was higher at 1.31 tonnes during 1990-91 as against the target of 1.30 tonnes fixed for the year and 1.21 tonnes achieved in 1989-90. Whereas, the productivity of SCCL marginally declined from 0.99 tonne in 1989-90 to 0.96 tonne in 1990-91, which is also less than the target of 1.11 tonnes fixed for the year.

The coal production target for 1991-92 has been fixed at 228.0 million tonnes as against the estimated demand of 239.1 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, including washery middlings to consumers at 206.58 million tonnes were higher by 4.6 per cent during 1990-91 as compared to 197.46 million tonnes during the previous year. Pit-head stocks of coal at 42.87 million tonnes at the end of 1990-91 were also higher compared to 37.43 million tonnes at the end of the previous year.

The railways are the major agency for coal transportation accounting for about 62 per cent of total despatches. The daily average coal loading by CIL increased by 4.2 per cent from 12,791 wagons per day in 1989-90 to 13,329 wagons per day in 1990-91. Coal loading in SCCL, however, declined by 3.7 per cent from 1,284 wagons per day in 1989-90 to 1,236 wagons per day in 1990-91. Keeping in view the long-term objectives of increasing coal production and productivity,

Table IV - 7 : Performance of Iron Ore Industry

(Million tonnes)

Item	April-March		
	1988-89	1989-90(P)	1990-91(P)
1	2	3	4
Production	51.1	55.0	54.9
	(+0.4)	(+7.6)	(-0.2)
Despatches for internal consumption	19.6	22.0	22.0
	(+1.0)	(+12.2)	(-)
Despatches for exports	33.0	35.6	31.9
	(+12.2)	(+7.9)	(-10.4)
Year-end Stocks*	4.0	4.3	4.6
	(+5.3)	(+7.5)	(+7.0)

P : Provisional.
* : These stocks data are incomplete and include data in respect of iron ore fines from Goa only.
Note : Figures in brackets represent percentage variations over the previous year.
Sources : i) Indian Bureau of Mines, Ministry of Steel and Mines, Government of India and
ii) DGCI & S, Calcutta.

assistance has been sought from some developed coal producing countries like the USSR, Poland, France, United Kingdom, Germany, 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 coal and lignite sectors during the Eighth Plan period. The report of the working group on coal and lignite was duly considered by the Planning Commission in September-October 1990. They have recommended the total demand of coal in the year 1994-95 at 285.00 million tonnes including 7.70 million tonnes of washery middlings for power plants. A production target of 277.50 million tonnes of coal has been suggested for CIL and SCCL mines and 5.10 million tonnes for TISCO/IISCO and DVC mines, in the Eighth Plan period. The balance requirement is proposed to be met by drawing down pithead stocks.

(b) Iron Ore

Output of iron ore (including concentrates/pellets from Kudremukh) during 1990-91 at 54.9 million tonnes was lower than the target of 59.0 million tonnes set for the year (Table IV-7). Production during 1990-91 was marginally lower by 0.2 per cent as compared to the previous year's level of 55.0 million tonnes. The relative share of public sector and private sector mines in total production remained unchanged at 57 per cent and 43 per cent, respectively. As regards relative state contributions towards total production, Goa continues to be the leading iron ore producer accounting for 24 per cent of the total output, followed by Karnataka and Madhya Pradesh (23 per cent each), Bihar (15 per cent) and Orissa (14 per cent). The remaining one per cent being accounted for by Maharashtra, Andhra Pradesh, Rajasthan and Haryana.

The exports of iron ore during 1990-91 totalled 31.9 million tonnes which were lower than the previous year's exports of 35.6 million tonnes by 10.4 per cent. The despatches for internal consumption, however, remained stationary at 22 million tonnes during the year.

In view of the fall in production during 1990-91, the total production target of iron ore for the year 1991-92 has been set at 59 million tonnes to cater to the domestic requirement of 25 million tonnes and exports of the order of 34 million tonnes.

The National Mineral Development Corpora-

tion Ltd. (NMDC) is one of the major producers of iron ore. NMDC produced 9.7 million tonnes of iron ore during 1990-91 as against 10 million tonnes during the previous year. The hitherto export oriented mines of NMDC have started catering to the needs of domestic consumers also. In 1990-91, NMDC exported 9.6 million tonnes of iron ore against 10.2 million tonnes in the previous year. The domestic sales by NMDC accounted for 1.9 million tonnes during 1990-91. The major project under implementation is the Bailadila-14 project.

(c) Cement

The performance of cement industry improved during 1990-91. Production of cement at 48.7 million tonnes during 1990-91 recorded a rate of growth of 6.3 per cent as compared with that of 3.4 per cent in 1989-90 (Table IV-8). The capacity utilisation improved from 73.9 per cent in 1989-90 to 76.2 per cent in 1990-91. The improvement in both production and capacity utilisation was due mainly to buoyancy in domestic demand. Thus, despatches of cement (excluding mini and white cement plants) recorded a growth of 9.8 per cent during 1990-91 as compared with the modest increase of 3.1 per cent in 1989-90. Moreover, the industry was able to export 2.64 million tonnes of cement during 1990-91 as compared with 1.55 million tonnes in 1989-90.

However, the production of cement during 1990-91 was marginally lower than the target of 49 million tonnes. The shortfall in the targetted production during 1990-91 was due to the poor performance of public sector units which account for about 15 per cent of installed capacity. Output of public sector plants at 4.91 million tonnes during 1990-91 declined by 7.5 per cent as compared with nil rate of growth during 1989-90 (Table IV-9). On the contrary, the rate of growth of production of private sector plants accelerated to 8.2 per cent during 1990-91 as compared with the increase of 3.3 per cent in 1989-90. The poor performance of public sector cement plants during 1990-91 is attributed, among others, to the shortage of coal (especially in southern units of

Table IV-8 : Performance of Cement Industry

(Million tonnes)

Item	April-March 1988-89	1989-90	1990-91(P)
1	2	3	4
1. Installed Capacity	60.8	62.0	63.9
	(+2.8)	(+2.0)	(+3.1)
2. Production	44.3	45.8	48.7
	(+11.8)	(+ 3.4)	(+ 6.3)
3. Despatches	41.7	43.0	45.8
	(+12.4)	(+ 3.1)	(+ 9.8)
4. Average Capacity Utilisation (per cent)	72.9	73.9	76.2
5. Imports*	Nil	Nil	Nil
6. Exports	0.42	1.55	2.64
7. Year-end Stocks	0.7	0.6	0.6

P : Provisional.

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

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

2. Data relating to installed capacity, production and capacity utilisation relate to the industry as a whole, while those of despatches and year-end stocks are exclusive of mini and white cement plants.

Sources : 1. Cement Manufacturers Association, New Delhi.

2. Ministry of Programme Implementation.

Table IV-9 : Output of Cement Industry

(Million tonnes)

Item	April-March		
	1988-89	1989-90	1990-91 (P)
1	2	3	4
1. Public Sector	**5.3**	**5.3**	**4.9**
		(-)	(-7.5)
a) Cement Corporation	2.5	2.8	2.9
of India		(+12.0)	(+ 3.6)
b) Others	2.8	2.5	2.0
		(-10.7)	(-20.0)
2. Private Sector	**36.5**	**37.7**	**40.8**
		(+ 3.3)	(+ 8.2)
3. Mini and White Cement Plants	**2.5**	**2.8**	**3.0**
		(+12.0)	(+ 7.1)
Total (1 to 3)	**44.3**	**45.8**	**48.7**
		(+3.4)	(+ 6.4)

P : Provisional.
Note : Figures in brackets represent percentage variations over the previous year.
Source : Ministry of Programme Implementation.

Cement Corporation of India) and limestone, mechanical breakdown and prolonged labour trouble in some units.

(d) Iron and Steel

The performance of iron and steel industry improved during 1990-91. Output of saleable steel during the year 1990-91 at 13,028.5 thousand tonnes registered a higher increase of 3.3 per cent than that of 1.6 per cent in the comparable period of last year (Table IV-10). This was due mainly to the higher growth in production at SAIL plants of 4.5 per cent in 1990-91 as against a decline of 1.3 per cent in 1989-90. Among the SAIL plants, all the units except that of Rourkela recorded higher rates of growth. The production of TISCO declined by 1.1 per cent in 1990-91 in contrast to a rise of 1.1 per cent in 1989-90. Similarly, the output of pig iron during the year at 1,493.4 thousand tonnes was higher by 11.9 per cent on top of the substantial rise of 20.5 per cent recorded in the preceding year.

The share of the secondary sector (which mainly consists of mini steel plants) in the total output of saleable steel during 1990-91 at 28.4 per cent was the same as in the preceding year. However, the share of the secondary sector in the production of pig iron marginally declined to 6.6 per cent from 6.9 per cent last year.

During 1990-91, the sale of saleable steel increased by 1.1 per cent as against a decline of 8.0 per cent in 1989-90. Although the import of saleable steel declined by 13.9 per cent during 1990-91, the sale of domestic steel rose by 2.3 per cent. Similarly, the sale of pig iron during the year 1990-91 was also higher by 15.3 per cent. The increased availability of pig iron during 1990-91 was on account of substantial rise in imports to the tune of 282.7 thousand tonnes in 1990-91 as compared with a marginal import of 0.3 thousand tonne during 1989-90.

The improved production and sale of saleable steel during 1990-91 resulted in a lower year-end stock at 425.2 thousand tonnes as against 522.0 thousand tonnes at the end of 1989-90. However, the year-end stock of pig iron at 47.1 thousand tonnes was higher than that of 41.4 thousand tonnes last year.

As a major policy change, the Government has now decided to encourage the production of steel in the secondary sector by licensing new units which are based on new energy saving technology and the use of sponge iron in place of the conventional scrap iron. Under the new industrial policy, the steel sector including mini steel plants has been exempted from licensing, except for the projects located within 25 kms. from the periphery of the standard urban area limits of a city having a population of more than 10 lakhs.

Table IV-10 : Production of Iron and Steel*

('000 Tonnes)

	Pig Iron			Saleable Steel		
	1988-89	1989-90	1990-91	1988-89	1989-90	1990-91
A. Production						
1. Rourkela	68.3	72.4	49.9	1,168.2	1,111.4	1,087.0
	(5.7)	(6.0)	(-31.1)	(1.0)	(-4.9)	(-2.2)
2. Bhilai	291.4	322.3	95.6	2,541.8	2,593.8	2,794.9
	(44.5)	(10.6)	(-70.3)	(17.0)	(2.0)	(7.8)
3. Durgapur	129.0	207.0	87.5	831.6	700.1	727.2
	(-28.0)	(60.5)	(-57.7)	(-0.5)	(-15.8)	(3.9)
4. Bokaro	345.0	390.1	332.0	2,277.0	2,325.2	2,426.2
	(-46.2)	(13.1)	(-14.9)	(15.7)	(2.1)	(4.3)
Total (SAIL)	**833.7**	**991.8**	**565.0**	**6,818.6**	**6,730.5**	**7,035.3**
	(-23.2)	**(19.0)**	**(-43.0)**	**(11.2)**	**(-1.3)**	**(4.5)**
5. IISCO	170.0	243.1	307.8	442.2	332.9	329.2
	(102.4)	(43.0)	(26.6)	(-18.4)	(-24.7)	(-1.1)
6. TISCO	–	7.5	0.4	1,944.4	1,966.0	1,944.3
			(-94.7)	(1.6)	(1.1)	(-1.1)
7. VSP	–	–	520.2	–	–	19.7
Total (1 to 7)	**1,003.7**	**1,242.4**	**1,393.4**	**9,205.2**	**9,029.4**	**9,328.5**
	(-14.2)	**(23.8)**	**(12.2)**	**(7.2)**	**(-1.9)**	**(3.3)**
8. Secondary Producers	103.4	92.0	100.0	3,206.0	3,577.0	3,700.0
	(1.4)	(-11.0)	(8.7)	(16.0)	(11.6)	(3.4)
Total (A)	**1,107.1**	**1,334.4**	**1,493.4**	**12,411.2**	**12,606.4**	**13,028.5**
	(-13.0)	**(20.5)**	**(11.9)**	**(9.3)**	**(1.6)**	**(3.3)**
B. Sales						
1. Sales (domestic)	898.0	1,210.1	1,113.1	8,080.8	7,570.5	7,745.1
	(-16.3)	(34.8)	(-8.0)	(6.4)	(-6.3)	(2.3)
2. Imports	192.3	0.3	282.7	782.5	587.5	506.0
	(962.4)	(-99.8)	@	(-14.6)	(-24.9)	(-13.9)
Total (B)	**1,090.3**	**1,210.4**	**1,395.8**	**8,863.3**	**8,158.0**	**8,251.1**
	(-0.1)	**(11.0)**	**(15.3)**	**(4.1)**	**(-8.0)**	**(1.1)**
C. Year-end Stocks	**29.1**	**41.4**	**47.1**	**611.6**	**522.0**	**425.2**
	(26.5)	**(42.3)**	**(13.8)**	**(-16.1)**	**(-14.7)**	**(-18.5)**

* : Provisional.
@ : Shows very large percentage variation.
Note : Figures in brackets indicate percentage change over previous year.
Source : Joint Plant Committee.

Table IV-11 : Installed Plant Capacity

(Mega Watt)

As at the end of March	Thermal	Hydel	Nuclear	Non-Conventional	Total
1	2	3	4	5	6
1989	39,673	17,798	1,565	4	59,040
	(+11.3)	(+3.1)	(+17.7)	(-)	(+8.8)
1990	43,740	18,308	1,565	14	63,627
	(+10.3)	(+2.9)	(-)	(+250.0)	(+7.8)
1991 (P)	45,731	18,753	1,565	14	66,063
	(+4.6)	(+2.4)	(-)	(-)	(+3.8)

P : Provisional.

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

Source : Central Electricity Authority.

(e) Electricity

The total electricity generation during 1990-91 at 264.1 billion kwh recorded a growth rate of 7.8 per cent which was lower than the growth rate of 10.9 per cent in 1989-90 and 9.5 per cent in 1988-89 (Table IV-12). The realised level in 1990-91 was short of the target of 271.3 billion kwh by 2.6 per cent. The shortfall from the target was contributed by lower thermal and nuclear power generation during the year by 7.4 per cent and 9.3 per cent, respectively. Hydro generation was 13.5 per cent higher than the target for the year, which helped in reducing the overall shortfall to some extent. Thermal power generation registered a growth rate of only 4.4 per cent in 1990-91 compared with a growth rate of 13.3 per cent in the year 1989-90. However, generation of hydel and nuclear power accelerated to 15.3 and 34.4 per cent, respectively, from 7.3 per cent and a decelaration of 20.6 per cent, respectively, in the previous year. Consequently, the share of thermal power in total electricity output marginally declined to 70.6 per cent, whereas hydel and nuclear power improved their share to 27.1 per cent and 2.3 per cent, respectively.

As in the previous year, the actual power availability at 246.6 billion kwh fell short of the estimated demand of 267.6 billion kwh by 7.9 per cent (Table IV-12A). Thus, the deficit, i.e., the difference between demand and availability as a percentage of the former was relatively large in the Eastern Region (18.5 per cent) and Southern Region (10.9 per cent) followed by the Northern Region (5.4 per cent), North-Eastern Region (4.6 per cent) and Western Region (3.6 per cent). During the year 1990-91, the overall capacity utilization of thermal stations measured in terms of a composite Plant Load Factor (PLF) decreased to 53.8 per cent from 56.5 per cent during the previous year. However, the PLF in case of nuclear power increased to 48.7 per cent from 40.6 per cent in the previous year. The regional profile of growth in power generation shows that thermal power output recorded the highest growth in the North-Eastern Region (8.3 per cent) followed by the Northern Region (7.3 per cent), Southern Region (5.3 per cent) and Western Region (5.1 per cent). In the Eastern Region, thermal power generation declined by 5.1 per cent. In respect of hydel generation, the highest growth was observed in the Eastern Region (30.8 per cent) followed by the Western Region (24.2 per cent), Southern Region (19.4 per cent), Northern Region (7.9 per cent) and North-Eastern Region (6.7 per cent). The highest overall growth in the power generation during the year was recorded in the Southern Region (12.0 per cent), while the Eastern Region recorded the lowest growth of only 0.04 per cent.

During 1990-91, as against the targetted capacity addition of 4,212 MW comprising of 1,006.5 MW hydro, 2,970.5 MW thermal and 235 MW nuclear power, only 2,776.5 MW comprising of 445.5 MW hydro and 2,331 MW thermal could be commissioned during 1990-91. The total installed plant capacity of power generation stood

Table IV - 12 : Source-wise Targets, Generation and Achievement of Electric Power

(Billion Kilo Watt Hours)

Source	April - March								
	1988-89			1989-90			1990-91(P)		
	Target	Generation	Percentage Achievement	Target	Generation	Percentage Achievement	Target	Generation	Percentage Achievement
1	2	3	4	5	6	7	8	9	10
1. Thermal	163.0	157.5	96.6	182.3	178.5	97.9	201.4	186.4	92.6
	(+14.0)	(+5.4)		(+11.8)	(+13.3)		(+10.5)	(+4.4)	
2. Hydel	58.0	57.8	99.7	62.0	62.0	100.0	63.0	71.5	113.5
	(+2.8)	(+21.9)		(+6.9)	(+7.3)		(+1.6)	(+15.3)	
3. Nuclear	5.5	5.8	105.5	7.0	4.6	65.7	6.9	6.2	89.9
	(-1.8)	(+16.0)		(+27.3)	(-20.6)		(-1.4)	(+34.4)	
4. Total	226.5	221.1	97.6	251.3	245.1	97.5	271.3	264.1	97.3
	(+10.5)	(+9.5)		(+10.9)	(+10.9)		(+8.0)	(+7.8)	

P : Provisional.

Notes : 1. Figures in brackets represent percentage variations over the previous year.
2. Percentage variations in case of generation have been calculated by taking the absolute figures upto third decimal place.

Source : Central Electricity Authority.

Table IV - 12 A : All India/Region-wise Demand and Supply of Electricity and Deficit

(Billion Kilo Watt Hours)

Region	1988 - 89			1989 - 90			1990 - 91 (P)		
	Requirement	Availability	Deficit (Percentage)	Requirement	Availability	Deficit (Percentage)	Requirement	Availability	Deficit (Percentage)
1	2	3	4	5	6	7	8	9	10
Northern Region	65.5	61.6	5.9	74.2	70.0	5.8	79.8	75.5	5.4
Western Region	66.6	64.9	2.6	74.7	72.8	2.6	81.4	78.5	3.6
Southern Region	59.9	51.7	13.8	65.4	56.7	13.3	70.7	63.0	10.9
Eastern Region	28.7	25.4	11.6	30.6	26.0	15.0	32.7	26.7	18.5
North-Eastern Region	2.5	2.4	3.2	2.8	2.7	3.0	3.0	2.9	4.6
All India	223.2	206.0	7.7	247.7	228.2	7.9	267.6	246.6	7.9

P : Provisional.

Note : Percentage deficit has been calculated by taking the absolute figures of requirement and availability upto third decimal place.

Source : Central Electricity Authority.

at 66,063 MW by end of 1990-91, comprising 45,731 MW of thermal, 18,753 MW of hydro, 1,565 MW of nuclear and 14 MW of non-conventional power (Table IV-11). The target of power generation for 1991-92 has been fixed at 283.5 billion kwh which is 7.3 per cent more than the achievement during 1990-91.

During the Seventh Plan period (1985-90), 1,00,494 villages were electrified and 26,41,837 pumpsets energised. The targets for village electrification and energisation of pumpsets for the year 1990-91 were 9,962 villages and 3,36,760 pumpsets, against which the actual achievements were the electrification of 8,386 villages and energisation of 4,67,935 pumpsets.

The electrification of tribal villages and Harijan Bastis continued to receive special atten

Table IV - 13 : Crude Oil and Petroleum Refinery Products

(Thousand tonnes)

Item	April-March 1988-89	1989-90	1990-91 (P)
1	2	3	4
A. Crude Oil			
a) Production (i+ii)	**32,040**	**34,087**	**33,021**
	(5.5)	**(6.4)**	**(-3.1)**
i) On-shore	10,928	12,371	11,830
	(7.2)	(13.2)	(-4.4)
ii) Off-shore	21,112	21,716	21,191
	(4.7)	(2.9)	(-2.4)
b) Imports	**17,815**	**19,490**	**20,699**
	(0.5)	**(9.4)**	**(6.2)**
B. Petroleum Refinery Products			
a) Production	**45,699**	**48,690**	**48,567**
of which	**(2.2)**	**(6.5)**	**(-0.3)**
i) Naphtha	5,378	5,227	4,658
	(-1.5)	(-2.8)	(-10.9)
ii) Kerosene	5,201	5,700	5,472
	(1.9)	(9.6)	(-4.0)
iii) High Speed Diesel Oil	16,656	17,737	17,186
	(2.2)	(6.5)	(-3.1)
b) Imports	**6,495**	**6,564**	**8,660**
of which	**(64.5)**	**(1.1)**	**(31.9)**
i) Naphtha	–	–	–
ii) Kerosene	2,924	2,596	3,340
	(34.1)	(-11.2)	(28.7)
iii) High Speed Diesel Oil	2,502	3,048	4,680
	(88.3)	(21.8)	(53.5)

P : Provisional.
Note : Figures in brackets represent percentage variations over the previous year.
Source : Ministry of Petroleum and Chemicals.

tion. Out of 1.11 lakh tribal villages, 72,344 had been electrified upto March 1991. The number of villages in which street lighting facilities were extended to Harijan Bastis was 2,38,927 up to October 1990.

The scheme of incentive payments for reducing transmission and distribution (T & D) losses, will be continued. Under the scheme, the SEBs/Electricity Departments and their distribution divisions which achieve a prescribed minimum reduction in T & D losses shall be awarded.

(f) Crude Oil and Petroleum Refinery Products

The production of crude oil at 33,021 thousand tonnes during 1990-91 recorded a decline of 3.1 per cent over the level of 34,087 thousand tonnes in 1989-90 (Table IV-13). The Oil and Natural Gas Commission (ONGC) as well as Oil India Limited (OIL) contributed to the shortfall in both offshore and onshore areas. There was a decline of 3.2 per cent in the production of crude oil by ONGC at 30,372 thousand tonnes during 1990-91 as against 31,383 thousand tonnes during the previous year. The onshore production by ONGC at 9,181 thousand tonnes was 5 per cent less than 9,667 thousand tonnes during the previous year. The offshore production by ONGC at 21,191 thousand tonnes during 1990-91 was 2.4 per cent less than the previous year's production at 21,716 thousand tonnes. However, ONGC's share in total domestic crude oil output remained stationary at the previous year's level of 92 per cent. The production of crude oil by OIL at 2,649 thousand tonnes during 1990-91 was 2 per cent

less than the last year's achievement of 2,704 thousand tonnes. ONGC's production was affected in Mehsana and Ahmedabad areas of Gujarat due to closure of wells as a result of increased water cut problem and frequent power shutdown; in Assam, due to power problems and less contribution from newly developed wells; in Tamil Nadu, due to deferment of development schemes and in Bombay High, delay in commissioning of gas lift and less production from ID/W6 wells. OIL's production was affected due to shortfall in development wells as well as work over wells and restricted movement of OIL personnel in the fields on account of disturbed atmosphere.

The total drilling metreage in exploration and development drilling (onshore and offshore areas) achieved by the ONGC during 1990-91 at 1,053.26 thousand metres was less than the achievement of 1,323.25 thousand metres during 1989-90 by 20.4 per cent. The drilling metreage of OIL at 115.89 thousand metres was 11.1 per cent lower than the achievement of 130.37 thousand metres in 1989-90.

The total imports of crude oil at 20,699 thousand tonnes during 1990-91 were 6.2 per cent higher than the total imports of 19,490 thousand tonnes during the previous year. The consumption of crude oil (in terms of refinery throughput) at 51,772 thousand tonnes decreased by 0.3 per cent from 51,942 thousand tonnes during 1989-90. While the output of petroleum refinery products at 48,567 thousand tonnes declined by 0.3 per cent over previous year's level of 48,690 thousand tonnes, the consumption of the same at 54,772 thousand tonnes increased by 1.3 per cent over the previous year's consumption of 54,095 thousand tonnes.

As on April 1, 1990, the total installed refinery capacity spread over 12 refineries was of the order of 51,850 thousand tonnes per annum. As against this, the total level of crude consumption in terms of refinery throughput at 51,772 thousand tonnes indicated capacity utilisation of 99.8 per cent against 100.2 per cent in the previous year. There is, therefore, urgent need to augment the existing capacity.

The imports of petroleum refinery products at 8,660 thousand tonnes were 31.9 per cent higher than the last year's imports of 6,564 thousand tonnes. As against this, the exports of petroleum refinery products at 2,648 thousand tonnes rose marginally by 2.1 per cent over the previous year's level of 2,593 thousand tonnes.

The Petroleum Conservation Research Association (PCRA) continued its thrust on the conservation of petroleum products in the various sectors of the economy. In the industrial sector, conducting fuel oil studies, energy audits, installation of low excess air film burners and replacement of boilers were taken up. Drivers' training, setting up of model depots and other related activities were adopted in transport sector. In the agricultural sector, programmes of rectification of lift irrigation pumpsets were continued in States like Gujarat, Rajasthan, Uttar Pradesh, Punjab and Andhra Pradesh. Besides, various information dissemination programmes, press campaigns, distribution of booklets etc. were also taken up to increase awareness for petroleum conservation. The estimated savings expected to be achieved in monetary terms after implementation of the programmes during the year 1990-91, is of the order of Rs.60 crore.

B. Capital Goods Industries

(a) Engineering Industries

During 1990-91 (April-March), the composite index of the output of engineering industry (comprising basic metals, machinery and machine tools, transport equipment, metal products and parts and electrical machinery) accounting for 30.5 per cent of total weight in the index of industrial production (IIP) registered a marginally higher growth rate of 13.7 per cent as against 13.2 per cent recorded in the preceding year. The performance of various industrial groups under engineering industry during the year was mixed. During 1990-91, among the engineering industries, electrical machinery and appliances (which includes electronics) recorded the highest growth (Table IV-2) of 22.6 per cent, followed by basic metals and alloys (10.3 per cent), non-electrical

machinery and machine tools (8.2 per cent), transport equipment (6.2 per cent) and metal products (0.3 per cent).

The performance of selected engineering industries during 1990-91 (April-March), is reviewed briefly under three broad categories viz., i) heavy mechanical engineering industries, ii) light mechanical engineering industries and iii) electrical engineering industries.

i) Heavy Mechanical Engineering Industries

In the automobile sector of the heavy engineering group (Table IV-14), the output of jeeps and cars declined by 16.0 per cent and 1.1 per cent, respectively, during 1990-91, as compared with a rise of 21.3 per cent and 12.8 per cent in the preceding year. On the other hand, output of commercial vehicles registered an impressive increase of 15.1 per cent during 1990-91 as compared with a moderate rise of 3.4 per cent in 1989-90. During 1990-91, other items in heavy engineering group like structurals, railway wagons, two wheelers and tractors recorded increase of 21.6 per cent (11.9 per cent in 1989-90), 6.3 per cent (3.7 per cent), 6.4 per cent (4.5 per cent) and 14.7 per cent (14.0 per cent), respectively. Similarly, production of lifts showed an impressive rise of 60.5 per cent during 1990-91

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

Item	Unit	April-March		
		1988-89	1989-90(P)	1990-91(P)
1	2	3	4	5
1. Automobiles				
i) Passenger Cars	'000 Nos.	161.0	181.6	179.6
		(+16.4)	(+12.8)	(-1.1)
ii) Commercial Vehicles	"	122.5	126.7	145.8
		(+2.2)	(+ 3.4)	(+15.1)
iii) Jeeps	"	37.6	45.6	38.3
		(+59.3)	(+21.3)	(-16.0)
2. Scooters, Motor Cycles & Mopeds	"	1,674.5	1,750.4	1,863.2
		(+ 4.9)	(+ 4.5)	(+6.4)
3. Structurals	'000 Tonnes	107.9	120.7	146.8
		(-17.6)	(+11.9)	(+21.6)
4. Steel Castings**	"	332.7	361.8	377.2
		(+ 6.8)	(+ 8.7)	(+ 4.3)
5. Diesel Engines**	'000 Nos.	1,857.1	1,773.7	1,729.0
		(-2.1)	(-4.5)	(-2.5)
6. Railway Wagons (in terms of four wheelers)	"	21.4	22.2	23.6
		(+35.4)	(+ 3.7)	(+ 6.3)
7. Road Rollers	Nos.	564.0	375.0	348.0
		(+6.4)	(-33.5)	(-7.2)
8. Lifts	"	2,210.0	2,024.0	3,248.0
		(+13.2)	(- 8.4)	(+60.5)
9. Tractors	'000 Nos.	109.7	125.1	143.5
		(+32.3)	(+14.0)	(+14.7)

P : Provisional.
** : Includes production from the small-scale sector.
Note : Figures in brackets indicate percentage variations over the corresponding period of the preceding year.
Source : CSO and Ministry of Industry, Government of India.

(-8.4 per cent). However, the rate of increase in production of steel castings decelerated to 4.3 per cent (8.7 per cent) and the output of diesel engines and road rollers registered negative growth rates of 2.5 per cent (decline of 4.5 per cent) and 7.2 per cent (decline of 33.5 per cent), respectively.

ii) Light Mechanical Engineering Industries

Among the selected light mechanical engineering industries (Table IV-15), production of wrist watches and razor blades recorded higher growth rates of 19.4 per cent (8.9 per cent) and 12.0 per cent (8.8 per cent), respectively. Production of typewriters recorded a positive rate of growth of 0.7 per cent during 1990-91 as compared with a decline of 5.9 per cent in 1989-90. However, the output of sewing machines declined by 36.7 per cent during 1990-91 on top of the decline of 38.5 per cent in 1989-90. Output of bicycles declined marginally by 0.5 per cent as compared with an increase of 1.4 per cent in the preceding year.

iii) Electrical Engineering Industries

The electrical engineering industries as a whole recorded a lower growth rate of 22.6 per cent as against 31.9 per cent in 1989-90. Among the light electrical engineering goods, the output of electrical fans and domestic refrigerators improved significantly, registering growth rates of 12.5 per cent and 21.9 per cent, respectively, as against a decline of 26.2 per cent and a rise of 11.0 per cent in the previous year. However, the output of electrical lamps decelerated while that of storage batteries and dry cells declined further during 1990-91 (Table IV-16).

Of the heavy electrical engineering items, the output of electric motors and power driven pumps recorded impressive rates of growth of 15.4 per cent and 5.7 per cent, respectively, as compared with declines in the previous year. However, production of power transformers decreased by 3.2 per cent as against a rise of 37.0 per cent in the preceding year.

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

i) Aluminium

The total production of aluminium in the country reached a record level of 443 thousand

Table IV-15 : Output of Selected Light Mechanical Engineering Industries

Item	Unit	April-March		
		1988-89	1989-90(P)	1990-91(P)
1	2	3	4	5
1. Typewriters	'000 Nos.	122.3	115.1	115.9
		(+30.7)	(-5.9)	(+ 0.7)
2. Bicyles	"	6,702.7	6,797.1	6,763.6
		(-0.1)	(+ 1.4)	(-0.5)
3. Sewing Machines	"	238.2	146.6	92.8
		(-24.3)	(-38.5)	(-36.7)
4. Razor Blades	Million Nos.	2,767.2	3,009.5	3,370.2
		(+23.8)	(+ 8.8)	(+12.0)
5. Wrist Watches	"	9.0	9.8	11.7
		(+20.0)	(+8.9)	(+19.4)

P : Provisional.
Note : Figures in brackets denote percentage variations over the previous year.
Source : CSO and Ministry of Industry, Government of India.

Table IV-16 : Output of Selected Electrical Engineering Industries

Item	Unit	April-March		
		1988-89	1989-90(P)	1990-91(P)
1	2	3	4	5
A) Light Electrical Engineering				
1. Electrical Lamps				
i) Incandescent	Million Nos.	247.5	251.9	255.1
		(-3.1)	(+ 1.8)	(+ 1.3)
ii) Fluorescent	"	46.2	56.3	59.8
		(- 5.1)	(+21.9)	(+ 6.2)
2. Electrical Fans**	"	6.5	4.8	5.4
		(+ 6.6)	(-26.2)	(+12.5)
3. Radio Receivers	'000 Nos.	1,036.0	668.1	649.9
		(+ 5.9)	(-35.5)	(- 2.7)
4. Storage Batteries	"	3,285.0	3,842.7	3,652.3
		(+12.0)	(-17.0)	(- 5.0)
5. Dry Cells	Million Nos.	1,351.3	1,274.2	1,234.9
		(-20.5)	(- 5.7)	(- 3.1)
6. Domestic Refrigerators	'000 Nos.	947.7	1,051.8	1,282.6
		(+39.3)	(+11.0)	(+21.9)
B) Heavy Electrical Engineering				
1. Power Transformers	Million K.V.A.	27.6	37.8	36.6
		(+14.5)	(+37.0)	(- 3.2)
2. Electric Motors	Million H.P.	5.3	5.2	6.0
		(+23.3)	(-1.9)	(+15.4)
3. Power Driven Pumps	'000 Nos.	593.5	480.4	508.0
		(+15.1)	(-19.1)	(+ 5.7)

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

tonnes during 1990-91, registering a rise of 3.1 per cent over the previous year (Table IV-17). The two public sector plants namely National Aluminium Company Ltd., (NALCO) and Bharat Aluminium Company Ltd., (BALCO) accounted for 54 per cent of total aluminium production in the country. During 1990-91 exports of alumina and aluminium earned foreign exchange to the tune of Rs.348.10 crore, of which the share of NALCO amounted to Rs. 277.80 crore.

The relatively good performance of aluminium industry during 1990-91 occured inspite of the heavy power cuts to the smelters of INDAL (Indian Aluminium Company Ltd), the fire accident in the captive power plant of NALCO in March 1990 and a sharp decline in the international prices of alumina. In view of the thrust given to aluminium industry, Rs. 3.4 crore expansion plan for NALCO has been approved by the Government.

ii) Copper

Production of copper which had increased by 4.0 per cent to 41.2 thousand tonnes in 1989-90, declined by 1.5 per cent to 40.6 thousand tonnes in 1990-91. Hindustan Copper Limited (HCL) which is the sole producer of copper in the country, meets country's copper requirements only partially and the balance is met by imports canalised through Mineral and Metals Trading

Table IV-17 : Production of Non-ferrous Metals

(Thousand tonnes)

Item	April-March		
	1988-89	1989-90	1990-91(E)
1	2	3	4
Virgin Metals			
1. Aluminium Ingots	354.0	430.0	443.2
		(+21.5)	(+ 3.1)
2. Copper Metal (cathode)	39.6	41.2	40.6
		(+4.0)	(-1.5)
3. Lead	18.6	21.4	27.4
		(+15.1)	(+28.0)
4. Zinc	61.2	67.1	73.1
		(+9.6)	(+8.9)
Semi-Manufactures			
1. Aluminium			
a) Sheets and Circles Rolled Products	92.4	80.5	80.3
		(-12.9)	(- 0.3)
b) Wire Rods for Aluminium Conductor	29.5	47.8	58.8
Steel Reinforced (ACSR)/(AAC)		(+62.0)	(+23.0)
2. Copper Alloy Rolled Products	45.0	28.9	31.5
		(-35.8)	(+ 9.0)

E : Estimated.
Note : Figures in brackets represent percentage variations over the preceding year.
Source : 1) Ministry of Industry, Government of India.
2) CSO, Department of Statistics, Ministry of Planning.

Corporation (MMTC) of India Ltd., and direct imports through REP/Advance licences.

Various measures have been initiated for boosting the copper production in the country. The smelters and refineries at Khetri Copper Complex (KCC) and Indian Copper Complex (ICC) have been modernised for achieving the rated copper production capacity of 47,500 TPA. Integrated Development of Singbhum Copper Belt and expansion of mining and smelting capacities of Malanjkhand Copper Project would help HCL to improve the production of copper. Continuous Cast Copper Wire Rod Plant of ECL at Taloja with a capacity of 6,000 TPA has commenced commercial production from April 1990.

iii) Lead

Production of lead increased by 28 per cent to 27.4 thousand tonnes in 1990-91 as compared with a rise of 15.1 per cent in the previous year.

iv) Zinc

During 1990-91, production of zinc increased to 73.1 thousand tonnes from 67.1 thousand tonnes registering a rate of growth of around 9 per cent.

As the indigenous production of both these metals (Lead and Zinc) is able to meet only a part of the growing demand, the balance is met through imports by MMTC. Hindustan Zinc Ltd. is in the process of implementing two major projects in Rajasthan viz., the integrated project comprising a zinc-lead smelter at Chanderia in Chittorgarh district and development of Rampura - Agucha Mining Complex in Bhilwara district.

C. Intermediate Goods Industries

(a) Jute Textiles

Production of jute textiles increased to 14.30 lakh tonnes during 1990-91 from 13.04 lakh tonnes in 1989-90 registering a growth rate of 9.6 per cent against a decline of 6.1 per cent in 1989-90. This was attributable to a favourable demand for packaging arising from record foodgrains and sugar production. Category-wise, production of both sacking and other jute goods recorded increases of 20.5 per cent and 7.2 per cent respectively, in contrast to a decline of 15.4 per cent in sacking and a deceleration to 2.4 per cent in other jute goods in 1989-90. Production of hessian showed a decline of 4.6 per cent and also, carpet backing continued its downward slide recording a decline of 41.8 per cent in 1990-91 (Table IV-18).

Total domestic consumption of jute goods recorded a growth of 11.4 per cent in 1990-91 against a decline of 3.5 per cent in 1989-90. Similarly, export of jute goods in value terms rose marginally from Rs.296.30 crore during 1989-90 to Rs.298.10 crore in 1990-91. The quantity exported was 2.41 lakh tonnes during the year against 2.36 lakh tonnes in 1989-90. As regards year-end stocks, it rose from 63.5 thousand tonnes to 68.5 thousand tonnes in the current year.

The Government has taken several measures to improve the working of the jute industry, some of which are as follows:

1) Government has created Jute Modernisation Fund Scheme (JMFS) of Rs.150 crore and Special Jute Development Fund Scheme (SJDF) of Rs.100 crore for revamping jute industry.

2) With a view to bringing about a structural change in the product range being manufactured, the efforts are on to strengthen the supply base

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	1988-89	313.7	792.7	35.6	246.6	1,388.6
		(-0.7)	(+16.7)	(-13.8)	(+58.6)	(+16.5)
	1989-90 (P)	347.2	670.6	34.0	252.5	1,304.3
		(+10.7)	(-15.4)	(-4.5)	(+2.4)	(-6.1)
	1990-91 (P)	331.4	808.1	19.8	270.6	1,429.9
		(-4.6)	(+20.5)	(-41.8)	(+7.2)	(+9.6)
Consumption**	1988-89	160.1	764.3	4.5	219.6	1,148.5
		(+9.4)	(+14.2)	(+40.6)	(+58.1)	(+20.0)
	1989-90 (P)	178.1	684.0	6.3	240.4	1,108.8
		(+11.2)	(-10.5)	(+40.0)	(+9.5)	(-3.5)
	1990-91 (P)	192.3	788.5	4.9	249.0	1,234.7
		(+8.0)	(+15.3)	(-22.2)	(+3.6)	(+11.4)
Year-end Stocks	1988-89	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)
	1990-91 (P)	27.6	22.8	3.7	14.4	68.5
		(+12.2)	(+1.3)	(-17.8)	(+21.0)	(+7.9)

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 traditional products in the domestic and export markets and to diversify into newer uses like jute handlooms and handicrafts, jute rigid packaging, non-woven and industrial applications, geo-jute etc.

3) Incentives were given to encourage the production of diversified products in the decentralised sector by giving several incentives.

4) Internal Market Assistance Scheme (IMA) and External Market Assistance Scheme (EMA) were strengthened to promote diversification.

Table IV-19 : Rubber

(Thousand tonnes)

Item	April-March		
	1988-89	1989-90	1990-91
1	2	3	4
PRODUCTION	**354.6**	**395.3**	**432.7**
	(+10.7)	**(+11.5)**	**(+9.5)**
Natural	259.2	297.3	329.6
	(+10.2)	(+14.7)	(+10.9)
Synthetic	54.4*	53.5*	57.3*
	(+22.2)	(-1.7)	(+7.1)
Reclaimed	41.0	44.5	45.8
	(+1.2)	(+8.5)	(+2.9)
IMPORTS	**93.8**	**83.4**	**97.9**
	(+11.9)	**(-11.1)**	**(+17.4)**
Natural	59.8	44.4	51.9
	(+11.4)	(-25.8)	(+16.9)
Synthetic	34.0*	39.0*	46.0*
	(+13.0)	(+14.7)	(+17.9)
TOTAL AVAILABILITY	**528.7**	**565.3**	**617.1**
	(+8.9)	**(+6.9)**	**(+9.2)**
Natural	383.1	411.0	451.1
	(+9.0)	(+7.3)	(+9.8)
Synthetic	101.6	107.0	116.8
	(+13.3)	(+5.3)	(+9.2)
Reclaimed	44.0	47.3	49.2
	(-0.5)	(+7.5)	(+4.0)
CONSUMPTION	**439.2**	**479.3**	**509.5**
	(+8.4)	**(+9.1)**	**(+6.3)**
Natural	313.8	341.8	364.3
	(+9.1)	(+8.9)	(+6.6)
Synthetic	84.2	93.6	99.5
	(+10.2)	(+11.2)	(+6.3)
Reclaimed	41.2	43.9	45.7
	(+0.2)	(+6.6)	(+4.1)
CONSUMPTION MET THROUGH IMPORTS (PERCENTAGE)	**21.4**	**17.4**	**19.2**
Natural	19.1	13.0	14.2
Synthetic	40.4	41.7	46.2
YEAR-END STOCKS	**86.6**	**86.5**	**107.2**
	(+7.8)	**(-0.1)**	**(+23.9)**
Natural	69.3	69.6	86.4
	(+8.1)	(+0.4)	(+24.1)
Synthetic	14.5	13.5	17.3
	(+9.8)	(-6.9)	(+28.1)
Reclaimed	2.8	3.4	3.5
	(-6.7)	(+21.4)	(+2.9)

* : Provisional.

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

Source : Rubber Board, Government of India.

5) Government has offered excise relief for the production of various products, and

6) Attention is being given to increase the exports of jute particularly to GCA countries.

(b) Rubber and Rubber Manufactures

Total production of rubber, including natural, synthetic and reclaimed, at 432.7 thousand tonnes was higher by 9.5 per cent than 395.3 thousand tonnes produced last year. However, it was lower than the growth rate of 11.5 per cent during 1989-90. This slowdown was largely on account of lower growth rate in production of natural and reclaimed rubber at 10.9 per cent and 2.9 per cent, respectively, against 14.7 per cent and 8.5 per cent, respectively, in the previous year. Growth in production of synthetic rubber, however, experienced a turnaround to 7.1 per cent during 1990-91 from decline of 1.7 per cent during 1989-90 (Table IV-19).

Total consumption of rubber during the year 1990-91 at 509.5 thousand tonnes was much higher than the total indigenous production at 432.7 thousand tonnes during the year.

Government has been regularly augmenting the supply of both natural and synthetic rubber by way of imports. During the year 1990-91, 97.9 thousand tonnes of rubber has been imported, which was 17.4 per cent higher than 83.4 thousand tonnes imported in the previous year.

There was a sharp rise in the year-end stocks by 23.9 per cent in 1990-91 as against 0.1 per cent decline in stocks at the end of the previous year. This rise was largely on account of higher imports of synthetic rubber during 1990-91 and lower growth in overall consumption of rubber at 6.3 per cent as against 9.1 per cent in 1989-90.

The State Trading Corporation (STC) continued to operate the Buffer Stocking Scheme introduced in 1986, with a view to maintain a stable and reasonable price for the natural rubber. Government of India has revised the floor price for rubber to Rs.2,145 per quintal for RMA-IV grade with effect from January 15, 1991. The price in force prior to the revision was Rs.1,780 per quintal which was introduced in September 1988. During the period from February 8, 1991 to April 29, 1991, STC carried out price support operations by purchasing RMA-IV grade, as the market price of that grade was less than the floor prices. The average price of natural rubber at Rs.2,129 per quintal during 1990-91 was more or less the same as in the previous year.

The production trends in selected rubber goods industries are presented in Table IV-20. It may be observed that the production of automobile tyres increased by 7.0 per cent in 1990-91

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
1988-89	167.0	56.4	145.0	260.0	353.0
	(+14.9)	(+24.0)	(+13.5)	(+11.6)	(-14.1)
1989-90 (P)	172.0	57.9	138.0	256.0	362.0
	(+3.0)	(+2.7)	(-4.8)	(-1.5)	(+2.5)
1990-91 (P)	184.0*	60.9	148.0*	248.0	304.0
	(+7.0)	(+5.2)	(+7.2)	(-3.1)	(-16.0)

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

(3.0 per cent in 1989-90). The production of giant tyres increased by 5.2 per cent and automobile tubes by 7.2 per cent compared to a rise of 2.7 per cent and decline of 4.8 per cent, respectively, during 1989-90.

(c) Chemicals and Chemical Products

The performance of chemicals and chemical products group was sluggish during 1990-91. According to the index number of chemicals and chemical products, the average rate of growth of the chemicals group which varied between 13 to 16 per cent during the period 1986-87 to 1988-89 decelerated to 6.1 per cent in 1989-90 and to 2.6 per cent in 1990-91.

Fertilizers

Among the chemicals group, production of fertilizers (nitrogenous and phosphatic) has improved significantly during 1990-91. Total output of fertilizers increased from 85.43 lakh tonnes in 1989-90 to 90.45 lakh tonnes in 1990-91 (consisting of 69.93 lakh tonnes of nitrogenous and 20.52 lakh tonnes of phosphatic fertilizers), registering a rate of increase of 5.9 per cent during 1990-91 as compared with a decline of 4.7 per cent in the previous year. The improvement in fertilizer production during 1990-91 was mainly a reflection of the rise in production of phosphatic fertilizers by 14.2 per cent as against a decline of 20.2 per cent in 1989-90. Production of nitrogenous fertilizers also recorded a rate of growth of 3.6 per cent as compared with a marginal rise of 0.5 per cent in the previous year (Table IV-21). The improvement in the production of fertilizers was due to increase in the utilisation of capacity of phosphatic fertilizer plants from 65.3 per cent in 1989-90 to 74.6 per cent in 1990-91 and that of nitrogenous fertilizer plants from 82.8 per cent in 1989-90 to 85.8 per cent in 1990-91. The impetus for the rise in capacity utilisation and production during 1990-91 came from the increase in demand for fertilizers. Thus consumption of fertilizers increased by 8.2 per cent during 1990-91 as compared with a rise of 4.3 per cent in 1989-90.

As on April 1, 1990, nine fertilizer projects were under implementation, of which three were in the public sector and six in the private sector. Out of three projects in the public sector, two (at Cochin and Paradeep) were commissioned in October 1990. The third project at Haldia, though mechanically completed, remained suspended due to variety of technical, economic and management problems. Of the six projects in the private sector, four are gas-based nitrogenous fertilizer projects (at Gadepan, Babrala, Shahajahanpur and Kakinada) and the remaining two (at Taloja and Bharuch) are for the manufacture of nitro-phosphates.

The Government policy has been to achieve a maximum degree of 'self-sufficiency' in fertilizer production. The Working Group set up by the Planning Commission for the preparation of the Eighth Plan has recommended that the demand-supply gap of nitrogen should be kept to the minimum. In the case of phosphates, it has envisaged a creation of indigenous capabilities up to 85 per cent of the estimated requirement.

Chemicals, Pesticides and Allied Products

During the last few years, chemical industry has witnessed rapid growth in both organic and inorganic sectors. Among the industries which recorded a significant growth in production were Caustic Soda, Soda Ash, DDT, Azo Dyes, Carbon Black, Phenol and Methanol.

During the year 1990-91, the production of caustic soda estimated at 9.87 lakh tonnes registered a rise of 6.5 per cent over the previous year production of 9.27 lakh tonnes. The production of soda ash also increased marginally to 13.84 lakh tonnes as compared to 13.77 lakh tonnes in 1989-90. In order to facilitate the setting up of new units to meet the growing demand, Government have delicensed the industry.

Among the consumer goods, production of paints, enamels & varnishes declined by 8.3 per cent to 3.14 lakh tonnes in 1990-91, as against an increase of 1.6 per cent witnessed in the preceding year.

Drugs and Pharmaceuticals

The drugs and pharmaceutical industry sustained the trend of steady growth both in production and exports during 1990-91. The production of bulk drugs and formulations (in terms of value) is estimated to have increased to Rs.700 crore and Rs.3,600 crore, respectively, in 1990-91 from Rs.640 crore and Rs.3,420 crore in 1989-90, registering a rate of growth of 9.4 per cent and 5.3 per cent. The range of production in the pharmaceutical sector covers a wide variety of bulk drugs which include antibiotics, sulpha drugs, vitamins and a number of synthetic phyto chemicals and biological products of drugs and pharmaceuticals. During 1990-91, the exports have

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

(Thousand tonnes)

Item	April-March		
	1988-89	1989-90	1990-91(P)
1	2	3	4
1. Nitrogenous Fertilizers (N content)	6,712.0	6,747.0	6,993.0
		(+ 0.5)	(+ 3.6)
2. Phosphatic Fertilizers (P_2O_5)	2,252.0	1,796.0	2,052.0
		(-20.2)	(+14.2)
3. Caustic Soda	902.8	926.9	987.5
		(+2.7)	(+ 6.5)
4. Soda Ash	1,190.2	1,377.2	1,383.7
		(+15.7)	(+ 0.5)
5. Paints, Enamels and Varnishes*	336.7	342.1	313.8
		(+ 1.6)	(- 8.3)
6. Soap all kinds*	1,477.2	1,525.3	1,562.6
		(+ 3.3)	(+ 2.4)
7. Detergent all kinds	182.9	239.4	248.0
		(+30.9)	(+ 3.6)
8. Drugs and Pharmaceuticals (Rs. Crore)			
i) Bulk Drugs	550.00	640.00	700.00(E)
		(+16.4)	(+ 9.4)
ii) Formulations	3,150.00	3,420.00	3,600.00(E)
		(+ 8.6)	(+ 5.3)
9. Petrochemicals			
i) Low Density Polyethylene (LDPE)	79.6	85.3	105.0(E)
		(+ 7.2)	(+23.1)
ii) PVC	119.8	136.9	140.0
		(+14.3)	(+ 2.3)
iii) DMT/PTA	114.9	248.5	290.0(E)
		(+116.3)	(+16.7)
iv) Caprolectum	16.9	20.6	27.0(E)
		(+21.9)	(+31.1)

P : Provisional.
E : Estimated.
* : Includes production in Small-Scale Sector.
Note : Figures in brackets represent percentage variations over the preceding year.
Sources : 1. Central Statistical Organisation, Department of Statistics, Ministry of Planning.
2. Department of Chemicals and Petrochemicals, Ministry of Petroleum and Chemicals.
3. Department of Fertilizers, Ministry of Chemicals and Fertilizers.

reached an estimated all-time high of Rs.1,230 crore, registering an increase of 45.8 per cent over the previous year.

Petrochemicals

Petrochemical industry which is treated as a thrust area of development, registered an impressive growth in production of various petrochemicals. Production of plastic items such as low density polyethylene (LDPE), registered an increase of 23.1 per cent during 1990-91 as compared with a rise of 7.2 per cent in 1989-90. Similarly, production of PVC also registered a rise of 2.3 per cent during 1990-91 on the top of an increase of 14.3 per cent in 1989-90. Production of intermediates like DMT/PTA which are the main raw materials for polyester, also registered a rise of 16.7 per cent during 1990-91 over and above a marked step up of 116.3 per cent in 1989-90.

The country is expected to attain self-sufficiency in most of the items of petrochemicals with the commissioning of new capacities. Projects proposed to be set up in this regard include: (i) Haldia Petrochemicals complex in West Bengal, (ii) Aromatics complexes at Madras/Uttar Pradesh, and (iii) A cracker complex at Hazira in Gujarat.

D. Consumer Goods Industries

(a) Sugar

According to the latest estimates, sugar production in the 1990-91 season (October-September) is expected to exceed 120 lakh tonnes which is an all time high. Sugar production was 109.87 lakh tonnes in the preceding sugar season. The increase in sugar production has been attributed to higher production of sugarcane, higher cane yield, increase in area under sugarcane and measures taken by the Government to boost production. The sugarcane production in 1990-91 is estimated higher at 234.66 million tonnes as compared with 222.63 million tonnes in the previous sugar season.

Sugar production during 1990-91 season upto end-June 1991 at 118.63 lakh tonnes was higher by 10.05 lakh tonnes or by 9.3 per cent than the production of 108.58 lakh tonnes during the corresponding period of the previous season. Taking into account the carryover stocks of 22.21 lakh tonnes from the previous season, the total availability in 1990-91 (till June 30, 1991) was 140.84 lakh tonnes as against 123.29 lakh tonnes in the corresponding period of the previous season. During the current season, total off-take till June 30, 1991 at 79.88 lakh tonnes was higher by 3.96 lakh tonnes or by 5.2 per cent than the off-take of 75.92 lakh tonnes in the corresponding period of the previous season. The stocks of sugar at end-June 1991 stood at 60.96 lakh tonnes as against 47.37 lakh tonnes at the end-June 1990 (Table IV - 22).

Policy Measures

To give a boost to sugar production, the Government announced on April 19, 1990 incentives for early crushing during 1990-91 sugar season. It increased the free sale sugar quota to 75 per cent of production during October 1 to November 15, 1990 as against the normal quota of 55 per cent. Similarly production achieved by sugar factories during the period May 1, 1991 to July 31, 1991 would be granted free sale at 72 per cent as against the normal 55 per cent to encourage sugar factories to continue crushing in the latter periods and enhance production.

The Government continued the practice of announcing the statutory minimum price (SMP) of sugarcane well in advance of the sowing season. For the 1990-91 season, the SMP was raised by Re.1 per quintal to Rs.23.00 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.

The zone-wise ex-factory prices of levy sugar were fixed based on minimum cane price of Rs.23.00 per quintal of sugarcane for 1990-91 season. The all-India average ex-factory price of levy sugar for 1990-91 season works out to Rs.523.33 per quintal. The ratio of levy and free

sale sugar has been retained at 45:55 for 1990-91.

Total releases of sugar during the 1990-91 season stood at 112.77 lakh tonnes (comprising 40.82 lakh tonnes of levy sugar and 71.95 lakh tonnes of free sale sugar) as against 111.59 lakh tonnes (comprising 41.34 lakh tonnes of levy sugar and 70.25 lakh tonnes of free sale sugar) during the preceding 1989-90 season. The releases for levy sugar of 40.82 lakh tonnes during 1990-91 were lower by 0.52 lakh tonnes or by 1.3 per cent than in 1989-90 (41.34 lakh tonnes). Data on sugar releases both for levy and free sale for 1990-91 together with the data for the previous year are given in Table IV-23.

Licensing Policy

The Government announced fresh guidelines for licensing of new sugar factories during the Eighth Five Year Plan. Accordingly, new factories would continue to be licensed for a minimum economic capacity of 2,500 tonnes of cane crushed per day (TCD) but there would not be any miximum limit on such capacity. Secondly, license 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, the stipulated minimum economic capacity. Other things being equal, preference in licensing will be given to proposals from the co-operative sector and the public sector, in that order, as compared to the private sector. While granting licences for new sugar factories, industrial licences in respect of downstream units for the use of molasses i.e. industrial alcohol, etc. will be given readily.

Considering the increase in cane price arrears payable to sugarcane farmers and the need to provide relief, the RBI lowered the minimum margin on bank advances against unreleased stocks applicable to processing units/mills from 20 per cent to 17.5 per cent with effect from May 9, 1991. The concession was made available for three months upto August 8, 1991, after which the minimum margin was to revert back to 20 per cent.

Due to bumper production of sugar and consequently better releases of sugar the Government had issued notification under which the stock limit for wholesalers was doubled from 125 to 250 quintals in cities with a population of more than one lakh but less than five lakhs and for cities with more than 5 lakhs population the limit was increased from 250 to 500 quintals.

In the Union Budget for 1991-92, the Government abolished the sugar subsidy and increased the issue price of sugar under PDS by 85 paise a kg. to Rs.6.10 per kg. The excise duty on free sale sugar, which had remained unchanged since 1983, has been raised from existing level of Rs.50 to Rs.71 per quintal - an increase of 21 paise per kg. on free sale sugar. The Government has, however, excluded Khandsari sugar from the additional excise duty.

Sugar Development Fund

Sugar Development Fund set up under Sugar Development Fund Act, 1982, is funded by transfer of proceeds of sugar cess levied (at Rs.14 per quintal) and collected under Sugar Cess Act,1982 on sugar produced in the country. This fund is utilised by the Government of India for purpose of making loans for rehabilitation/modernisation of sugar industry, development of sugarcane by the sugar factories and for granting funds to established institutions for research projects aimed at development of sugar industry. Under cane development scheme, an amount of Rs.303.20 crore have been sanctioned to 266 mills upto March 31, 1991 out of which Rs.187.82 crore have been disbursed. Under Modernisation Scheme an amount of Rs.176.90 crore have been

sanctioned to 82 sugar mills out of which Rs.157.58 crore have been disbursed. In addition, Rs.10.10 crore have been sanctioned (of which Rs.7.78 crore have been disbursed) as grant-in-aid for six research schemes undertaken by four different institutions. A new set of norms for the use of Sugar Development Fund is under the active consideration of the Government.

Levy Sugar Price Equalisation Fund

The Levy Sugar Price Equalisation Fund Act, 1976, has been in force from April 1, 1976. During 1990-91, a sum of Rs.1.31 crore has been recovered from the sugar mills and credited to the Fund bringing the total amount thus credited since the commencement of the Fund to Rs 15.41 crore. In addition, Food Corporation of India, under orders of Courts of Law, has so far collected Rs 22.79 crore by way of such recovery from sugar mills.

(b) Textiles - Cotton and Synthetics

The total number of textile mills in the country as at the end of March 1991 has been

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

(Lakh tonnes)

Items	1987-88	1988-89	1989-90	1989-90 Oct.1, 1989 to June 30, 1990	1990-91 Oct.1, 1990 to June 30, 1991
1	2	3	4	5	6
1. Opening Stock	26.53	24.31	12.29	12.29	22.21
	(3.21)	(0.30)			(0.80)
2. Prodcution	91.10	87.52	109.87	108.58	118.63
3. Import	0.71	-	2.42@	2.42@	-
4. Total Supply (1+2+3)	118.34	111.83	124.58	123.29	140.84
					(0.80)
5. Internal Consumption	93.85	99.36	102.14	75.82	78.49
	(3.62)	(0.30)	(1.62)	(1.43)	(0.50)
6. Exports	0.18	0.18	0.23	0.10	1.39
7. Total off-take (5+6)	94.03	99.54	102.37	75.92	79.88
8. Closing Stock (4-7)	24.31	12.29	22.21	47.37	60.96
	(0.30)	-	(0.80)	(0.99)	(0.30)

@ Derived.

Note : Figures in brackets relate to imported sugar which has been included in the items.

Source : Indian Sugar Mills Association.

Table IV-23 : Sugar releases during the 1989-90 and 1990-91

(Lakh tonnes)

Month	1989-90			1990-91		
	Levy	Free-sale	Total	Levy	Free-sale	Total
October	4.32	6.00	10.32	3.83	6.25	10.08
November	3.32	6.00	9.32	3.35	6.00	9.35
December	3.32	5.50	8.82	3.33	5.75	9.08
January	3.32	5.00	8.32	3.33	5.75	9.08
February	3.32	5.50	8.82	3.33	5.75	9.08
March	3.32	5.50	8.82	3.33	5.75	9.08
April	3.32	6.00	9.32	3.33	5.60	8.93
May	3.32	6.00	9.82	3.33	5.60	8.93
June	3.32	6.00	9.32	3.33	6.25	9.58
July	3.32	6.00	9.32	3.33	6.25	9.58
August	3.32	6.00	9.32	3.50	6.50	10.00
September	3.82	6.25	10.07	3.50	6.50	10.00
Total	**41.34**	**70.25**	**111.59**	**40.82**	**71.95**	**112.77**
Monthly Average	**3.44**	**5.85**	**9.29**	**3.40**	**5.99**	**9.39**

placed at 1,062, comprising 781 spinning and 281 composite mills with installed capacity of 26.67 million spindles and 1.78 lakh looms. At the end of March 1990, there were 1,051 mills with installed capacity of 26.55 million spindles and 1.84 lakh looms (Tables IV-24, 25 and 25-A). As a part of continuing modernisation process, there has been a significant increase in open end rotors, automatic looms and sophisticated shuttleless looms. Besides, the improvement efforts in equipments, there has also been a rise albeit small, in the percentage utilisation of installed capacity of spindles to 91.0 per cent from 90.0 per cent in 1989-90. The average loom utilisation as percentage of installed loomage of working mills in the first shift also improved to 78.50 in 1990-91 as against 77.55 in 1989-90 and 61.11 in 1988-89. The data available indicate that the number of ordinary looms installed has been going down as these are now replaced by modern automatic looms.

During 1990-91, production of cotton and man-made textiles increased to 17,747 million metres showing a rise of 8.5 per cent over the previous year. In the previous year, production had increased by 2.6 per cent. The increase was on account of the rise in production in the decentralised sector, where production at 15,157 million metres showed a rise of 10.6 per cent during the year 1990-91 as against 4.3 per cent registered in 1989-90. The production in the decentralised sector accounted for 85.4 per cent of the total production in 1990-91 as against

Table IV - 24 : Production, Consumption and Stock Position of Yarn

(Million kgs.)

Item	April - March 1988-89	1989-90 (P)	1990-91 (P)
1	2	3	4
Installed Capacity (In Millions) (Spindles)	26.44	26.55	26.67
Capacity Utilisation (%) (Spindles)	75	78	80
A. Production (i+ii+iii)	**1,563**	**1,639**	**1,795**
	(+0.5)	**(+4.9)**	**(+9.5)**
i) Cotton Yarn	1,302	1,367	1,468
	(-1.4)	(+5.0)	(+7.4)
ii) Blended/Mixed Yarn	170	177	213
	(+11.8)	(+4.1)	(+20.3)
iii) 100 per cent Man-made Fibre Spun Yarn	91	95	114
	(+11.0)	(+4.4)	(+20.0)
B. Domestic Consumption (all yarn) (i + ii)	**1,385**	**1,425**	**1,524**
	(+4.3)	**(+2.9)**	**(+6.9)**
i) Mill Sector*	355	335	344
	(-7.3)	(-5.6)	(+2.7)
ii) Decentralised Sector@	1,030	1,090	1,180
	(+9.0)	(+5.8)	(+8.3)
C. Exports (cotton yarn)			
i) Quantity	40.4	62.1	90.1
	(-52.5)	(+53.7)	(+45.1)
ii) Value (Rs. crore)	235.6	364.4	516.3
	(-30.9)	(+54.7)	(+41.7)
D. Year-end Stocks (unsold)	**31.2**	**36.3**	**58.3**
	(-15.0)	**(+16.3)**	**(+60.6)**

P : Provisional.
* : Relates to consumption for weaving 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.
Source : Indian Cotton Mills Federation.

Table IV— 25 : Production, Consumption and Stock Position of Cotton and Man-made Textiles

(Million linear metres)

Item	April - March		
	1988-89	1989-90(P)	1990-91(P)
1	2	3	4
Installed Capacity ('000s) (Looms)	198	184	178
Capacity Utilisation (%) (Looms)	61	62	63
A. Production (i + ii)	**15,950**	**16,358**	**17,747**
	(+1.0)	**(+2.6)**	**(+8.5)**
i) Mill Sector (a+b+c)	2,808	2,649	2,590
	(-7.2)	(-5.7)	(-2.2)
a) Cotton Fabrics	2,021	1,988	1,833
	(-9.5)	(-1.6)	(-7.8)
b) Blended/Mixed Fabrics	782	657	703
	(-0.8)	(-16.0)	(+7.0)
c) 100 per cent Man-made Fibre Fabrics	5	4	4
	(-)	(-20.0)	(-)
ii) Decentralised Sector (a+b+c)@	13,142	13,709	15,157
	(+3.0)	(+4.3)	(+10.6)
a) Cotton Fabrics	8,784	9,235	9,903
	(-1.4)	(+5.1)	(+7.2)
b) Blended/Mixed Fabrics	946	987	1,187
	(+11.3)	(+4.3)	(+20.3)
c) 100 per cent Man-made Fibre Fabrics	3,412	3,487	4,067
	(+13.9)	(+2.2)	(+16.6)
B. Domestic Consumption (all cloth)*	**13,903**	**13,794**	**14,657**
	(+0.4)	**(-0.8)**	**(+6.3)**
C. Year-end Stocks (unsold) (all cloth)**	**140**	**123**	**86**
	(-1.4)	(-12.1)	(-30.1)
D. Exports Cotton Fabrics (mills/ powerlooms, made up, handloom) (Rs. crore)	**1,103.48**	**1,456.38**	N.A.
	(+18.6)	(+32.0)	

P : Provisional.
* : Relates to total availability.
** : Relates to Mill Sector only.
@ : Production of fabrics in the decentralised sector is estimated on the basis of revised conversion factors.
Note : Figures in brackets represent percentage variations over the preceding year.
Source : Indian Cotton Mills Federation.

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

Year	No. of Mills			Closure of Cotton/Man-made/Textile Mills			
				No. of mills closed	Installed Capacity		Workers on roll (Lakhs)
	Spinning	Composite	Total		Spindles (Millions)	Looms (Lakhs)	
1	2	3	4	5	6	7	8
As at the end of							
March 1986	702	282	984	72	1.77	0.18	0.95
March 1987	744	283	1,027	90	2.38	0.26	1.27
March 1988	752	283	1,035	133	3.36	0.33	1.61
March 1989	771	283	1,054	142	3.85	0.38	1.86
March 1990	770	281	1,051	121	3.39	0.35	1.57
March 1991	781	281	1,062	105	3.13	0.35	1.61

Source : Office of the Textile Commissioner, Ministry of Textiles, Government of India.

83.8 per cent in 1989-90. The production of cloth in the mill sector experienced a decline of 2.2 per cent in 1990-91, on top of 5.7 per cent decline registered in 1989-90 and 7.2 per cent in 1988-89. The growth in consumption of cotton and man-made textiles experienced a turnaround to 6.3 per cent during 1990-91 from a decline of 0.8 per cent in 1989-90. As regards year-end stocks with mills (cloth) there has been a sharp decline by 30.1 per cent during 1990-91 after a fall of 12.1 per cent in 1989-90 and 1.4 per cent in 1988-89 (Table IV-25).

Total production of yarn during 1990-91 at 1,795 million kgs. has been higher by 9.5 per cent during 1990-91 as against a rise of only 4.9 per cent recorded in 1989-90. There was an increase in production of all types of yarn but the growth in production of blended yarn and 100 per cent man-made fibre accelerated sharply to 20.3 per cent and 20.0 per cent, respectively, from 4.1 per cent and 4.4 per cent during 1989-90. Domestic consumption also rose by 6.9 per cent as compared to 2.9 per cent during the previous year. However, there has been a slowdown in the growth of exports (in quantity terms) to 45.1 per cent from 53.7 per cent during the previous year. The year-end stocks rose sharply by 60.6 per cent during 1990-91 as compared to 16.3 per cent rise during 1989-90.

Details regarding the number of mills closed and corresponding installed capacity and workers on roll have been indicated in Table IV-25A.

(c) Paper and Paper Boards and Newsprint

Paper and Paper Boards

There has been an acceleration in the production of paper and paper boards during the year 1990. The production rose by 5.7 per cent to 19.56 lakh tonnes (provisional) during 1990 from 18.50 lakh tonnes in the previous year. There were 311 units in the organised sector with an installed capacity of 30.49 lakh tonnes as on January 1, 1990. Capacity utilisation ratio for 1990 works out to 64.00 per cent which is higher

Table IV-26: Paper, Paper Boards and Newsprint

(Production and capacity in lakh tonnes)

Year	No. of Units	Installed Capacity	Production	Capacity Utilisation Ratio per cent
1	2	3	4	5
A. Paper and Paper Boards				
1988	305	28.51	17.20 (+2.4)	60.33
1989	305	30.14	18.50 (+7.6)	61.38
1990(P)	311	30.49	19.56 (+5.7)	64.00
B. Newsprint				
1988	5	3.00	2.77 (+7.4)	92.33
1989	5	3.00	2.67 (-3.6)	89.00
1990(P)	5	3.00	2.75 (+3.0)	91.66

P : Provisional.

Notes : 1. Data on installed capacity, production and capacity utilisation ratio relate to organised sector and are as given by the Ministry of Industry.

2 Figures in brackets indicate percentage variations over the corresponding period of the previous year.

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

than the ratio of 61.38 per cent recorded in the previous year (Table IV-26). India is largely self-sufficient in respect of most varieties of paper and paper board, barring certain varieties of paper which are being imported. For improvement in capacity utilisation and financial viability, various reliefs and concessions have been extended to the industry which include among others, the facility for import of raw materials, excise concessions for use of non-conventional raw materials and broad-banding of different varieties of paper and paper board.

Newsprint

There are at present 5 units in the country with installed capacity of 3 lakh tonnes engaged in the production of newsprint. The production of newsprint during the year increased by 3.0 per cent to 2.75 lakh tonnes. Newsprint production in the previous year had declined by 3.6 per cent to 2.67 lakh tonnes. Since the indigenous production of newsprint fell short of total requirement in the country, it was partially met through imports. In order to raise the indigenous production, an additional capacity of 8.07 lakh tonnes has been sanctioned. Paper mills have also been permitted to take up the manufacture of newsprint subject to certain conditions.

Annexure I

PROPOSED LIST OF INDUSTRIES TO BE RESERVED FOR THE PUBLIC SECTOR

1. Arms and ammunition and allied items of defence equipment, defence aircraft and warships.
2. Atomic Energy.
3. Coal and lignite.
4. Mineral oils.
5. Mining of iron ore, manganese ore, chrome ore, gypsum, sulphur, gold and diamond.
6. Mining of copper, lead, zinc, tin, molybdenum and wolfram.
7. Minerals specified in the Schedule to the Atomic Energy (Control of Production and Use) Order, 1953.
8. Railway transport.

Source : Statement on Industrial Policy, 1991.

Annexure II

LIST OF INDUSTRIES IN RESPECT OF WHICH INDUSTRIAL LICENSING WILL BE COMPULSORY

1. Coal and lignite.
2. Petroleum (other than crude) and its distillation products.
3. Distillation and brewing of alcoholic drinks.
4. Sugar.
5. Animal fats and oils.
6. Cigars and cigarettes of tobacco and manufactured tobacco substitutes.
7. Asbestos and asbestos-based products.
8. Plywood, decorative veneers and other wood-based products such as particle board, medium density fibre board, block board.
9. Raw hides and skins, leather, chamois leather and patent leather.
10. Tanned or dressed furskins.
11. Motor cars.
12. Paper and Newsprint except bagasse-based units.
13. Electronic aerospace and defence equipment; All types.
14. Industrial explosives, including detonating fuse, safety fuse, gun powder, nitrocellulose and matches.
15. Hazardous chemicals.
16. Drugs and Pharmaceuticals (according to Drug Policy).
17. Entertainment Electronics (VCRs, Colour TVs, C.D. Players, Tape Recorders).
18. White Goods (Domestic Refrigerators, Domestic Dishwashing Machines, Programmable Domestic Washing Machines, Microwave ovens, Airconditioners).

Note : The compulsory licensing provisions would not apply in respect of the small-scale units taking up the manufacture of any of the above items reserved for exclusive manufacture in small-scale sector.

Source : Statement on Industrial Policy, 1991.

Annexure III

LIST OF INDUSTRIES FOR AUTOMATIC APPROVAL OF FOREIGN TECHNOLOGY AGREEMENTS AND FOR 51% FOREIGN EQUITY APPROVALS

1. **Metallurgical Industries.**
   - i) Ferro alloys.
   - ii) Castings and forgings.
   - iii) Non-ferrous metals and their alloys.
   - iv) Sponge iron and pelletisation.
   - v) Large diameter steel welded pipes of over 300 mm diameter and stainless steel pipes.
   - vi) Pig iron.
2. **Boilers and Steam Generating Plants.**
3. **Prime Movers (other than electrical generators).**
   - i) Industrial turbines.
   - ii) Internal combustion engines.
   - iii) Alternate energy systems like solar wind etc. and equipment therefor.
   - iv) Gas/hydro/steam turbines upto 60 MW.
4. **Electrical Equipment**
   - i) Equipment for transmission and distribution of electricity including power and distribution transformers, power relays, HT-switch gear synchronous condensers.
   - ii) Electrical motors
   - iii) Electrical furnaces, industrial furnaces and induction heating equipment.
   - iv) X-ray equipment.
   - v) Electronic equipment, components including subscribers' and telecommunication equipments.
   - vi) Component wires for manufacture of lead-in wires.
   - vii) Hydro/steam/gas generators/generating sets upto 60 MW.
   - viii) Generating sets and pumping sets based on internal combustion engines.
   - ix) Jelly-filled telecommunication cables.
   - x) Optic fibre.
   - xi) Energy efficient lamps and
   - xii) Midget carbon electrodes.
5. **Transportation**
   - i) Mechanised sailing vessels upto 10,000 DWT including fishing trawlers.
   - ii) Ship ancillaries.
   - iii) a) Commercial vehicles, public transport vehicles including automotive commercial three wheeler, jeep type vehicles. industrial locomotives.
     - b) Automotive two wheelers and three wheelers.
     - c) Automotive components/spares and ancillaries.
   - iv) Shock absorbers for railway equipment and
   - v) Brake system for railway stock and locomotives.
6. **Industrial Machinery**
   - i) Industrial machinery and equipment.
7. i) Machine tools and industrial robots and their controls and accessories.
   - ii) Jigs, fixtures, tools and dies of specialised types and cross land tooling and
   - iii) Engineering production aids such as cutting and forming tools, patterns and dies and tools.
8. **Agricultural Machinery**
   - i) Tractors.
   - ii) Self-propelled harvester combines.
   - iii) Rice transplanters.
9. **Earth Moving Machinery**
   - i) Earth moving machinery and construction machinery and components thereof.
10. **Industrial Instruments**
    - i) Indicating, recording and regulating devices for pressure, temperature, rate of flow weights levels and the like.
11. **Scientific and Electromedical Instruments and Laboratory Equipment.**
12. **Nitrogenous & Phosphatic Fertilizers falling under**
    - i) Inorganic fertilizers under '18-Fertilizers' in the First Schedule to IDR Act, 1951.
13. **Chemicals (other than fertilizers)**
    - i) Heavy organic chemicals including petrochemicals.
    - ii) Heavy inorganic chemicals.
    - iii) Organic fine chemicals.
    - iv) Synthetic resins and plastics.

v) Man-made fibres.
vi) Synthetic rubber.
vii) Industrial explosives.
viii) Technical grade insecticides, fungicides, weedicides, and the like.
ix) Synthetic detergents.
x) Miscellaneous chemicals (for industrial use only)
a) Catalysts and catalyst supports.
b) Photographic chemicals.
c) Rubber chemicals.
d) Polyols.
e) Isocyanastes, urethanes, etc.
f) Speciality chemicals for enhanced oil recovery.
g) Heating fluids.
h) Coal tar distillation and products therefrom.
i) Tonnage plants for the manufacture of industrial gases.
j) High altitude breathing oxygen/medical oxygen.
k) Nitrous oxide.
l) Refrigerant gases like liquid nitrogen, carbondioxide etc. in large volumes.
m) Argon and other rare gases.
n) Alkali/acid resisting cement compound.
o) Leather chemicals and auxiliaries.

14. **Drugs and Pharmaceuticals**
According to Drug Policy.

15. i) Paper and pulp including paper products.
ii) Industrial laminates.

16. i) Automobile tyres and tubes.
ii) Rubberised heavy duty industrial belting of all types.
iii) Rubberised conveyor beltings.
iv) Rubber reinforced and lined fire fighting hose pipes.
v) High pressure braided hoses.
vi) Engineering and industrial plastic products.

17. **Plate Glass**
i) Glass shells for television tubes.
ii) Float glass and plate glass.
iii) H.T. insulators.
iv) Glass fibres of all types.

18. **Ceramics**
i) Ceramics for industrial uses.

19. **Cement products**
i) Portland cement.
ii) Gypsum boards, wall boards and the like.

20. **High Technology Reproduction and Multiplication Equipment**

21. **Carbon and Carbon Products**
i) Graphite electrodes and anodes.
ii) Impervious graphite blocks and sheets.

22. **Pretensioned High Pressures RCC Pipes**

23. **Rubber Machinery**

24. **Printing Machinery**
i) Web-fed high speed off-set rotary printing machine having output of 30,000 or more impressions per hour.
ii) Photo composing/type setting machines.
iii) Multi-colour sheet-fed off-set printing machine of sizes of 18"x25" and above.
iv) High speed rotogravure printing machines having output of 30,000 or more impressions per hour.

25. **Welding Electrodes other than those for welding Mild Steel.**

26. **Industrial Synthetic Diamonds**

27. i) Photosynthesis improvers.
ii) Genetically modified free living symbiotics nitrogen fixer.
iii) Pheromones.
iv) Bio-insecticides.

28. **Extraction and Upgrading of Minor Oils.**

29. **Pre-fabricated Building Material.**

30. Soya Products

i) Soya texture proteins.
ii) Soya protein isolates.
iii) Soya protein concentrates.
iv) Other specialised products of soyabean.
v) Winterised and deodourised refined soyabean oil.

31. a) Certified high yielding hybrid seeds and synthetic seeds and
b) Certified high yielding plantlets developed through plant tissue culture.

32. All food processing industries other than milk food, malted foods and flour, but excluding the items reserved for small-scale sector.

33. All items of packaging for food processing industries excluding the items reserved for small-scale sector.

34. Hotels and tourism-related industry.

Source : Statement on Industrial Policy, 1991.

CHAPTER V

Price Trends and Price Policy

Price Trends :

The Main Features

Despite satisfactory performance of the real sectors in general and agricultural production in particular which showed persistent increases for three years consecutively, the tempo of inflationary pressure built up in the economy during the year 1989-90 continued and the inflation rate accelerated in the year 1990-91 especially following the Gulf crisis. The rate of inflation on a point-to-point basis crossed the double-digit mark reaching 12.1 per cent by the end of the financial year 1990-91 which was on top of the high rate of increase of 9.1 per cent recorded in 1989-90. The major concern about inflation in the fiscal year 1990-91 was its generalised nature and the sharp increase in prices of essential commodities such as foodgrains, pulses, fruits and vegetables, condiments and spices, and edible oils.

The high annual price rise during 1990-91 has been the result of sharp contra-seasonal price increases. Although all the three major groups, viz., 'primary articles', 'fuel, power, light and lubricants' and 'manufactured products' accounted for the rise, the price of 'primary articles', especially both food and non-food items came under acute pressure. The inflationary situation during the year was the cumulative result of a number of factors. Apart from the overhang of high liquidiity in the economy arising from large and persistent budgetary deficit of the Government of India, the other important factors were; supply-demand imbalances in essential commodities like pulses, oilseeds and edible oils; constraints in augmenting supplies of commodities in short supply through imports due to the severe foreign exchange shortage; large increases in administered prices of industrial products like mineral oils and electricity and also in procurement/support prices of major crops such as, wheat, rice, barley, gram, etc.; increase in Railway freights, excise duties and other levies; cascading effects of the fuel price hike and curtailment of energy quota to some sectors leading to supply bottlenecks in the wake of the Gulf crisis; rising import costs; and market imperfections as in the case of cement. The unsettled situation prevailing in the country during the latter half of the financial year led to some contraction of output and also to supply bottlenecks. All the above factors added to the inflationary expectations thus making it even more difficult to contain the inflationary pressures.

On a point-to-point basis, 'all commodities' group of the Index of Wholesale Prices (WPI) (base : 1981-82 = 100), rose sharply by 12.1 per cent against an increase of 9.1 per cent in 1989-90 and 5.7 per cent in 1988-89. On an average basis also, the increase in WPI was much higher at 10.3 per cent as against a moderate rise of 7.5 per cent each recorded in the preceding two years. The Consumer Price Index (CPI) for Industrial Workers (base : 1982 = 100), on a point-to-point basis, recorded a still higher increase of 13.6 per cent in 1990-91 which was more than double that of 6.6 per cent in the preceding year. On an average basis too, the rise was quite high at 11.2 per cent against the rise of 6.6 per cent in 1989-90. The relatively higher increase in CPI was due to a continuous spurt in prices of food articles which have a substantially higher weight in CPI than in the WPI. Likewise, the CPI for Urban Non-manual Employees also showed a sharp increase (Tables V-1 and V-3).

The seasonal behaviour of wholesale prices, on a point-to-point basis, indicates that in the first phase covering the period between end-March and end-August 1990, the price rise was high but marginally smaller than in the corresponding phase of the previous year. In the second phase covering the period between end-August and end-December 1990, which is normally characterised by a seasonal decline in the WPI, there was a sizeable increase of 3.9 per cent as against a fall of 0.4 per cent in the corresponding period of 1989. During the last phase covering the period end-December 1990 to end-March 1991, there was a slight deceleration as compared to the increase in the last phase of 1989-90. The 'primary articles' group witnessed a double digit price rise of 10.1 per cent in the first phase, a contra-seasonal rise of 3.3 per cent in the second phase and an increase of 3.1 per cent in the last phase. The other two major groups, 'fuel, power, light and lubricants' and 'manufactured products', witnessed exceptional increases in the second phase.

Group/Commodity-wise Trends

Group-wise, on a point-to-point basis, all the three groups, viz., 'primary articles', 'fuel, power, light and lubricants' and 'manufactured products', recorded sizeable increases. However, while in the first two groups, the increase recorded during the year under review was higher than that in the preceding year (17.1 per cent and 14.4 per cent as against 6.4 per cent and 6.3 per cent, respectively), the increase in the 'manufactured products' group was lower at 8.9 per cent as compared with that of 11.1 per cent registered in 1989-90. Similar trends were observed on an average basis too (Table V-1).

Primary Articles

The 'primary articles' group over the year recorded a very sharp rise of 17.1 per cent as compared with that of 6.4 per cent in the previous year which itself was higher in contrast to the decline of 0.2 per cent in 1988-89 [(Table V-2 (a)]. The sharpest rise was noticed in the sub-group 'food articles' which rose by 18.9 per cent as compared with a rise of 2.1 per cent in the preceding year. The sub-group 'non-food articles' too rose by 19.3 per cent as compared to that of 13.4 per cent in the previous year. The sub-group 'minerals' however, recorded a marginal decline of 0.5 per cent in contrast to a rise of 10.8 per cent in the preceding year.

Among the 'food articles', the items which recorded an appreciable rise during the year were cereals whose prices increased by 25.3 per cent as against a decline of 6.2 per cent in the earlier year. Among cereals, there were sizeable increases in the prices of wheat and jowar of 48.9 per cent and 18.6 per cent, respectively, as against declines of 16.6 per cent and 17.1 per cent, respectively, in 1989-90. The increase in wheat price can be attributed to the substantial increase in the procurement price and the consequent increase in the issue price. There was a spurt in the price of bajra too which went up by 26.4 per cent as compared with the nominal increase of 1.4 per cent in 1989-90. Prices of fruits, meat, and condiments and spices too rose significantly during the year. Among 'other food articles', while price of tea declined by 12.6 per cent as against an increase of 29.7 per cent in 1989-90, that of coffee recorded a phenomenal increase of 61.3 per cent as compared to 7.9 per cent a year ago.

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

(Major Group-wise)

(Base : 1981-82 = 100)

Item	Weight	Percentage Variations				Weighted contribution			
		Point-to-point basis		Average basis		Point-to-point basis		Average basis	
		1989-90	1990-91	1989-90	1990-91	1989-90	1990-91	1989-90	1990-91
1	2	3	4	5	6	7	8	9	10
ALL COMMODITIES	100.000	9.1	12.1	7.5	10.3	100.0	100.0	100.0	100.0
Primary Articles	32.295	6.4	17.1	2.1	13.1	23.0	44.6	9.6	40.4
Fuel, Power, Light and Lubricants	10.663	6.3	14.4	3.7	12.3	7.3	12.2	5.2	12.0
Manufactured Products	57.042	11.1	8.9	11.3	8.4	70.3	43.0	84.8	47.4

Source : Office of the Economic Adviser, Ministry of Industry, Govt. 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 1989	End-March 1990	End-March 1991	Percentage variations (Point-to-point basis) End-March 1990 Over End-March 1989	Percentage variations (Point-to-point basis) End-March 1991 Over End-March 1990	Weighted Contributions (Approximate) 1989-90	Weighted Contributions (Approximate) 1990-91
1	2	3	4	5	6	7	8	9
ALL COMMODITIES	**100.00**	**156.9**	**171.1**	**191.8**	**9.1**	**12.1**	**100.0**	**100.0**
I. PRIMARY ARTICLES	**32.295**	**156.8**	**166.9**	**195.5**	**6.4**	**17.1**	**23.0**	**44.6**
A. FOOD ARTICLES	**17.386**	**173.6**	**177.3**	**210.8**	**2.1**	**18.9**	**4.5**	**28.1**
(i) FOODGRAINS	**7.917**	**165.5**	**159.8**	**196.1**	**-3.4**	**22.7**	**-3.2**	**13.9**
a) CEREALS	**6.824**	**161.9**	**151.9**	**190.4**	**-6.2**	**25.3**	**-4.8**	**12.7**
Rice	3.685	162.8	165.4	187.5	1.6	13.4	0.7	3.9
Wheat	2.248	165.0	137.6	204.9	-16.6	48.9	-4.3	7.3
Jowar	0.420	156.9	130.0	154.2	-17.1	18.6	-0.8	0.5
Bajra	0.178	118.6	120.3	152.0	1.4	26.4	0.0	0.3
b) PULSES	**1.093**	**187.9**	**209.0**	**231.6**	**11.2**	**10.8**	**1.6**	**1.2**
Gram	0.410	187.7	192.9	196.8	2.8	2.0	0.2	0.1
(ii) FRUITS AND VEGETABLES	**4.089**	**161.5**	**167.3**	**205.3**	**3.6**	**22.7**	**1.7**	**7.5**
Vegetables	1.291	139.2	166.3	195.7	19.5	17.7	2.5	1.8
Fruits	2.798	171.8	167.7	209.7	-2.4	25.0	-0.8	5.7
(iii) MILK	**1.961**	**193.5**	**202.2**	**220.1**	**4.5**	**8.9**	**1.2**	**1.7**
(iv) EGGS, FISH AND MEAT	**1.783**	**170.7**	**181.4**	**200.4**	**6.3**	**10.5**	**1.3**	**1.6**
Fish	0.507	162.0	179.4	197.4	10.7	10.0	0.6	0.4
Meat	0.521	197.3	209.9	238.8	6.4	13.8	0.5	0.7
(v) CONDIMENTS AND SPICES	**0.947**	**228.5**	**240.9**	**318.6**	**5.4**	**32.3**	**0.8**	**3.6**
(vi) OTHER FOOD ARTICLES	**0.689**	**214.1**	**269.9**	**264.6**	**26.1**	**-2.0**	**2.7**	**-0.2**
Tea	0.564	217.6	282.3	246.8	29.7	-12.6	2.6	-1.0
Coffee	0.125	198.2	213.8	344.9	7.9	61.3	0.1	0.8
B. NON-FOOD ARTICLES	**10.081**	**155.6**	**176.4**	**210.5**	**13.4**	**19.3**	**14.8**	**16.6**
(i) FIBRES	**1.791**	**168.6**	**161.9**	**201.5**	**-4.0**	**24.5**	**-0.8**	**3.4**
Raw Cotton	1.335	156.2	128.7	185.7	-17.6	44.3	-2.6	3.7
Raw Jute	0.160	249.8	374.2	318.2	49.8	-15.0	1.4	-0.4
(ii) OILSEEDS	**3.861**	**131.3**	**167.3**	**211.8**	**27.4**	**26.6**	**9.8**	**8.3**
Groundnut seed	1.296	133.3	180.3	233.6	35.3	29.6	4.3	3.3
Rape and Mustard seed	0.661	117.6	155.5	196.0	32.2	26.0	1.8	1.3
Copra	0.111	185.0	177.7	262.4	-3.9	47.7	-0.1	0.5
(iii) OTHER NON-FOOD ARTICLES	**4.429**	**171.5**	**190.3**	**213.1**	**11.0**	**12.0**	**5.9**	**4.9**
Sugarcane	2.706	153.0	177.8	181.9	16.2	2.3	4.7	0.5
Tobacco	0.275	197.2	188.4	308.0	-4.5	63.5	-0.2	1.6
Rubber	0.114	122.4	145.1	141.3	18.5	-2.6	0.2	-0.0
Logs and timber	0.571	237.2	248.7	230.0	4.8	-7.5	0.5	-0.5
C. MINERALS	**4.828**	**98.8**	**109.5**	**109.0**	**10.8**	**-0.5**	**3.6**	**-0.1**
(i) METALLIC MINERALS	**0.231**	**159.1**	**164.8**	**164.8**	**3.6**	**0.0**	**0.1**	**0.0**
Iron Ore	0.154	164.3	170.3	170.3	3.7	0.0	0.1	0.0
(ii) OTHER MINERALS	**0.323**	**188.1**	**196.6**	**194.3**	**4.5**	**-1.2**	**0.2**	**-0.0**
Lime Stone	0.070	231.4	222.8	222.8	-3.7	0.0	-0.0	0.0
(iii) PETROLEUM CRUDE AND NATURAL GAS	**4.274**	**88.8**	**99.9**	**99.5**	**12.5**	**-0.4**	**3.3**	**-0.1**

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

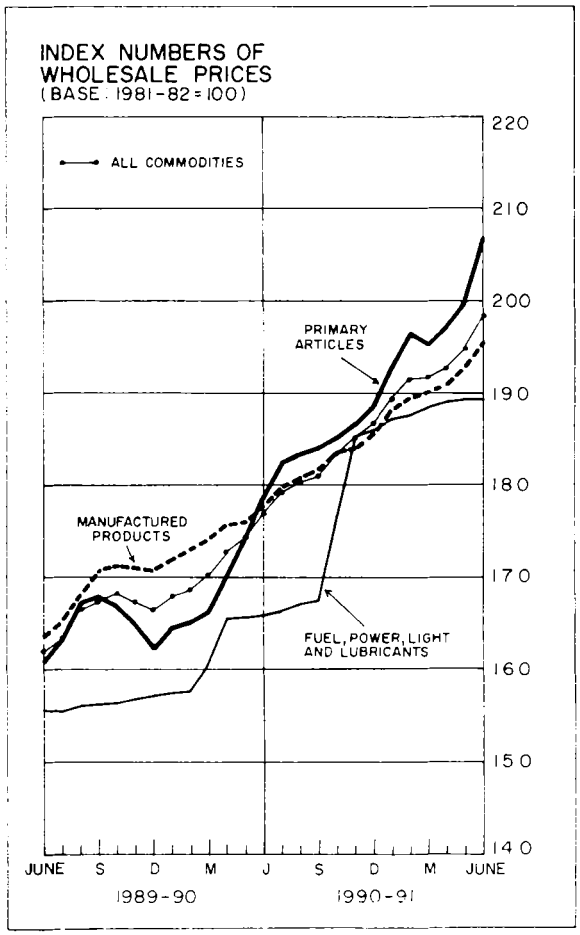
(Base : 1981-82 = 100)

Major Group/Groups/Sub-Groups and Commodities	Weight	End-March 1989	End-March 1990	End-March 1991	Percentage variations (Point-to-point basis) End-March 1990 Over End-March 1989	Percentage variations (Point-to-point basis) End-March 1991 Over End-March 1990	Weighted Contributions (Approximate) 1989-90	Weighted Contributions (Approximate) 1990-91
1	2	3	4	5	6	7	8	9
II. FUEL, POWER, LIGHT AND LUBRICANTS	**10.663**	**155.2**	**164.9**	**188.6**	**6.3**	**14.4**	**7.3**	**12.2**
A. COAL MINING	**1.256**	**231.6**	**232.6**	**232.7**	**0.4**	**0.0**	**0.1**	**0.0**
Coking Coal	0.353	253.8	253.8	253.8	0.0	0.0	0.0	0.0
Non-coking Coal	0.798	228.4	228.4	228.4	0.0	0.0	0.0	0.0
Coke	0.064	162.2	162.2	162.2	0.0	0.0	0.0	0.0
B. MINERAL OILS	**6.666**	**129.3**	**141.1**	**170.1**	**9.1**	**20.6**	**5.5**	**9.3**
Liquified petroleum gas	0.677	132.1	132.1	132.1	0.0	0.0	0.0	0.0
Petrol	0.806	145.2	168.3	209.7	15.9	24.6	1.3	1.6
Kerosene	0.868	129.9	129.9	161.4	0.0	24.2	0.0	1.3
Aviation turbine fuel	0.341	139.8	174.2	216.8	24.6	24.5	0.8	0.7
High Speed Diesel Oil	2.154	119.8	140.7	172.0	17.4	22.2	3.2	3.3
Light Diesel Oil	0.203	124.5	125.1	155.6	0.5	24.4	0.0	0.3
Furnace Oil	0.641	121.5	121.7	150.0	0.2	23.3	0.0	0.9
Lubricants	0.453	149.3	155.9	202.9	4.4	30.1	0.2	1.0
C. ELECTRICITY	**2.741**	**183.0**	**191.6**	**213.4**	**4.7**	**11.4**	**1.7**	**2.9**

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

Among non-food articles, while price of raw cotton shot up by 44.3 per cent in contrast to a fall of 17.6 per cent a year ago, the price of raw jute declined by 15.0 per cent as against an increase of 49.8 per cent in 1989-90.

The sizeable increase of 26.6 per cent in oilseeds prices during 1990-91 was on top of the similar increase in 1989-90 (27.4 per cent) thus experiencing over 61 per cent increase in two years. Such a large increase was mainly due to the shortfall in domestic production, particularly of *Kharif* groundnut crop, in major producing areas owing to adverse weather conditions, in the two successive years. Added to this was the inability of the Government to augment supplies by importing adequate quantity of edible oil because of the foreign exchange shortage. Among other non-food articles, while price of tobacco registered a rise of 63.5 per cent in contrast to a fall of 4.5 per cent a year ago, rubber prices declined by 2.6 per cent as against an increase of 18.5 per cent in 1989-90.



Fuel, Power, Light and Lubricants

This group registered more than two-fold rise of 14.4 per cent in 1990-91 as compared with 6.3 per cent in the previous year. The major increases recorded were in the prices of petrol, kerosene, aviation turbine fuel, high speed diesel oil, light diesel oil, furnace oil and lubricants, following the 25 per cent hike in their prices effected in October 1990 [(Table V-2 (b)]. Furthermore, due to stagnation in domestic production, the dependence of the country on imported petroleum and petroleum products has also increased substantially. This aggravated the already strained balance of payments position, thus creating bottlenecks in supplementing shortfalls in domestic supplies through imports.

Manufactured Products

The price increase of manufactured products at 8.9 per cent in 1990-91 was lower than that of 11.1 per cent recorded in the previous year [Table V-2 (c)]. The lower rise may be mainly on account of marginal/lower rise in the prices of sugar, cotton textiles, jute textiles, leather products, rubber products, drugs and medicines, non-metallic mineral products and iron and steel. In contrast, prices of edible oils rose very sizeably during the year by 32.7 per cent as compared with that of 17.2 per cent in the preceding year.

Weighted Contribution

An analysis of weighted contribution of different groups/commodities to the increase in the general index of wholesale prices reveals that, on a point-to-point basis, the 'primary articles' with a weight of 32.3 per cent in the general index, contributed significantly at 44.6 per cent to the total price rise in 1990-91 as compared with that of 23.0 per cent in 1989-90. The 'fuel' group with a weight of 10.7 per cent in the general index, contributed 12.2 per cent to the total price rise as compared with that of 7.3 per cent in the previous year, whereas, "manufactured products" witnessed a reduction in its contribution to 43 per cent as compared to that of 70.3 per cent in 1989-90.

About 25 per cent of the weighted contribution to price increase during 1990-91 had emanated from three items viz., oilseeds, edible oils and mineral oils with another 12.7 per cent obtaining from cereals alone. A generally similar trend was noticed on average basis also.

Consumer Price Indices (CPI)

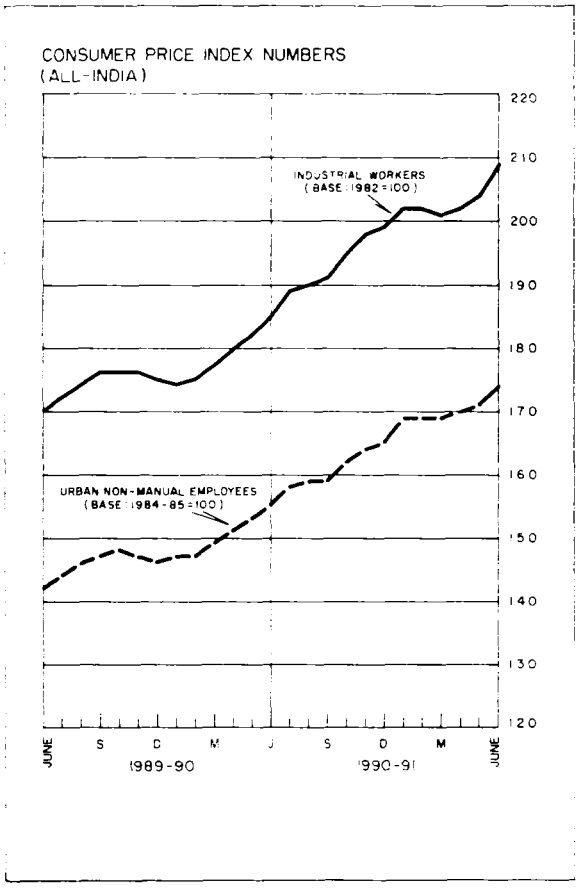
An analysis of trends in consumer price indices reveals, as stated earlier, that the rise in the general index of wholesale prices was less than that in the consumer price indices in 1990-91. As against the increase of 10.3 per cent on an average basis in the all commodities WPI in 1990-91, the movements in all-India CPI for all categories, on average basis, indicate increases of 11.2 per cent in Consumer Price Index for Industrial Workers, 11.0 per cent in Consumer Price Index for Urban Non-manual Employees and 7.6 per cent in Consumer Price Index for Agricultural Labourers (Table V-3). The all-India Consumer Price Index (CPI) for Industrial Workers (base : 1982 = 100) recorded on point-to-point and average basis increases of 13.6 per

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 1989	End-March 1990	End-March 1991	Percentage variations (Point-to-point basis) End-March 1990 Over End-March 1989	Percentage variations (Point-to-point basis) End-March 1991 Over End-March 1990	Weighted Contributions (Approximate) 1989-90	Weighted Contributions (Approximate) 1990-91
1	2	3	4	5	6	7	8	9
III. MANUFACTURED PRODUCTS	**57.042**	**157.2**	**174.7**	**190.3**	**11.1**	**8.9**	**70.3**	**43.0**
A. FOOD PRODUCTS	**10.143**	**149.4**	**168.6**	**190.8**	**12.9**	**13.2**	**13.7**	**10.9**
(a) DAIRY PRODUCTS	**0.642**	**179.9**	**184.4**	**200.6**	**2.5**	**8.8**	**0.2**	**0.5**
(b) GRAIN MILLS PRODUCTS	**1.530**	**167.6**	**175.2**	**197.9**	**4.5**	**13.0**	**0.8**	**1.7**
(c) SUGAR, *KHANDSARI* AND *GUR*	**4.059**	**130.2**	**147.2**	**147.3**	**13.1**	**0.1**	**4.9**	**0.0**
Sugar	2.013	128.7	142.2	142.8	10.5	0.4	1.9	0.1
Khandsari	0.300	106.6	145.4	141.4	36.4	–2.8	0.8	–0.1
Gur	1.746	136.0	153.3	153.5	12.7	0.1	2.1	0.0
(d) EDIBLE OILS	**2.445**	**162.0**	**189.8**	**251.8**	**17.2**	**32.7**	**4.8**	**7.3**
Hydrogenated vanaspati	0.517	176.2	203.0	268.1	15.2	32.1	1.0	1.6
Solvent extracted groundnut oil	0.021	139.8	190.7	283.9	36.4	48.9	1.1	1.1
Rape and mustard oil	0.276	123.3	147.9	213.7	20.0	44.5	0.5	0.9
Groundnut oil	0.526	133.1	184.2	250.9	38.4	36.2	1.9	1.7
B. BEVERAGES, TOBACCO AND TOBACCO PRODUCTS	**2.149**	**184.9**	**222.6**	**246.6**	**20.4**	**10.8**	**5.7**	**2.5**
C. TEXTILES	**11.545**	**144.2**	**168.8**	**177.7**	**17.1**	**5.3**	**20.0**	**5.0**
(i) COTTON TEXTILES	**6.093**	**146.1**	**170.4**	**181.5**	**16.6**	**6.5**	**10.4**	**3.3**
Cotton yarn	1.232	172.2	192.5	196.8	11.8	2.2	1.8	0.3
Cotton cloth (mills)	3.159	134.7	153.3	167.9	13.8	9.5	4.1	2.2
(ii) MAN-MADE TEXTILES	**2.921**	**119.5**	**138.3**	**134.9**	**15.7**	**–2.5**	**3.9**	**–0.5**
(iii) JUTE, HEMP AND MESTA TEXTILES	**0.689**	**208.9**	**284.4**	**299.6**	**36.1**	**5.3**	**3.7**	**0.5**
D. PAPER AND PAPER PRODUCTS	**1.988**	**192.4**	**212.6**	**235.3**	**10.5**	**10.7**	**2.8**	**2.2**
Newsprint	0.137	175.1	213.1	213.1	21.7	0.0	0.4	0.0
E. LEATHER AND LEATHER PRODUCTS	**1.018**	**171.5**	**200.4**	**230.3**	**16.9**	**14.9**	**2.1**	**1.5**
Footwear	0.353	202.4	232.1	259.5	14.7	11.8	0.7	0.5
F. RUBBER AND PLASTIC PRODUCTS	**1.592**	**156.4**	**162.8**	**165.6**	**4.1**	**1.7**	**0.7**	**0.2**
Tyres and tubes	0.766	140.9	152.0	153.7	7.9	1.1	0.6	0.1
G. CHEMICALS AND CHEMICAL PRODUCTS	**7.355**	**136.9**	**143.5**	**154.0**	**4.8**	**7.3**	**3.4**	**3.7**
Fertilizers	1.748	99.1	99.1	99.1	0.0	0.0	0.0	0.0
Drugs and medicines	1.065	138.4	147.5	153.1	6.6	3.8	0.7	0.3
H. NON-METALLIC MINERAL PRODUCTS	**2.477**	**158.1**	**177.3**	**196.7**	**12.1**	**10.9**	**3.3**	**2.3**
CEMENT, LIME AND PLASTER	**0.916**	**145.3**	**166.8**	**194.5**	**14.8**	**16.6**	**1.4**	**1.2**
Cement	0.860	141.2	162.2	185.0	14.9	14.1	1.3	0.9
I. BASIC METALS, ALLOYS AND METAL PRODUCTS	**7.632**	**192.1**	**209.8**	**228.1**	**9.2**	**8.7**	**9.5**	**6.7**
(a) BASIC METALS AND ALLOYS	**4.784**	**185.3**	**201.0**	**214.5**	**8.5**	**6.7**	**5.3**	**3.1**
(i) IRON AND STEEL	**2.441**	**174.4**	**195.0**	**206.7**	**11.8**	**6.0**	**3.5**	**1.4**
Basic pig iron	0.023	262.1	279.1	303.3	6.5	8.7	0.0	0.0
Bars and rods	0.955	161.6	195.4	201.8	20.9	3.3	2.3	0.3
Stainless steel	0.113	102.2	102.2	102.2	0.0	0.0	0.0	0.0
Heavy light structurals	0.215	245.9	250.9	266.6	2.0	6.3	0.1	0.2
Sheets	0.301	201.3	206.5	221.2	2.6	7.1	0.1	0.2
Axles, wheels and tyres	0.029	462.3	464.0	515.3	0.4	11.1	0.0	0.1
Pipes and tubes	0.569	200.4	214.1	230.4	6.8	7.6	0.5	0.4
(ii) FERRO ALLOYS	**0.196**	**201.0**	**210.0**	**223.0**	**4.5**	**6.2**	**0.1**	**0.1**
(iii) NON-FERROUS METALS AND ALLOYS	**1.025**	**234.3**	**244.0**	**263.5**	**4.1**	**8.0**	**0.7**	**1.0**
Aluminium	0.454	209.1	214.6	226.8	2.6	5.7	0.2	0.3
(b) METAL PRODUCTS	**1.823**	**186.2**	**213.5**	**243.7**	**14.7**	**14.1**	**3.5**	**2.7**
J. MACHINERY AND MACHINE TOOLS INCLUDING ELECTRICAL MACHINERY	**6.268**	**158.2**	**171.0**	**188.8**	**8.1**	**10.4**	**5.7**	**5.4**
(a) NON-ELECTRICAL MACHINERY AND PARTS	**3.277**	**162.8**	**179.7**	**199.8**	**10.4**	**11.2**	**3.9**	**3.2**
(b) ELECTRICAL MACHINERY	**2.991**	**153.1**	**161.4**	**176.7**	**5.4**	**9.5**	**1.7**	**2.2**
(c) TRANSPORT EQUIPMENT AND PARTS	**2.705**	**157.5**	**174.2**	**190.8**	**10.6**	**9.5**	**3.2**	**2.2**
K. OTHER MISC. MFG. INDUSTRIES	**0.972**	**116.4**	**117.8**	**123.0**	**1.2**	**4.4**	**0.1**	**0.2**

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



cent and 11.2 per cent, respectively, during 1990-91 as compared with the increase of 6.6 per cent each during 1989-90. CPI for Industrial Workers has been increasing steadily from 180 in April 1990 to 202 in January 1991 : however, it fell to 201 in March 1991. Centre-wise, CPI recorded significant increases in all major centres. The highest increase in the index was registered at Varanasi (20.2 per cent) followed by Belgaum (19.4 per cent), Guntur (18.9 per cent), Ghaziabad (17.9 per cent), Darjeeling (17.8 per cent) and Chandigarh (17.7 per cent).

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 13.4 per cent in 1990-91 as compared with a rise of 8.0 per cent in 1989-90. On an average basis also the increase of 11.0 per cent was higher than that of 6.9 per cent recorded in 1989-90. With the exception of Srinagar, in all other Centres the index registered significant rise during the year; the highest increase recorded was in Kohima (23.2 per cent) while the index at 150 remained unchanged in Srinagar. The all-India Consumer Price Index for Agricultural Labourers (base:July 1960 - June 1961 = 100) registered, on a point-to-point basis, a phenomenal increase of 16.6 per cent as compared with a very small rise of 1.0 per cent during 1989-90; on an average basis, this index registered a moderate rise of 7.6 per cent as against a rise of 5.4 per cent in the previous year.

Comparison of WPI and CPI

As indicated above, all the three consumer price indices, on a point-to-point basis, were showing higher rates of increase during the year 1990-91 than the increase in the WPI, a situation quite different from that prevailing in the previous year when all the three categories of CPI showed lower increases (Table V-3). Such higher increases reflect a sharp increase in prices of food items which carry larger weightage in the consumer price indices than in WPI. The higher price increase in food items is also reflected in higher increase in CPI for Agricultural Labourers as mentioned earlier.

Price Trends during the period (1980-81 to 1990-91)

During the period 1980-81 to 1990-91, the inflation rate, on an average basis, was 8.0 per cent in terms of WPI and 9.3 per cent in terms of CPI for Industrial Workers.

Price Trends during April-June Quarter of 1991-92

During the first quarter (April-June) — of the current financial year 1991-92, the pressure on general price level continued unabated as reflected by the rise in wholesale prices which was higher at 4.3 per cent as compared with the increase of 4.1 per cent in the first quarter of 1990-91. The uptrend in price level was mainly due to increase in prices of primary articles represented by higher increase in the indices of fruits and vegetables,

Table V - 3 : Consumer Price Indices

Items	1988-89	1989-90	1990-91
1	2	3	4
1. Consumer Price Index for Industrial Workers (Average) (1960 = 100)	802.5*	855.1* (173.4)+	950.5* (192.8)+
2. Per cent variation in (1)	+9.1	+6.6	+11.2
3. Consumer Price Index for Industrial Workers (For March)	818.4* (166)+	872.6* (177)+	990.0* (201.0)+
4. Per Cent variation in (3)	+8.6	+6.6	+13.6
5. Consumer Price Index for Urban Non-manual Employees (Average) (1984-85 = 100)	135.8	145.2	161.1
6. Per cent variation in (5)	+8.2	+6.9	+11.0
7. Consumer Price Index for Urban Non-manual Employees (1984-85 = 100) (For March)	138	149	169
8. Per cent variation in (7)	+7.0	+8.0	+13.4
9. Consumer Price Index for Agricultural Labourers (Average) (July 1960 - June 1961 = 100)	708.4	746.5	802.9
10. Per cent variation in (9)	+12.7	+5.4	+7.6
11. Consumer Price Index for Agricultural Labourers (July 1960 - June 1961 = 100) (For March)	729	736	858
12. Per cent variation in (11)	+10.8	+1.0	+16.6

* The indices from November 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.

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

milk, other food articles, fibres and minerals. The index of 'fuel, power, light and lubricants' rose by 0.5 per cent as against a rise of 0.7 per cent in the previous corresponding period. The 'manufactured products' group registered a higher increase during April-June 1991-92 of 3.3 per cent as compared with that of 2.3 per cent in the first quarter of 1990-91 mainly on account of higher prices of sugar, *khandsari* and *gur*, chemicals and chemical products and cement (Table V-4).

During the first quarter April-June 1991-92, the CPI for Industrial Workers, on a point-to-point basis, registered a rise of 4.0 per cent which was lower than that of 4.5 per cent recorded in the corresponding period of 1990-91. On the other hand, the increase on an average basis of 12.4 per cent was significantly higher than that of 8.1 per cent in the corresponding period of the previous year.

Price Policies

It was emphasized earlier that the major concern about inflation in 1990-91 was the concentration of the sharp increases in prices in essential commodities which occurred despite relatively good performance of the agricultural sector. The scope for supply management through imports was limited in view of the critical balance of payments situation. With a large over-hang in primary liquidity build-up in the system from the earlier years, the basic stance of monetary and credit policy for 1990-91 was to bring a sharp break in inflationary expectations, which was to be achieved *inter alia* by a sharp reduction in the pace of overall monetary expansion. Frequent modifications in minimum margins and credit ceilings on bank advances against sensitive commodities were effected in response to price and output developments. On the supply side, the quantum of supplies of foodgrains and other commodities to the State Governments and Union Territories (UTs) under the public distribution system (PDS) has been maintained at adequate levels. This apart, the Centre continued its market intervention operations in respect of foodgrains, sugar, edible oils and pulses so as to ensure that ruling prices remained within the price bands. Because of the reduced availability arising from inadequate production of oilseeds and reduction in imports, the pressure on edible oil price continued. The entry of National Dairy

Table V-4 : Variations in Index Numbers of Wholesale Prices

(Base : 1981-82 = 100)

Items	Weight	Percentage Variations (point-to-point) 1990-91 End-June over End-March	1991-92 End-June over End-March
1	2	3	4
ALL COMMODITIES	**100.000**	**4.1**	**4.3**
I. PRIMARY ARTICLES	**32.295**	**8.7**	**7.4**
Food articles	17.386	11.5	10.0
Cereals	6.824	7.8	-2.6
Rice	3.685	5.6	4.4
Wheat	2.248	14.0	-15.5
Pulses	1.093	6.7	5.7
Fruits and vegetables	4.089	25.8	28.2
Milk	1.961	3.6	6.0
Other food articles	0.689	13.0	14.4
Tea	0.564	11.8	25.1
Non-food articles	10.081	6.5	3.8
Fibres	1.791	5.9	14.9
Raw cotton	1.335	9.9	21.1
Oilseeds	3.861	10.5	2.8
Minerals	4.828	-0.5	3.2
II. FUEL, POWER, LIGHT AND LUBRICANTS	**10.663**	**0.7**	**0.5**
Coal mining	1.256	0.0	0.0
Mineral oils	6.666	0.4	0.0
III. MANUFACTURED PRODUCTS	**57.042**	**2.3**	**3.3**
Sugar, *Khandsari* and *gur*	4.059	6.3	11.1
Sugar	2.013	-0.9	3.9
Khandsari	0.300	-2.8	16.0
Gur	1.746	15.5	17.9
Edible oils	2.445	9.4	2.0
Textiles	11.545	-0.6	2.0
Paper and paper products	1.988	1.8	5.5
Chemicals and chemical products	7.355	0.8	2.9
Cement	0.860	-0.7	7.5
Iron and steel	2.441	0.8	0.7
Ferro alloys	0.196	0.9	0.7

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

Development Board (NDDB) in the market to procure edible oils in the flush season tended to raise the threshold of market prices. Substantial upward revisions were also effected in support/ procurement prices of major agricultural commodities primarily with a view to provide remunerative price environment and to augment production and procurement of various agricultural commodities. The policy changes relating to agricultural prices have already been discussed in Chapter III. The changes in price policies with regard to certain industrial products are reviewed below.

Price Policy for Industrial Products

Petroleum Products

Mineral oils prices were raised by 25 per cent with effect from October 15, 1990 to neutralise the effect of sharp increases in the prices of imported crude oil and petroleum products following the Gulf crisis (these increases were preceded by price increases effected in March 1990). Again, the regular Union Budget for 1991-92 has imposed in July 1991 a hike of 20 per cent in prices of petrol, motor spirit and aviation turbine fuel, (except diesel, which has been spared

from the upward revision) and reduction in the kerosene price by 10 per cent.

The Railway Budget 1991-92 effected a general increase of 10 per cent in railway freight charges exempting, however, some essential commodities like edible oils, foodgrains, sugar, *gur* and fruits and vegetables.

Edible Oil

The Central Government has authorised the STC to charge higher price with effect from 26-1-91 for imported edible oils to be distributed under PDS. Accordingly, the issue price to various states and UTs has been raised from Rs. 13,150 per metric tonne to Rs. 16,500 (ex-taxes) per metric tonne for bulk (loose) supplies and from Rs. 14,500 per metric tonne to Rs. 19,000 per metric tonne (ex-taxes) for supply in 15 kg. tins. Similarly, retail price for loose delivery was raised from Rs. 15.40 per kg. to Rs. 19.15 per kg. for oil supplied in bulk and from Rs. 16.60 per kg. to Rs. 21.60 per kg. for supplies in 15 kg. tins with a view to compensating for the increased cost of imports resulting from higher international prices.

Effective April 26, 1990, edible oil stock limits for retailers for category 'A' cities were reduced from 25 to 20 quintals, for category 'B' cities from 15 to 12 quintals and for other area from 10 to 8 quintals under the Edible Oilseeds and Edible Oils (Storage Control) Order, 1977. With a view to ensuring availability of edible oils to the weaker sections of the society at fair prices, the Government steadily increased the supplies through the public distribution system from 50,500 tonnes in May 1990 to 92,000 tonnes in September 1990 and decided to import 50,000 tonnes of palmolein oil and reduced stock limits of edible oils for producers from 1/12 to 1/24 of annual installed capacity effective August 1, 1991.

Sugar

With a view to maximising sugar production as also for safeguarding the interest of sugarcane growers, during 1990-91 season, incentive schemes for early crushing and late crushing were announced on April 26, 1990 and April 30, 1991, respectively. In case of factories which commenced production on or after October 1, 1990, free-sale quota at the rate of 75 per cent was allowed as against the normal 55 per cent, on the entire production achieved during the period October 1 to November 15, 1990. Similarly, in case of factories which undertook late crushing, freesale quota at 72 per cent was allowed, as against the normal 55 per cent on the entire production so achieved during the period May 1 to May 31, to July 31, 1991.

The Government also decided on 20-4-1990 that the quantity out of the monthly free-sale quota that remains undespatched at the end of the month, will be converted as levy sugar with a view to curbing the artificial scarcity in the open market.

According to an order issued on April 20, 1990 and effective for April-September 1990, producers of *Khandsari* were instructed to declare their stocks, production, sale and despatches for each month, latest by the seventh of the following month, with a view to increasing the availability of *Khandsari* in the open market.

The issue price of levy sugar under PDS was raised to Rs. 6.10 per kg. from 24-7-91 (evening), thus making it costlier by 85 paise from the earlier level of Rs. 5.25 per kg.

The ex-factory levy prices were raised on January 27, 1990 for the 1989-90 season and on March 27, 1991 for the 1990-91 season, and the gap between the economic issue price and the actual issue price was made good by the Government subsidy.

The excise duty on free-sale sugar was increased from Rs. 50 per quintal to Rs. 71 per quintal in the budget of 1991-92.

Steel

The Joint Plant Committee (JPC) revises the prices of iron and steel items primarily to

neutralise the increases in the cost of inputs such as coal, power, railway freight etc. and the levies/ duties such as Steel Development Fund, Engineering Goods Exports Assistance Fund (EGEAF) and excise duty. A general price increase was effected by the integrated steel plants on September 19, 1990, by about 5 per cent on the base prices to cover the escalation in input prices and levy on EGEAF. Thereafter, the prices of iron and steel items were raised on July 25 and 26, 1991 by an average of about Rs. 36 per tonne due to imposition of special excise duty and further on September 1, 1991 by Rs. 60 per tonne for pig iron and Rs. 90 per tonne for steel due to increase in railway freight.

The distribution of mild steel items produced by the integrated steel plants continued to be regulated in terms of the distribution guidelines of the JPC. In June 1991, the JPC revised the distribution guidelines for iron and steel items, effective from October, 1991, mainly bringing in certain more industries in the compact group of industries and giving more weightage to consumers in the backward and distant locations, sick units, etc.

From July 24, 1991, the steel sector has been delicensed, with the announcement of the liberalised industrial policy.

Non-ferrous Metals

Non-ferrous metal prices, other than aluminium, such as, copper, zinc, lead and nickel were revised from time to time owing to changes in international prices, import duties and exchange rate of the rupee.

CHAPTER VI

Monetary Developments*

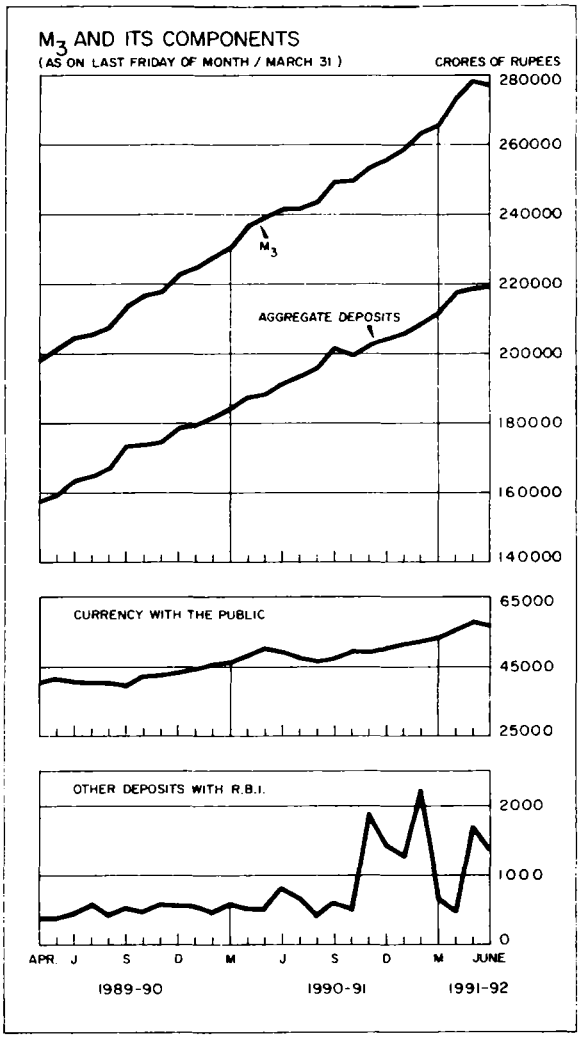
Overall Trends

The pace of expansion both in narrow and broad money was distinctly subdued during the financial year 1990-91. A major factor responsible for the slower growth in monetary aggregates has been the huge loss of net foreign exchange assets of the banking sector as a result of sizeable current account deficit in the balance of payments.

The expansion in money supply with the public, i.e., M_1 (comprising currency with the public, demand deposits with banks and 'other' deposits with the Reserve Bank) at Rs. 11,710 crore (14.4 per cent) was lower than that of Rs. 14,274 crore (21.4 per cent) in 1989-90 (Table VI-1). Broad money or M_3 (comprising M_1 and time deposits with banks) increased by Rs. 34,486 crore (14.9 per cent) as compared with an expansion of Rs. 37,457 crore (19.4 per cent) in the preceding year. On a monthly average basis, the rate of expansion in M_1 in 1990-91 was 17.3 per cent and in M_3 it was 16.6 per cent.

The growth in M_2 (M_1 and post-office savings deposits) at Rs. 11,644 crore (13.7 per cent) was smaller than that of Rs. 14,474 crore (20.5 per cent) in 1989-90. A similar decelerating trend is also noticeable in M_4 (M_3 plus total post office deposits) which expanded by Rs. 34,878 crore (14.3 per cent) as compared with Rs. 38,495 crore (18.7 per cent) in the last year.

Reserve money increased during 1990-91 by Rs. 10,158 crore (11.0 per cent) thus showing considerable slowdown as compared with the rise of Rs. 14,633 crore (23.2 per cent) in the previous year.



* Over the years, the annual series of monetary aggregates (money supply and reserve money) have been published by the Reserve Bank using different base dates, viz., last Friday, last reporting Friday, March 31 before closure of Government accounts, and March 31 after closure of Government accounts. The large year-end bulge in banking variables also tended to further distort the data series. Though each of these sets of data is expected to serve a specific purpose, the existence of a multiplicity of base-period aggregates creates considerable confusion and also inconvenience in using published/documented data in different publications of the Reserve Bank of India/Government of India. Against the above background, it has been decided that henceforth compilation, review and publication of year-end monetary aggregates (money supply and reserve money) would generally be on the basis of the data for March 31 in respect of the Reserve Bank (after closure of Government accounts) and last reporting Friday in respect of scheduled commercial banks. In respect of the co-operative sector, the March 31 figures would be used. Therefore, financial year variations in monetary data shown in this Report differ from those published in the earlier publications including the Reserve Bank's Annual Report for 1990-91, for which the base data pertained to last Friday/last reporting Friday of March.

Money Supply - Components

The lower growth of monetary aggregates during 1990-91 has been on account of deceleration in growth of all the components, with the sole exception of 'other' deposits with the Reserve Bank. Expansion in currency with the public at Rs. 6,787 crore (14.7 per cent) was lower than that of Rs. 7,971 crore (20.8 per cent) in the previous year. Both demand and time deposits with banks experienced lower expansions of Rs. 4,863 crore (14.2 per cent) and Rs. 22,776 crore (15.2 per cent), respectively, as compared with Rs. 6,399 crore (23.0 per cent) and Rs. 23,183 crore (18.3 per cent), respectively, in 1989-90. 'Other' deposits with the Reserve Bank, however, increased by Rs. 60 crore (10.0 per cent) as against a fall of Rs. 96 crore (13.8 per cent) in the previous year (Table VI-1).

Sources of Change in Broad Money

As stated earlier, a major factor responsible for the marked slowdown in the growth of monetary aggregates during 1990-91 was the massive loss of foreign exchange assets of the banking sector as a result of sizeable current account deficit in the balance of payments.

Net bank credit to Government recorded a lower rate of growth of 19.7 per cent as compared to 21.4 per cent in 1989-90; however, in absolute terms, the increase was much higher at Rs. 23,048 crore as against Rs. 20,676 crore in the previous year. This is mainly due to the larger expansion in net Reserve Bank credit to Central Government by Rs. 14,745 crore as against Rs. 13,813 crore in 1989-90, although its rate of growth at 20.5 per cent during 1990-91 was lower by 3.2 percentage points as compared with that in 1989-90. Based on the average of fortnightly figures of financial year variations, net Reserve Bank credit to Central Government (excluding March 31) rose by Rs. 10,167 crore, which was close to the corresponding figure of Rs. 10,513 crore during 1989-90. The expansion in other banks' credit to Government at Rs. 7,883 crore (18.1 per cent) was higher than the increase at Rs. 6,608 crore (17.9 per cent) in the previous year.

Bank credit to commercial sector expanded at lower pace at Rs.21,443 crore (14.1 per cent) during 1990-91 as compared with Rs. 23,822 crore (18.6 per cent) due to a lower increase in other banks' credit to this sector and a fall in Reserve Bank's credit. The increase in other banks' credit to commercial sector was Rs. 21,450 crore (14.8 per cent) as compared with Rs. 22,997 crore (18.8 per cent) in 1989-90. Net foreign exchange assets of the banking sector increased by Rs. 1,915 crore (28.8 per cent) as against a fall of Rs. 149 crore (2.2 per cent) in the preceding year. This was due mainly to the revaluation of gold reserves close to international market price, effective from October 17, 1990. Excluding the appreciation in value of gold due to revaluation, net foreign exchange reserves would have shown a decline of Rs. 4,633 crore (69.7 per cent) during 1990-91. Since such appreciation has a corresponding effect on the Reserve Bank's net non-monetary liabilities (an off-setting item in money supply), it has no impact on monetary aggregates (Table VI-2).

Seasonal Trends

During the slack season of 1990 (end-April to end-October), both M_1 and M_3 experienced lower growth rates as compared with the 1989 slack season. M_1 increased by Rs. 1,788 crore (2.1 per cent) as against a rise of Rs. 6,335 crore (9.2 per cent) in the 1989 slack season. Likewise, the expansion of M_3 at Rs. 12,992 crore (5.5 per cent) was also lower than that of Rs. 18,094 crore (9.1 per cent) in the previous slack season. All the components of M_3 registered lower increases, both in relative and absolute terms, as compared with the same in the slack season of 1989. Source-wise too, both net bank credit to Government and bank credit to commercial sector experienced lower rates of growth. However, in absolute terms, the increase in net bank credit to Government at Rs. 10,015 crore in the 1990 slack season was higher than the increase of Rs. 8,896 crore in the 1989 slack season. Net foreign exchange assets of the banking sector actually experienced a massive reduction (Rs. 2,025 crore) net of the appreciation in the value of gold.

Table VI-1 : Money Supply and its Components

(Rs. crore)

Items	Variations during financial year*						Outstanding as on	Variations during the quarter*			
	1988-89		1989-90		1990-91@			April-June 1990		April-June 1991@	
	Absolute	Percentage	Absolute	Percentage	Absolute	Percentage	March 31, 1991@	Absolute	Percentage	Absolute	Percentage
1	2	3	4	5	6	7	8	9	10	11	12
M_1(a+b+c)	8,231	14.1	14,274	21.4	11,710	14.4	92,770	4,614	5.7	6,264	6.8
(a) Currency with the public	4,770	14.2	7,971	20.8	6,787	14.7	53,087	2,840	6.1	3,768	7.1
(b) Demand deposits with banks	3,164	12.9	6,399	23.0	4,863	14.2	39,025	1,557	4.6	1,794	4.6
(c) 'Other' deposits with RBI	297	74.8	-96	-13.8	60	10.0	658	217	36.3	702	106.7
Post Office Savings Bank Deposits	155	4.3	200	5.3	-66	-1.7	3,928	-202	-5.1	-	-
M_2 (M_1 + Post Office Savings Bank Deposits)	8,386	13.5	14,474	20.5	11,644	13.7	96,698	4,412	5.2	6,264	6.5
Time deposits with banks	20,987	19.9	23,183	18.3	22,776	15.2	1,72,666	5,941	4.0	5,713	3.3
M_3 (M_1 + Time deposits with banks)	29,218	17.8	37,457	19.4	34,486	14.9	2,65,436	10,555	4.6	11,977	4.5
Total Post Office Deposits	357	3.1	1,038	8.7	392	3.0	13,372	-339	-2.6	-	-
M_4 (M_3 + Total Post Office Deposits)	29,575	16.8	38,495	18.7	34,878	14.3	2,78,808	10,216	4.2	11,977	4.3

@ Data are provisional.

* Based on March 31, excepting scheduled commercial banks data which pertain to last reporting Friday of March.

Table VI-2 : Sources of Money Stock (M3)

(Rs. crore)

Items	Variations during financial year*						Outstanding as on March 31,1991@	Variations during the quarter*			
	1988-89		1989-90		1990-91@			April-June 1990		April-June 1991@	
	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)	**29,218**	**17.8**	**37,457**	**19.4**	**34,486**	**14.9**	**2,65,436**	**10,555**	**4.6**	**11,977**	**4.5**
1. Net Bank Credit to Government (A+B)	**12,105**	**14.3**	**20,676**	**21.4**	**23,048**	**19.7**	**1,40,199**	**9,097**	**7.8**	**10,472**	**7.5**
A. RBI's net credit to Government (i+ii)#	6,928	13.1	14,068(a)	23.6	15,165(b)	20.6	88,848(c)	6,027(d)	8.2	7,081	8.0
(i) Net claims on Central Government (a-b)	6,503	12.6	13,813	23.7	14,745	20.5	86,758	7,703	10.7	9,170	10.6
(a) Claims on Central Government	6,938	13.3	14,100	23.8	15,086	20.6	88,444	6,499	8.9	7,589	8.6
(b) Deposits of Central Government	435	69.8	287	27.1	341	25.4	1,686	-1,204	-89.5	-1,581	-93.8
(ii) Net claims on State Governments (a-b)	425	42.9	255	18.0	420	25.1	2,090	-1,676	-100.4	-2,089	-100.0
(a) Claims on State Governments	425	42.9	255	18.0	420	25.1	2,090	-1,659	-99.3	-2,073	-99.2
(b) Deposits of State Governments	-	-	-	-	-	-	-	17	£	16	£
B. Other banks' credit to Government	5,177	16.3	6,608	17.9	7,883	18.1	51,351	3,070	7.1	3,391	6.6
2. Bank Credit to Commercial Sector (A+B)	**20,395**	**19.0**	**23,822**	**18.6**	**21,443**	**14.1**	**1,73,147**	**1,675**	**1.1**	**837**	**0.5**
A. RBI's credit to commercial sector$	1,734	45.8	825	14.9	-7	-0.1	6,342	-1,388	-21.9	-850	-13.4
B. Other banks' credit to commercial sector (i+ii+iii)	18,661	18.0	22,997	18.8	21,450	14.8	1,66,805	3,063	2.1	1,687	1.0
(i) Bank credit by commercial banks	12,477	17.3	16,739	19.8	14,854	14.6	1,16,345	2,559	2.5	1,251	1.1
(ii) Bank credit by co-operative banks	3,413	23.5	2,894	16.1	3,426	16.4	24,276	304	1.5	646	2.7
(iii) Investments by commercial and co-operative banks in other approved securities.	2,771	16.4	3,364	17.1	3,170	13.8	26,184	200	0.9	-210	-0.8
3. Net Foreign Exchange Assets of the Banking Sector (A+B)	**1,128**	**19.9**	**-149**	**-2.2**	**1,915@@ (-4,633)****	**28.8@@ (-69.7)****	**8,566@@**	**-431**	**-6.5**	**-1,225@@ (-1,807)****	**-14.3@@ (-89.5)****
A. RBI's net foreign exchange assets (i-ii)	785	14.5	-133	-2.1	1,915	31.6	7,983	-431	-7.1	-1,225	-15.3
i) Gross foreign assets	-682	-9.0	-811	-11.8	5,149	84.9	11,217	-431	-7.1	-1,420	-12.7
ii) Foreign liabilities	-1,467	-68.4	-678	-100.0	3,234	£	3,234	-	-	-195	-6.0
B. Other banks' net foreign exchange assets	343	134.0	-16	-2.7	-	-	583	-	-	-	-
4. Government's Currency Liabilities to the Public	**95**	**6.9**	**80**	**5.4**	**52**	**3.3**	**1,607**	**22**	**1.4**	**0**	**0.0**
5. Banking Sector's Net non-monetary Liabilities other than Time Deposits (A+B)	**4,505**	**13.0**	**6,972**	**17.8**	**11,972**	**26.0**	**58,083**	**-192**	**-0.4**	**-1,893**	**-3.3**
A. Net non-monetary liabilities of RBI	2,711	19.1	600	3.5	9,502	54.2	27,038	891	5.1	289	1.1
B. Net non-monetary liabilities of other banks (residual)	1,794	8.8	6,372	28.7	2,470	8.6	31,045	-1,083	-3.8	-2,182	-7.0

@ Provisional.

£ Increase over zero.

* Based on March 31, excepting scheduled commercial banks' data which pertain to 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/ (b) Rs. 325 crore/ (c) Rs. 1,047 crore/ (d) 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.

@@ Inclusive of appreciation in the value of gold following its revaluation close to international market price, effective October 17, 1990. Such appreciation has a corresponding effect on Reserve Bank's net non-monetary liabilities. Figures excluding revaluation are given in brackets.

** Excluding the revaluation of gold.

During the 1990-91 busy season, while the rate of growth of M_1 was marginally lower (12.3 per cent as against 12.5 per cent in the 1989-90 busy season), M_3 experienced a fractionally higher growth rate (9.5 per cent as compared with 9.4 per cent in the previous year). However, in absolute terms, expansions in both M_1 and M_3 by Rs. 10,585 crore and Rs. 23,647 crore, respectively, during the 1990-91 busy season were more than that of Rs. 9,381 crore and Rs. 20,343 crore respectively, in the busy season of the previous year. Component-wise, aggregate deposits grew at a higher pace, while currency expansion registered a slower growth. Source-wise, both bank-credit to commercial sector and net bank credit to Government recorded lower rate of growth than in the previous busy season (Table VI-3).

Reserve Money

The pace of reserve money growth slowed down significantly during 1990-91 to 11.0 per cent from 23.2 per cent in 1989-90. In absolute terms, reserve money increased by Rs. 10,158 crore as compared with Rs. 14,633 crore in the previous year. On a fortnightly average basis, the growth of reserve money at 16.2 per cent was lower than that of 18.5 per cent during 1989-90. There was deceleration in growth of two major components, namely, currency with the public and bankers' deposits with the Reserve Bank.

Source-wise, Reserve Bank's net claims on Government continued to be the sole factor responsible for the growth in primary liquidity. Though Reserve Bank's net claims on Government, registered a lower rate of growth at 20.6 per cent as against 23.6 per cent in the previous year, in absolute terms it recorded a higher growth of Rs. 15,165 crore than Rs. 14,068 crore during 1989-90. Reserve Bank's claims on scheduled commercial banks increased during 1990-91 in contrast to a decline in 1989-90. As stated earlier, net of the revaluation of gold, foreign exchange assets of the Reserve Bank contracted by Rs. 4,633 crore. Such an appreciation in the value of gold explains the large increase in net non-monetary liabilities of the Reserve Bank to a great extent (Table VI-4).

Some Monetary Relationships

Unlike the declining long-term trend experienced in the ratio of currency to aggregate deposits or currency to M_3 up to the end of the 1970s, the 1980s experienced generally a steady trend in this ratio which could be explained to an extent by the increase in the community's propensity to hold currency. This in turn reflects the structural changes taking place in the Indian economy in the form of a gradual increase in the share of the services sector in total GDP. Even during 1990-91 the incremental currency to M_3 ratio on average basis increased somewhat.

Bank reserves to aggregate deposit ratios fell during 1990-91. Money multiplier ratios for both M_1 and M_3, on all basis (unadjusted for changes in reserve requirements), exhibited some increases. This reflects the contributions of both the important factors, namely, the currency-deposit ratio and bank reserves to deposit ratio (Table VI-5).

The movements in money multiplier after adjustment of 'reserve money'* for changes in cash reserve requirements are indicated in the Table overleaf. The 'adjusted average money multiplier' as can be seen from the Table has been showing continuous increases since 1987-88. The incremental money multiplier after registering a marked increase in 1988-89 showed a marginal decline in 1989-90 and it registered further decline in 1990-91.

* The series are based on the 'average daily balances' maintained by banks during the reporting 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.

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

(Rupees crore)

Items	Variations during							
	Slack Season				Busy Season			
	1989		1990@		1989-90		1990-91@	
	Absolute	Percentage	Absolute	Percentage	Absolute	Percentage	Absolute	Percentage
1	2	3	4	5	6	7	8	9
I. M_1 (a+b(i)+c)	**6,335**	**9.2**	**1,788**	**2.1**	**9,381**	**12.5**	**10,585**	**12.3**
II. M_3 (a+b+c)	**18,094**	**9.1**	**12,992**	**5.5**	**29,343**	**9.4**	**23,647**	**9.5**
(a) Currency with the public	2,229	5.6	645	1.3	6,341	15.0	6,182	12.5
(b) Aggregate deposits with banks	15,762	10.0	12,374	6.6	13,967	8.0	17,481	8.7
(i) Demand deposits	4,003	14.2	1,170	3.3	3,005	9.3	4,419	12.1
(ii) Time deposits	11,759	9.1	11,204	7.4	10,962	7.8	13,062	8.0
(c) 'Other' deposits with RBI	103	26.3	-27	-5.1	35	7.1	-16	-3.2
III. Sources of change in M_3 (1+2+3+4-5)								
1. Net Bank Credit to Government (A+B)	**8,896**	**8.7**	**10,015**	**8.1**	**12,256**	**11.1**	**11,693**	**8.8**
A. RBI's net credit to Government (i+ii)#	5,465(a)	8.6	5,483(b)	7.1	8,148(c)	11.8	8,009	9.7
(i) Net claims on Central Government (a-b)	5,590	8.8	5,662	7.4	7,911	11.5	7,656	9.3
(a) Claims on Central Government	5,588	8.8	5,479	7.1	8,093	11.7	7,699	9.3
(b) Deposits of Central Government	-2	-3.7	-183	-78.2	182	350.0	43	84.3
(ii) Net claims on State Governments (a-b)	-125	-85.6	-179	-69.4	237	1128.6	353	446.8
(a) Claims on State Governments	-126	-79.2	-185	-66.1	247	748.5	351	369.5
(b) Deposits of State Governments	-1	-7.7	-6	-27.3	10	83.3	-2	-12.5
B. Other banks' credit to Government	3,431	8.9	4,532	9.8	4,108	9.8	3,684	7.3
2. Bank Credit to Commercial Sector (A+B)	**9,350**	**7.2**	**8,191**	**5.3**	**14,446**	**10.4**	**15,214**	**9.4**
A. RBI's credit to commercial sector*	386	8.0	1,216	22.3	261	5.0	-440	-6.6
B. Other banks' credit to commercial sector (i+ii+iii)	8,964	7.2	6,975	4.7	14,185	10.6	15,654	10.1
(i) Bank credit by commercial banks	6,322	7.3	2,972	2.9	10,635	11.4	12,955	12.1
(ii) Bank credit by co-operative banks	672	3.7	1,961	9.4	2,133	11.4	1,969	8.7
(iii) Investments by commercial and co-operative banks in other securities.	1,970	10.0	2,042	8.8	1,417	6.5	730	2.9
3. Net Foreign Exchange Assets of the Banking Sector (A+B)	**197**	**3.3**	**4,317****	**72.0**	**-252**	**-4.0**	**-3,696****	**-35.8**
A. RBI's net foreign exchange assets (i-ii)	52	1.0	4,317	79.7	-91	-1.7	-3,696	-38.0
i) Gross foreign assets	-569	-9.4	5,143	95.0	-91	-1.7	-1,317	-12.5
ii) Foreign liabilities	-621	-100.0	826	$	-	-	2,379	288.0
B. Other banks' net foreign exchange assets	145	24.2	-	-	-161	-21.6	-	-
4. Government's Currency Liabilities to Public	**38**	**2.6**	**38**	**2.4**	**35**	**2.3**	**8**	**0.5**
5. Banking Sector's Net Non-monetary Liabilities other than Time Deposits (A+B)	**386**	**0.9**	**9,569**	**20.3**	**6,142**	**15.0**	**-428**	**-0.8**
A. Net non-monetary liabilities of RBI	1,030	6.5	7,674	44.5	399	2.4	1,319	5.3
B. Net non-monetary liabilities of other banks (residual)	-644	-2.6	1,895	6.3	5,743	23.8	-1,747	-5.5

@ Provisional $ Increase over near zero.

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

\# Includes an amount of (a) Rs. 104 crore, (b) Rs. 300 crore and (c) 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.

** Inclusive of appreciation in the value of gold following its revaluation close to international market price, effective October 17, 1990. Such appreciation has a corresponding effect on Reserve Bank's net non-monetary liabilities.

Table VI-4 : Reserve Money : Components and Its Sources of Change

(Rs. crores)

Items	Variations during financial year*				Outstanding as on March 31, 1991@	Variations during the quarter*			
	1989-90		1990-91@			April-June 1990		April-June 1991@	
	Absolute	Percentage	Absolute	Percentage		Absolute	Percentage	Absolute	Percentage
1	2	3	4	5	6	7	8	9	10
Reserve Money (1+2+3+4)	**14,633**	**23.2**	**10,158**	**11.0**	**87,749**	**1,608**	**2.1**	**4,671**	**5.3**
1. Currency with the public	7,971	20.8	6,787	14.7	53,087	2,840	6.1	3,768	7.1
2. 'Other' deposits with RBI	-96	-13.8	60	10.0	658	217	36.3	702	106.7
3. Cash on hand with banks	196	10.9	195	9.8	2,181	533	26.8	429	19.7
4 Bankers' deposits with RBI	6,562	29.6	3,116	10.9	31,823	,1982	-6.9	-228	-0.7
Sources of change in Reserve Money (1+2+3-4)									
1. Reserve Bank's claims on (a+b+c+d)	**15,285**	**21.2**	**17,693**	**20.2**	**1,05,197**	**2,907**	**3.3**	**6,185**	**5.9**
(a) Government (Net)#	14,068(a)	23.6	15,165(b)	20.6	88,848(c)	6,027(d)	8.2	7,081	8.0
(b) Scheduled commercial banks	-113	-2.5	2,367	52.7	6,862	-1,649	-36.7	-242	-3.5
(c) State co-operative banks	11	25.0	-22	-40.0	33	-19	-34.5	-14	-42.4
(d) Financial institutions (i+ii+iii)	1,319	16.6	183	2.0	9,454	-1,452	-15.7	-640	-6.8
(i) NABARD	494	20.3	190	6.5	3,112	-64	-2.2	210	6.7
(ii) IDBI	291	8.2	-117	-3.1	3,705	-	-	-	-
(iii) Others	534	26.8	110	4.4	2,637	-1,388	-54.9	-850	-32.2
2. Net Foreign Exchange Assets of RBI	**-133**	**-2.1**	**1,915** (-4,633)@@**	**31.6** (-76.4)@@**	**7,983****	**-431**	**-7.1**	**-1,225** (-1,807)@@**	**-15.3** (-125.9)@@**
3. Government's Currency Liabilities to the Public	**80**	**5.4**	**52**	**3.3**	**1,607**	**22**	**1.4**	**-**	**-**
4. Net Non-monetary Liabilities of RBI	**600**	**3.5**	**9,502****	**54.2****	**27,038**	**890**	**5.1**	**289****	**1.1****

@ Provisional.

* Based on March 31, excepting scheduled commercial banks' data which pertain to last reporting Friday of March.

\# Includes an amount of (a) Rs. 722 crore/(b) Rs. 325 crore/(c) Rs. 1047 crore/and (d) 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.

** Inclusive of appreciation in the value of Gold following its revaluation close to international market price effective October 17, 1990. Such appreciation has a corresponding effect on Reserve Bank's net non-monetary liabilities.

@@ Excluding the revaluation of gold.

Table VI-5 : Monetary Ratios

Items	1986-87	1987-88	1988-89	1989-90	1990-91@
1	2	3	4	5	6
A. Point-to-point basis as on March 31					
a) Currency/Aggregate deposits	0.251	0.258	0.248	0.252	0.251
b) Currency/M_3	0.200	0.204	0.198	0.200	0.200
c) Aggregate deposits/M_3	0.797	0.793	0.798	0.797	0.798
d) Bank reserves/Aggregate deposits	0.143	0.150	0.155	0.167	0.161
Incremental Ratios					
a) Δ Currency/ Δ Aggregate deposits	0.176	0.298	0.198	0.269	0.246
b) Δ Currency/ ΔM_3	0.149	0.229	0.163	0.213	0.197
c) Δ Aggregatedeposits/ ΔM_3	0.850	0.767	0.827	0.790	0.801
d) Δ Bank reserves/ Δ Aggregate deposits	0.175	0.197	0.182	0.228	0.120
Money Multiplier					
a) M_1/RM*	1.149	1.095	1.061	1.045	1.057
b) M_3/RM*	3.161	3.071	3.073	2.977	3.025
Incremental Money Multiplier					
a) ΔM_1/ Δ RM*	1.117	0.811	0.869	0.975	1.153
b) ΔM_3/ Δ RM*	3.348	2.608	3.086	2.560	3.395
B. Average of all reporting Fridays of months from April-March $					
a) Currency/Aggregate deposits	0.261	0.259	0.250	0.250	0.253
b) Currency/M_3	0.207	0.205	0.200	0.200	0.201
c) Aggregate deposits/M_3	0.791	0.793	0.798	0.798	0.795
d) Bank reserves/Aggregate deposits	0.130	0.149	0.153	0.151	0.147
Incremental Ratios					
a) Δ Currency/ Δ Aggregate deposits	0.178	0.243	0.204	0.248	0.271
b) Δ Currency/ ΔM_3	0.151	0.195	0.169	0.198	0.210
c) Δ Aggregate deposits/ ΔM_3	0.848	0.803	0.828	0.797	0.774
d) Δ Bank reserves/ Δ Aggregate deposits	0.194	0.257	0.179	0.141	0.120
Money Multiplier					
a) M_1/RM*	1.153	1.083	1.061	1.075	1.088
b) M_3/ RM*	3.212	3.077	3.084	3.093	3.103
Incremental Money Multiplier					
a) ΔM_1/ Δ RM*	0.973	0.772	0.929	1.155	1.165
b) ΔM_3/ Δ RM*	3.161	2.477	3.121	3.146	3.163

RM = Reserve Money

* Not adjusted for changes in reserve requirements.

@ Provisional.

$ Average of outstandings of all reporting Fridays of months from April-March, excepting for March where data relate to March 31, instead of last reporting Friday.

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 refers to ratio of money supply or aggregate monetary resources to reserve money.

	Average of reporting fortnights				
	1986-87	1987-88	1988-89	1989-90	1990-91+
1	2	3	4	5	6
Average Money Multiplier M_3/RM (adjusted)	4.203	4.146	4.266	4.337	4.363
Incremental Money Multiplier $\Delta M_3/\Delta RM$ (adjusted)	4.251	3.845	4.808	4.759	4.521

\+ Provisional.

Income-Velocity of Money

Income-velocity of broad money, i.e., the ratio of GDP at current market prices to M_3, which has been showing a long-term downward course, improved fractionally during 1990-91. Income-velocity of M_1 also, contrary to its long-term upward trend, registered a further fall, although marginally, during 1990-91 (Table VI-6).

Monetary Trends during April-June 1991

During the first quarter of the current financial year, excepting time deposits with banks, all components of money supply experienced larger expansion in absolute terms; however, in terms of growth rates, the experience is somewhat mixed. M_1 recorded a higher growth of Rs. 6,264 crore (6.8 per cent) as against Rs. 4,614 crore (5.7 per cent) in the comparable period of the previous year. In the case of M_3, though the rate of growth at 4.5 per cent was marginally lower by 0.1 percentage point, in absolute terms, the expansion at Rs. 11,977 crore was higher than that of Rs. 10,555 crore during the first quarter of 1990-91. Component-wise, though both currency with the public and demand deposits with banks recorded increases in absolute terms, in relative terms, the rate of growth of demand deposits with banks remained unaltered. Time deposits growth was smaller, both in relative and absolute terms, during the first quarter of 1991-92. Source-wise, in relative terms, the expansion in both net bank credit to Government and bank credit to commercial sector was lower. Net foreign exchange assets of the banking sector registered a higher decline of Rs. 1,225 crore as compared with that of Rs. 431 crore during the first quarter of the previous year; however, net of revaluation of gold, the decline was still higher at Rs. 1,807 crore.

During the quarter April-June 1991, reserve money recorded a higher increase of Rs. 4,671 crore (5.3 per cent) as against Rs. 1,608 crore (2.1 per cent) in the comparable period of 1990-91. Component-wise, currency with the public registered a larger expansion. Net Reserve Bank credit to Government continued to be the major source of change in reserve money.

Currency and Coinage

The expansion of currency in circulation comprising currency with the public and cash with banks was at a slower pace during 1990-91 after registering a phenomenally high increase in the previous year, i.e., Rs. 6,982 crore (14.5 per cent) in 1990-91 as against Rs. 8,167 crore (20.4 per cent) in 1989-90 (Table VI-7). The share of notes in total currency in circulation increased marginally to 97.1 per cent by March 31, 1991 from 96.8 per cent as on March 31, 1990. Circulation of both rupee coins and small coins registered smaller increases during 1990-91 as compared to that in 1989-90. There has been a gradual fall in the share of rupee coins and small coins in total currency in recent years. The share of rupee coins and small coins in total currency in 1990-91 declined to 1.7 per cent and 1.2 per cent, respectively, from 1.9 per cent and 1.3 per cent, respectively, in the previous year.

During the first quarter (April-June) of 1991-92, the expansion in currency in circulation at Rs. 4,197 crore was larger than that of Rs. 3,373 crore in the corresponding quarter of 1990-91.

Mention was made in the previous year's Report about the secular shift in the composition of notes in circulation from lower denomination notes (Rs. 5 to Rs. 20) to higher denomination notes (Rs. 50 to Rs. 100), reflecting *inter alia* the

TABLE VI-6 : Income Velocity of Narrow Money (M_1) and Broad Money (M_3)

Financial Year	Gross Domestic Product (at Current Market Prices)		Currency with the Public*		Aggregate Deposit (AD)*		Narrow Money (M_1)*		Broad Money (M_3)*		Average Income Velocity of			
	Amount	Annual Percentage increase	Amount	Average Annual Percentage increase	Amount	Average Annual Percentage increase	Amount	Average Annual Percentage increase	Amount	Average Annual Percentage increase	Currency	Aggregate Deposits (AD)	Narrow Money (M_1)	Broad Money (M_3)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1986-87	2,93,408	11.8	27,003	12.3	1,03,274	19.1	46,848	14.7	1,30,531	17.6	10.866	2.841	6.263	2.248
1987-88	3,32,553	13.3	31,407	16.3	1,21,432	17.6	53,895	15.0	1,53,151	17.3	10.588	2.739	6.170	2.171
1988-89	3,94,992	18.8	35,839	14.1	1,43,131	17.9	61,695	14.5	1,79,362	17.1	11.021	2.760	6.402	2.202
1989-90	4,42,769	12.1	42,526	18.7	1,70,042	18.8	74,099	20.1	2,13,133	18.8	10.412	2.604	5.975	2.077
1990-91@	5,18,500	17.1	49,915	17.4	1,97,336	16.1	87,079	17.5	2,48,376	16.5	10.388	2.627	5.954	2.088

* Average of all reporting Fridays of months from April-March, excepting for March where data relate to March 31, instead of last reporting Friday.
@ Provisional.

Table VI-7 : Details of Currency in Circulation

(Rs. crores)

Financial year	Notes in circulation		Circulation of rupee coins		Circulation of small coins		Currency in circulation		Of which with banks	
	Outstanding	Variation over the previous year	Outstanding	Variation over the previous year	Outstanding	Variation over the previous year	Outstanding	Variation over the previous year	Outstanding	Variation over the previous year
1	2	3	4	5	6	7	8	9	10	11
1988-89	38,644 (96.3)	+4,902	893 (2.2)	+54	582 (1.5)	+41	40,119 (100.0)	+4,997	1,790	+227
1989-90	46,730 (96.8)	+8,086	916 (1.9)	+23	640 (1.3)	+58	48,286 (100.0)	+8,167	1,986	+196
1990-91@	53,661 (97.1)	+6,931	934 (1.7)	+18	673 (1.2)	+33	55,268 (100.0)	+6,982	2,181	+195
Quarter ended June 1990	50,082 (96.9)	+3,352	925 (1.8)	+9	652 (1.3)	+12	51,659 (100.0)	+3,373	2,519	+533
Quarter ended June 1991@	57,858 (97.3)	+4,197	934 (1.6)	—	673 (1.1)	—	59,465 (100.0)	+4,197	2,610	+429

@ Provisional.

Notes: 1. Figures in brackets are proportions to total currency.
2. Financial year data relate to March 31.

gradually decreasing purchasing power of the rupee. This trend, more or less, continued during 1987-88 also when the proportion of notes of lower denomination to the total notes issued (with the exception of Rs. 20 notes) registered a further decline and the share of higher denomination notes (with the exception of Rs. 100 notes) registered a higher rise (Table VI-8).

Issue of Notes and Coins

The value of decimal coins of various denominations minted during the financial year 1990-91, was at Rs. 28.32 crore. An important characteristic event of this year was the issue of commemorative coins of one rupee on four special occasions:

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
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
1988	2.0	4.2	8.4	6.9	21.5	56.5	0.5	100.0	96.2

* Inclusive of issue of small coins.

a) One rupee coin on the theme 'Food for the Future' were issued on December 16, 1990 on the occasion of celebration of the Tenth World Food Day;
b) One rupee coin on the theme 'Care for the Girl Child' were issued on the occasion of the SAARC Year of the Girl Child 1990;
c) One rupee coin on the occasion of the completion of 15 years of Integrated Child Development Services, 1975-90 were issued on January 17, 1991; and
d) One rupee coin on the occasion of the birth centenary of the late Dr. B. R. Ambedkar were issued on April 14, 1991.

Besides, two new coins of one rupee in the existing designs without security edging and two rupee coins in 8 grammes weight and 28 mm. diameter with the inscription 'National Integration' were also issued during the year.

The new series of notes issued by the Reserve Bank include those in the denominations of Rs. 5, Rs. 50 and Rs. 100 with minor modifications in the existing design, as indicated below:

a) Five rupee notes with capital letter 'A' inset in the numbering panel in the existing design;
b) Fifty rupee notes with capital letter 'B' inset in both the numbering panels;
c) One hundred rupee notes with intaglio only on the obverse side;

Besides these, Re. 1 notes with capital letter 'B' inset in the numbering panel have also been issued.

During the year, the comfortable supply of coins to the Government, banks, institutions and the public, was aided by the production of coins at NOIDA mint in Ghaziabad District of Uttar Pradesh. A decision has been taken to coinise Re. 1, Rs. 2 and Rs. 5 notes in a phased manner.

Withdrawal of coins

Government of India have decided against the further issue/reissue of cupro-nickel 25 paise and 50 paise coins lying with the offices of the Reserve Bank. All Issue offices of the Reserve Bank have been instructed to return such coins to mints for melting.

Lost, Destroyed and Mutilated Notes

As against 6.65 lakh claims received by the offices of the Reserve Bank in respect of mutilated notes involving 249.27 lakh pieces and valued at Rs. 29.48 crore during 1990-91, 2.31 lakh claims in respect of 220.05 lakh pieces amounting to Rs. 28.99 crore were approved for payment. The amount paid against approved claims which includes amount approved/paid during the year in respect of claims received/approved in the previous year totalled Rs. 29.66 crore. Under the Reserve Bank of India (Note Refund) Rules, the currency chest branches of public sector banks have also been granted power to accept from June 1985 all types of mutilated notes from members of the public and pay the exchange. Against a receipt of claims worth of Rs. 24.96 crore, the amount approved by public sector banks turned out to be Rs. 16.16 crore leading to an amount of Rs. 24.39 crore.

Note Forgeries and Counterfeit Coins

Revised data for 1989 on the total number of forged notes including one rupee notes detected at the issue offices of the Reserve Bank, branches of other banks and also those seized by police throughout the country, indicate a considerable fall from 21,137 pieces in 1988 to 12,221 pieces in 1989. However, in 1990 the number of such notes increased to 13,992 pieces. Like-wise, though the value of forged notes detected during the year 1990 went up to Rs. 4.55 lakh against Rs. 3.27 lakh in the previous year, the value was much less than the comparable figures of Rs. 6.09 lakh and Rs. 19.38 lakh, respectively, during 1988 and 1987, respectively.

During 1990-91, the detection of counterfeit coins of denomination other than one rupee and two rupee showed a downward trend with the recovery of 709 coins as against 1558 coins in the previous year. Recovery/seizure of rupee coin stood at 43 during 1990-91 as compared with 89 in 1989-90 and 5 in 1988-89.

Broader Measures of Currency Management

There has been a phenomenal growth in the circulation of currency during the last decade which has resulted in a steep rise in the demand for fresh currency/bank notes. The existing two

note printing presses at Nashik and Dewas, whose production capacities have remained somewhat static have not been able to meet fully the indent placed on them. This situation, coupled with a high turnover, has resulted in inadequate availability of fresh notes. With the plans for modernisation of the existing two note printing presses by the Government, the setting up of two new note printing presses by the Reserve Bank and the proposal to coinise, in a phased manner, Re. 1, Rs. 2 and Rs. 5 denomination notes which constitutes the bulk of notes in circulation, the availability of fresh notes should improve. The supply position of small coins was comfortable and there is adequate stock to meet any demand.

New Note Press Project

The new note projects at Mysore (Karnataka) and Salboni (West Bengal) which were transferred from the Government to the Reserve Bank of India in January 1990, are in progress and Phase I of the projects has been completed. Techno-economic reassesment of different technologies for printing bank notes has been completed. Further, action regarding identification of the successful tenderer is in advanced stages of completion. Insofar as the notes of lower denominations are concerned, it was decided to invite re-tenders for web technology so that it could be possible to have a proper evaluation of the alternatives possible.

Committee on Currency Management

A mention was made in the last year's Report that following the submission of the Report on the Committee on Currency Management on September 30, 1990, a standing group and a small In-House Committee were constituted by the Ministry of Finance, Government of India and the Reserve Bank, respectively, with a view to implementing the recommendations of the Report insofar as they concern matters relating to the Government and the Reserve Bank, respectively. Apart from the deliberations of the Standing Group, discussions have been held with Government of India to sort out certain policy issues concerning with the implementation of the recommendations.

Trends in Bullion Prices

*Gold**

In the domestic market, the price of gold ruled generally firm during the financial year 1990-91; the firm trend was more pronounced from August 1990, i.e., in the post-Gulf crisis period.

The average price of gold in the Bombay market in March 1991 recorded an increase of 6.1 per cent over the average price in March 1990; in the previous comparable period, it had registered an increase of 5.2 per cent. The increase in annual average price of gold in the Bombay market was substantially higher at 6.9 per cent as compared with a rise of 1.7 per cent during 1989-90. Gold price continued to remain firm in the first quarter (April-June) of 1991-92 also. The estimated premium on average gold price in Bombay over that in London widened from 52.9 per cent in March 1990 to 56.1 per cent in March 1991 but it narrowed to 50.7 per cent by June 1991 after rising to 58.8 per cent in May 1991.

Silver

Silver price, by and large, remained steady and varied within a narrow range throughout the financial year except for a brief spurt in August 1990 following the Gulf crisis when it surpassed the Rs. 7,000 - mark per kg. The sentiments in the silver market were influenced essentially by sizeable fresh arrivals.

In the international markets, silver price continued to display an easy trend. The average price of silver (0.999 fineness) in the Bombay market in March 1991 marginally increased by 0.6 per cent over the average price in March 1990 as against a marginal fall of 1.3 per cent over the preceding one-year period. The average price of silver in the Bombay market in 1990-91 recorded a fall of 1.2 per cent as compared with a sharp increase of 7.5 per cent in 1989-90. The estimated premium on monthly average of silver price in Bombay over the average price in New York widened from 140.9 per cent in March 1990 to 174.1 per cent in March 1991 but during the first quarter of 1991-92 it narrowed steadily to 130.4 per cent by June 1991.

* Trends in gold prices in international markets are reviewed in Chapter XI : Balance of Payments and International Monetary Developments.

Table VI-9 : Gold Price 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
March	1991	3520.70	2256.06	363.39	+1264.64	+56.1
1990-91						
April	1990	3416.50	2083.41	374.93	+1333.09	+64.0
May	1990	3431.40	2055.34	368.85	+1376.06	+67.0
June	1990	3314.35	1975.57	352.66	+1338.78	+67.8
July	1990	3284.80	2044.55	361.82	+1240.25	+60.7
August	1990	3414.71	2204.39	394.86	+1210.32	+54.9
September	1990	3409.05	2238.52	389.56	+1170.53	+52.3
October	1990	3490.76	2216.84	381.33	+1273.92	+57.5
November	1990	3460.52	2219.69	381.87	+1240.83	+55.9
December	1990	3453.20	2204.34	378.16	+1248.86	+56.7
January	1991	3687.21	2266.55	384.59	+1420.66	+62.7
February	1991	3534.78	2205.91	363.75	+1328.87	+60.2
March	1991	3520.70	2256.06	363.39	+1264.64	+56.1
1991-92						
April	1991	3583.35	2294.56	358.05	+1288.79	+56.2
May	1991	3750.77	2362.66	357.13	+1388.11	+58.8
June	1991	3733.87	2477.25	366.43	+1256.62	+50.7

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.

Source: 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
1990-91	3451.50	2164.26	374.65	+1287.24	+59.5

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.)

Month		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	6,803.63	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
March	1991	6,754.22	2,464.17	396.90	+4,290.05	+174.1
1990-91						
April	1990	6,755.80	2,803.84	504.58	+3,951.96	+140.9
May	1990	6,734.40	2,828.98	507.39	+3,905.42	+138.1
June	1990	6,696.77	2,748.28	490.60	+3,948.49	+143.7
July	1990	6,803.64	2,720.03	485.90	+4,083.61	+150.1
August	1990	6,939.38	2,779.25	498.13	+4,160.13	+149.7
September	1990	6,833.32	2,753.75	479.03	+4,079.59	+148.1
October	1990	6,959.24	2,426.45	436.59	+4,532.79	+186.8
November	1990	6,646.40	2,426.23	416.90	+4,220.17	+173.9
December	1990	6,391.84	2,372.61	407.18	+4,019.23	+169.4
January	1991	6,805.22	2,373.80	402.82	+4,431.42	+186.7
February	1991	6,809.22	2,256.47	372.32	+4,552.75	+201.8
March	1991	6,754.22	2,464.17	396.90	+4,290.05	+174.1
1991-92						
April	1991	6,710.31	2,546.07	397.20	+4,164.24	+163.6
May	1991	6,909.68	2,676.29	404.14	+4,233.39	+158.2
June	1991	6,837.00	2,967.01	438.85	+3,869.99	+130.4

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 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.

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
1990-91	6,760.79	2,579.49	449.86	+4,181.30	+162.1

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.

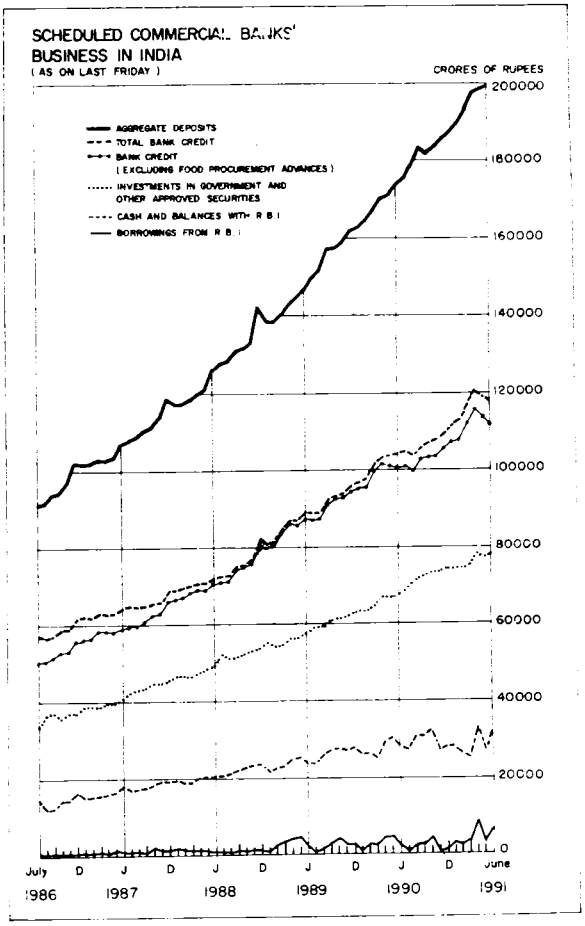
CHAPTER VII

Banking Developments

OVERALL REVIEW

The banking industry has entered a period of consolidation and future branch expansion would be allowed where the need and business potential, as also the financial viability of proposed branches, could be clearly established. During the period July 1990 to June 1991, commercial banks opened 361 branches bringing the total number of branches to 60,190. Out of 361 branches opened, 307 were in unbanked centres and the number of branches in rural areas was 314.

The accelerated pace of bank deposit growth witnessed for some years was absent in the year 1990-91 as the aggregate deposits on a point-to-point basis registered a lower order of increase - 15.3 per cent as compared with 19.1 per cent in 1989-90 — reflecting *inter alia* the massive loss of foreign exchange reserves. The average of month-end aggregate deposits during 1990-91 constituted 35.1 per cent of GDP at current market prices — slightly less than in the previous year. The expansion in total bank credit was noticeably subdued due to a sharp reduction in the expansion of non-food credit; the latter rate was 12.4 per cent as compared with 18.5 per cent in the previous year. (See Graph VII-6)



In recent years, there has been substantial growth and diversification in the Indian financial system. The financial market, from the short-end to the long, is developing into a continuum. As part of this process, gradual liberalisation has been initiated in the banking industry to impart greater flexibility to its operations. There has been a relaxation of interest rate regulations and an easing of operational constraints in the credit delivery system. However, in view of the persisting and unsustainable macro-economic imbalances as reflected in large current account deficit, there was an imperative need to conserve scarce foreign exchange reserves and hence the stance of monetary and credit policy in 1990-91 was one of considerable restraint. Cash margins on various categories of imports were tightened at historically high levels, with exemptions and relaxations afforded to export related imports.

Priority sector lending has now broadly attained the correction which was sought to be achieved in the imbalance between the sectoral output and sectoral credit availability. The public sector banks increased their priority sector lendings from Rs. 38,649 crore as at the end of June 1990 to Rs. 42,093 crore as at the end of June 1991; the latter constituted 40.9 per cent of their total advances (target 40 per cent). The credit-deposit ratio for rural branches of public sector banks at 59.0 per cent was very close to the stipulated target of 60 per cent. In respect of semi-urban branches, the credit-deposit ratio at 50.6 per cent was far below the target. In respect of direct agricultural advances of public sector banks the recovery as percentage to demand was 46.8 per cent as at the end of June 1990.

In respect of rural credit, the multi-agency approach adopted by the Reserve Bank of India has helped to step-up the quantum of institutional credit for agriculture and rural development and this has in turn helped to reduce substantially the dependence of rural households on non-institutional credit sources. The Service Area Approach in operation since April 1989 has given new impetus in respect of rural lending. The outlay for 1990-91 was stepped up by Rs. 1,600 crore or 10 per cent from the previous year's level. Direct finance disbursed for agriculture by the co-operatives rose by 11.9 per cent in 1989-90. The short-term loans disbursed by the primary agricultural credit societies increased by 13.5 per cent. The co-operative loans outstanding at the end of June 1990 aggregated to Rs. 2,230 crore representing a decline of 6.4 per cent over the year.

Under the Integrated Rural Development Programme, during 1990-91, 23.71 lakh families were targetted to be benefitted with an allocation of Rs. 747.31 crore. Against this, 29.05 lakh families with the expenditure of Rs. 802.36 crore were extended financial assistance.

CREDIT POLICY

The paramount need at the time of formulating the monetary and credit policy for 1990-91 was to bring about a sharp break in inflationary expectations. As discussed in the previous year's Report, this concern relating to inflationary expectations originated in the persistent overhang of liquidity which in turn arose from the large and growing budgetary deficit. A sharp acceleration in created money pointed to a strong possibility of even faster liquidity growth in the immediate future and there was an urgent need for effective moderation of monetary expansion during 1990-91 for the containment of inflationary expectations. It was against this background that the objective of the monetary management was set at a sharp reduction in the overall monetary expansion (M_3) in 1990-91 by about 4 percentage points below the extremely high rate of 19.6 per cent in 1989-90. Accordingly, certain measures were initially taken in April 1991 to moderate the pace of reserve money creation and growth in money supply as also to contain bank credit expansion. The stipulation of incremental non-food credit-deposit ratio of 60 per cent for each bank which was introduced in the second half of 1989-90 was continued in 1990-91. The statutory liquidity ratio was stepped up by one-half of one percentage point from 38.0 per cent to 38.5 per cent on net demand and time liabilities effective from the fortnight beginning September 22, 1990. Effective August 25, 1990, the base period for providing export credit refinance by the Reserve Bank equivalent to 75 per cent of the incremental export credit was brought forward to the monthly average of the financial year 1988-89 from that of the calendar year 1987. There were a few other measures taken including those in the areas of selective credit controls.

However, during the course of the year the unexpected turn of events, both domestic and external, contributed to a further deterioration in the already tenuous macro-economic balance. Despite a reasonably good performance of the real sectors, inflationary expectations remained unabated and even worsened during 1990-91. The upsurge in prices built up in 1989-90 accelerated further rather progressively, especially following the Gulf crisis, and crossed the double-digit mark which caused serious concern. One of the factors aggravating the inflationary pressures has been the macro-economic imbalance in which the monetised deficit of the Central Government played a major role. No doubt, despite the

expansion in the monetised deficit, there was a slower pace of expansion of broad money in 1990-91 and it was essentially attributable to a massive loss of foreign exchange reserves. For the same reason, the growth rate in bank deposits decelerated rather significantly.

The avowed objective of curtailing the budgetary deficit, as also monetised deficit eluded the policy makers in the midst of social and political tensions and uncertainties. The rapidly deteriorating external payment situation, in particular after the Gulf crisis was reflected in swift evaporation of foreign exchange reserves causing persistent and all-round anxiety. All these stresses and strains on the economic front occurred amidst a vacuum in the policy regime reflected in the absence of regular Central Budget around February-March 1991, inability to finalise the Eighth Five Year Plan blueprint, and, above all, the failure to put in place coherent medium-term stabilisation programme for restoring macro-economic balance. In such a *milieu*, almost the entire burden of short-term economic management fell to a great extent on monetary and credit policy. Vigorous use of unconventional monetary policy instruments thus became imperative.

In the above unique role, attempts at controlling overall demand and primarily demand for imports and use of free foreign exchange reserves have dominated more conspicuously than ever before the policy actions of the Reserve Bank during the latter half of 1990-91 and since the beginning of the current financial year 1991-92. In response to the rapidly unfolding events, the credit and monetary policy measures undertaken have had to be exceptionally rigorous and progressively stricter which finally culminated in the imposition of cash margin as high as 200 per cent on imports under OGL and 150 per cent on imports under specific licences. Details of import restriction measures are discussed in the latter part of the Chapter. On the demand side the measures were the levy of an interest surcharge of 25 per cent on bank lendings for all import finance, and the introduction of an overall incremental cash reserve ratio of 10 per cent. In this whole restrictive policy regime, provisions have been made to exempt export credit from the rigour of the above regulations and to render special interest rate and other incentives for the faster realisation of export proceeds. This exceptional priority assigned to the bank finance for export was reflected in a relaxation of the Reserve Bank's finance for the purpose, as also in the stipulation relating to the incremental non-food credit (excluding export credit) — deposit ratio of 45 per cent in the credit policy for 1991-92.

Apart from relaxation in export refinance and the introduction of incremental net non-food credit (excluding export) — deposit ratio, referred to above, measures taken during the period included an increase in the minimum lending rate from 16 per cent to 17 per cent on limits of over Rs. 2 lakh and a further increase in scheduled commercial banks' maximum term deposit rate from 11 per cent to 12 per cent. In view of the imperative need to restrain credit expansion in the immediate future, particularly in the context of the need to conserve foreign exchange reserves, certain limits were imposed on the utilisation of cash credit and inland bills during the period May-September 1991 in respect of large borrowers with credit limits of Rs. 1 crore and above.

Further, in consonance with the adjustments made in the exchange rate of the rupee and significant reforms in the trade policy with a view to achieving a speedier realisation of the acute external payments imbalance, it was found necessary to reinforce some of the restrictive monetary policy measures. Accordingly, effective July 4, 1991, the Bank Rate was raised from 10 per cent to 11 per cent, an across-the-board increase of one percentage point in the scheduled commercial banks' term deposit rates was effected, a minimum lending rate of scheduled commercial banks' credit limits of over Rs. 2 lakh was pushed up by 1.5 percentage point from 17 per cent to 18.5 per cent, and the interest rates of various refinance facilities from the Reserve Bank were stepped up.

While the major pre-occupation has had necessarily to be on short term management, considerable focus has been continued to be bestowed on the longer term objectives of reforming the credit delivery system, introducing

flexibility in the application of credit control measures, and above all, of pursuing with vigour the structural development of the money market by widening its scope, introducing new instruments and strengthening the existing ones, so as to progressively achieve more efficient operations.

September 1990

Structure of Lending Rates

Effective September 22, 1990, a major reform was undertaken of the structure of lending rates of scheduled commercial banks. The lending rate structure prescribed for banks had, over time, evolved into a complex one. The structure was characterised by a multiplicity of rates with concessionality in the interest rate depended on numerous criteria such as, size of loan, priority nature of a sector, location of activity, programme-specific lending, incomes of borrowers and so on. Administering such a rate structure had become difficult and a rationalisation was overdue. An element of cross-subsidisation within the rate structure was, however, necessary since social concerns warranted continuation of an element of concessionality for small borrowers and the weaker sections of society. It was against this backdrop that a restructuring of the lending rate stipulations for banks was introduced. In the revised rate structure, all sector-specific and programme-specific lending rate prescriptions have been discontinued except for the Differential Rate of Interest (DRI) Scheme and for export credit. By linking the concessionality in interest rates to the size of the loan, the new structure has sought to ensure that the basic societal concerns were taken care of while significantly reducing the multiplicity and complexity of the rate structure. The revised structure also has done away with the distinction between working capital and term loans except in the case of term loans for amounts of over Rs. 25,000 for agriculture, small-scale industries and road transport operators owning up to two vehicles. Where banks were given the discretion to determine the rate of interest for advances of over Rs. 2 lakhs, they were advised to use this discretion judiciously. In the case of public sector procurement/distribution agencies, the new lending rate structure did imply an increase over the existing rate. Banks had, however, been advised that it would be reasonable to charge 16.0 per cent per annum on borrowings by such agencies.

The revised structure of lending rates (other than for DRI advances and export credit) for scheduled commercial banks, effective September 22, 1990, is indicated in Annexure I.

The revised structure of lending rates were made applicable to both working capital and term loans. In the case of term loans to agriculture, small-scale industry and transport operators owning up to two vehicles, the rates prescribed are also indicated in the Annexure.

Thus, the rate of interest for term loans over Rs. 2 lakh for agriculture, small-scale industry and transport operators up to two vehicles, was made a fixed rate.

With effect from September 22, 1990 the effective interest rate on discounting of bills for borrowers in the category of 16.0 per cent (minimum) was set at one percentage point below the actual lending rate charged to borrowers in this category and, as such the effective interest rate on discounting of bills of exchange for such category of borrowers was made 15.0 per cent (minimum).

In regard to the impact of the new structure of lending rates, it may be noted that in the case of short-term agricultural advances up to Rs. 25,000 there has been no change over from the earlier concessive rates, while for advances over Rs. 25,000 and up to Rs. 2 lakh, there occurred some reduction in the rates depending on the amount of the advance. In the case of short-term advances to small-scale industry, the new rates, though related only to the size of the loan, were not materially different from the previous rates for most borrowers. As regards term loans, the new structure of rates, unlike the previous one, is linked solely to the size of the loan; however, for agriculture, small-scale industry and transport operators up to two vehicles, lower rates by one to two percentage points were prescribed in the

case of certain ranges of term loans with a view to keeping the new rates as close as possible to the then existing rates.

October 1990

The credit policy package for the second half of 1990-91, announced on October 9, 1990, was drawn up against the backdrop of the Gulf crisis, the strain on the balance of payments and the accelerating inflationary pressures. Despite three successive years of good agricultural output, the uptrend in prices had continued. It was felt that with the sharp increase in international petroleum prices, inflationary pressures in the Indian economy would be further aggravated. Notwithstanding the subdued monetary expansion in the first half of the financial year 1990-91 it was felt that the strong reserve money growth could result in an acceleration in monetary expansion in the second half of the year. In the context of the Gulf situation and the consequent pressure on balance of payments, banks were advised to make every effort to meet the credit requirements of the export sector. The importance of utilising the lines of foreign currency credit available with the term-lending institutions for the import of capital goods was stressed and banks were advised to direct such credit demands to the financial institutions for being financed under these lines of credit. The following changes were made in the credit policy measures :

a) Deposit Rates

Effective October 10, 1990, a new category of deposits of three years and above attracting a rate of interest of 11.0 per cent per annum was introduced raising the maximum rate on term deposits by one percentage point. This measure was intended, essentially, to offer a better rate on savings in the form of longer term bank deposits and also to assist banks in their deposit mobilisation efforts.

b) Modification of the Lending Rate Structure

As the rationalisation of the lending rate structure was not intended to encourage the demand for certain loans by offering relatively lower interest rates, effective October 10, 1990, scheduled commercial banks were permitted to freely determine the rates of interest applicable to the following categories of loans :

i) loans for purchase of consumer durables;

ii) loans to individuals against shares and debentures/bonds; and

iii) other non-priority sector personal loans.

Banks were advised to ensure that in the case of (i) above, a reasonable proportion of the cost was met out of the resources of the borrower and in the case of (ii) above, appropriate margins were imposed. Considering the needs of the priority sector and export, banks were also advised to keep advances to the above three categories at a moderate proportion of total credit.

c) Shut-out Period for Discretionary Refinance Facility

There were again, as in the previous year, large increases in aggregate deposits and non-food credit of scheduled commercial banks in the last eight days of March 1990 which distorted monetary and banking aggregates. While factors beyond the control of banks such as the Government's receipts and disbursements were partly responsible, it was clear that such factors did not fully explain the phenomenal year-end bulge. As a deterrent, it was decided not to permit banks to draw discretionary refinance *without prior sanction* from the Reserve Bank during the three fortnights covering the period March 9, 1991 to April 19, 1991.

d) Access to the Call Money Market

With a view to further widening and bringing about greater integration of various segments of the money market, all the participants in the bills rediscounting market, who were not operating in the call/notice money market, were granted entry into the call/notice money market *as lenders* effective October 20, 1990. Institutional participants in the call money market were, however, not allowed to lend in the call/notice

money market, if they had short-term borrowings from the Reserve Bank.

e) Commitment Charges on Unutilised Portion of Credit Limits

In the context of the problems faced by banks because of large unutilised credit limits and the several constraints this creates in implementing macro-credit policy, it was decided to levy a commitment fee on the unutilised portion of working capital limits. Accordingly, with effect from January 1, 1991, in the case of all borrowers with working capital limits of Rs. one crore and over, scheduled commercial banks were required to levy a *minimum* commitment charge of one per cent per annum on the unutilised portion of the quarterly operating limits subject to a tolerance level of 15 per cent. This measure was intended to bring about discipline in the availment of bank finance by borrowers and facilitate better funds management by banks.

f) Financing of Inland Credit Sales

With a view to encouraging the bill culture, in March 1987, it was indicated that effective April 1, 1988, the credit limits sanctioned by a bank to the then CAS (Credit Authorisation Scheme) borrowers against book-debts should not be more than 75 per cent of the aggregate limits sanctioned to such borrowers for financing inland credit sales. As sufficient time had elapsed since the prescription of this stipulation, it was decided that in the case of fund-based working capital limits of Rs. 5 crore and over, effective January 1, 1991, interest at 2 percentage points above the rate on the relevant cash credit should be levied on that portion of the book-debt finance which would be in excess of the prescribed norm of 75 per cent of limits sanctioned to borrowers for financing inland credit sales.

g) Selective Credit Controls

Taking into account the good *Kharif* foodgrains production for the 1990-91 season and the comfortable public sector stocks, the minimum margins on bank advances against paddy/rice and 'other foodgrains' were reduced across-the-board by 15 percentage points, effective October 10, 1990.

December 1990 - January 1991

(a) Revised Scheme of Graduated Interest Rates on Cash Balances Maintained with the Reserve Bank

Effective December 29, 1990, the Scheme of Graduated Interest Rates on cash balances maintained by scheduled commercial banks with the Reserve bank was revised following satisfactory experience in regard to compliance by banks. Unlike under the existing scheme where progressively lower interest rates were stipulated on 'eligible' cash balances as the shortfall in the Cash Reserve Ratio (CRR) increased, under the revised scheme banks earn interest at the normal rate [i.e., 10.5 per cent per annum on 'eligible' cash balances maintained on net demand and time liabilities (DTL) as on March 23, 1990 and 8.0 per cent per annum on 'eligible' cash balances maintained on incremental net DTL thereafter] but the amount of interest so arrived at would be reduced by an amount calculated at a rate of 25 per cent per annum on the amount of the shortfall. On this basis, the effective interest rate on 'eligible' cash balances would decline smoothly and the cost of a shortfall in CRR would not fluctuate as was the case earlier when the cost varied at different ranges of shortfall (Tables VII-1 and VII-2).

(b) Certificates of Deposit (CDs)

In order to broadbase the primary market and to facilitate the development of a secondary market in CDs, the bank-wise limits for issue were raised from 2 per cent to 3 per cent of average aggregate deposits in 1989-90. As a result, the aggregate limits for the banking system for issue of CDs increased from Rs. 3,018 crore to Rs. 4,522 crore. The minimum denomination of a CD was lowered from Rs. 10 lakh to Rs. 5 lakh and

Table VII-1 : Schedule of Graduated Interest Rates on Cash Balances

Previous

(Effective April 21, 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 on net demand and time liabilities as on March 23, 1990
(1)	(2)
0.00	10.50
2.0	10.00
4.0	9.25
6.0	8.50
8.0	7.00
10.0	6.00
Over 10.0	0

Revised

(Effective December 29, 1990)

Item	Rate of Interest (per cent per annum)
I. Interest payable on Eligible Cash Balances Relating to :	
a) Net DTL as on March 23, 1990	10.5
b) Incremental net DTL thereafter	8.0
II. Interest Deduction on the amount of CRR shortfall	25.0
III. Net Interest Payable (I — II)	

the minimum size of an issue also lowered from Rs. 50 lakh to Rs. 25 lakh.

c) Export Credit Refinance

The growth of export credit had not been commensurate with the overall growth in net bank credit and in view of the developments in the Gulf region and the consequent pressure on the balance of payments, banks were advised to make substantive efforts to support exports. Considering the paramount need to promote exports and also to provide greater incentive to banks to finance exports, banks' access to export credit refinance was increased and with effect from January 1, 1991, scheduled commercial banks were provided export credit refinance at a rate of 9 per cent per annum equivalent to 100 per cent of the increase in export credit over the monthly average level of export credit for the financial year 1988-89. This measure increased banks' access to export refinance by about Rs. 1,000 crore in the financial year 1990-91.

(d) Selective Credit Controls

On a review of the price-output developments relating to paddy/rice and 'other foodgrains', the minimum margins were raised across-the-board by 15 percentage points. Effective January 8, 1991, for bank advances against these commodities the margins were stipulated at 45 per cent for mills/

Table VII-2 : Illustration on Effective Interest Rate on 'Eligible' Balances and The Related Costs of CRR Shortfalls

Shortfall (as percentage of CRR Balances Required to be Maintained)	Previous Scheme (effective April 7, 1990)		Revised Scheme (effective December 29, 1990)	
	Effective Interest Rate on Eligible Balance (per cent)	Cost of Short-fall (per cent)	Effective Interest Rate on Eligible Balance (per cent)	Cost of Short-fall (per cent)
1	2	3	4	5
0.0	10.17	0.0	10.17	0.0
0.5	9.74	69.1	10.01	25.0
1.0	9.74	34.3	9.85	25.0
1.5	9.73	22.7	9.69	25.0
2.0	9.73	16.9	9.52	25.0
2.5	9.08	33.5	9.36	25.0
3.0	9.08	27.7	9.19	25.0
3.5	9.08	23.6	9.02	25.0
4.0	9.08	20.5	8.84	25.0
4.5	8.43	28.9	8.66	25.0
5.0	8.43	25.8	8.49	25.0
5.5	8.43	23.3	8.30	25.0
6.0	8.43	21.2	8.12	25.0
7.0	7.14	31.3	7.75	25.0
8.0	7.14	26.9	7.36	25.0
9.0	6.29	30.3	6.96	25.0
10.0	6.30	26.8	6.56	25.0
10.5	0.00	80.0	6.35	25.0
11.0	0.00	76.5	6.14	25.0
11.5	0.00	73.3	5.92	25.0
12.0	0.00	70.3	5.70	25.0
15.0	0.00	56.8	4.33	25.0
20.0	0.00	43.2	1.73	25.0
22.9	0.00	38.0	0.00	25.0
23.0	0.00	37.9	0.00	37.9

Notes: 1. The above rates and effective costs have been worked out assuming an increase of 15 per cent in NDTL over the outstanding as on March 23, 1990.

2. The cost of shortfall is the interest loss on eligible balances actually maintained plus the penalty rate applicable in the case of shortfalls exceeding 22.9 per cent.

processing units and against warehouse receipts and 60 per cent for 'others'.

Policy Measures for the First Half of the Financial Year 1991-92 — April 1991

At the time of formulating the credit policy for 1991-92, it was considered prudent to plan on the basis of a real GDP growth of not more than 4 per cent for the year. Given the large overhang of primary liquidity and the need to restrain the rise in demand, a moderation of the pace of monetary and credit expansion was considered imperative. The *interim* budget of the Central Government had indicated the intention to contain the gross fiscal deficit at 6.5 per cent of GDP in the financial year 1991-92. Contingent on this fiscal objective and consistent with the postulated real growth of 4 per cent in GDP and inflation rate of not more than 7 per cent, the objective of monetary policy was set at containing monetary expansion (M3) in 1991-92 to 14 per cent.

Banks were advised to plan their credit budgets on the basis of a working estimate of deposit growth of Rs. 29,500 crore (15.4 per cent) in 1991-92 (April-March). Food credit was estimated to rise by Rs. 1,900 crore during April-June 1991 and decline by Rs. 800 crore in the next quarter.

Non-food credit increase was estimated at around Rs. 3,500 crore in the first half of the financial year. As the credit policy for 1991-92 was formulated against the backdrop of the difficult foreign exchange situation, it was clarified to banks that though the imposition of additional cash margins on imports (explained at the end of this chapter) would cause some problems for their constituents, the measure had to be strictly implemented to ensure that the over-riding objective of safeguarding the foreign exchange position was attained. It was also emphasised that exports should be accorded a high priority. While the major preoccupation of the policy was necessarily on short-term management, certain measures relating to the structural development of the money market, were also introduced.

The following changes were made in the credit policy measures:

(a) Incremental Net Non-Food Credit (Excluding Export Credit) — Deposit Ratio

With the sharp acceleration in the inflation rate in 1990-91 and the deterioration of the external payments position, there was need for a very cautious approach to expansion in bank credit. Accordingly, for 1991-92 (April-March), scheduled commercial banks were required to ensure that their incremental net non-food credit (excluding export credit) — deposit ratio did not exceed 45 per cent. In view of the paramount need to facilitate the export effort, export credit was kept outside the framework of the stipulated credit-deposit ratio. The base date for this ratio was fixed at March 22, 1991 and the ratio would be monitored cumulatively on a fortnightly basis. Banks which exceeded the stipulated ratio are charged additional interest with effect from the fortnight beginning April 20, 1991, at a rate of 3 percentage points on the refinance drawn from the Reserve Bank of India under all facilities (export, stand-by, discretionary and 182 Days Treasury Bill) on the amount of the excess credit over the stipulated level or the refinance drawn, whichever was lower. Banks which persistently exceed the stipulated ratio would face a total withdrawal of all refinance facilities.

(b) Export Credit Refinance

Scheduled commercial banks were hitherto provided export credit refinance equivalent to 100 per cent of the increase in export credit over the monthly average level of export credit in 1988-89. These refinance limits amounted to Rs. 4,129 crore as on March 22, 1991, equivalent to 46.6 per cent of outstanding export credit. It had been the normal practice to bring forward each year the base for determining export refinance. This was unavoidable under a system where banks were provided 100 per cent export refinance for incremental export credit. Considering the paramount need for providing continued support to the export sector and at the same time avoiding an unduly large increase in created money, the impact of the base change was moderated by the introduction of a two-tier export refinance formula. Accordingly, effective July 27, 1991, banks would be provided export refinance to the extent of 50 per cent of the increase in export credit over the monthly average level of 1988-89 up to the monthly average level of 1989-90 *plus* 100 per cent of the increase over the monthly average level of export credit in 1989-90. The new formula would enable banks to cater to the incremental credit requirements of the export sector without resources constraint. Although banks' refinance levels would initially be reduced, they would be recouped well before the inception of the busy season.

(c) Lending Rate

In the context of the existing high inflation rate and the imperative need to restrain monetary expansion, it was decided to raise, effective April 13, 1991, the lending rate on limits of over Rs. 2 lakh by one percentage point. As such, the rate was raised from 16.0 per cent (minimum) to 17.0 per cent (minimum). Banks were advised to raise the rates for all borrowers under this category by at least one percentage point over the prevailing rates. The effective interest rate on discounting of bills of exchange for this category of borrowers was made 16.0 per cent (minimum) instead of the existing 15.0 per cent (minimum) and the actual rate charged would be one

percentage point below the corresponding lending rate charged to borrowers in this category. In the case of term loans for agriculture, small-scale industry and transport operators up to two vehicles, the actual rates of interest prescribed as of September 22, 1990 remained unchanged.

(d) Deposit Rates

Considering the need for a better alignment between the maximum deposit rate and the yield on alternative savings instruments and to reflect the prevailing inflation rate, scheduled commercial banks' term deposit rate for three years and over was raised by one percentage point, effective April 13, 1991, from 11.0 per cent to 12.0 per cent. All other deposit rates remained unchanged. The revised interest rates applied only to fresh deposits and on renewals of maturing deposits. The cost for banks arising from the higher interest rate on deposits would be approximately equal to their increased interest earnings as a result of the higher lending rates.

(e) Interest Rates on Deposits under Non-Resident (External) Rupee Accounts

In alignment with the increase in the maximum interest rate on domestic deposits, effective April 13, 1991, the interest rates on Non-Resident (External) Rupee (NRE) deposits with maturities of 3 years and above but less than 5 years and of 5 years and above were raised by one percentage point. Accordingly, the maximum deposit rate for NRE deposits was raised to 14 per cent from 13 per cent hitherto.

(f) Selective Credit Controls

In the area of selective credit controls two measures were effected from April 13, 1991.

(i) Reference Period for Credit Ceilings

For commodities where there was a stipulation of the level of credit ceilings based on the three-year period 1986-87 through 1988-89 (November-October), the base period was brought forward to the three-year period ending 1989-90 (November-October), effective April 13, 1991.

(ii) Level of Credit Ceilings

With effect from the same date, the level of credit ceilings applicable on oilseeds/vegetable oil was reduced from 100 per cent to 85 per cent of the peak level of credit maintained by each party in the three-year period ending 1989-90 (November-October).

(g) Certificates of Deposit

The outstanding amount of CDs issued by 46 major scheduled commercial banks as on February 22, 1991 amounted to Rs. 3,035 crore and formed 69.2 per cent of the revised limits of Rs. 4,383 crore of these banks for issue of CDs. To enable banks to effectively compete with other instruments for bulk funds and to give banks the flexibility to raise funds from the market when they have a need for mobilising such funds, it was felt necessary to give sufficiently large CD limits so that the smaller banks have adequate limits to mobilise bulk funds. Accordingly, effective April 20, 1991, the limits for issue of CDs by scheduled commercial banks (excluding Regional Rural Banks) were enhanced from 3 per cent to 5 per cent of the fortnightly average of outstanding aggregate deposits in 1989-90. Consequently, the aggregate limits for the banking system for the issue of CDs were raised from Rs. 4,522 crore to Rs. 7,537 crore.

(h) Commercial Paper

Sufficient experience had been gained regarding the operation of the instrument of Commercial Paper (CP) and it was felt that the guidelines could be relaxed to enable wider participation and also to ensure a greater degree of flexibility in its operation. Accordingly, effective May 30, 1991, the following changes were made in the scheme:

(i) The working capital (fund-based) limit of the issuing company was reduced to not less than Rs. 10 crore instead of Rs. 15 crore hitherto.

(ii) The ceiling on the aggregate amount to be raised by a company by issue of CP was raised from 20 per cent to 30 per cent of its working capital (fund-based) limit.

(iii) The denomination of CP could be in multiples of Rs. 5 lakh (Rs. 10 lakh hitherto) subject to the minimum size of an issue to a single investor being Rs. 25 lakh (face value) instead of Rs. 50 lakh (face value) hitherto.

(iv) The requirement for banks to obtain prior approval from the Reserve Bank of India was dispensed with. The parties will, however, be required to meet the procedural requirements through their banks and the banks would in turn be required to submit fortnightly returns to the Reserve Bank on a post-sanction basis.

(i) Widening of Participants in the Call/Notice Money and Bills Rediscounting Markets

In the light of the felt need to widen the call/notice money and bills rediscounting markets, access, as lenders, to these markets would be provided to such entities as were able to show evidence to the Reserve Bank of bulk lendable resources. Such entities would be required to observe a minimum size of operation of Rs. 20 crore per transaction and such transactions would be permitted only through the DFHI. The lending entities would be required to give an undertaking that they had no outstanding borrowings from the banking system. Entities wishing to participate in the call/notice and bills rediscounting markets would be required to approach the Reserve Bank of India for permission to enter these markets.

(j) Money Market Mutual Funds (MMMFs)

With a view to providing an addiitional short-term avenue to investors and to bring money market instruments within the reach of individuals and small bodies, it was considered desirable to allow scheduled commercial banks and their subsidiaries to set up Money Market Mutual Funds (MMMFs). The MMMFs are a special genre of mutual funds which invest only in high quality money market instruments of a short-term nature. The recent introduction of several new money market instruments like the Certificates of Deposit, the Commercial Paper and the 182 Days Treasury Bills, was essentially meant to tap bulk funds and as such a relatively high minimum transaction amount had been stipulated. By bringing a wide range of short-term money market instruments within the reach of individual investors, the MMMFs would undertake a size intermediation. It was in this context that MMMFs assumed significance. The broad framework of the scheme for MMMFs is as follows:

(i) Only banks and their subsidiaries would be permitted to set up MMMFs.

(ii) Individuals and other bodies would be permitted to invest their resources in MMMFs in the form of negotiable/transferable instruments and MMMF deposit accounts. Suitable ceilings may be fixed on mobilisation of such funds by banks and their subsidiaries (this could, in the first instance be equivalent to one per cent of aggregate deposits).

(iii) The minimum size of investment would be Rs. one lakh and repurchases could be subject to a minimum lock-in period of 3 months.

(iv) MMMFs could be allowed to invest only in specified short-term money market instruments (CDs, CP, 182 Days Treasury Bills, rediscounting of commercial bills and call and short-notice money) as lenders. A *minimum* of 20 per cent of the MMMFs funds could be required to be held in 182 Days Treasury Bills and a *maximum* of 20 per cent in call and short-notice money.

(v) The funds mobilised by MMMFs would not be subject to reserve requirements as these funds are in turn invested in money market instruments.

(vi) The question of stamp duty would need to be examined.

To fully develop this broad framework and to study the implication of such a scheme a Task Force consisting of representatives of banks and the Reserve Bank of India was set up by the Reserve Bank to work out the detailed operative guidelines and documentation of MMMFs.

Export Credit Interest Rates

With a view to providing an incentive to exporters who repatriate the proceeds early and at the same time making credit costly to those who delay the repatriation of export proceeds, the interest rates on post-shipment credit were revised in two stages with effect from April 1 and April 23, 1991. As an incentive to repatriate export proceeds faster, a special concessive rate of 7.0 per cent has been prescribed for periods up to 45 days, while the rate for periods beyond 45 days and up to 90 days has been left unchanged. If export proceeds are repatriated after 90 days but before 6 months of the date of shipment, the interest applicable would be 18 per cent for the entire period from the date of advance. If the proceeds are repatriated after 180 days, a rate of interest of 25 per cent would be applied for the entire period from the date of advance (Annexure II).

May 1991

In conjunction with the series of measures taken to discourage the use of bank credit to finance imports (described in the next section), further measures were introduced to moderate monetary and credit expansion so as to contain overall demand and thus conserve foreign exchange reserves.

a) Incremental Cash Reserve Ratio

In view of the acute foreign exchange situation and the consequent need to contain overall demand by moderating monetary expansion, an incremental cash reserve ratio of 10 per cent was stipulated. Accordingly, in addition to the cash reserve ratio of 15 per cent, banks were required to maintain, with effect from May 4, 1991, an incremental cash reserve ratio of 10 per cent of the increase in net demand and time liabilities over the level as on May 3, 1991. The effect of the stipulation would be different for individual banks depending on the rates of growth in their net demand and time liabilities. Interest at 8 per cent per annum would be paid on these additional cash balances.

(b) Interest Rate Surcharge on Import Finance

With a view to discouraging the use of bank credit to finance imports, an interest rate surcharge on import finance was introduced. Accordingly, banks were advised that the use of bank credit to finance imports should be earmarked under a separate sub-limit of the cash credit limit and outstandings under the import credit sub-limit for parties being charged a rate of 17 per cent (minimum) were subject, effective May 9, 1991, to an interest rate surcharge of 25 per cent. Thus, a party charged 17 per cent would be subject to a surcharge of 4.25 per cent and the effective interest rate would be 21.25 per cent. Parties charged a rate above 17 per cent would be subject to a correspondingly higher surcharge. For purposes of this surcharge, drawals of bank finance for providing the cash margin on imports will be treated as import finance as also debits to make payments for imports. While the outstandings under the import sub-limit would stand reduced when the cash margin on imports is released, repayments to the import sub-limit would be permitted from the same proceeds subject to the proviso that there would be a minimum period of one month during which a payment for imports from the import sub-limit cannot be liquidated by sale proceeds. The surcharge would be levied on imports subject to 'Nil' cash margins on imports as well as imports subject to prescribed cash margins. Imports of capital goods would also be subject to the surcharge. Bank finance provided to meet the cost of imported inputs covered by export packing credit has been exempted from the surcharge.

(c) Restriction of Drawals under Large Cash Credit Limits

Due to the difficulties experienced by banks in effectively implementing measures of credit restraint under the existing cash credit system, there was a sizeable gap between the limit sanctioned and their actual utilisation. In view of the imperative need to restrain credit expansion in the immediate few months particularly in the context of the need to conserve foreign exchange

reserves, banks were advised that, in the case of all accounts of borrowers with aggregate credit limits of Rs. 1 crore and over from banks, the effective drawing power under the limits for cash credit and inland bills for the period May 9, 1991 up to September 30, 1991, would be limited to 100 per cent of the peak level of actual utilisation during the corresponding period of May 9 - September 30 in the past three years. Banks were required to ensure that this method of arriving at the effective drawing limit did, in no case, result in raising the cash credit limits as they stood on May 8, 1991. However, limits authorised by the Reserve Bank of India, as also export credit (export finance limits sanctioned for pre-shipment and post-shipment purpose) and sick/weak units where rehabilitation packages have been sanctioned would be outside the framework of this stipulation. Some flexibility has been allowed in the application of the peak utilisation in case of newly-established units which are due to start production and in case of existing units undergoing the process of expansion, diversification or modernisation. In the case of the sugar industry, the banks would sanction need-based credit limits not exceeding *110* per cent of the peak level of actual utilisation.

(d) Selective Credit Controls — Sugar

Considering the increase in cane price arrears payable to sugarcane growers and the need to provide relief to them, with effect from May 9, 1991, the minimum margin applicable on bank advances against unreleased stocks of sugar was lowered in the case of processing units/mills to 17.5 per cent from the existing stipulation of 20 per cent. This concession was available only for a period of three months, i.e., up to August 8, 1991, after which the minimum margin would revert to 20 per cent. The structure of minimum margins/levels of credit ceilings on advances against commodities covered by selective credit controls is set out in Table VII-3.

July 1991

a) Bank Rate

With a view to containing inflationary pressures in the economy, the monetary policy

Table VII-3 : Minimum margins and level of credit ceilings (Effective May 9, 1991)

(Percentages)

Commodities	Minimum margins			Level of Credit ceiling (Base year : Three years ending 1989-90 (Nov.-Oct.)
	Mills/ Processing units	Others	Warehouse receipts	
1	2	3	4	5
1. Paddy/rice	45	60	45	85
2. Pulses	45	60	45	85
3. Other foodgrains	45	60	45	85
4. Oilseeds (viz. groundnut, rapeseed/mustard, cottonseed, linseed, castorseed and all imported oilseeds)	60	75	60	85
5. Vegetable oils (viz. groundnut oil, rapeseed/ mustard oil, cottonseed oil, linseed oil, castor oil,. vanaspati and all imported vegetable oils)	60 @	75	60	85
6. Sugar				
a) Buffer stock	nil	—	—	—
b) Unreleased stock	17.5 #	—	—	—
c) Released stock	75	75	60	—
7. Gur and Khandsari	45	75	60	—

@ Applicable to registered oil mills and vanaspati manufacturers.
— Not Applicable.
Upto August 8, 1991; thereafter the minimum margin will revert to 20 per cent.

measures were further tightened on July 3, 1991. With effect from the close of business of July 3, 1991, the Bank Rate was raised by one percentage point i.e., from 10.0 per cent to 11.0 per cent. All rates of interest on advances from the Reserve Bank specifically linked to the Bank Rate were correspondingly raised by one percentage point unless otherwise specified.

b) Deposit Rates

With a view to ensuring that banks finance their lending operations out of their own resources and to enable banks to compete with alternative savings instruments, the term deposit rates of scheduled commercial banks were raised across-the-board by one percentage point effective July 4, 1991. The revised interest rates would apply only to fresh deposits and on renewal of maturing deposits. The existing and revised structure of deposit rates (excluding FCNR/NRE Accounts) are set out in Table VII-4.

c) Lending Rates:

In the context of the need to reduce aggregate demand in the economy and also taking into account the increase in deposit rates, effective July 4, 1991, the lending rate on limits of over Rs. 2 lakh was raised by 1.5 percentage points from 17.0 per cent (minimum) to 18.5 per cent (minimum). The effective interest rate on discounting bills of exchange for this category of borrowers would be one percentage point below the corresponding lending rate charged to borrowers in this category.

In the case of term loans to agriculture, small scale industry and transport operators up to two vehicles, such loans would continue to be governed by the rates prescribed earlier.

d) Interest Rates on Reserve Bank Accommodation:

In consonance with the increase in the Bank Rate and the need to align refinance rates with the increase in lending rates of scheduled commercial banks, interest rates on the following refinance facilities were raised, effective July 4, 1991 (Table VII-5).

August 1991

a) Restriction of Drawals under large cash credit limits — Sugar Industry

Banks were advised that for the period May 9 to September 30, 1991, sugar mills having higher level of sugar stock during 1990-91 crushing season compared to 1989-90 crushing season, may be sanctioned additional credit limits, subject to usual margin and other conditions. Further banks should ensure that the amount of additional credit limit so sanctioned and disbursed to sugar mills would be utilised only for paying dues to the cane growers.

b) Interest Rates on Advances — Export Credit

Effective August 6, 1991, the interest rate structure on export credit has been revised. While the interest rate on pre-shipment credit up to 180 days has been raised to 12.50 per cent per annum, a rate 14.50 per cent per annum has been stipulated for pre-shipment credit beyond 180 days and up to 270 days (in which case the prior approval of the Reserve Bank has to be obtained). Post-shipment credit up to the Normal Transit Period (NTP) in the case of demand bills would attract a rate of 12.50 per cent per annum. For usance bills up to 90 days, the interest rate would be 12.50 per cent per annum while for bills beyond 90 days and up to six months from the date of shipment an interest rate of 18 per cent per annum from the date of advance has been prescribed. If the exports proceeds are not realised within NTP in the case of demand bills and within specified period in the case of usance bills, the interest applicable will be 18.50 per cent per annum (minimum). If the proceeds are not repatriated within six months from the date of shipment, a rate of interest of 25 per cent would be applied for the entire period from the date of advance.

BANKING TRENDS

The operations of scheduled commercial banks slowed down during 1990-91 with the growth rates of major variables like aggregate deposits, bank credit and investments decelerating rather significantly.

Table VII-4 : Interest Rates on Deposits of Scheduled Commercial Banks' (Excluding FCNR/NRE Deposits)

(per cent per annum)

Category of Account	Effective up to July 3 1991	Effective July 4, 1991
1	2	3
Current	NIL	NIL
Savings	5.0	5.0
Term Deposits		
a) 46 days to less than one year	8.0	9.0
b) One year to less than two years	9.0	10.0
c) Two years to less than three years	10.0	11.0
d) Three years and over	12.0	13.0

Table VII-5 : Interest rates on RBI Refinance

Refinance facility	Effective up to July 3, 1990	Effective July 4, 1991
1	2	3
Export Refinance	9.0	9.5
Stand-by Refinance	12.5	13.5
DiscretionaryRefinance	14.0 (Minimum)	17.0 (Minimum)
Food Refinance	11.5	14.0

Banking Trends

(On a point-to-point basis)

Growth in Aggregate Deposits

There was a sharp decline in the growth of aggregate deposits from 19.1 per cent in 1989-90 to 15.3 per cent in 1990-91. In absolute terms also it declined to Rs. 25,583 crore from Rs. 26,809 crore. Apart from foreign exchange reserve losses some sluggishness in the real economy consequent upon transport and other infrastructural constraints, persistent increase in the cost of living which adversely affected household saving propensity and intensification of competition from other attractive instruments, contributed to the slow-down in the growth of bank deposits. In 1989-90, despite increased competition from other instruments bank deposits have been able to broadly hold their share in savings in the form of financial assets as was evident from the accelerated growth witnessed in aggregate deposits of 19.1 per cent. The deceleration in deposit growth rate persisted in all the quarters of 1990-91 except in the last one (January-March 1991) which recorded a higher growth rate, particularly towards the end of the quarter, as compared with the January-March quarter of 1989-90 (Table VII-6). Component-wise, the decline in aggregate deposits was contributed both by demand as well as time deposits, more so by the former (Table VII-7). The share of demand deposits in total deposits, which had improved to 17.3 per cent at the end of 1989-90 from 16.7 per cent at the end of 1988-89, settled at 17.2 per cent at the end of 1990-91 (Table VII-7).

The break-up of scheduled commercial banks' deposits according to deposit type presented in Table VII-9, shows that the share of current deposits in total deposits, which was around 15-16 per cent up to 1987, declined to about 14 per cent in March 1988 and again rose to 16 per cent in March 1989; since then it has stabilised at that level. The share of savings deposits in total deposits, which was around 23 — 24 per cent between 1983 and 1986, declined to 22 per cent in 1987 and then rose to 28 per cent in 1988; it has since then declined to about 25 per cent by

Table VII-6 : Quarterly Variations in Deposits of Scheduled Commercial Banks

(Rupees crore)

Quarter	Demand Deposits		Time Deposits		Aggregate Deposits	
	1989-90	1990-91	1989-90	1990-91	1989-90	1990-91
1	2	3	4	5	6	7
April — June	1,766	1,090	5,938	5,039	7,704	6,129
					(5.5)	(3.7)
July — September	3,133	2,583	6,537	7,665	9,650	10,248
					(6.5)	(5.9)
October — December	866	-505	3,543	2,908	4,409	2,403
					(2.8)	(1.3)
January — March	-231	1,169	5,277	5,634	5,046	6,803
					(3.1)	(3.7)
Total	**5,514**	**4,337**	**21,295**	**21,246**	**26,809**	**25,583**
					(19.1)	**(15.3)**
	1990-91	1991-92	1990-91	1991-92	1990-91	1991-92
April — June	1,090	1,238	5,039	5,328	6,129	6,566
					(3.7)	(3.4)

@ Data for June 28, 1991 are provisional.

Notes : 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-7 : Share of Demand and Time Deposits to Aggregate Deposits of Scheduled Commercial Banks

(As on the last Friday of March)

(In percentage)

	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91
1	2	3	4	5	6	7
Demand Deposits	18.3	18.7	17.2	16.7	17.3	17.2
Time Deposits	81.7	81.3	82.8	83.3	82.7	82.8

Table VII-8 : Percentage Growth in Demand, Time and Aggregate Deposits of Scheduled Commercial Banks

	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91
1	2	3	4	5	6	7
Aggregate Deposits	+18.2	+20.3	+14.9	+18.7	+19.1	+15.3
Demand Deposits	+10.5	+23.2	+5.3	+15.3	+23.6	+15.0
Time Deposits	+20.1	+19.6	+17.1	+19.4	+18.2	+15.4

March 1991. The share of fixed deposits, which was around 60-62 per cent between 1983-87, declined to 58 per cent in 1988 and remained at that level up to March 1990; it has edged up a little to 59.0 per cent by March 1991.

Expansion in Bank Credit

During the period under review, the expansion in bank credit was noticeably subdued. While food credit recorded a higher absolute increase, non-food credit registered a slow-down, both in absolute and percentage terms, from Rs. 15,497 crore or 18.5 per cent in 1989-90 to Rs. 12,348 crore or 12.4 per cent in 1990-91 (Table VII-10). The drastic decline in non-food credit expansion in 1990-91, however, to an extent, has to be assessed in conjunction with the amount of Rs. 3,700 crore written-off during 1990-91 by the

Table VII-9 : Deposits of Scheduled Commercial Banks (excluding RRBs) according to Type

(Rupees crore)

As on the last Friday of March	Current Deposits	Savings Deposits	Fixed Deposits	Total
1	2	3	4	5
March 25, 1983	7,724	11,934	31,013	50,671
	(15.2)	(23.6)	(61.2)	
March 30, 1984	9,272	14,050	36,887	60,209
	(15.4)	(23.3)	(61.3)	
March 29, 1985	11,684	16,973	42,872	71,529
	(16.4)	(23.7)	(59.9)	
March 28, 1986	12,838	19,105	52,525	84,468
	(15.2)	(22.6)	(62.2)	
March 27, 1987	15,934	22,359	63,110	1,01,403
	(15.7)	(22.0)	(62.3)	
March 25, 1988	16,106	31,972	67,876	1,15,954
	(13.9)	(27.6)	(58.5)	
March 31, 1989	23,112	36,891	84,235	1,44,238
	(16.0)	(25.6)	(58.4)	
March 30, 1990	27,544	43,451	98,565	1,69,560
	(16.3)	(25.6)	(58.1)	
March 29, 1991	31,652	48,938	1,15,965	1,96,555
	(16.1)	(24.9)	(59.0)	

Notes : 1. Deposits figures reported in the previous year's Report pertain to all commercial banks which comprises scheduled as well as non-scheduled commercial banks.

2. In the case of current and fixed deposits presented above, inter-bank deposit are excluded.

Source : Returns in Form X submitted by banks under Section 27 of the Banking Regulation Act, 1949.

public sector and regional rural banks under the Agricultural and Rural Debt Relief Scheme, 1990. Further, it has also to be seen against the background of a lower order growth of the economy in general, as well as a better performance of the corporate sector in the previous year resulting in larger internal generation of resources. The slower expansion in bank credit was observed in all the quarters of 1990-91 except during the last quarter January-March 1991, as in the case of aggregate deposits.

The credit-deposit ratio as on March 22, 1991 at 60.4 per cent was marginally lower by 0.4 percentage point than that a year ago. The incremental non-food credit-deposit ratio in 1990-91 at 48.3 per cent was significantly lower than 57.8 per cent in 1989-90 (Table VII-10).

Data on seasonal variations in bank credit show that during the slack season of 1990, expansion in bank credit of Rs. 2,970 crore was almost half of the expansion (Rs. 6,321 crore) that occurred in the slack season of 1989. Food credit, however, recorded a sizeable increase of Rs. 1,756 crore in contrast to nominal decline of Rs. 59 crore in the previous slack season. In the 1990-91 busy season, bank credit recorded a higher rise of Rs. 13,390 crore compared with that of Rs. 10,631 crore in the busy season of 1989-90 (Table VII-10).

Trends in Investments

Banks' investments in Government and other approved securities during the 1990-91 financial year increased by Rs. 10,696 crore as compared with the increase of Rs. 9,707 crore in 1989-90; in percentage terms, however, the increase at 16.6 per cent was lower than that of 17.8 per cent in the corresponding period of the previous year (Table VII-10). The investment-deposit ratio as on March 22, 1991 was placed at 39.0 per cent and

Table VII-10 : Variations in Scheduled Commercial Banks' Data (Seasonal, Annual and Quarterly)

(Rupees Crore)

Items	Seasonal Variations				Annual Variations		Quarterly Variations	
	Slack Season 1989	Busy Season 1989-90	Slack Season 1990	Busy Season 1990-91	(April-March) 1989-90	(April-March) 1990-91	(April-June) 1990	(April-June) 1991
1	2	3	4	5	6	7	8	9
Aggregate Deposits	13,946	13,234	11,310	15,508	26,809	25,583	6,129	6,566
					(19.1)	(15.3)	(3.7)	(3.4)
(a) Demand deposits	3,626	2,653	928	2,860	5,514	4,337	1,090	1,238
					(23.6)	(15.0)	(3.8)	(3.7)
(b) Time deposits	10,320	10,581	10,382	12,648	21,295	21,246	5,039	5,328
					(18.2)	(15.4)	(3.6)	(3.3)
Borrowings from the Reserve Bank	—94	152	—46	4,551	—1,128	1,069	59	2,636
					(—32.0)	(44.6)	(2.5)	(76.0)
Cash in hand and Balances with the Reserve Bank	2,644	2,166	2,868	1,045	2,291	554	3,015	7,254
					(10.0)	(2.2)	(12.0)	(28.3)
Money at Call and Short Notice	—450	2,433	—1,179	250	—1,172	—489	—772	180
					(—37.7)	(—25.3)	(—39.9)	(12.5)
Investments	5,250	5,413	6,304	5,017	9,707	10,696	3,199	3,188
					(17.8)	(16.6)	(5.0)	(4.2)
(a) Government securities	3,354	4,075	4,401	3,816	6,477	7,706	3,029	3,388
					(18.1)	(18.2)	(7.2)	(6.8)
(b) Other approved securities	1,896	1,338	1,903	1,201	3,230	2,990	170	—200
					(17.1)	(13.5)	(0.8)	(—0.8)
Bank Credit	6,321	10,631	2,970	13,390	16,734	14,848	2,558	960
					(19.8)	(14.6)	(2.5)	(0.8)
(a) Food Procurement Advances	—59	987	1,756	1,125	1,237	2,500	1,911	811
					(160.8)	(124.6)	(95.3)	(18.0)
(b) Other Advances	6,380	9,644	1,214	12,265	15,497	12,348	647	149
					(18.5)	(12.4)	(0.7)	(0.1)

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 reporting Friday of March.
2. Figures in brackets indicate percentage change over the corresponding period.
3. No sign has been indicated for positive variations.

Source : Returns submited by banks in terms of Section 42(2) of the R.B.I. Act, 1934.

was slightly higher than that of 38.6 per cent a year ago. This may be partly attributable to the stipulation of higher statutory liquidity ratio effective September 22, 1990.

Other Assets and Liabilities

During the current financial year, scheduled commercial banks' cash in hand and their balances with the Reserve Bank registered a very small rise of Rs. 554 crore (2.2 per cent) as against a sizeable rise of Rs. 2,291 crore (10.0 per cent) during the comparable period of the previous year. Banks' indebtedness to the Reserve Bank, however, increased by Rs. 1,069 crore (44.6 per cent) in contrast to a decline of Rs. 1,128 crore (-32.0 per cent) in 1989-90.

Trends in the First Quarter of 1991-92

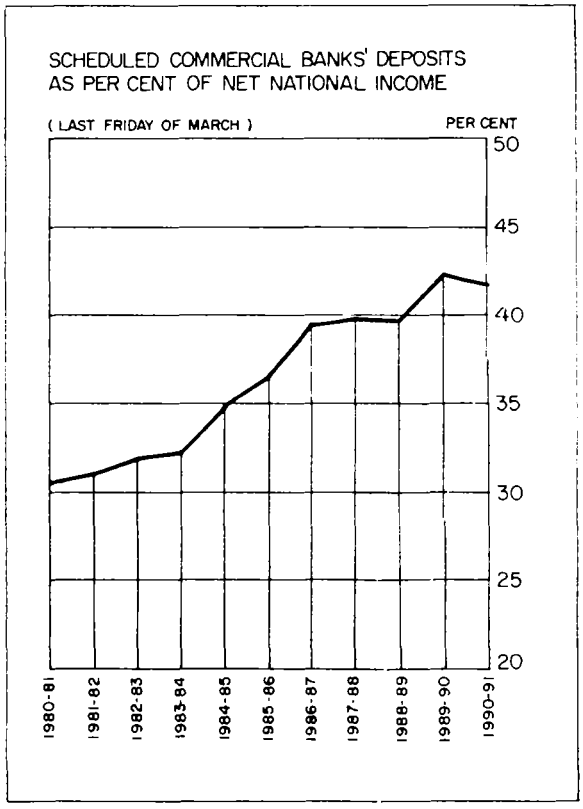
During the first quarter of 1991-92 (March 23, 1991 to June 28, 1991), there was some improvement in the scheduled commercial banks' operations. The growth in aggregate deposits was higher in absolute terms (Rs. 6,566 crore as against Rs. 6,129 crore); but in percentage terms it was still lower (3.4 per cent as against 3.7 per cent) than in the first quarter of 1990-91. Bank credit expansion continued to be slow at Rs. 960 crore (0.8 per cent); it was less than half of Rs. 2,558 crore (2.5 per cent) recorded in the similar quarter of the previous year. The decline was noticed both in food and non-food credit. Banks' investments in other approved securities

registered a decline of Rs. 200 crore resulting in a lower rise of Rs. 3,188 crore in their total investments as compared with an increase of Rs. 3,199 crore in the first quarter of 1990-91 (Table VII-10).

Banking Trends

(On an average basis)

Scheduled commercial banks' operations



during 1990-91 on an average basis also showed considerable slow-down. On an average basis, aggregate deposits recorded a higher increase of Rs. 25,458 crore in absolute terms as compared with the increase of Rs. 24,097 crore in the previous year; but the percentage growth rate recorded a substantial decline to 16.4 per cent as against 18.3 per cent (Table VII-11). The proportion of average aggregate deposits to GNP at current market prices, has all along been rising continuously; this rising trend was, however, arrested following the ratio remaining at 35.1 per cent in 1990-91 as compared with 35.3 per cent in the previous year (Table VII-12). Bank credit expansion during 1990-91, on an average basis, also registered a sharp decline; it was Rs. 14,857 crore (16.0 per cent) as compared with Rs. 16,187 crore (21.2 per cent) recorded in the previous year which was attributable to a sharp decline in non-food credit expansion. Advances for food procurement recorded a large rise of Rs. 2,420 crore (174.9 per cent) as compared with an absolute decline of Rs.28 crore (-2.0 per cent) in 1989-90. Increase in non-food credit was considerably lower at Rs. 12,437 crore (13.6 per cent) as against an expansion of Rs. 16,215 crore (21.6 per cent) in the previous year.

Banks' investments in Government and other approved securities increased by Rs. 11,062 crore (18.3 per cent) which were much larger than that of Rs. 8,504 crore (16.3 per cent) in the previous year. Their cash in hand and balances with the Reserve Bank recorded a lower rise of Rs. 2,991 crore than that of Rs. 4,153 crore. On an average basis the rise in banks' borrowings from the Reserve Bank was strikingly lower at Rs. 139 crore as against Rs. 1,120 crore in the previous year.

Year-End Bulge in Banking Variables

Scheduled commercial banks have been reporting unusually large increases in aggregate deposits and credit in the last week of March each year; this trend was accentuated during the financial year 1990-91. Thus, between March 22, 1991 and March 31, 1991 - a 9-day period, aggregate deposits increased by Rs. 12,232 crore (6.4 per cent) and bank credit by Rs. 7,134 crore (6.1 per cent). During the corresponding period of 1989-90, the increase in aggregate deposits was Rs. 8,434 crore (5.1 per cent) and that in bank credit was Rs. 5,182 crore (5.1 per cent). In the last week of March 1991, the increase was more in respect of demand deposits at Rs. 7,329 crore (22.1 per cent) which was markedly higher as compared to that of Rs. 5,538 crore (19.2 per cent) in the corresponding period of 1989-90. The growth in aggregate deposits formed 47.8 per cent of the increase in deposits on reporting Friday basis during the whole of 1990-91; and that of demand deposits was as high as 169 per cent (Table VII-13). The most striking aspect is the escalation in deposit growth during the two-day period March 30, 1991 and March 31, 1991. The

Table VII-11 : Variations in Scheduled Commercial Banks' Data (Average of last Friday of months)@

(Rupees crore)

Item	Outstanding			Variations	
	1988-89	1989-90	1990-91	1989-90	1990-91
1	2	3	4	5	6
Aggregate Deposits	1,31,386	1,55,483	1,80,941	24,097	25,458
				(18.3)	(16.4)
(a) Demand deposits	22,163	26,784	31,236	4,621	4,452
				(20.9)	(16.6)
(b) Time deposits	1,09,223	1,28,699	1,49,705	19,476	21,006
				(17.8)	(16.3)
Borrowings from the Reserve Bank	1,513	2,633	2,772	1,120	139
				(74.0)	(5.3)
Cash in hand and Balances with the Reserve Bank	21,918	26,071	29,062	4,153	2,991
				(18.9)	(11.5)
Money at Call and Short Notice	2,282	1,842	2,211	—440	369
				(—19.3)	(20.0)
Investments	52,087	60,591	71,653	8,504	11,062
				(16.3)	(18.3)
(a) Government securities	34,563	40,150	48,074	5,587	7,924
				(16.2)	(19.7)
(b) Other approved securities	17,524	20,441	23,579	2,917	3,138
				(16.6)	(15.4)
Bank Credit	76,438	92,625	1,07,482	16,187	14,857
				(21.2)	(16.0)
(a) Food Procurement Advances	1,412	1,384	3,804	—28	2,420
				(—2.0)	(174.9)
(b) Other Advances	75,026	91,241	1,03,678	16,215	12,437
				(21.6)	(13.6)

@ Except in the case of March 1989, March 1990 and March 1991 which are last reporting Fridays.

Notes : 1. Figures in brackets indicate percentage change over the corresponding period.

2. 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 : Percentage of Aggregate Deposits to GNP at current market prices

(Amount in Rupees crore)

Fiscal Years	Average # Aggregate Deposits	GNP at Current Market Prices	Deposits as % of GNP
1	2	3	4
1980-81	35,030	1,36,358	25.7
1981-82	41,795	1,59,800	26.2
1982-83	48,233	1,77,498	27.2
1983-84	56,923	2,06,645	27.5
1984-85	67,062	2,29,963	29.2
1985-86	79,862	2,60,491	30.7
1986-87	95,126	2,90,169	32.8
1987-88	1,11,319	3,29,997	33.7
1988-89	1,31,386	3,92,373	33.5
1989-90	1,55,483	4,40,150	35.3
1990-91	1,80,941	5,15,882@	35.1

Average of 12 months' period i.e. last Friday of April to last Friday of March (except March 24, 1989, March 23, 1990 and March 22, 1991 which are reporting Fridays).

@ Estimated.

Table VII-13 : Variations in Selected Items of Scheduled Commercial Banks : Last Week of March 1991 data

(Rupees crore)

Items	Outstanding as on						Variations					
	March 23, 1990	March 22,1991	March 29, 1991	March 31, 1991*	April 5, 1991	April 19, 1991	March 22, 1991 over March 23, 1990	March 29, 1991 over March 22, 1991	March 31, 1991 over March 29, 1991	March 31, 1991 over March 22, 1991	April 5, 1991 over March 31, 1991	April 19, 1991 over April 5, 1991
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Aggregate Deposits (a + b)	1,66,959	1,92,542	2,01,199	2,04,774	1,99,107	1,96,358	25,583	8,657	3,575	12,232	—5,667	—2,749
							(15.3)	(4.5)	(1.8)	(6.4)	(—2.8)	(—1.4)
								[33.8]	[14.0]	[47.8]		
a) Demand Deposits	28.856	33,193	38,300	40,522	35,836	33,362	4,337	5,107	2,222	7,329	—4,686	—2,474
							(15.0)	(15.4)	(5.8)	(22.1)	(—11.6)	(—6.9)
								[117.8]	[51.2]	[169.0]		
b) Time Deposits	1,38,103	1,59,349	1,62,899	1,64,252	1,63,271	1,62,996	21,246	3,550	1,353	4,903	—981	—275
							(15.4)	(2.2)	(0.8)	(3.1)	(—0.6)	(—0.2)
								[16.7]	[6.4]	[23.1]		
2. Bank Credit (a + b)	1,01,453	1,16,301	1,21,865	1,23,435	1,20,077	1,18,147	14,848	5,564	1,570	7,134	—3,358	—1,930
							(14.6)	(4.8)	(1.3)	(6.1)	(—2.7)	(—1.6)
								[37.5]	[10.6]	[48.0]		
a) Food Credit	2,006	4,506	4,569	4,569	4,440	4,391	2,500	63	0	63	—129	—49
							(124.6)	(1.4)	(0.0)	(1.4)	(—2.8)	(—1.1)
								[2.5]	[0.0]	[2.5]		
b) Non-Food Credit	99,447	1,11,795	1,17,296	1,18,866	1,15,637	1,13,756	12,348	5,501	1,570	7,071	—3,229	—1,881
							(12.4)	(4.9)	(1.3)	(6.3)	(—2.7)	(—1.6)
								[44.5]	[12.7]	[57.3]		

* Provisional.

Notes : 1. Figures in parenthesis indicate percentage variations.
2. Figures in square brackets indicate absolute variation as percentage of financial year variation.
3. No sign is indicated for positive variations.

two-day rise was Rs. 3,575 crore (1.8 per cent) in aggregate deposits and Rs. 1,570 crore (1.3 per cent) in respect of bank credit. This compares with an increase of Rs. 1,878 crore (1.1 per cent) in aggregate deposits and Rs. 1,185 crore (1.1 per cent) in bank credit in a single day, i.e., between March 30, 1990 and March 31, 1990. As in the previous two years, the unusual rise in deposits in the last week of March could not be sustained as is evident from the steep unwinding of deposits in the immediate following week ended April 5, 1991 and also in the subsequent fortnight ended April 19, 1991, when aggregate deposits declined by Rs. 5,667 crore and Rs. 2,749 crore, respectively, thus wiping out 69 per cent of the increase in deposits in the last week of March 1991. The increase in the banking aggregates towards the end of March could be partly attributable to the year-end settlement of accounts by public sector organisations and Government departments, application of interest and the bank managers' anxiety to project their individual branch performance based on the growth of deposits. The year-end bulge in the banking aggregates in 1990-91 re-emphasises the fact, mentioned in the previous year's Report, that March 31 data are not meaningful for purposes of assessment of the basic underlying banking developments and therefore, banking analysis in this Report is based on data as on the last reporting Friday and not March 31.

Selective Credit Control

Selective credit controls were kept under continuing review and changes were effected on the basis of emerging price-output developments during the year 1990-91 (July-June). The changes in selective credit control measures effected during the year are set out below in chronological order.

July 1990

Exemption for Advances against Wheat

Effective July 2, 1990, all advances against wheat were exempted from all the provisions of selective credit control. This exemption was applicable in the case of all parties including roller flour mills.

Minimum Margins on Advances against Oilseeds and Vegetable Oils (including Vanaspati)

The minimum margins on bank advances against oilseeds and vegetable oils (including vanaspati) were raised across-the-board by 15 percentage points, effective July 2, 1990.

October 1990

Minimum Margins on Advances against Paddy/Rice and 'Other Foodgrains'

The minimum margins on bank advances against paddy/rice and 'other foodgrains' were reduced across-the-board by 15 percentage points, effective October 10, 1990.

January 1991

Minimum Margins on Paddy/Rice and 'Other Foodgrains'

The minimum margins on bank advances against paddy/rice and 'other foodgrains' were raised across-the-board by 15 percentage points, effective January 8, 1991.

April 1991

Level of Credit Ceilings

The base period for determining the level of credit ceiling stipulation, wherever applicable, was brought forward by one year to the three-year period ended 1989-90 (November-October), with effect from April 13, 1991.

Level of Credit Ceiling on Advances against Oilseeds/Vegetable Oils

Effective April 13, 1991, the level of credit ceiling on advances against oilseeds/vegetable oils was reduced from 100 per cent to 85 per cent of the peak level of credit maintained by the party in any of the three-year period ended 1989-90 (November-October).

Interest Rate on Advances under the Selective Credit Controls

Effective April 13, 1991, the interest rate on all advances against the commodities covered under the selective credit controls was fixed at 17.0 per cent (minimum).

Table VII - 14 : Minimum Margins and Level of Credit Ceilings on Bank Advances against Commodities subject to Selective Credit Controls (effective May 9, 1991)

(Percentages)

Commodities	Minimum margins			Level of credit ceilings (Base year: three years ending 1989-90 (November-October)
	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. Pulses	45	60	45	85
4. Other Foodgrains	45	60	45	85
5. Oilseeds (viz. groundnut, rapeseed/mustard, cottonseed, linseed, castorseed and all imported oilseeds)	60	75	60	85
6. Vegetable Oils (viz., groundnut oil, rapeseed/ mustard oil, cottonseed oil, linseed oil, castor oil, vanaspati and all imported vegetable oils)	60@	75	60	85
7. Cotton and Kapas	x	x	x	x
8. Sugar				
a) Buffer	0	—	—	—
b) Unreleased	17.5*	—	—	—
c) Released	75	75	60	—
9. Gur and Khandsari	45	75	60	—

@ Applicable to registered oil mills and vanaspati manufacturers

— Not applicable

* Minimum margin reduced to 17.5 per cent for the period May 9, 1991 to August 8, 1991, after which the minimum margin would revert back to 20.0 per cent.

x Exempt from the stipulations of Selective Credit Control.

Table VII-15 : Scheduled Commercial Banks' Outstanding Advances against Selected Commodities

(Rupees crore)

Commodities	AS ON THE LAST FRIDAY OF					
	March 1989		March 1990		March 1991*	
	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)	**594.7**	**27.9**	**641.8**	**26.2**	**606.6**	**22.7**
(a) Paddy/Rice	437.7	20.6	433.0	17.6	391.7	14.6
(b) Wheat	64.9	3.2	77.1	3.1	71.6	2.7
(c) Pulses	38.8	1.8	65.0	2.7	87.2	3.3
(d) Other foodgrains	53.4	2.5	66.8	2.7	56.1	2.1
2. Sugar (including Khandsari and Gur)	**590.9**	**27.8**	**565.3**	**23.0**	**834.8**	**31.2**
(a) Sugar	559.6	26.3	535.9	21.8	808.2	30.2
(b) Khandsari	28.3	1.3	26.2	1.1	23.3	0.9
(c) Gur	3.0	0.1	3.2	0.1	3.3	0.1
3. Major Oilseeds	**123.4**	**5.8**	**173.1**	**7.1**	**180.5**	**6.7**
(a) Groundnut	33.2	1.6	31.7	1.3	43.2	1.6
(b) Rapeseed/Mustard	15.8	0.7	16.9	0.7	15.0	0.6
(c) Linseed	1.9	0.1	0.6	-	0.6	-
(d) Castorseed	2.4	0.1	4.3	0.2	6.0	0.2
(e) Cottonseed	10.4	0.5	10.4	0.4	10.7	0.4
(f) Soyabean	48.4	2.3	93.7	3.8	92.3	3.4
(g) Other Oilseeds	11.3	0.5	15.5	0.6	12.8	0.5
4. Major Vegetable Oils and Vanaspati	**192.4**	**9.0**	**252.8**	**10.3**	**249.2**	**9.3**
(a) Groundnut Oil	23.6	1.1	41.2	1.7	29.4	1.1
(b) Rapeseed/Mustard Oil	22.5	1.0	38.0	1.5	29.6	1.1
(c) Castor Oil	14.9	0.7	39.5	1.6	41.7	1.6
(d) Linseed Oil	1.7	0.1	2.3	0.1	5.8	0.2
(e) Cottonseed Oil	9.8	0.5	12.1	0.5	16.4	0.6
(f) Soyabean Oil	28.0	1.3	17.6	0.7	23.4	0.9
(g) Otther Vegetable Oils	25.8	1.2	27.3	1.1	35.6	1.3
(h) Vanaspati	66.1	3.1	75.0	3.1	67.2	2.5
5. Cotton and Kapas	**516.1**	**24.2**	**671.6**	**27.4**	**660.7**	**24.7**
6. Raw Jute	**110.3**	**5.2**	**148.7**	**6.1**	**144.8**	**5.4**
Total	**2128.0**	**100.0**	**2453.3**	**100.0**	**2676.6**	**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 Return-3 received from head offices of banks.

Table-VII-16 : Security-wise Advances to Mills/Factories and Industrial Users (As percentage to total credit against sensitive commodities)

Commodity	LAST FRIDAY OF		
	March 1991	March 1990	March 1989
1	2	3	4
1. Vanaspati	98.7	98.5	97.1
2. Cottonseed Oil	97.6	95.9	86.7
3. Linseed Oil	96.6	87.0	100.0
4. Sugar	95.7	93.5	91.4
5. Castor Oil	94.0	95.9	99.3
6. Jute	93.5	95.4	92.9
7. Castorseed	93.3	93.0	91.7
8. Groundnut Oil	92.9	96.1	91.1
9. Cottonseed	92.5	89.7	88.5
10. Khandsari	91.4	90.5	89.8
11. Wheat	91.3	90.3	89.4
12. Soyabean Oil	91.0	99.4	98.6
13. Pulses	86.6	78.6	61.1
14. Other Oilseeds	83.6	87.1	94.7
15. Linseed	83.0	67.0	89.5
16. Paddy/Rice	81.5	82.8	83.2
17. Rapeseed/Mustard	81.3	76.3	77.2
18. Rapeseed/Mustard Oil	77.4	85.3	87.1
19. Other Vegetable Oils	72.8	88.6	76.8
20. Cotton and Kapas	72.2	66.7	77.6
21. Other Foodgrains	63.3	56.6	60.8
22. Soyabean	56.8	93.8	90.9
23. Groundnut	47.0	83.6	90.7
24. Gur	21.2	16.0	16.7
All Selected Commodities	**83.7**	**82.5**	**84.9**

Source : Basic Statistical Return-3

Reduction in Minimum Margin to Sugar Mills

Effective May 9, 1991, the minimum margin on bank advances against *unreleased* stocks of sugar to mills/processing units was lowered to 17.5 per cent from the existing stipulation of 20.0 per cent. This concession is available only for a period of 3 months, i.e., up to August 8, 1991 after which the minimum margin would revert back to 20.0 per cent.

Advances to Sugar Industry

The scheduled commercial banks were advised on June 4, 1991 that during the period May 9, 1991 to September 30, 1991 of 1990-91 crushing season they may, subject to the estimates of sugar production of individual sugar mills under the cash budget system, sanction need-based credit limits not exceeding 110 per cent of the peak level of actual utilisation during the corresponding period May 9 to September 30 of the past three seasons viz., 1987-88, 1988-89 and 1989-90.

Increase in the Rate of Interest

Effective July 4, 1991, the interest rate on all advances against the commodities covered by selective credit control was raised from 17.0 per cent (minimum) to 18.5 per cent per annum (minimum).

The structure of minimum margins and level of credit ceiling stipulations applicable to the commodities covered by selective credit control as on May 9, 1991 is set out in Table VII-14. Scheduled commercial banks outstanding advances against selected commodities are indicated in Table VII-15. Security-wise advances to mills/factories and industrial users as a percentage to total credit against sensitive commodities is set out in Table VII-16.

The provisions of the directives on selective credit control in force as on May 9, 1991 are given in Annexure IV.

QUALITATIVE CHANGES IN BANKING DEVELOPMENTS

Sectoral Deployment of Credit

Data relating to sectoral deployment of credit of scheduled commercial banks are presented in Table VII-17. The share of industry (medium and large) in outstanding gross bank credit was the largest (37.7 per cent), pushing 'priority sector' advances to the second position. The share of 'priority sectors' in outstanding gross bank credit slipped down due mainly to substantial decline in the growth rate in credit to agriculture under the impact of loan waivers. The increase in bank credit for food procurement was substantial, almost double of the increase recorded in the previous year. On the other hand, non-food gross bank credit showed a lower rise of 12.5 per cent in 1990-91, as compared with a rise of 18.5 per

cent in 1989-90. The sectors which accounted for the deceleration in the growth of non-food gross bank credit were 'priority sectors', wholesale trade (other than food) and export credit. The share of 'priority sectors' in incremental non-food gross bank credit declined sharply to 19.9 per cent in 1990-91 from 39.2 per cent in 1989-90. Advances to this sector constituted 39.2 per cent of the net bank credit as on the last reporting Friday of March 1991 as compared with the substantially higher proportion of 42.4 per cent as on the last reporting Friday of March 1990. The sharp fall in the growth of priority sector advances during 1990-91 was due mainly to agriculture, advances to which showed a substantially lower expansion under the impact of loan waivers. Advances to small scale industries and 'other priority sectors' also showed a lower expansion in credit, as compared with the year 1989-90. Advances to agriculture, small scale industries and 'other priority sectors' constituted 14.2 per cent, 14.6 per cent and 7.6 per cent, respectively of the outstanding gross bank credit during 1990-91, as compared with 16.1 per cent, 15.1 per cent and 8.1 per cent of the outstanding gross bank credit during the previous year.(Table VII-17)

More firm data available up to June 1989 from the Basic Statistical Returns on sectoral classification of scheduled commercial banks' advances (Table VII -18) show that between June 1988 and June 1989, while the share of small-scale industries rose marginally from 13.3 per cent to 13.4 per cent, the share of agriculture and allied activities at 17.3 per cent was fractionally lower as compared to 17.6 per cent in the previous year. On the other hand, the share of large and medium industries edged up from 33.3 per cent to 33.9 per cent.

Industry-wise Deployment of Credit

Industry-wise (inclusive of small-scale industry) deployment of gross bank credit is presented in Table VII-19. Industries which accounted for significant deceleration in non-food gross bank credit were: all engineering (Rs. 1,430 crore),electricity (Rs. 100 crore), other textiles (Rs. 459 crore), food processing (Rs. 158 crore), leather and leather products (Rs. 65 crore), cement (Rs. 56 crore), petroleum (Rs. 83 crore), gems and jewellery (Rs. 28 crore), construction (Rs. 223 crore) and tobacco (Rs. 13 crore). However, industries which showed expansion in credit in the main were: other metals and metal products (Rs. 378 crore), vegetable oils (Rs. 164 crore), chemicals group (Rs. 931 crore) and coal (Rs. 63 crore).

The percentage share of selected industries in total advances of scheduled commercial banks is indicated in Table VII-19A. Important industries such as basic metals and metal products, chemical and chemical products, engineering and textiles accounted for a relatively higher share of bank credit.

Table VII-20 presents certain important financial ratios as revealed by the Reserve Bank's sample studies on company finances. Bank credit absorbed by public limited companies including small companies, had shown a substantial rise in 1988-89 (27 per cent in 1988-89 as against 8.9 per cent in 1987-88). The inventory to sales ratio of these companies which had declined fractionally from 25.7 per cent in 1986-87 to 25.2 per cent in 1987-88, moved up to 25.3 per cent in 1988-89. The ratio of short-term bank borrowings to total inventories recorded a sharp rise from 48.3 per cent in 1987-88 to 52.3 per cent in 1988-89 while it had shown only a fractional rise in 1987-88. Total bank borrowings as percentage of inventories which remained at 60.6 per cent in both 1986-87 and 1987-88, rose to 64.4 per cent in 1988-89. The trends in the case of Large Public Limited Companies also were similar in 1987-88 and 1988-89. Comparable data available for 1989-90 in their case indicate that these ratios have registered some decline.

Advances to Priority Sectors

Public Sector Banks

The public sector banks increased their lending under priority sector advances from Rs. 38,649 crore as at the end of June 1990 to Rs. 42,039 crore as at the end of June 1991, but the share of priority sector lending in total bank credit, though fractionally above the stipulated target of 40 per

Table VII-17 : Sectoral Deployment of Gross Bank Credit @
(As on the last reporting Friday)

(Rupees crore)

Sectors	Outstanding			Variations over year	
	March 1989	March 1990	March 1991	1989-90	1990-91
1	2	3	4	5	6
I. Public Food Procurement Credit	**769**	**2,006**	**4,506**	**+1,237**	**+2,500**
	(0.9)	(2.0)	(3.8)		
II. A. Priority Sectors	**34,219**	**40,383**	**42,880**	**+6,164**	**+2,497**
i) Agriculture	13,950	16,526	16,756	+2,576	+230
	(16.3)	(16.1)	(14.2)		
ii) Small Scale Industries	13,135	15,543	17,151	+2,408	+1,608
	(15.3)	(15.1)	(14.6)		
iii) Other Priority Sectors	7,134	8,314	8,973	+1,180	+659
	(8.3)	(8.1)	(7.6)		
B. Industry (Medium and Large)	**32,185**	**38,262**	**44,425**	**+6,077**	**+6,163**
	(37.5)	(37.3)	(37.7)		
C. Wholesale Trade (Other than food procurement)	**4,767**	**5,472**	**5,884**	**+705**	**+412**
	(5.6)	(5.3)	(5.0)		
D. Other Sectors	**13,788**	**16,548**	**20,028**	**+2,760**	**+3,480**
	(16.1)	(16.1)	(17.1)		
III. Non-food Gross Bank Credit	**84,959**	**1,00,665**	**1,13,217**	**+15,706**	**+12,552**
	(99.1)	(98.0)	(96.1)		
Export Credit (included under item III)	6,141	8,245	9,153	+2,104	+908
	(7.2)	(8.0)	(7.8)		
IV. Gross Bank Credit	**85,728**	**1,02,671**	**1,17,723**	**+16,943**	**+15,052**
	(100.0)	(100.0)	(100.0)		

@ *Provisional.*

Note: 1. Data relate to 50 scheduled commercial banks (49 from March 1990 and 48 from August 1990 due to mergers) 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 Gross Bank Credit.

cent, has been declining, it fell from 44.6 per cent at end-June 1989 to 42.3 per cent at the end of June 1990 and to 40.9 per cent at end-June 1991. The decline was more pronounced in respect of agricultural advances which reflects, however, the writing-off of rural debt under the Agricultural and Rural Debt Relief Scheme, 1990. Advances to agriculture which constituted 42.5 per cent of total priority sector advances at end-June 1990, declined to 40.0 per cent at end-June 1991 (which is explained by the rural waiver scheme). The progress made by the public sector banks in financing the priority sector during the last three years is shown in Table VII-21. The banks have, however, stepped up their lending to small-scale industry whose share in the total priority sector advances improved to 39.4 per cent as at end-June 1991 from 36.4 per cent achieved as at end-June 1990. The amount outstanding against small-scale industry increased to Rs. 16,590 crore from Rs. 14,127 crore.

Within priority sectors, advances to weaker sections at Rs. 9,914 crore at the end of June 1991, which formed 9.6 per cent of total outstanding advances, was close to the prescribed target of 10 per cent.

Outstanding advances of public sector banks to scheduled castes/scheduled tribes increased from Rs. 3,201 crore in 92.58 lakh borrowal accounts in June 1990 to Rs. 3,374 crore in 90.63 borrowal accounts at end of June 1991.

Private Sector Banks and Foreign Banks

Private sector commercial banks which are also required to achieve various targets and sub-targets for priority sector advances, provided as at the end of March 1991, Rs. 1,641 crore under priority sector accounting for 34.5 per cent of their net bank credit. Their direct finance to agriculture and advances to small-scale industries formed 8.2 per

cent and 15.4 per cent of their net bank credit as at the end of March 1991.

Priority sector advances as percentage of net bank credit in the case of foreign banks operating in India increased from 8.4 per cent at the end of March 1989 to 9.8 per cent at the end of March 1990 and 9.5 per cent as on the last Friday of March 1991. However, these are far below the stipulated target required to be achieved by them at 12 per cent by the end of March 1990. By March 1992, foreign banks have been advised to achieve a priority sector lending level of 15 per cent of their net bank credit.

20-Point Programme

Under the 20-Point Programme, the rationale of which lay in identifying specific target groups that remained neglected in the economy and bestow on them the benefit of institutional finance, banks have played a crucial role by associating themselves in maximum number of programmes. As per the revised 20-Point Programme of August 1986, fifteen out of twenty points have relevance to the banking system. The 28 public sector banks stepped up their financial assistance from Rs. 12,847.87 crore as at the end of June 1990 to Rs. 13,437.33 crore as at the end of June 1991. The number of borrowal accounts as on these dates were 369.44 lakh and 261.42 lakh, respectively. As percentage of total priority sector advances, such assistance declined from 33.2 per cent to 31.9 per cent during the same period.

Regional and Rural/Urban Pattern of Credit deployment in terms of Credit-deposit Ratios

As mentioned in previous year's Report, public sector banks were directed to attain a credit-deposit ratio of 60 per cent in rural and semi-urban areas separately so as to achieve the twin objectives of reducing inter-State imbalances in utilisation of deposit resources and restraining

Table VII-18 : Sectoral Classification of Scheduled Commercial Banks' Advances

(Amount in Rupees crore)

Sector	Outstanding as on the last Friday of									
	March 31, 1968		June 1986		June 1987		June 1988		June 1989	
	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**	**23,970**	**42.7**	**28,335**	**44.5**	**33,243**	**46.6**	**41,655**	**47.3**
a) Large and medium industries	1,857	60.6	17,052	30.4	20,714	32.5	23,750	33.3	29,834	33.9
b) Small scale industries	211	6.9	6,918	12.3	7,621	12.0	9,493	13.3	11,821	13.4
II. Agriculture and allied activities	**67**	**2.2**	**9,770**	**17.4**	**11,019**	**17.3**	**12,517**	**17.6**	**15,266**	**17.3**
Of which :										
a) Direct finance	—	—	8,312	14.8	9,318	14.6	10,794	15.1	13,390	15.2
b) Plantations	58	1.9	550	1.0	657	1.0	777	1.1	1,043	1.2
III. Internal Trade	**588**	**19.2**	**11,942**	**21.3**	**11,949**	**18.8**	**10,446**	**14.7**	**12,244**	**13.9**
a) Wholesale trade	541	17.7	9,267	16.5	8,712	13.7	6,449	9.0	7,224	8.2
Of which :										
Food procurement	109	3.5	6,439	11.5	5,035	7.9	2,069	2.9	1,659	1.9
b) Retail trade	47	1.5	2,675	4.8	3,238	5.1	3,997	5.6	5.020	5.7
IV. Services	**—**	**—**	**1,878**	**3.3**	**2,275**	**3.6**	**2,658**	**3.7**	**3,269**	**3.7**
V. Personal Loans	**—**	**—**	**2,103**	**3.7**	**2,659**	**4.2**	**3,702**	**5.2**	**4,368**	**5.0**
VI. All Others*	**341@**	**11.1**	**6,519**	**11.6**	**7,490**	**11.7**	**8,719**	**12.2**	**11,225**	**12.8**
VII. Total	**3,064**	**100.0**	**56,182**	**100.0**	**63,727**	**100.0**	**71,285**	**100.0**	**88,027**	**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 1986 to 1989 are based on BSR-1 received in Banking Statistics Division, DESACS, RBI.

Table VII-19 : Industry-wise Deployment of Gross Bank Credit@
(As on last reporting Friday)

(Rupees crore)

Industry	Outstanding as on			Variations over the year	
	March 24, 1989	March 23, 1990	March 22, 1991	1989-90	1990-91
1	2	3	4	5	6
1. Coal	210	178	241	-32	+63
	(0.2)	(0.2)	(0.2)		
2. Iron and Steel	2,245	2,835	3,277	+590	+442
	(2.6)	(2.8)	(2.8)		
3. Other Metals and Metal Products	1,624	1,838	2,216	+214	+378
	(1.9)	(1.8)	(1.9)		
4. All Engineering	10,623	12,509	13,939	+1,886	+1,430
	(12.4)	(12.2)	(11.8)		
Of which : Electronics	(677)	(1,290)	(1,852)	(+613)	(+562)
	(0.8)	(1.2)	(1.6)		
5. Electricity (Gen. and Trans.)	1,042	1,258	1,158	+216	-100
	(1.2)	(1.2)	(1.0)		
6. Cotton Textiles	3,216	3,659	4,063	+443	+404
	(3.8)	(3.6)	(3.4)		
7. Jute Textiles	276	340	348	+64	+8
	(0.3)	(0.3)	(0.3)		
8. Other Textiles	2,742	3,297	3,756	+555	+459
	(3.2)	(3.2)	(3.2)		
9. Sugar	669	647	624	-22	-23
	(0.8)	(0.6)	(0.5)		
10. Tea	524	571	575	+47	+4
	(0.6)	(0.5)	(0.5)		
11. Food Processing	469	1,056	1,214	+587	+158
	(0.5)	(1.0)	(1.0)		
12. Vegetable Oils (including Vanaspati)	599	700	864	+101	+164
	(0.7)	(0.7)	(0.7)		
13. Tobacco and Tobacco Products	297	379	392	+82	+13
	(0.3)	(0.4)	(0.3)		
14. Paper and Paper Products	1,142	1,346	1,478	+204	+132
	(1.3)	(1.3)	(1.2)		
15. Rubber and Rubber Products	750	912	982	+162	+70
	(0.9)	(0.9)	(0.8)		
16. Chemicals, Dyes, Paints, etc.	5,922	6,785	7,716	+863	+931
	(6.9)	(6.6)	(6.6)		
Of which					
(1) Fertilisers	[1,019]	[1,075]	[1,298]	[+56]	[+223]
	(1.2)	(1.0)	(1.1)		
(2) Petro-Chemicals	[339]	[681]	[681]	[+342]	[-]
	(0.4)	(0.7)	(0.6)		
(3) Drugs and Pharmaceuticals	[452]	[1,013]	[989]	[+561]	[-24]
	(0.5)	(1.0)	(0.8)		
17. Cement	689	843	899	+154	+56
	(0.8)	(0.8)	(0.8)		
18. Leather and Leather Products	691	931	996	+240	+65
	(0.8)	(0.9)	(0.8)		
19. Gems and Jewellery	483	1,214	1,242	+731	+28
	(0.6)	(1.2)	(1.1)		
20. Construction	759	1,091	1,314	+332	+223
	(0.9)	(1.0)	(1.1)		
21. Petroleum	30	137	54	+107	-83
	(-)	(0.1)	(-)		
22. SAFAUNS*	191	149	87	-42	-62
	(0.2)	(0.1)	(0.1)		
23. Other industries	10,127	11,130	14,141	+1,003	+3,011
	(11.8)	(10.8)	(12.0)		
Total Credit to Industry	**45,320**	**53,805**	**61,576**	**+8,485**	**+7,771**
	(52.9)	**(52.4)**	**(52.3)**		
Total Gross Bank Credit	**85,728**	**1,02,671**	**1,17,723**	**+16,943**	**15,052**
	(100.0)	**(100.0)**	**(100.0)**		

@ Provisional.
* Ships acquired from abroad under new scheme.
Note: Figures in brackets are percentage to total gross bank credit.

Table VII-19A : Advances of Scheduled Commercial Banks to Major Industries

(Percentage to total bank credit)

Industry	March 31 1968	As on the last Friday of June			
		1986	1987	1988	1989
1	2	3	4	5	6
Basic metals and metal products	..	4.5	4.6	4.7	4.8
Of which : iron and steel	3.7	2.4	2.5	2.5	2.7
Beverage and Tobacco	..	0.6	0.7	0.7	0.8
Cement	1.3	0.6	0.7	0.7	0.9
Chemical and chemical products	6.0	5.2	5.6	6.0	5.9
Of which :					
Heavy industrial chemicals	..	0.8	0.8	0.9	0.9
Drugs and pharmaceuticals	..	1.1	1.2	1.2	1.3
Fertilisers	..	1.1	1.3	1.3	1.2
Coal	0.8	0.2	0.1	0.1	0.1
Edible oils and vanaspati	1.4	0.6	0.6	0.6	0.7
Engineering	15.7	7.9	8.2	8.6	8.3
Heavy Engineering	8.9	3.4	3.5	3.2	2.6
Light Engineering	6.8	1.9	2.0	2.3	2.2
Others	..	2.6	2.7	3.1	3.4
Leather and leather products	..	0.7	0.7	0.8	0.8
Manufacture of basic minerals	..	0.4	0.4	0.3	0.4
Paper, paper products and printing	1.6	1.6	1.6	1.6	1.6
Rice, flour and dal mills	..	0.9	0.8	0.9	0.8
Rubber and rubber products	0.7	0.8	0.7	0.7	0.7
Sugar	5.3	0.7	0.8	0.7	0.6
Textiles	15.5	6.5	6.9	7.2	7.3
Cotton Textiles	10.3	2.9	3.3	3.4	3.2
Jute Textiles	3.1	0.4	0.3	0.4	0.3
Vehicles, Vehicle parts and transport equipments	..	2.2	2.1	2.2	2.5
Other Industries	..	9.3	10.0	10.8	11.1
Total Credit to Industry	**67.5**	**42.7**	**44.5**	**46.6**	**47.3**
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 1986 to 1989 are based on BSR-1 received in Banking Statistics Division, DESACS, RBI.

Table VII-20 : 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
1885 Public Limited Companies+				
1986-87	25.7	27.4	48.2	60.6
1987-88	25.2	28.1	48.3	60.6
1988-89	25.3	30.3	52.3	64.4
640 Large Public Limited Companies £				
1987-88	24.8	28.8	43.9	55.0
1988-89	25.4	30.9	47.0	58.7
1989-90	24.5	31.4	46.0	57.5

@ 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-21 : Public Sector Banks' Advances to Priority Sectors (As on the last Friday)@

Sector	No. of Accounts (in'000)			Amount outstanding (Rupees crore)		
	June 1989	June 1990	June 1991	June 1989	June 1990	June 1991
1	2	3	4	5	6	7
I. Agriculture	19,748	22,280	20.542	14,369	16,434	16,864
(i) Direct Finance	19,026	21,548	19,972	12,920	15,283	15,782
(ii) Indirect Finance	722	732	570	1,449	1,151	1082
II. Small Scale Sector(1)	—	—	—	—	—	—
Of which :						
(i) Small Scale Industries	2,707	2,798	2,885	13,248	14,127	16,590
III. Other Priority Sectors(2)	**10,646**	**11,422**	**11,492**	**7,257**	**8,088**	**8,639**
Total Priority Sector Advances(3)	**33,101**	**36,500**	**34,919**	**34,874**	**38,649**	**42,093**
IV. Exports	—	—	—	—	—	—
Net Bank Credit	—	—	—	**78,178**	**91,302**	**1,02,959**
Percentage of Priority Sector Advances to net bank credit	—	—	—	44.6	42.3	40.9

@ Data are provisional.
— Not available
(1) Break-up for (i) Road and Water Transport Operators and (ii) Setting up of Industrial Estates is not available.
(2) Break-up for cinstituent items not available.
(3) Break-up for housing loans to SC/ST and weaker sections and for consumption loans is not available.
Source : Rural Planning and Credit Department, R.B.I.

migration of credit from rural to urban areas. In respect of rural branches of scheduled commercial banks (including RRBs), the credit-deposit ratio gradually rose from 56.7 per cent as on last Friday of March 1980 and reached an all-time high of 66.9 per cent at the end of March 1985 but thereafter it decelerated and stood at 60.1 per cent at the end of March 1991. This stipulation of 60 per cent has not been attained in respect of the semi-urban branches where the ratio rose from 49.1 per cent as on last Friday of March 1980 to 53.9 per cent as on last Friday of March 1985 but declined gradually to 51.6 per cent at end-March 1990 and further to 49.8 per cent by March 1991 (Table VII-21B). (In respect of private sector banks too this stipulation, though applicable, has not been attained.)

Table VII-21A presents the 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 1990.

As per the data, the Southern region with the rural credit-deposit ratio of 96.5 per cent, though less than the previous year's level of 103.4 per cent, continues to remain at the top followed by the Western region with 64.2 per cent and North-Eastern Region with 60.8 per cent. It is only in these three regions that scheduled commercial banks have exceeded the stipulated target of 60 per cent in rural areas. However, in respect of semi-urban areas, the target has been attained only in the Southern region. Bank branches in Northern, Eastern and Central regions lagged behind the target considerably both in rural and semi-urban areas.

Likewise, in respect of the State-wise picture the wide disparity in the performance of banks both in rural areas noticed earlier continued to persist. In the Southern region which has been reporting high credit-deposit ratios, all the four States viz. Andhra Pradesh, Karnataka, Kerala and Tamil Nadu as also the Union Territory of Pondicherry had exceeded the stipulated target of 60 per cent. In the Western region, two States — Maharashtra and Gujarat-had surpassed the target. The 60 per cent target was exceeded in Assam and Manipur in North-Eastern region and Haryana and Rajasthan in Northern region and Madhya Pradesh in Central and Orissa in Eastern regions. Among the States/Union Territories, in rural areas, the highest credit-deposit ratio was achieved in respect of Manipur (127.1 per cent) followed by Tamil Nadu (104.3 per cent), Andhra Pradesh (102.3 per cent) and Tripura (101.2 per cent). In the case of semi-urban areas there is no change in the number of States achieving the 60 per cent target, the number being six as at end-December 1990. The credit-deposit ratio was below 40 per cent in ten States/Union Territories in rural areas and fourteen States/Union Territories in semi-urban areas.

Credit-Deposit Ratios according to sanction and utilisation

The all-India credit-deposit ratio of scheduled commercial banks (including RRBs) both as per sanction and utilisation have improved considerably to 60.8 per cent each as on the last Friday of June 1989 from the level of 56.2 per cent each in the similar period of previous year (Table VII-22). Among the regions these ratios are above 80 per cent in the Southern region, of which in Tamil Nadu they were as high as 99.3 and 98.4 per cent in terms of both sanction and utilisation, respectively. In the North-Eastern region as at the end June 1989, the ratio as per sanction was 50.3 per cent but as per utilisation it was much higher at 69.8 per cent. For the Eastern region as a whole the ratios were 53.7 per cent as per sanction and 52.4 per cent as per utilisation. For Orissa, the ratios surpassed 100 per cent at 106.4 per cent and 109.3 per cent as per sanction and utilisation, respectively. In both the Northern and Central regions, the ratios were below 50 per cent. The States/Union Territories which had reported poor credit-deposit ratio were Himachal Pradesh, Jammu and Kashmir, Meghalaya, Nagaland, Bihar, Andaman & Nicobar Islands and Goa.

Investment + Credit-Deposit Ratios

When both bank credit and banks' investments are taken into account (Table VII-22) there obtains a much larger deployment of funds by banks than those indicated by credit-deposit ratios

Table VII-21A : 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 1990)

(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	**44.2**	**29.4**	**45.3**	**41.8**	**36.5**	**41.7**	**72.0**	**97.6**	**74.5**	**62.1**	**85.2**	**64.1**
Haryana	61.3	29.9	63.6	49.0	40.8	49.3	63.0	76.2	63.1	57.8	66.9	58.6
Himachal Pradesh	34.6	-	34.5	41.0	13.0	40.0	-	-	-	36.5	13.0	36.2
Jammu and Kashmir	21.2	22.3	23.7	28.0	32.8	30.7	36.9	77.0	56.2	32.1	54.1	43.2
Punjab	40.5	20.1	41.3	38.4	10.2	38.3	50.4	34.7	50.1	43.6	32.8	43.7
Rajasthan	64.8	56.6	67.4	46.5	42.7	46.2	59.7	50.1	58.5	56.7	49.1	56.7
Chandigarh	33.6	-	33.6	14.4	-	14.4	136.7	33.6	135.5	130.0	33.6	128.9
Delhi	18.2	-	18.2	14.9	-	14.9	76.2	113.4	80.3	74.7	113.4	78.9
North-Eastern Region	**52.6**	**-**	**60.8**	**40.0**	**19.3**	**40.1**	**50.7**	**37.1**	**50.4**	**47.3**	**29.8**	**49.5**
Arunachal Pradesh	20.5	-	20.8	7.6	-	7.6	-	-	-	20.2	-	20.5
Assam	59.6	-	65.3	39.0	25.3	38.7	59.8	42.5	59.5	51.9	36.6	53.1
Manipur	124.3	-	127.1	105.1	-	105.5	57.2	-	57.8	73.3	-	74.9
Meghalaya	46.4	-	48.3	19.0	-	19.0	18.2	14.3	17.9	22.8	14.3	23.5
Mizoram	35.1	-	44.5	27.7	-	30.0	-	-	-	29.3	-	33.9
Nagaland	51.8	-	52.6	45.5	10.5	43.3	-	-	-	46.8	10.5	45.1
Tripura	59.7	-	101.2	61.3	-	68.4	40.1	-	40.6	48.2	-	62.6
Eastern Region	**47.9**	**-**	**53.1**	**32.5**	**3.5**	**32.8**	**53.0**	**97.8**	**57.0**	**47.6**	**97.1**	**51.3**
Bihar	47.3	-	51.0	31.3	-	31.5	35.3	30.2	35.2	37.1	30.2	38.8
Orissa	80.9	-	95.6	63.6	-	63.9	84.1	40.8	83.6	77.4	40.8	81.4
Sikkim	20.0	-	20.0	23.6	-	23.6	-	-	-	22.7	-	22.7
West Bengal	39.0	-	42.3	25.6	3.5	26.0	55.3	98.5	60.6	48.9	97.8	53.6
Andaman and Nicobar Islands	31.9	-	31.9	33.6	-	33.6	-	-	-	33.2	-	33.2
Central Region	**48.2**	**25.6**	**51.4**	**45.4**	**43.0**	**44.8**	**53.7**	**40.1**	**53.3**	**50.3**	**39.5**	**50.6**
Madhya Pradesh	64.4	-	69.6	52.4	38.2	51.2	73.5	59.7	73.0	65.8	53.9	66.2
Uttar Pradesh	43.2	25.6	46.1	42.3	43.3	42.1	45.5	37.9	45.3	44.1	38.3	44.7
Western Region	**61.7**	**72.0**	**64.2**	**47.7**	**58.6**	**48.0**	**76.6**	**66.6**	**74.4**	**70.8**	**66.5**	**70.1**
Goa	21.4	25.9	21.4	37.5	48.5	37.8	-	-	-	32.4	47.1	32.7
Gujarat	60.2	-	61.0	44.6	76.3	44.5	61.6	49.3	61.4	56.5	49.6	56.6
Maharashtra	75.9	72.8	79.6	57.8	60.3	57.9	80.4	66.7	76.9	78.5	66.7	75.9
Dadra and Nagar Haveli	50.6	-	50.6	-	-	-	-	-	-	50.6	-	50.6
Daman and Diu	24.2	-	24.2	21.9	-	21.9	-	-	-	22.0	-	22.0
Southern Region	**94.6**	**60.0**	**96.5**	**65.2**	**49.6**	**63.8**	**94.1**	**102.7**	**95.0**	**85.2**	**78.3**	**85.4**
Andhra Pradesh	97.3	53.8	102.3	71.4	42.4	70.5	90.1	51.7	87.1	85.6	50.1	84.9
Karnataka	89.5	56.3	94.4	84.1	47.7	80.1	89.4	74.0	87.7	88.3	65.1	87.2
Kerala	61.1	49.6	67.9	44.5	47.4	46.9	91.1	64.1	86.0	59.4	51.8	59.7
Tamil Nadu	106.8	77.5	104.3	76.7	59.5	74.6	102.0	153.1	108.4	97.0	123.5	100.4
Lakshadweep	17.6	-	17.6	-	-	-	-	-	-	17.6	-	17.6
Pondicherry	61.6	37.9	60.7	41.9	26.9	41.5	58.0	41.1	56.4	56.2	40.1	55.0
All India	**57.5**	**48.6**	**60.7**	**48.6**	**47.8**	**48.7**	**72.0**	**80.1**	**73.0**	**64.6**	**74.3**	**66.0**

\+ Including Regional Rural Banks.
@ Excluding Regional Rural Banks.
* Public Sector Banks include State Bank of India, its 7 Associate Banks and 20 Nationalised Commercial Banks.
Note : The data are provisional.
Source : BSR-7 received in Banking Statistics Division, DESACS, RBI.

Table VII-21B : Population Group-wise Credit-Deposit Ratio of Scheduled Commercial Banks

(Rs. 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
1991	30,682	18,425	60.1	41,086	20,472	49.8	48,874	28,541	58.4	79,394	65,072	82.0	200,036	132,510	66.2

Source : BSR-7 returns received from banks in Banking Statistics Division, DESACS, RBI.

Table VII-22 : Credit-Deposit Ratio and Investment + Credit-Deposit Ratio of Scheduled Commercial Banks (As on the last Friday)

(Per cent)

Region/State/Union Territory	Credit-Deposit Ratio				Investment + Credit-Deposit Ratio			
	June 1988		June 1989		June 1988		June 1989	
	As per Sanction	As per Utilisation	As per Sanction	As per Utilisation	As per Sanction	As per Utilisation	As per Sanction	As per Utilisation
1	2	3	4	5	6	7	8	9
Northern Region	**43.7**	**42.9**	**47.0**	**45.9**	**50.8**	**50.0**	**54.0**	**52.8**
Haryana	57.4	73.8	57.0	76.0	71.6	88.1	69.9	89.0
Himachal Pradesh	34.1	36.1	35.0	37.2	47.5	49.6	48.6	50.9
Jammu and Kashmir	33.7	34.6	32.9	34.4	49.7	50.6	49.5	50.9
Punjab	39.8	41.3	40.8	43.5	45.8	47.3	46.7	49.4
Rajasthan	54.6	57.5	59.5	64.5	79.9	82.9	84.6	89.6
Chandigarh	57.8	36.4	76.3	48.5	58.0	36.5	76.4	48.6
Delhi	40.7	35.5	44.8	37.5	41.2	36.1	45.4	38.0
North-Eastern Region	**50.4**	**61.3**	**50.3**	**69.8**	**74.5**	**85.5**	**75.6**	**95.0**
Arunachal Pradesh	27.9	31.7	38.5	47.5	27.9	31.7	41.3	50.2
Assam	55.1	68.9	54.2	80.6	79.4	93.2	80.1	106.5
Manipur	69.8	70.5	72.7	76.2	123.4	123.9	122.6	126.1
Meghalaya	25.8	31.0	24.3	30.3	51.4	56.6	51.5	57.5
Mizoram	39.6	69.9	36.5	72.3	39.6	69.9	36.5	72.3
Nagaland	33.8	38.9	32.7	34.9	66.8	71.9	65.8	68.0
Tripura	66.9	68.2	67.2	68.4	88.7	89.9	86.6	87.8
Eastern Region	**46.6**	**45.4**	**53.7**	**52.4**	**62.0**	**60.8**	**68.6**	**67.2**
Bihar	32.1	33.0	32.6	33.3	50.8	51.8	52.3	53.0
Orissa	95.0	98.8	106.4	109.3	133.3	137.1	144.9	147.7
Sikkim	20.1	34.7	26.0	41.7	20.1	34.7	29.3	45.0
West Bengal	47.8	44.8	57.6	54.6	58.6	55.7	67.0	64.0
Andaman and Nicobar Islands	29.0	37.0	27.5	28.6	29.0	37.0	27.5	28.6
Central Region	**43.1**	**45.0**	**47.3**	**49.9**	**58.7**	**60.6**	**63.6**	**66.2**
Madhya Pradesh	59.8	61.1	68.1	69.6	79.4	80.7	89.0	90.5
Uttar Pradesh	37.1	39.3	39.7	42.8	51.3	53.5	54.4	57.4
Western Region	**61.3**	**60.2**	**66.6**	**65.2**	**69.3**	**68.2**	**74.2**	**72.8**
Goa	30.5	31.3	32.8	32.7	31.0	31.8	33.6	33.5
Gujarat	50.9	55.6	54.2	58.8	64.6	69.3	66.6	71.2
Maharashtra	66.3	63.0	72.2	68.7	72.7	69.4	78.6	75.0
Dadra and Nagar Haveli	69.5	175.1	60.8	146.2	69.7	175.6	60.8	146.2
Daman and Diu	21.2	31.2	24.9	35.1	21.2	31.2	24.9	35.1
Southern Region	**80.4**	**81.2**	**83.8**	**84.5**	**94.2**	**95.0**	**98.0**	**98.6**
Andhra Pradesh	73.8	75.2	77.7	79.4	88.6	90.0	93.1	94.9
Karnataka	86.3	87.9	85.9	87.4	100.2	101.8	99.5	101.1
Kerala	66.4	67.3	65.9	65.9	80.4	81.3	80.1	80.2
Tamil Nadu	91.1	90.6	99.3	98.4	104.5	104.0	113.1	112.3
Lakshadweep	27.0	28.3	17.3	17.2	27.0	28.3	17.3	17.2
Pondicherry	53.3	58.0	54.4	59.6	53.3	58.0	54.4	59.7
All India	**56.2**	**56.2**	**60.8**	**60.8**	**67.8**	**67.8**	**72.3**	**72.3**

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 1988 and 1989 respectively.

Source : Banking Statistics Division, DESACS, R.B.I.

both at the regional and State levels, particularly in the case of relatively underdeveloped States of Himachal Pradesh, Jammu and Kashmir, Meghalaya, Bihar and Uttar Pradesh. For the country as a whole, the Investment + Credit-Deposit ratios rose from 67.8 per cent as at end-June 1988 to 72.3 per cent as at end-June 1989. The States/Union Territories reporting such ratios exceeding 100 per cent were Orissa, Manipur and Tamil Nadu.

Frequency Distribution of Credit-Deposit Ratio

Table VII-23 presents frequency distribution of the number of districts according to credit-deposit ratios of rural and semi-urban offices of scheduled commercial banks for three years as on the last Friday of December 1988, 1989 and 1990. The number of districts with credit-deposit ratio of 60 per cent and above in respect of rural offices which had increased marginally from 261 in 1988 to 263 in 1989, had declined drastically to 237 in 1990. Likewise, in the case of semi-urban offices also the number of such districts increased by 4 to 137 in December 1989 from the previous year but declined by 10 again to 127 in 1990. On the other hand, among rural offices more number of districts had fallen in the credit-deposit ratio range of 50 to 60 per cent as the number of districts in this category increased by 22 to 60 in December 1990 from 38 in December 1989. In semi-urban offices, districts with 20 per cent to 30 per cent and 40 per cent to 50 per cent credit-deposit ratios had shown a sizeable rise.

Deposit and Credit of Scheduled Commercial Banks — Area-wise and State-wise

Banks have achieved significant progress in the sphere of generating additional resources as also in their lending activities particularly in remote rural areas. In the process, there has been tremendous improvement in the availability of banking facilities in unbanked and underbanked centres.

In their deposit mobilisation efforts, the rural offices have improved their share from 15.0 per cent in December 1989 to 15.5 per cent in December 1990 (Table VII-24). While the share of semi-urban areas remained static, those of urban and metropolitan centres showed declines *albeit* fractionally. The rural offices which had performed well in respect of deposit mobilisation, did not fair well in respect of credit deployment as their share in total credit which was 14.8 per cent at end-December 1989 dropped down to 14.2 per cent a year later at end-December 1990; the semi-urban offices' share declined from 16.3 per cent to 15.6 per cent in this period while the urban offices increased their share in total credit in a small measure; the share of metropolitan offices improved by more than one percentage point.

Since the nationalisation of banks in June 1969, the share of rural offices in incremental deposits and advances till end-December 1990 was placed at 15.8 per cent and 14.6 per cent, respectively, as compared with 15.4 and 15.3 per cent till the end of the previous year. In respect of semi-urban offices, their share in incremental deposits was 21.1 per cent the same as that until the end of the previous year, while the share in incremental advances was slightly lower at 15.7 per cent as compared to 16.5 per cent. There were not much variations in the share of urban offices in both incremental credit advances, whereas in respect of metropolitan offices, their share in advances rose to 47.8 per cent as at the end of December 1990 from 46.3 per cent till the end of December 1989.

At the States' level, the pattern of distribution of incremental deposits and credit did not undergo much change for quite some time. In respect of rural offices, it was Uttar Pradesh which accounted for the maximum share of incremental deposits (Rs. 5,240 crore), followed by Punjab (Rs. 2,705 crore) and Bihar (Rs. 2,599 crore). Uttar Pradesh continued to hold the maximum share of incremental deposits in respect of semi-urban areas too (Rs. 4,677 crore) followed by Kerala (Rs. 4,504 crore) and Punjab (Rs. 3,047 crore). In incremental deposits of urban and metropolitan offices, Maharashtra dominated with an amount of Rs. 31,163 crore.

In respect of incremental credit, the pattern was generally the same as that of deposits. Rural offices in Uttar Pradesh accounted for the highest share (Rs. 2,412 crore) followed by Andhra

Table VII-23 : Frequency Distribution of Districts based on Credit-Deposit Ratios of Scheduled Commercial Banks

(Rs. Crore)

Credit-Deposit Ratio	As on the last Friday of								
	December 1988			December 1989			December 1990		
	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%	24	2,053	342	27	2,055	329	30	2,739	423
		(86)			(76)			(91)	
20% to 30%	25	1,422	342	25	2,093	532	30	2,419	625
		(57)			(84)			(81)	
30% to 40%	49	3,326	1,191	50	4,319	1,536	53	5,205	1,820
		(68)			(72)			(98)	
40% to 50%	45	3,248	1,479	45	3,221	1,433	46	3,165	1,404
		(72)			(72)			(69)	
50% to 60%	37	1,661	915	38	2,093	1,156	60	4,017	2,221
		(45)			(55)			(67)	
60% and above	261	9,197	9,183	263	10,601	10,561	237	11,063	10,860
	(59.2)*	(35)		(58.7)*	(40)		(52.0)*	(47)	
Total	**441**	**20,907**	**13,452**	**448**	**24,383**	**15,546**	**456**	**28,609**	**17,352**
Semi-Urban Offices									
Upto to 20%	22	1,783	286	24	2,431	395	25	2,922	456
		(81)			(101)			(117)	
20% to 30%	50	4,955	1,174	58	5,165	1,321	70	6,355	1,610
		(99)			(89)			(91)	
30% to 40%	79	5,070	1,783	87	6,012	2,122	83	7,774	2,688
		(64)			(69)			(94)	
40% to 50%	67	5,173	2,322	55	5,466	2,433	62	6,183	2,829
		(77)			(99)			(99)	
50% to 60%	55	4,336	2,420	51	4,786	2,610	53	4,781	2,565
		(79)			(94)			(90)	
60% and above	133	8,797	7,126	137	10,337	8,213	127	10,965	8,842
	(32.3)*	(66)		(33.3)*	(75)		(30.2)*	(86)	
Total	**406**	**30,113**	**15,110**	**412**	**34,197**	**17,094**	**420**	**38,979**	**18,990**

@ Figures in brackets indicate amount of deposits per district under each size of class.
* As percentage of total number of districts.

Source : BSR-7 received in Banking Statistics Division, DESACS, RBI.

Table VII-24 : 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 1989		December 1990		Increase (June 1969-December 1990)	
	Deposits	Advances	Deposits	Advances	Deposits	Advances	Deposits	Advances
1	2	3	4	5	6	7	8	9
Rural	**145**	**54**	**24,383**	**15,546**	**28,609**	**17,352**	**28,464**	**17,298**
Percentage to total	3.1	1.5	15.0	14.8	15.5	14.2	15.8	14.6
Average amount per office	0.10	0.04	0.73	0.46	0.82	0.50	-	-
Semi-urban	**1,024**	**407**	**34,197**	**17,094**	**38,979**	**18,990**	**37,955**	**18,583**
Percentage to total	22.0	11.3	21.1	16.3	21.1	15.6	21.1	15.7
Average amount per office	0.31	0.12	3.04	1.52	3.45	1.68	-	-
Urban	**1,209**	**722**	**39,855**	**22,875**	**45,416**	**26,659**	**44,207**	**25,937**
Percentage to total	25.9	20.0	24.6	21.8	24.5	21.9	24.5	21.9
Average amount per office	0.63	0.38	4.93	2.83	5.63	3.31	-	-
Metropolitan	**2,287**	**2,426**	**63,602**	**49,351**	**71,957**	**58,982**	**69,670**	**56,556**
Percentage to total	49.0	67.2	39.3	47.1	38.9	48.3	38.6	47.8
Average amount per office	1.53	1.62	11.25	8.73	12.72	10.43	-	-
Total	**4,665**	**3,609**	**16,2036**	**1,04,866**	**1,84,961**	**1,21,984**	**1,80,296**	**1,18,375**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**
Average amount per office	0.57	0.44	2.77	1.79	3.09	2.04	-	-

Source : For June 1969, Banking Statistics, Volume 2; for December 1989 and December 1990, BSR-7 received in Banking Statistics Division, DESACS, RBI.

Pradesh (Rs. 1,757 crore). In the case of semi-urban offices, the highest share of incremental credit was accounted for by Kerala (Rs. 2,118 crore): Maharashtra again accounted for the highest share (Rs. 23,727 crore) of incremental credit of urban and metropolitan offices.

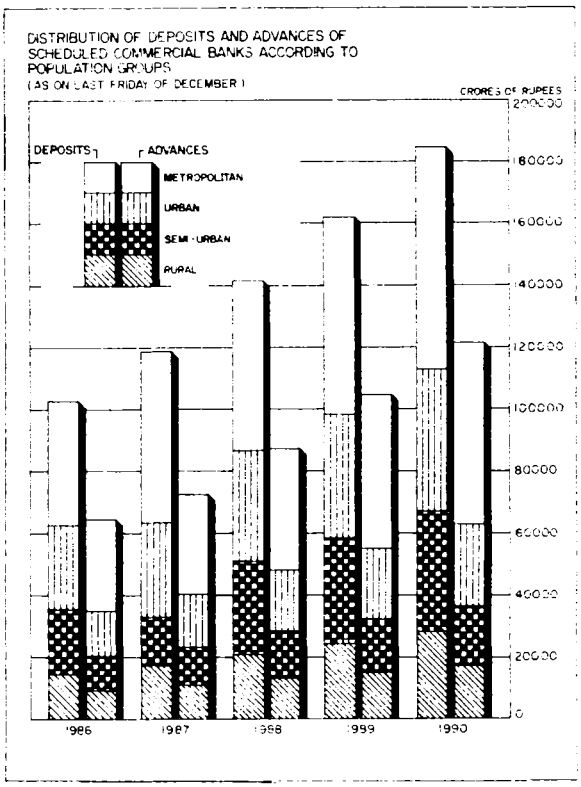
Distribution of Deposits by Population Groups/ Type of deposits

As per the classification of deposits of scheduled commercial banks according to population groups and type of deposits as on the last Friday of June 1989, savings accounts formed about 70 per cent of the total deposit accounts for all population groups with rural branches accounting for the bulk of such accounts (Table VII-25). In the case of term deposits, the number of accounts were fairly well distributed in all categories of population groups. As for current deposit accounts which accounted for 4.7 per cent of total deposit accounts of all population groups, metropolitan and urban offices together took the maximum share of 59.2 per cent at the end of June 1989.

Of the outstanding total deposits of Rs. 147,031 crore, term deposits accounted for 58.0 per cent, savings 28.2 per cent and the rest were current account deposits as at the last Friday of June 1989. Savings deposits were popular among the rural population as is evident from the fact that its proportion to total rural deposits was the highest at 36.4 per cent. The rural offices also accounted for 75.4 per cent of the total number of accounts in this category. In the case of term deposits their proportion to total deposits remained within a narrow range of 57 — 58 per cent in all the four population groups. (See Graph VII-8)

Region-wise Distribution of Deposits and Advances

With the rapid pace of branch expansion witnessed since 1969, there has been a tremendous improvement in banking facilities across the length and breadth of the country accompanied by a more widespread mobilisation of deposits and deployment of bank credit. The Central and North-eastern regions, which had low share in aggregate deposits prior to bank nationalisation,



have shown significant improvement subsequently. There has been a substantial decline in the share of Western and Eastern regions in total aggregate deposits in this period. The Northern and Southern regions, which have had large banking presence historically, have further improved their share. Yet again in respect of gross bank credit, the Central and North-Eastern regions have gained as their shares which were 6.6 per cent and 0.5 per cent respectively; at end-June 1969, rose to 11.1 and 1.3 per cent at end-December 1990. While the shares of Northern and Southern regions improved, those of Eastern and Western regions declined during the period. Nevertheless, region-wise the Western region still accounted for the highest percentage in deposits followed by the Northern and Southern regions. Like-wise, in respect of disbursement of bank credit too, the Western region took the lion's share followed by Southern and Northern regions. As observed earlier, Central and Eastern regions have had considerably low shares both in the volume of aggregate deposits and bank credit (Table VII-26).

Table VII-25 : Distribution of Deposits of Scheduled Commercial Banks According to Population Group and Type of Deposits
(As on the last Friday of June 1989)

(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 Account	Amount outstanding	Average per Account (Rs.)
1	2	3	4	5	6	7	8	9	10	11	12	13
Rural	**20,73**	**1388,31**	**6,697**	**672,84**	**8029,17**	**1,193**	**198,78**	**12629,01**	**6,353**	**892,35**	**22046,49**	**2,471**
Percent to total deposits category	14.7	6.8		31.9	19.4		25.8	14.8		29.5	15.0	
Percent to total deposits	2.3	6.3		75.4	36.4		22.3	57.3		100.0	100.0	
Semi-urban	**36,85**	**2989,38**	**8,112**	**606,43**	**10026,00**	**1,653**	**219,41**	**18415,30**	**8,393**	**862,69**	**31430,68**	**3,643**
Percent to total deposits category	26.1	14.7		28.8	24.2		28.4	21.6		28.6	21.4	
Percent to total deposits	4.3	9.5		70.3	31.9		25.4	58.6		100.0	100.0	
Urban	**40,79**	**5373,99**	**13,175**	**465,99**	**10367,96**	**2,225**	**199,68**	**21099,17**	**10,566**	**706,46**	**36841,11**	**5,215**
Percent to total deposits category	28.9	26.4		22.1	25.0		25.9	24.7		23.4	25.0	
Percent to total deposits	5.8	14.6		66.0	28.1		28.2	57.3		100.0	100.0	
Metropolitan	**42,67**	**10580,48**	**24,796**	**362,59**	**12994,00**	**3,584**	**153,27**	**33138,51**	**21,621**	**558,53**	**56713,00**	**10,154**
Percent to total deposits category	30.3	52.1		17.2	31.4		19.9	38.9		18.5	38.6	
Percent to total deposits	7.6	18.7		64.9	22.9		27.5	58.4		100.0	100.0	
Total	**141,04**	**20332,16**	**14,416**	**2107,85**	**41417,13**	**1,965**	**771,14**	**85281,99**	**11,059**	**3020,03**	**147031,29**	**4,869**
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	4.7	13.8		69.8	28.2		25.5	58.0		100.0	100.0	

Source : BSR-2 received in Banking Statistics Division, DESACS, RBI.

Table VII-26 : 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 1990	Variation	June 1969	December 1990	Variation
1	2	3	4	5	6	7
I. Northern Region	**869.78**	**39214.69**	**38344.91**	**493.80**	**25143.35**	**24649.55**
	(18.6)	**(21.2)**	**(21.3)**	**(13.7)**	**(20.6)**	**(20.8)**
i) Delhi	449.25	16513.00	16063.75	291.22	13028.23	12737.01
	(9.6)	(8.9)	(8.9)	(8.1)	(10.7)	(10.8)
II. North-Eastern Region	**49.05**	**3034.67**	**2985.62**	**16.90**	**1501.64**	**1484.74**
	(1.1)	**(1.7)**	**(1.7)**	**(0.5)**	**(1.2)**	**(1.3)**
III. Eastern Region	**844.27**	**29113.25**	**28268.98**	**768.62**	**14938.11**	**14169.49**
	(18.1)	**(15.7)**	**(15.7)**	**(21.3)**	**(12.3)**	**(12.0)**
i) West Bengal	643.45	17723.51	17080.06	699.71	9500.13	8800.42
	(13.8)	(9.6)	(9.5)	(19.4)	(7.8)	(7.4)
IV. Central Region	**476.06**	**26521.95**	**26045.89**	**238.23**	**13430.00**	**13191.77**
	(10.2)	**(14.3)**	**(14.4)**	**(6.6)**	**(11.0**	**(11.1)**
i) Uttar Pradesh	364.90	19198.03	18833.13	172.95	8582.04	8409.09
	(7.80)	(10.4)	(10.4)	(4.8)	(7.0)	(7.1)
V. Western Region	**1575.79**	**48509.31**	**46933.52**	**1285.86**	**34028.89**	**32743.03**
	(33.8)	**(26.2)**	**(26.0)**	**(35.6)**	**(27.9)**	**(27.7)**
i) Gujarat	401.99	11063.46	10661.47	195.43	6256.94	6061.51
	(8.6)	(6.0)	(5.9)	(5.4)	(5.1)	(5.1)
ii) Maharashtra	1124.42	35979.27	34854.85	1070.62	27296.24	26225.62
	(24.1)	(19.5)	(19.3)	(29.7)	(22.4)	(22.2)
VI. Southern Region	**850.24**	**38567.04**	**37716.80**	**805.45**	**32941.80**	**32136.35**
	(18.2)	**(20.9)**	**(20.9)**	**(22.3)**	**(27.0)**	**(27.1)**
i) Tamil Nadu	293.49	12265.73	11972.24	380.63	12318.20	11937.57
	(6.3)	(6.6)	(6.6)	(10.5)	(10.1)	(10.1)
All India	**4665.19**	**184960.91**	**180295.72**	**3608.86**	**121983.79**	**118374.93**

Note : Figures in brackets indicate percentage to total.
Source : BSR-7 received in Banking Statistics Division, DESACS, RBI.

Distribution of Credit According to Interest Rate Range

There was no significant change in the pattern of classification of scheduled commercial banks' credit according to different ranges as is revealed in Table VII-27. Credit concentration continued to be in the interest range of above 12 per cent and up to 14 per cent which generally covers the priority sector advances. There is, however, a gradual reduction in the share of this range in the total credit greatly reflecting the deceleration noticed in the priority sector lending in the recent period. In recent years, with the stiffening of interest rates following relatively high inflation rates, the 16 to 17 per cent interest range has become the model range; its share in total credit, which was just 11.2 per cent in June 1986 increased four years later in June 1990 to 33.0 per cent.

GEOGRAPHICAL AND FUNCTIONAL COVERAGE OF BANKS

Branch Expansion

The number of commercial bank branches as at the end of June 1991 stood at 60,190 as compared with 8,262 branches in June 1969. The number of branches opened in unbanked centres during the period July 1990 to June 1991 was 307,

Table VII-27 : Distribution of Loans and Advances* of Scheduled Commercial Banks According to Interest Range (As on the last Friday)

(Rupees crore)

Interest Range	June 1986		June 1987		June 1988		June 1989	
	No. of Accounts	Amount out-standing	No. of Accounts	Amount out-standing	No. of Accounts	Amount out-standing	No. of Accounts	Amount out-standing
1	2	3	4	5	6	7	8	9
6 per cent and less	102,999	641	126,809	925	156,756	1,213	195,206	1,814
	(6.6)	(1.8)	(7.3)	(2.4)	(7.8)	(2.7)	(8.4)	(3.3)
Above 6 and upto 10 per cent	74,205	1,741	107,781	2,663	162,721	3,686	193,718	5,272
	(4.8)	(5.0)	(6.2)	(6.8)	(8.1)	(8.3)	(8.4)	(9.7)
Above 10 and upto 12 per cent	111,271	2,850	111,192	1,905	150,622	2,157	204,386	2,674
	(7.1)	(8.2)	(6.4)	(4.9)	(7.5)	(4.9)	(8.8)	(4.9)
Above 12 and upto 14 per cent	789,498	10,312	862,189	11,034	949,699	10,846	1044,600	12,545
	(50.3)	(29.5)	(49.6)	(28.3)	(47.1)	(24.4)	(45.2)	(23.0)
Above 14 and upto 15 per cent	117,895	2,947	115,135	3,033	129,282	3,556	144,352	4,473
	(7.5)	(8.4)	(6.6)	(7.8)	(6.4)	(8.0)	(6.2)	(8.2)
Above 15 and upto 16 per cent	37,863	986	54,407	1,787	83,366	2,612	108,349	4,641
	(2.4)	(2.8)	(3.1)	(4.6)	(4.1)	(5.9)	(4.7)	(8.5)
Above 16 and upto 17 per cent	882,31	3,908	215,734	10,319	316,217	16,077	332,781	18,001
	(5.6)	(11.2)	(12.4)	(26.4)	(15.7)	(36.2)	(14.4)	(33.0)
Above 17 and upto 18 per cent	235,238	11,076	136,472	7,094	61,214	3,921	80,833	4,610
	(15.0)	(31.7)	(7.8)	(18.2)	(3.0)	(8.8)	(3.5)	(8.5)
Above 18 per cent	11,273	495	7,341	288	5,155	378	8,318	504
	(0.7)	(1.4)	(0.4)	(0.7)	(0.3)	(0.9)	(0.4)	(0.9)
Total	**1568,473**	**34,955**	**1737,060**	**39,047**	**2015,032**	**44,446**	**2312,543**	**54,534**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**

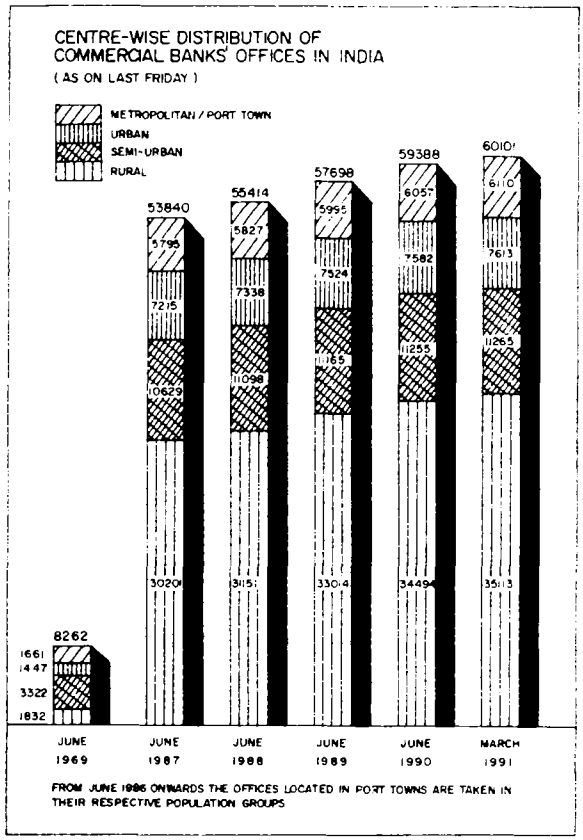
* Relate to accounts with credit limit over Rs. 25,000, exclude inland and foreign bills purchased and discounted.

Note : Figures in brackets indicate percentage to total.

Source : BSR-1 received in Banking Statistics Division, DESACS, RBI.

taking the total number of branch offices opened in unbanked centres since nationalisation to 34,412. This accounted for 66.0 per cent of the total number of branches at 51,869 opened subsequent to the nationalisation of banks till June 1991 (Table VII-28). Out of 307 branches opened in the unbanked centres between July 1990 and June 1991, Bihar and Uttar Pradesh together accounted for 135 branches and Karnataka for 25 branches. The average population per bank office improved in four States/Union territories, viz., Arunachal Pradesh, Bihar, Maharashtra, Manipur and Tripura; the national average also improved from 12,000 to 11,000. The number of branches opened in the rural centres during the current year was 314.

Out of total number of branches of 60,190 as at the end of June 1991, rural offices accounted for 58.4 per cent (See Graph VII-9). The percentage of rural offices was 51.4 per cent in the case of State Bank of India, 40.7 per cent in case of Associate banks of SBI and 49.4 per cent in the nationalised banks' group (Table VII-29). With the implementation of Service Area Approach (SAA), it has become necessary to permit opening of additional branches in 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.



Indian Banks Abroad

The number of overseas branches of nine Indian banks operating abroad stood at 115 and the number of representative offices at 11 at the end of March 1991. Besides, the Indian banks had six wholly-owned subsidiaries (including three deposit-taking companies) and seven joint-venture banks abroad (Table VII-30).

Foreign Banks in India

Sanwa Bank Ltd. and Barclays Bank p.l.c. have opened their maiden branches in New Delhi and Bombay, respectively, by upgradation of their representative offices. With the opening of these two branches, the number of foreign banks having branches in India increased to 24 and their total branches to 140 as at the end of March 1991. During the year 1990-91 (up to March 1991), three foreign banks viz NMB Post Bank Group, Fuji Bank Ltd. and Institute Bancarco San Paolo Ditorient opened one representative office each in India. With this, as also the closure of two representative offices on account of their conversion into branches, the number of representative offices of foreign banks in the country stood at 23 at the end of March 1991.

Primary (Urban) Co-operative Banks

Progress of PCBs

The number of Primary Urban Co-operative Banks (PCBs) in the country as at the end of June 1991 at 1,397 showed a marginal increase as compared with 1,390 as at end-June 1990. This included 93 Salary Earners' Banks. The number of offices of PCBs as at the end of June 1990, stood at 3,358 as against 3,279 as at the end of June 1989. The number of offices increased further and stood at 3,391 as at end-December 1990. Total deposits of PCBs rose from Rs. 7,232 crore as at the end of June 1989 to Rs. 8,660 crore as at the end of June 1990, indicating an increase of 19.7 per cent over the year. As at end-December 1990, the deposits rose further to Rs. 9,067 crore. During the same period, loans and advances of PCBs increased from Rs. 5,820 to Rs. 6,649 crore or by 14.2 per cent; the deposits rose further to Rs. 7,171 crore as at end-December 1990. The progress made by PCBs over the years 1987-88 onwards is presented in Table VII-31.

Licensing and Inspection

During the period July 1990 to June 1991, 15 Primary Co-operative Banks (10 new banks and 5 existing banks) were issued licences to commence and/or carry on banking business under Section 22 of the Banking Regulation Act, 1949 (as applicable to co-operative societies). The total number of licensed PCBs stood at 1,028 as at end-June 1991 as against 1,013 at end-June 1990. Licences for opening 63 branches were issued to 55 Urban Co-operative Banks during the period. Besides, 5 Salary Earners' Banks were permitted to open 8 branches and one Salary Earners' Bank was allowed to convert its two extension counters into full-fledged branches. Another Salary Earners' Bank was permitted to open two extension counters.

Table VII-28 : State-wise Distribution of Commercial Bank Offices and Population per Bank Office as on the end of June 1969, June 1990 and June 1991

State/Union Territory	No. of offices at the end of			No. of offices opened during				Average population per bank office (in thousands) as at the end of		
	June 1969	June 1990	June 1991	July 89-June 90	Of which at unbanked centres	July 90-June 91	Of which at unbanked centres	June 1969*	June 1990@	June 1991@
1	2	3	4	5	6	7	8	9	10	11
Andhra Pradesh	567	4553	4585	69	61	22	15	75	12	12
Arunachal Pradesh	-	66	67	5	5	-	-	-	10	9
Assam	74	1167	1208	57	57	14	13	198	17	17
Bihar	273	4690	4845	158	156	81	81	207	15	14
Goa	85£	257	257	1	-	-	-	8	4	4
Gujarat	752	3346	3365	66	57	11	8	34	10	10
Haryana	172	1256	1261	5	1	5	3	57	10	10
Himachal Pradesh	42	704	730	23	22	8	8	80	6	6
Jammu and Kashmir	35	764	776	18	18	8	8	114	8	8
Karnataka	756	4230	4266	39	35	30	25	38	9	9
Kerala	601	2829	2832	18	7	3	3	35	9	9
Madhya Pradesh	343	4295	4325	75	71	8	8	116	12	12
Maharashtra	1118	5507	5574	80	58	33	13	44	12	11
Manipur	2	79	85	12	11	1	1	497	18	17
Meghalaya	7	148	156	5	5	1	1	147	9	9
Mizoram	-	70	72	6	6	1	1	-	7	7
Nagaland	2	70	70	1	1	-	-	205	11	11
Orissa	100	1992	2076	88	85	20	19	212	13	13
Punjab	346	2134	2138	27	23	4	3	42	8	8
Rajasthan	364	3032	3044	116	112	5	3	70	11	11
Sikkim	-	29	29	-	-	-	-	-	11	11
Tamil Nadu	1060	4261	4277	61	53	8	7	37	11	11
Tripura	5	159	176	2	2	4	4	276	13	12
Uttar Pradesh	747	8355	8444	233	216	58	54	119	13	13
West Bengal	504	4058	4185	147	141	30	29	87	13	13
Andaman and Nicobar Islands	1	21	21	1	1	-	-	82	9	9
Chandigarh	20	108	108	-	-	-	-	7	4	4
Dadra and Nagar Haveli	-	7	7	-	-	-	-	-	15	15
Daman and Diu	-	10	10	-	-	-	-	-	8	8
Delhi	274	1114	1124	11	2	6	-	10	6	6
Lakshadweep	-	8	8	1	1	-	-	-	5	5
Pondicherry	12	69	69	1	-	-	-	31	9	9
Total	**8262**	**59388**	**60190**	**1326**	**1207**	**361**	**307**	**65**	**12**	**11**

* Average population per bank office as per 1961 census.
@ 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, RBI.

Table VII-29 : Bank Group-wise/Population Group-wise Distribution of Commercial Bank Offices in India

Bank Group	19-07-1969 *					30-06-1990					31-06-1991				
	Rural	Semi-urban	Urban	Metro-politan/ Portown	Total	Rural	Semi-urban	Urban	Metro-politan/ Portown	Total	Rural	Semi-urban	Urban	Metro-politan/ Portown	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	4116	2173	1122	805	8216	4347	2173	1127	815	8462
	(29.4)	(50.7)	(10.4)	(9.5)	(100.0)	(50.1)	(26.4)	(13.7)	(9.8)	(100.0)	(51.4)	(25.7)	(13.3)	(9.6)	(100.0)
Associate Banks of SBI	358	375	86	75	894	1489	1185	591	406	3671	1508	1189	593	416	3706
	(40.0)	(42.0)	(9.6)	(8.4)	(100.0)	(40.5)	(32.3)	(16.1)	(11.1)	(100.0)	(40.7)	(32.1)	(16.0)	(11.2)	(100.0)
Nationalised Banks	703	1465	928	1072	4168 @	14216	5706	4953	4171	29046	14595	5729	4987	4206	29517
	(16.9)	(35.1)	(22.3)	(25.7)	(100.0)	(49.0)	(19.6)	(17.0)	(14.4)	(100.0)	(49.4)	(19.4)	(16.9)	(14.3)	(100.0)
Regional Rural Banks	-	-	-	-	-	13390	915	144	4	14453	13455	917	146	4	14522
						(92.7)	(6.3)	(1.0)	(-)	(100.0)	(92.7)	(6.3)	(1.0)	-	(100.0)
Other Commercial Banks	337	708	279	364	1688	1283	1276	772	671	4002	1282	1261	762	678	3983
	(20.0)	(41.9)	(16.5)	(21.6)	(100.0)	(32.1)	(31.9)	(19.2)	(16.8)	(100.0)	(32.2)	(31.7)	(19.1)	(17.0)	(100.0)
Total	**1860**	**3344**	**1456**	**1661**	**8321**	**34494**	**11255**	**7582**	**6057**	**59388**	**35187**	**11269**	**7615**	**6119**	**60190**
	(22.5)	(40.2)	(17.5)	(20.0)	(100.0)	(58.1)	(18.9)	(12.8)	(10.2)	(100.0)	(58.4)	(18.7)	(12.7)	(10.2)	(100.0)

* Classification of branches according to population groups based on 1961 census.

@ Pertains to 14 Nationalised banks.

Note : Figures in brackets indicate percentage to total in each group.

Source : Department of Banking Operations and Developments, RBI.

Table VII-30 : Offices of Indian Scheduled Commercial Banks Outside India
(As on end-March 1991)

Name of the 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
Sri Lanka	2	-	-	2	2	-	-	-	-	6
United Kingdom	5	13	11	-	-	2	1	1	-	33
United States of America	4	2	1	-	-	-	-	-	-	7
Japan	2	2	-	-	-	-	-	-	-	4
Maldive Islands	1	-	-	-	-	-	-	-	-	1
West Germany	1	-	-	-	-	-	-	-	-	1
Bangladesh	1	-	-	-	-	-	-	-	-	1
Bahama Islands	1	-	1	-	-	-	-	-	-	2
Bahrain	1	-	1	-	-	-	-	-	-	2
Belgium	1	-	1	-	-	-	-	-	-	2
Singapore	1	1	-	1	1	3	-	-	-	7
Hongkong	1	2	-	-	2	2	-	-	-	7
Cayman Islands	-	1	-	-	-	-	-	-	-	1
Panama	1	-	-	-	-	-	-	-	-	1
France	1	1	-	-	-	-	-	-	-	2
Channel Islands	-	1	-	-	-	-	-	-	-	1
Fiji Islands	-	-	9	-	-	-	-	-	-	9
Guyana	-	-	1	-	-	-	-	-	-	1
Kenya	-	2	6	-	-	-	-	-	-	8
Mauritius	-	-	7	-	-	-	-	-	-	7
Dubai	-	-	6	-	-	-	-	-	-	6
Seychelles	-	-	1	-	-	-	-	-	-	1
South Korea	-	-	-	-	1	-	-	-	-	1
Thailand	-	-	-	-	-	-	-	-	1	1
Oman	-	-	3	-	-	-	-	-	-	3
Total	23	25	48	3	6	7	1	1	1	115

Source : Department of Banking Operations and Development, RBI.

Table VII-31 : Progress of Primary (Urban) Co-operative banks

	Co-operative year (July-June)			
	1987-88	1988-89	1989-90	1990-91
1	2	3	4	5
Number of PCBs*	1,378$	1,378$	1,390$	1,397
	(92)	(92)	(92)	(93)
Number of Offices of PCBs*	3,119$	3,279$	3,358$	3,391@
	(250)	(258)	(260)	(260)
Deposits (Rs. crore)	5,790$	7,232	8,660	9,067@
Loans Outstanding (Rs. crore)	4,636	5,820	6,649	7,171@

* : Figures for Salary Earners' Banks are indicated in brackets
$: Revised
@ : Provisional as at end-December 1990

During the year ended June 30,1991, statutory inspections of 494 PCBs were conducted under Section 35 of the Banking Regulation Act, 1949 (as applicable to co-operative societies).

Refinance Facilities

During the financial year 1990-91 (April-March), short-term credit limits at concessional rate of interest (i.e., 2.5 per cent below the Bank Rate) were sanctioned to State Co-operative Banks on behalf of 37 PCBs as against 53 PCBs in the previous year for financing working capital requirements of cottage/small-scale industrial units. The short-term credit limits aggregating Rs. 18.33 crore sanctioned during 1990-91 was little less than that in the previous year with Rs. 20.71 crore. The outstanding against these limits amounted to Rs. 16.27 crore as on March 31, 1991 as against Rs. 18.70 crore on the same date last year.

Maximum Limits on Advances

With effect from 20 May 1991, the maximum limits on unsecured advances to a director (including relatives) or any other single party/ connected group for trade, commerce, cottage and small scale industry and identifiable purposes were revised upward in respect of PCBs with TDL of Rs. 1 crore and above as under:

Banks with TDL of	Maximum Limit	
	Upto	With effect from
	19th May 91	20th May 91
1. Rs. 1 crore and above but less than Rs. 10 crore	Rs. 20,000	Rs. 25,000
2. Rs. 10 crore and above	Rs. 25,000	Rs. 50,000

The limit for banks with TDL of less than Rs. 1 crore remains unchanged at Rs. 15,000.

Credit Guarantee Scheme

Licensed PCBs and unlicensed PCBs specificially recommended by the RBI, are eligible for availing themselves of guarantee cover under the Small Loans (SSI) Guarantee Scheme 1981 and Small Loans, Co-operative Banks Guarantee Scheme, 1984 administered by the DICGC. As at the end of December 1990, the number of PCBs which have joined these two schemes stood at 191 and 90, respectively, as against 187 and 89 on the corresponding date of the previous year.

Important Operational Changes—
Interest Rates on Deposits

The Primary Urban Co-operative Banks continued to enjoy the discretion to allow additional interest at a rate not exceeding 1 per cent per annum on domestic savings and term deposits. The deposits received by PCBs from designated financial institutions for a period not exceeding 14 days, were exempted from the provisions of directives on interest rates on deposits. With a view to offering a better rate on savings in the form of longer period of term deposits as also to assist the banks in their deposit mobilisation efforts, the rate of interest for deposits for a period of 3 years and above has been raised by 1 percentage point to 12 per cent per annum with effect from April 13, 1991.

Weak and Non-viable banks

Weak and non-viable banks stood at 230 as on March 31, 1991. The directions under Section

35A of the Banking Regulations Act, 1949 (AACS), placing restrictions, among others, on making payments to depositors beyond specified amounts and sanctioning fresh advances and expenditures beyond specified amounts were issued to 3 PCBs viz., Vardhaman Co-op. Bank Ltd., Maratha Market Peoples Co-op. Bank Ltd., and Vaibhav Co-op. Bank Ltd., due to their unsatisfactory financial position and methods of operations leading to severe liquidity crisis.

Other important Developments

(a) Credit Authorisation Scheme

During the period (up to end-June 1991), 33 applications seeking RBI's authorisation were received from 14 Urban Co-operative Banks, involving an aggregate amount of Rs. 3,364.96 lakh, of which 24 proposals amounting to Rs. 2,481.55 lakh were approved.

(b) Credit Monitoring System — Health Code for Borrowal Accounts

The credit monitoring system has been simplified. Accordingly, only those borrowal accounts with limits/outstanding balances above Rs. 1 lakh are required to be classified under the Health Code System.

(c) Financing of leasing/hire purchase

PCBs with working capital funds of Rs. 25 crore and above have been allowed to take up financing of leasing/hire purchase companies in consortium with scheduled commercial banks.

(d) During the period under report, instructions/ directives were issued to PCBs on the lines of those issued to commercial banks.

(e) Prohibiting kite-flying operations

Some of the PCBs have been providing accommodation to their clients continuously by permitting early withdrawal of proceeds of cheques presented in the clearing. This had prompted certain customers of PCBs to indulge in kite-flying operations and it resulted in substantial losses to some of the banks. With a view to curbing such kite-flying operations, it was clarified that drawals allowed against 'cheques sent for collection' (both local and outstation) are to be treated as unsecured advances and will come under the directives issued on the subject by the Bank. Clearing House authorities at various places were also advised to ensure compliance of appropriate rules by members governing utilisation of favourable clearing balances so as to deny them the use of such funds before the returned cheques had been adjusted.

Regional Rural Banks

Branch Expansion Programme

The Branch Licensing Policy for 1985-90 as applicable to RRBs envisages provision of banking facilities in deficient rural areas, especially where identifiable spatial gaps exist. In the light of difficulties that the non-target groups in the service areas of RRBs might face in obtaining finance consequent upon the introduction of the Service Area Approach, it was decided that allotment of identified centres to RRBs would be made selectively, keeping in view that an RRB had 25 branches if it covered one district and 40 branches if it covered more than one district.

At the end of September 1990, the number of districts covered by 196 RRBs increased to 380 from 372 as at the end of March 1990. The number of RRBs branches stood at 14,511 as at end-September 1990, of which seven States viz., Uttar Pradesh (3,052), Bihar (1,890), Madhya Pradesh (1,601), Andhra Pradesh (1,122), Karnataka (1,072) and Rajasthan (1,068) together accounted for about 68 per cent of the total branches. In other States, the number of branches were less than 1,000 each. State-wise position of the RRB branches is presented in Table VII-32.

Operations of RRBs

The aggregate outstanding deposits of 196 RRBs increased moderately to Rs. 4,267 crore at end-September 1991 from Rs. 4,151 crore six months earlier in March 1990. However, the amount of outstanding advances did not show any

Table VII - 32 : State-wise Branches of Regional Rural Banks (As at the end of September 1990)

Name of the State/ Union Territory	No. of RRBs	No. of districts covered	No. of branches
1	2	3	4
Arunachal Pradesh	1	4	18
Andhra Pradesh	16	23	1122
Assam	5	22	398
Bihar	22	40	1890
Gujarat	9	17	429
Haryana	4	14	300
Himachal Pradesh	2	4	129
Jammu and Kashmir	3	10	256
Karnataka	13	20	1072
Kerala	2	6	269
Madhya Pradesh	24	44	1601
Maharashtra	10	17	590
Manipur	1	8	29
Meghalaya	1	3	50
Mizoram	1	3	50
Nagaland	1	7	8
Orissa	9	13	819
Punjab	5	10	201
Rajasthan	14	27	1068
Tamil Nadu	3	7	208
Tripura	1	3	90
Uttar Pradesh	40	60	3052
West Bengal	9	18	862
TOTAL	**196**	**380**	**14511**

Source : National Bank for Agriculture and Rural Development.

variation in this period; in fact, it fell by Rs. 1 crore following the implementation of the rural waiver scheme. Purpose-wise distribution of outstanding advances in the similar period indicated that there was diversion of funds to retail trade and self-employed persons and consumption loans which increased by Rs. 33 crore and Rs. 9 crore, respectively. For all other purposes, the amount advanced showed a sharp decline. The indirect outstanding advances of RRBs fell from Rs. 49 crore in December 1989 to Rs. 12,000. During the half-year period April 1990 to September 1990, RRBs disbursed a sum of Rs. 642 crore to 17.33 lakh beneficiaries of which Rs. 188 crore were disbursed under Government sponsored programmes such as IRDP, DRI, etc.

Refinance from NABARD

Details of NABARD's short-term credit limits to 138 RRBs sanctioned in the year 1990-91 (April-March) are as follows:

NABARD Credit Limits for RRBs

	(Rs. crore)
1. Short-term	460.00
2. National Oilseeds Development Programme	125.43
3. Short-term (for seasonal agricultural operations)	434.00
4. Short-term (other than seasonal agricultural operations)	113.00

During 1990-91 (April-March), NABARD sanctioned medium-term (Non-schematic) credit limits of Rs. 89 crore to 116 RRBs. In the previous year, similar limits sanctioned to 112 RRBs were Rs. 83.18 crore. The outstandings against these limits at the end of March 1991 were short-term Rs. 287 crore and medium-term (non-schematic lending) Rs. 261 crore. In the previous year, the corresponding outstandings were Rs. 396.95 crore and Rs. 245.48 crore respectively. In addition, NABARD had sanctioned medium-term

(conversion loans) of Rs. 1.53 crore and the outstandings under medium-term borrower loan stood at Rs. 11 crore at the end of March 1991. Over and above these limits, the RRBs were also provided with schematic refinance by NABARD.

Refinance from Sponsor Banks and other Institutions

Up to September 1990, the refinance availed of by RRBs from their respective sponsor banks was Rs. 328 crore which was slightly more than Rs. 305.97 crore availed at the end of March 1990. The refinance availed of by RRBs from IDBI was Rs. 20.12 crore as against Rs. 54.91 crore availed in the previous year.

R & D Fund

RRBs are eligible for assistance from the NABARD's R & D Fund for setting up technical cells for preparation and evaluation of schemes under project lending. In this year more number of RRBs — as many as 87 — availed of these facilities as compared with 65 RRBs in the previous year.

WORKING OF VARIOUS SCHEMES

The following paragraphs present a synoptic review of several schemes in respect of which banks were directed to pay special attention.

(a) Credit Monitoring Arrangement

The Credit Monitoring Arrangement (CMA) has been in operation, in lieu of the Credit Authorisation Scheme since October 10, 1988, wherein banks have been authorised to sanction credit proposals of large borrowers with a requirement that the proposals be submitted to the Reserve Bank for post-sanction scrutiny. The number of such proposals increased to 2,645 as at the end of June 1991 from 1,825 as at the end of June 1990. Total working capital limits in force relating to these proposals as at the end of June 1991 were Rs. 37,482 crore, of which the share of public sector undertakings was Rs. 17,913 crore or 47.8 per cent. The facility-wise distribution of total limits as at the end of June 1991 was: 91.3 per cent for working capital purposes (including packing credit, inland and foreign bills), 8.2 per cent for term finance, and 0.5 per cent for sale of machinery on deferred payment basis.

Hitherto, under the CMA all sanctions and/or renewal of credit limits to borrowers enjoying fund-based working capital limits of Rs. 5 crore and above and/or term loans in excess of Rs. 2 crore were required to be reported by the banks (sole bank or leader of the consortium) to the Reserve Bank. On a review, it was decided to introduce from January 1991, a system of a percentage scrutiny of such proposals instead of 100 per cent scrutiny earlier, in view of the progress made by the banks in implementing the recommendations of the Tandon/Chore Committee Reports to bring about financial discipline in availing of bank credit. While banks have been advised that the practice of reporting 100 per cent of sanction and/or renewal of credit limits to the Reserve Bank would continue, in view of the reduction in the level of post-sanction scrutiny undertaken by the Bank, they are expected to review their existing system to appraise proposals and to monitor bank credit and improve upon it wherever necessary.

(b) Duty-Drawback Credit Scheme, 1976

For the period November 1, 1990 to October 31,1991, 28 banks have been sanctioned limits aggregating Rs.105.45 crore to enable them to avail themselves of interest-free refinance admissible under the Duty-Drawback Credit Scheme, 1976.

(c) Housing Finance

As regards the allocation for housing finance, scheduled commercial banks were advised to continue to compute their respective share at 1.5 per cent of their incremental deposits during the previous year. During 1989-90, as against a targeted amount of Rs.322 crore, the actual bank credit disbursed for housing finance was higher at Rs.390 crore. The overall quantum earmarked was Rs.387 crore and Rs.365 crore for the years, 1990-91 and 1991-92, respectively. Till recently, banks were permitted to issue guarantees in favour of Housing and Urban Development Corporation in respect of housing loan to State-level

institutions provided certain terms and conditions were satisfied. Consequent upon State Governments being empowered to extend guarantee on behalf of State-sponsored bodies in respect of loans given by HUDCO and certain other financial institutions irrespective of the rate of interest charged on the loan, banks have been advised in October 1990 not to issue guarantees favouring HUDCO in respect of loans given to State sponsored bodies. So far private builders were allowed bank finance by way of a demand loan linked to a specific project for a maximum period of 18 months. Effective June 5, 1991, they may now avail of bank credit by way of term loans for a period ranging from three to five years, linked to each specific project for the development of plots together with construction of flats/houses under the refinance scheme of National Housing Bank, subject to the compliance with a few important conditions including, among others, that builders should not receive any deposits/payments during the development and construction stages and that on completion, the dwelling units will be sold on outright sale basis at predetermined prices to allottees.

National Housing Bank (NHB)

The share capital of the National Housing Bank (NHB), which was last raised in September 1989 from Rs.100 crore to Rs.150 crore was further raised to Rs.200 crore in October 1990. NHB issued its third series of bonds guaranteed by the Central Government and carrying an interest of 11.5 per cent per annum amounting to Rs.80 crore; the total of such loans raised by the NHB so far amount to Rs.160 crore. The Reserve Bank raised its long-term loan to Rs.50 crore from Rs.25 crore sanctioned in the previous year to NHB, bringing the total assistance extended so far to Rs.125 crore.

On July 20, 1990 NHB launched its Capital Bonds Scheme under which the bonds which are neither transferable nor negotiable, carry rate of interest of 9 per cent per annum, payable half-yearly or on discounted basis in the beginning itself, and provide 100 per cent tax exemption on capital gains arising out of sale/transfer of long-term capital assets like land, building, shares and securities, jewellery, etc., under Section 54(e) of the Income-Tax Act, 1961. Under this Scheme, NHB has collected a sum of Rs.82.4 crore till the end of June 1991.

Under the USAID Government Housing Guarantee Programme, NHB had raised as first tranche on April 18, 1991, a sum of US $ 25 million from the US capital market. The loan has a maturity period of 30 years and bears a fixed rate of interest of 8.63 per cent per annum. The foreign currency component of the loan was passed on to the Central Government which in turn made available rupee funds to the NHB. The funds raised are being utilised to support eligible housing finance companies in making long-term shelter finance available for households below the median income (Rs.2000 per month). NHB has also secured a loan through the Government of India from the Overseas Economic Co-operation Fund (OECF) of Japan for Yen 2.97 billion which will also be utilised for extending housing loans to households below the median income.

Consequent to the restructuring of the lending rates of scheduled commercial and State co-operative banks with effect from September 22, 1990, NHB modified its refinance rates as under:

Loan Amount (in Rupees)	Rate of interest (per cent per annum)	
	To be charged by NHB	To be charged by primary lender to borrower
Upto 7500	8.0	10.0
7501—15000	9.5	11.5
15001—25000	10.0	12.0
25001—50000	12.5	14.0
50001—200000	14.0	15.0

The ceiling for 100 per cent refinance has also been increased to Rs.2 lakh for loans towards construction/acquisition of new housing units with built-up area not exceeding 40 sq.mts. Refinance to the extent of 100 per cent will continue to be available in respect of loans up to Rs.1 lakh for units with more than 40 Sq.mts. built-up area but

costing not more than Rs.1.50 lakh (including cost of land). Loans up to Rs.30,000 for major repairs or upgradation will continue to qualify for 100 per cent refinance. The above modifications were made applicable to all eligible housing loans disbursed by scheduled commercial and co-operative banks on or after September 22, 1990. In respect of housing finance companies and State-level apex co-operative housing finance societies, the modified provisions of the refinance schemes were brought into force from January 1, 1991. Subsequently, with effect from May 1, 1991, in respect of housing finance companies (HFCs), the loan slab of Rs.50,001 — Rs.2,00,000 was split into two slabs of Rs.50,001 — Rs.1,00,000 and Rs.1,00,001 — Rs.2,00,000 and the rates of interest to be charged to the ultimate beneficiary were fixed at 14.5 and 15.0 per cent per annum, respectively, while refinance from NHB attracted interest at 13.5 and 14.0 per cent per annum, respectively.

Till the end of June 1991, refinance assistance (including ad hoc financial assistance) provided by NHB to all categories of eligible primary lenders amounted to Rs.567.5 crore which compares with that of Rs.131.7 crore as at the end of June 1990. The HFCs accounted for 83.7 per cent of the total refinance sanctioned followed by co-operative sector institutions, (11.2 per cent) and scheduled commercial banks (5.1 per cent). The refinance assistance was extended in respect of about 6.4 lakh dwelling units, including units for upgradation and projects for land development and shelter construction.

The Home Loan Account Scheme (HLAS), which has been in operation since July 1, 1989, has now been extended to select housing finance companies and Apex Co-operative Housing Finance Societies. On the basis of available information, more than 5 lakh accounts have been opened under the scheme by the end of November 1991. The amount of deposits collected was about Rs. 100 crore.

Interest rates under refinance schemes for land development and shelter projects executed in accordance with NHB's guidelines by public agencies, co-operative housing societies, professional developers as also for rental housing projects of public and private sector employers were also revised so as to conform to the revised interest rate structure. The interest on term loans will be worked out as a weighted average of the rate applicable in respect of individual components and charged for the project loan as a whole, interest on refinance from NHB being one per cent lower than the said rate. The guidelines were also liberalised. Accordingly, the prescribed plot and dwelling unit size can be marginally relaxed so long as the cost does not exceed Rs.50,000 and Rs.1.5 lakh, respectively. During the year, these refinance schemes were extended to all eligible housing finance companies also. NHB has till the end of June, 1991, approved 44 projects aggregating Rs.298.6 crore for development of 17,803 plots and construction of 38,702 dwelling units. Besides, NHB has also given 'in principle' clearance for 79 projects involving a total outlay of Rs. 690.5 crore for development of 22,199 plots and construction of 36,736 houses.

The NHB also participates, on merit, in the equity of housing finance companies. As a matter of policy, NHB has decided to participate in the equity of only those new/existing housing finance companies which commit to open branches in the Central, Northern and North-Eastern Regions, where housing finance system is yet to develop in a significant way. NHB has so far decided to participate in the equity of 4 HFCs amounting to Rs.5.5 crore to be promoted by Bank of Baroda, Andhra Bank, Central Bank of India and Vysya Bank Ltd. As on June 30, 1991, NHB has participated in the equity of Akshaya Awas Nirman Vitta Ltd. (Bank of Baroda) and Vysya Bank Housing Finance Ltd. to the extent of Rs.2.8 crore. NHB has recognised 16 HFCs as eligible for financial assistance. Of these, 2 are in the public sector, 2 in the joint sector and the remaining 12 are in the private sector. Among the companies recognised in the private sector, 7 are sponsored by institutions/banks and 5 are sponsored by private individuals.

Till June 1991, NHB has sanctioned equity assistance for 4 projects aggregating to Rs.116 lakh. In keeping with the criteria for extending

support to locally produced standardised building materials and components, using agricultural and industrial waste, support has been extended to the following units manufacturing: (a) Sand lime brick, (b) Flyash-based building material products and (c) Polyester cast moulded products.

d) Lead Bank Scheme

The Lead Bank Scheme which is intended to reduce regional disparities and also foster development of backward areas covered 458 districts as on 30-6-1990. During the period July 1, 1990 to June 30, 1991 the lead bank responsibility in respect of 5 new districts formed as a result of reorganisation/bifurcation of some of the districts in the States of Bihar, Assam Rajasthan was allotted to public sector banks and the total number of districts covered under the scheme as on 30-6-1991 was thus 463.

e) Self-Employment Scheme for Educated Unemployed Youth (SEEUY)

The SEEUY was introduced seven years ago in 1983-84. The Scheme envisages that at least 30 per cent of the beneficiaries should belong to scheduled castes and scheduled tribes. In the first three years, the number of beneficiaries targetted was 2.50 lakh in each year and this was lowered to 1.25 lakh in 1987-88, 1989-90 and 1990-91. There was a sharp decline in number of educated youth benefitting during 1990-91 at 54,700 beneficiaries, both as against the target of 1.25 lakh beneficiaries and also as compared with previous year's achievement of 97,000. Likewise, the amount of loan sanctioned was substantially lower at Rs.150.6 crore as against Rs.190 crore sanctioned in the previous year. Since September 1990, the rate of interest under the scheme is related to the size of the loan.

f) Self-Employment Programme for Urban Poor (SEPUP)

This scheme, introduced by the Government of India during 1986-87 is intended to encourage families living below the poverty line in metropolitan, urban and semi-urban areas to undertake self-employment ventures with the help of subsidy and bank credit. Under the programme, 1.36 lakh loans amounting to Rs.60.61 crore were sanctioned by the banks during 1990-91.

g) The Scheme of Urban Micro Enterprises (SUME)

The Scheme of Urban Micro Enterprises (SUME) has been introduced from June 15, 1990 with the objective to provide employment to the unemployed and underemployed poor in urban areas. It covers unemployed urban poor living below the poverty line in metropolitan areas, cities and town not covered by IRDP.

h) Credit to Minority Communities

As at the end of June 1991, priority sector advances of public sector banks to the minority communities in 40 identified districts amounted to Rs.806.22 crore in 12.76 lakh borrowal accounts as against Rs.739.60 crore in 12.30 lakh borrowal accounts as at the end of June 1990.

i) Integrated Rural Development Programme (IRDP)

IRDP has been recognised as a pioneering and ambitious programme to rectify imbalances in rural economy and also for all-round progress and prosperity of the rural masses. Under the programme, banks had assisted 28.98 lakh beneficiaries in 1990-91 (up to March 1991) and disbursed a total amount of Rs.1,190.03 crore as loan and Rs.808.87 crore as subsidy. Out of the 28.98 lakh beneficiaries assisted during the year, 14.46 lakh belonged to SCs/STs and 8.95 lakh were women.

As per the modified scheme, with effect from April 2, 1990, at least 50 per cent (instead of 30 per cent hitherto) of the assisted families under IRDP should belong to SCs/STs and at least 40 per cent (instead of 30 per cent) of the total beneficiaries should be women.

The recovery in respect of IRDP loans of the public sector banks for the year ended June 1990 declined to 30.8 per cent (provisional) of demand as compared with 39.1 per cent in the comparable period in 1989 and 40.8 per cent in 1988.

With effect from April 1, 1991, Government of India has enhanced the subsidy admissible under IRDP to the physically handicapped to 50 per cent subject to a monetary limit of Rs. 5,000 per family.

j) DRI Scheme

Under the Differential Rate of Interest (DRI) Scheme, another popular poverty alleviation programme which envisages the concept of lending to the poor at a low rate of interest, the advances of public sector banks at the end of June 1991 stood at Rs. 642.69 crore in 34.53 lakh borrowal accounts as against Rs. 708.03 crore in 42.87 lakh borrowal accounts six months earlier in June 1990. At this level, the share of these advances in total advances was lower at 0.7 per cent than the stipulated target of 1.0 per cent. For the same period, the outstanding advances under the Scheme to the beneficiaries belonging to SCs/STs amounted to Rs. 291.25 crore in 16.3 lakh borrowal accounts forming 45.3 per cent of total DRI advances thus exceeding the prescribed target of 40 per cent.

Certain modifications have been effected in the Scheme during the year. Against the earlier loan limit of Rs. 2,500 under the Scheme, banks may now assist handicapped persons for acquiring aids, appliances and equipments to the extent of their actual cost but not exceeding Rs. 5,000. This assistance will be independent of the productive loan limit of Rs. 6,500 eligible under the Scheme. Housing loans up to Rs. 5,000 (direct and indirect advances) granted to scheduled caste/scheduled tribe beneficiaries who satisfy the income criteria stipulated under the Scheme will now be classified by banks under the DRI Scheme. SC/ST beneficiaries availing of housing loans upto Rs. 5,000 have been brought under the DRI Scheme; such beneficiaries would, in addition, be eligible for further assistance for productive activities either under the Scheme upto Rs. 6,500 or under IRDP/SEPUP/SEEUY/SUME according to their eligibility under the respective schemes.

k) Agricultural and Rural Debt Relief Scheme, 1990

The Agricultural and Rural Debt Relief Scheme, 1990 which envisaged debt relief up to Rs. 10,000 to eligible borrowers of public sector commercial banks and RRBs was implemented effective May 15, 1990. The salient features explaining the modalities of the scheme were outlined in previous year's Report. As decided by the Government of India, banks have been advised to complete the implementation of the scheme by March 31, 1991. However, in the States of Assam and Jammu and Kashmir it has been extended up to end-June 1991. The State Governments also formulated a similar scheme for implementation in the co-operative sector. Provisional figures reported by public sector banks and NABARD up to December 1991 indicated that debt relief to the extent of about Rs. 7,800 crore have been provided by banks, of which public sector commercial banks, provided Rs. 2,900 crore, RRBs Rs. 800 crore and co-operative banks Rs. 4,100 crore.

l) Export Credit (Interest Subsidy) Scheme, 1968

From the funds made available to it out of the Marketing Development Assistance (MDA) of the Government of India, the Reserve Bank has disbursed interest subsidy to commercial banks and eligible co-operative banks at 5 per cent per annum in the case of pre-shipment and 3.85 per cent in respect of post-shipment credit for exports on cash basis. During the period July 1, 1990 to June 30, 1991 the total disbursement amounted to Rs. 290 crore.

Consequent upon the revision of the rate of interest on export credit provided by banks as a sequel to the abolition of subsidies on exports by the Government, effective August 6, 1991, banks have been advised that they would not be eligible for interest subsidy under the scheme.

m) Comprehensive Crop Insurance Scheme (CCIS)

The comprehensive Crop Insurance Scheme (CCIS), introduced by the Government of India throughout the country from Kharif 1985 has been continued during the year 1990-91. There was no change in the sum insured per farmer which was limited to 100 per cent of the crop loan disbursed subject to a maximum of Rs. 10,000. The level of indemnity for various crops was the same as that prevailed in the previous year:

Category	Variation in yield	Indemnity
Low	Up to 15%	90%
Medium	16% to 30%	80%
High	Above 30%	60%

The premium income during 1989-90 inclusive of subsidy amounted to Rs. 17.24 crore as compared to Rs. 11.96 crore during the year 1988-89. The claims amounted to Rs. 37.24 crore in 1989-90 as against Rs. 33.37 crore during 1988-89.

Coverage under Comprehensive Crop Insurance Scheme

Season	No. of farmers (in lakhs)	Area covered (hectares in lakhs)	Sum insured (in crore)	Premium (in crore)
1	2	3	4	5
Kharif 1988	29.64	52.35	547.88	8.81
Rabi 1988-89	8.79	10.18	164.93	3.14
Kharif 1989	42.26	66.46	873.89.	14.48
Rabi 1989-90	6.60	9.59	151.56	2.76

Source : GIC Annual Report 1989-90.

n) Financial Assistance to Ex-Servicemen — Scheme of preparing Ex-Servicemen for Self-Employment (PEXSEM)

A special scheme, called Preparing Ex-servicemen for Self-Employment venture was formulated by the Government of India in the year 1983-84 with a view to providing training guidance and financial assistance to retiring and retired defence personnel who wish to start self-employment ventures in rural areas. The scheme was initially confined to six districts in six states. During the year 1990-91, the scheme is in operation in 46 districts in 11 states of the country.

o) Recovery of direct agricultural advances

The recovery of direct agricultural advances by public sector banks which had improved to 57.3 per cent of demand in 1988-89 from the previous year's level of 56.8 per cent, showed a fairly steep decline to 46.8 per cent of demand in 1989-90 (July-June). Likewise, in respect of the private sector banks too, there was fall from 55.1 per cent of demand during the half-year ended March 1990 to 45.8 per cent for the half year ended September 1990. In the case of RRBs, the percentage of recoveries to demand declined from 48.6 per cent in 1988-89 to 33.9 per cent in 1989-90.

OTHER BANKING DEVELOPMENTS

Action Plans for Banks : 1990-91

The Action Plans drawn up by the commercial banks for April 1990 to March 1992 are being implemented by them. Considering the utmost need for augmenting their profitability and strengthening their financial base, banks have been advised to observe prudent accounting standards. Guidelines for classification of advances under the prescribed 'Health Codes' as also to stop the application of interest on advances classified under Health Code No. 5 to 8 have been issued. Banks have been advised to improve their volume of business, concentrate on effecting quicker recoveries of their dues, ensure efficient management of funds by exploring new avenues of income, control expenditure effectively and reduce the incidence of bad debts. Banks have also been advised to work out detailed strategies for improving their profitability keeping in view the need for generating higher profits so that the existing provisions could be augmented adequately to cover the estimated loan losses and other contingencies. Towards that end, banks were told to reduce the quantum of sticky and non-performing advances in a time-bound manner and take effective steps to ensure that the quantum of sticky advances was contained at a much lower level. Smaller banks have been advised to consider reverting to a 3-tier organisational structure from the present 4 tiers, in the interest of saving costs as well as for improving the speed

and effectiveness of the decision-making process. More importantly, banks have been advised to devote continuing attention to improving the branch-level performance, upgrading unsatisfactory branches as well as developing model branches.

Financial Diversification of Banks

In recent years, there has been substantial growth and diversification in the Indian financial system. Commercial banks have made significant strides in this field and have through their subsidiaries in the new areas like merchant banking, mutual funds, housing finance, hire purchase and factoring services. As at the end of 1990-91, the number of equipment leasing-cum-merchant banking subsidiaries set up by the banks was nine, out of which eight were by public sector banks and one by a private sector bank. The number of banks' mutual funds remained at five in this period. During the year, approval was given to Canara Bank and State Bank of India to set-up their respective Asset Management Company as subsidiary for managing exclusively banks' mutual fund business. In view of the importance given to housing finance, nine banks have either set up housing finance companies/subsidiaries or have participated in the equities of the housing finance companies set up by other institutions. It was mentioned in the previous year's Report that factoring services had also become a permissible business for banks to enter into. Two banks have already set up separate subsidiaries undertaking factoring business. Another permissible business undertaken has been the hire purchase business and in this period five banks were permitted to engage in this business through their respective merchant banking subsidiaries. Five banks — four from public sector and one foreign bank — have been permitted to enter into credit card business by having a tie-up arrangement with other banks which have already introduced credit cards. One foreign banks was permitted to make portfolio investment in a leasing company to be newly set up to the extent of 30 per cent of the paid-up capital of the company.

Revision of Inventory/Receivable Norms and Other Related Issues

In the wake of the country's difficult balance of payments position, banks were advised in October, 1990 to restrict the level of holding of imported raw materials to the prescribed levels or up to a period of three months, whichever was less. These norms represented the maximum levels of holding and should not be construed as entitlements in case borrowers had managed with lower levels in the past.

Although the Reserve Bank is not in favour of financing subsidy receivables by banks, considering the special problems faced by the fertiliser industry, banks have been permitted to finance such receivables under the normal Retention Price Scheme (RPS) for periods up to 60 days.

In view of the accumulation of finished goods and extended receivables with the polyester staple fibre (PSF) manufacturing units, which were faced with a low demand and low capacity utilisation, the units were allowed to hold finished goods and receivables up to 3 months as against the regular norm of 2 months on a selective basis depending on the merits of each case, for a period up to December 31, 1990. The facility of assessing the working capital requirements under the First Method of Lending had been extended up to end-February, 1991, to all textile units taken over by the NTC and State Textile Corporations, wherever they had availed of financial assistance for modernisation, etc., from IDBI/other financial institutions, so that the dependence of these units on Government funds for strengthening the capital base, etc., could be reduced. In respect of composite textile mills which continue to face the problem of stock accumulation of finished goods and extended receivables, banks were advised that they might permit the holding of stocks up to 3.5 months as against the regular combined norms of 3.0 months in respect of finished goods and receivables on a selective basis and on merits of individual cases, for a period up to September 30, 1991. The credit needs of all diamond exporters, which were allowed to be assessed under the First Method of Lending for three years up to the end of 1990, are now being assessed under the Second Method of Lending since January, 1991. After a review of the norms for the diamond industry in June, 1991, it was decided to reduce the levels of holdings to 2.5 months for raw materials (including stocks-in-rrocess), 1.0 month for

finished goods and 3.0 months for receivables as against the earlier levels of 3.5 months, 1.5 months and 3.0 months, respectively. The above norm of 2.5 months for raw materials and work in progress is inclusive of the transit period of 15 days for receipt of rough diamonds in the case of DTC sight holders. In the case of non-sight holders, the norm applicable is a maximum of three months.

WORKING OF GUARANTEE CORPORATIONS

Deposit Insurance and Credit Guarantee Corporation (DICGC)

The Deposit Insurance and Credit Guarantee Corporation (DICGC) continued to operate the Deposit Insurance Scheme to provide insurance cover to small depositors in banks and five Credit Guarantee Schemes (four for small borrowers and one for Small-Scale Industries) guaranteeing the priority sector advances granted by participating banks and financial institutions.

The number of insured banks increased from 1,917 as on June 30, 1990 to 1,924 as on June 30, 1991 comprising 80 commercial banks, 196 Regional Rural Banks and 1,648 co-operative banks in 16 States and 3 Union Territories. The insured deposits at Rs. 1,09,316 crore formed 69.7 per cent of total assessable deposits at the end of June 1990. Of the total number of deposit accounts, the fully-protected deposit accounts formed 96.5 per cent. During the year, the Corporation paid an aggregate amount of Rs. 31.20 crore towards settlement of claims in respect of 5 commercial banks and 2 co-operative banks.

The number of banks participating in the Small Loans Guarantee Scheme, 1971 as at the end of June 1991 was 258 which included 64 commercial banks and 194 Regional Rural Banks. Only two amongst the State Financial Corporations (including a State Industrial Development Corporation) participated in the Small Loans (Financial Corporations) Guarantee Scheme, 1971. At the end of June 1991, 150 credit institutions participated in the Service Co-operative Societies Guarantee Scheme, while the number of primary urban co-operative banks participating in the Small Loans (Co-operative Banks) Guarantee Scheme was 39. Total guaranteed advances under the above four schemes at Rs. 27,692 crore at the end of March 1990 were higher by 8.2 per cent as compared with 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 was reduced to 375 at the end of June 1991 from 555 as at the end of June 1990. The guaranteed advances to small-scale industrial sector increased by 19.4 per cent to Rs. 16,826 crore at the end of March 1990 from Rs. 14,094 crore at the end of March 1989.

Between July 1990 and June 1991, the number of claims received by the Corporation was 19.90 lakh worth Rs. 492.49 crore in respect of guarantee scheme relating to small borrowers and 0.82 lakh claims worth Rs. 246.73 crore in respect of its scheme for SSIs. During the period, the Corporation disposed of 18.60 lakh claims for Rs. 426.13 crore in respect of small borrowers and 0.80 lakh claims for Rs. 239.36 crore in respect of the SSI Scheme.

The guarantee fee receipt which had exceeded the claims receipt last year fell short of guarantee claims during 1990-91 by Rs. 80.99 crore. This gap between the receipts and claims is likely to widen as a sequel to the Corporation's decision to exclude certain categories of advances to priority sector for payment of guarantee fee for the year 1990-91.

Export Credit Guarantee Corporation of India Ltd.

During the financial year 1990-91, operations of the Export Credit Guarantee Corporation of India Ltd. (ECGC) made substantial headway. Scheme-wise details of policies and guarantees issued as also amounts of financial guarantees covered are furnished in the table VII-33. The premium earned during 1990-91 aggregated Rs. 62.48 crore as compared with Rs. 47.46 crore during 1989-90 indicating a rise of 31.64 per cent over the year. During 1990-91, total value of gross

claims paid amounted to Rs. 109.60 crore which was the highest amount paid in any single year and the value of claims recovered totalled Rs. 6.92 crore resulting in a net claims payment of Rs. 102.68 crore.

During the year, a major step was taken towards improving the guarantee scheme to decentralise the submission of declaration and premium under wholeturnover guarantees. A number of banks have agreed to the said decentralised system. This is expected to result in ECGC's Branch and Regional Offices extending better service to the banks (Table VII-33).

Financial Companies—RegulationsGoverning Acceptance of Deposits

During the year ended June 1991, there were no changes in the Regulation, by way of amendments to the sets of Directions. The Directions issued to the non-banking financial companies and miscellaneous non-banking companies have, however, been amended subsequently by notifications issued on July 26, and September 19, 1991. Effective July 27, 1991, the maximum rate of interest these companies can pay on their deposits has been raised from 14 per cent to 15 per cent per annum. The interest has to be applied at quarterly rests and, where the interest is paid at shorter rests, the interest is required to be discounted so as not to exceed the interest stipulated on quarterly rests. These financial companies have been prohibited from paying interest in case deposits are withdrawn before the minimum period of deposit. However, to meet unforeseen needs of the depositors, the companies can grant loans against the deposits after six months of the acceptance of the deposits at an interest of 2 percentage points above the rate payable on the deposits. The requirement of maintaining liquid assets in the form of deposits with banks and/or approved securities by hire purchase and equipment leasing companies has been raised from 10 per cent to 11 per cent from November 1, 1991 and thereafter a further 1 per cent every quarter till it reaches 15 per cent on November 1, 1992. Out of the 15 per cent liquid assets, at least 5 per cent should be in the form of Central and State Government securities and/or Central and State Government guaranteed bonds. Effective September 24, 1991, the minimum and maximum periods for which loan and investment companies can accept deposits have been raised from 6 months and 36 months respectively to over 24 months and 60 months. Effective March 1, 1992 the total deposits of hire

Table VII-33 : ECGC's Guarantees to Banks and Policies to Exporters

No. of Policies and Guarantees (April-March)

Type of Scheme	Issued during		In force at the end of		Bank Finance Guarantee availed of Rs. crore	
	1989-90	1990-91*	1989-90	1990-91*	1989-90	1990-91*
1	2	3	4	5	6	7
1. Standard Policies including Transfer Guarantees	5567	6771	10840	12417	—	—
2. Long-term Policies	76	68	678	448	—	—
3. Packing Credit Guarantees	385	383	431	376	19,137	21,214
4. Post-shipment Guarantees	922	1125	1111	1161	6,858	9,074
5. Export Finance Guarantees	359	382	360	381	90	143
6. Export Production Finance Guarantees	16	13	18	17	72	39
7. Export Performance Guarantees (Short-term)	1789	1610	2414	3102	316	200
8. Export Performance Guarantees (Long-Term)	168	161	1221	647	195	572
Total (excluding long-term policies and guarantees)	**9042**	**10284**	**15174**	**17454**	**26473**	**30670**
Total (including long-term policies and guarantees)	**9282**	**10513**	**17073**	**18549**	**26668**	**31242**

* Provisional.

purchase companies, including of borrowings from banks and financial institutions and by way of issue of convertible debentures or debentures secured by immovable properties, shall not exceed 10 times their net owned funds, as in the case of equipment leasing companies. Security deposits from employees taken for due performance of their duties are required to be kept in scheduled bank/post office in the joint names of the employee and the company. The Directions have also been amended requiring the financial companies to furnish additional particulars in their advertisements soliciting deposits to provide more information to the depositors.

Chit Funds Act, 1982

The number of States/Union Territories covered under the Chit Funds Act, 1982 remained unchanged at nineteen during 1990-91 which include Assam, Bihar, Goa, Himachal Pradesh, Karnataka, Madhya Pradesh, Meghalaya, Orissa, Rajasthan, Sikkim, Tamil Nadu, Uttar Pradesh, West Bengal, Andaman and Nicobar Islands, Chandigarh, Dadra and Nagar Haveli, Daman and Diu, Lakshadweep and Pondicherry. In the remaining States necessary follow up action has been taken.

Acceptance of Deposits by Unincorporated Bodies

With four more States having issued notifications during 1990-91 authorising suitable officers to take action against unincorporated bodies in terms of Sections 45T and 58E of the Reserve Bank of India Act, 1934, the total number of such States/Union Territories comes to 27. The matter is being pursued with the remaining States. Of the 129 bodies located in Gujarat, Karnataka, Kerala, Tamil Nadu and Delhi which were investigated by the Bank till now (including nine during the period under review) with the assistance of State Police/Government officials, prosecution proceedings have been launched against 19 such bodies for violation of the provisions of Chapter III C. The cases are at various stages of trial.

Trends in Growth of Deposits with Non-Banking Corporate Sector

The provisional data places the aggregate deposits of 9,057 reporting non-banking companies for the year ended March 31, 1990 at Rs. 32,216 crore as compared with Rs. 29,208 crore held by 10,197 companies at end March 1989.@ Non-financial companies accounted for 64.6 per cent of aggregate deposits, financial companies for 30 per cent and miscellaneous non-banking companies and residuary non-banking companies accounted for 5.4 per cent of the total. During 1989-90, regulated deposits of the reporting non-banking companies recorded an increase of Rs. 443 crore and stood at Rs. 6,518 crore thus forming 3.7 per cent of the aggregate deposits of all scheduled commercial banks. The exempted deposits rose by Rs. 2,565 crore to Rs. 25,698 crore. During 1989-90, regulated deposits of non-financial companies amounted to Rs. 4,044 crore while that of financial companies amounted to Rs. 1,585 crore (Table VII-33A).

@ The decrease in the number of reporting companies particularly in the financial category is largely due to the non-submission of returns by the companies.

Table VII-33A : Deposits with the Non-Banking Corporate Sector
(as at the end of March)

(Rupees crore)

Category	1988-89				1989-90 (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	10,197	6,075	23,133	29,208	9,057	6,518	25,698	32,216
Of which held by								
i) Non-financial companies	2,531	3,901	14,219	18,120	2,438	4,044	16,759	20,803
	(24.8)	(64.2)	(61.5)	(62.0)	(26.9)	(62.1)	(65.2)	(64.6)
ii) Financial companies	6,374	1,494	8,058	9,552	5,459	1,585	8,064	9,649
	(62.5)	(24.6)	(34.8)	(32.7)	(60.3)	(24.3)	(31.4)	(30.0)
iii) Misc. Non-Banking companies and Residuary Non-Banking companies	1,292	680	856	1,536	1,160	889	875	1,764
	(12.7)	(11.2)	(3.7)	(5.3)	(12.8)	(13.6)	(3.4)	(5.4)

Note : Figures in brackets are percentages to total number of reporting companies/regulated/exempted aggregate deposits as the case may be.

RURAL CREDIT

Institutional Finance for Agriculture

Over the years, considerable efforts have been made to strengthen the rural credit delivery system at the grass-root level. The multi-agency approach adopted by the Reserve Bank of India has helped to increase the quantum of institutional credit for agriculture and rural development and this has, thus, helped to reduce substantially the dependence of rural households on exploitative non-institutional credit sources. The institutional credit structure consists of the Co-operatives, Scheduled Commercial Banks and Regional Rural Banks (RRBs). At the Apex level, active financial support is rendered by both the Central and State Governments and at the national level by financial 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 credit and medium-term loans to agriculture, while long-term credit is granted by State Land Development Banks (SLDBs). The Commercial Banks and RRBs provide multi-purpose and multi-term credit for agriculture and allied activities. The refinance facilities to the institutional credit agencies are provided by the National Bank, being the Apex level financial institution. The Reserve Bank of India, as the Central Bank of the country, plays a crucial role in the development of agriculture and rural credit infrastructure. The Reserve Bank guides and directs rural credit agencies and provides them the necessary financial support in their operations through the National Bank.

New Strategy for rural lending — Service Area Approach

The Service Area Approach to rural lending which is in operation since April 1989 in semi-urban and rural branches of commercial banks will ensure credit planning at the grass-root level and would enable close monitoring of the end-use of funds. Under service area approach, credit plans were prepared by the commercial banks branches for the year 1990-91. The all-India sector-wise provisional data and target fixed for the year 1990-91 (April 1990 to March 1991) and target and achievements under annual credit plans 1989-90 (April 1989 and March 1990) is given below. The total outlay at Rs. 17,190 crore for the year 1990-91 is higher by 10 per cent than for the year 1989-90 and in absolute terms is higher by Rs. 1,600 crore. The data on achievements under credit plan for the year 1990-91 are not yet available.

Targets and Achievements

(Rupees crore)

Sectors	1989-90*		1990-91*
	Target	Achieve-ment	Targets
Agriculture	10,371.03	9,270.19	11,614.77
Industry	2,642.75	2,391.45	2,804.70
Services	2,576.57	2,441.39	2,770.74
Total	15,590.35	14,103.03	17,190.21

* Financial year April-March

Under the Service Area Approach, the banks have been advised to ensure that under no circumstances the flow of credit to the priority sector in general, and for rural areas and Governments sponsored schemes in particular should get disrupted and that every effort should be made to reach planned targets. The overall levels of credit as programmed under the service area plans were mandatory with changes only in sectoral allocations.

To make the credit plan process more scientific and realistic, the potential-linked credit plans prepared by the National Bank for each district are to be used as guiding tools. Already, 114 district level offices have been opened by the National Bank and these offices would prepare potential-linked credit plans for each district. These micro plans present realistic estimate of credit projections taking into account the long-term development potential, availability of infrastructure, marketing support and credit absorption capacity and strengths and weaknesses of the credit institutions in the district.

Finance for Agricultural and Allied Activities

Complete data on institutional finance for agriculture and allied activities are not available for 1989-90 and 1990-91. Data in respect of loans issued by co-operatives for 1989-90 are provisional while in the case of RRBs it is revised. In the case of Scheduled Commercial Banks, data are available only upto 1988-89. Tables VII-34 and VII-35 contain data on institutional finance for agriculture and allied activities.

(a) Direct Finance

Data in respect of Co-operatives and Scheduled Commercial Banks for 1990-91 are not available. Direct finance disbursed for agriculture by the co-operatives rose by 11.9 per cent to Rs. 5,453 crore in 1989-90 (July-June) from Rs. 4,873 crore in 1988-89. The short-term loans disbursed by PACS went up by Rs. 485 crore (13.5 per cent) to Rs. 4,079 crore in 1989-90 from Rs. 3,594 crore in 1988-89. The State Governments disbursed an estimated amount of Rs. 359 crore in 1990-91 as against Rs. 292 crore in 1989-90 — an increase of Rs. 67 crore or 22.9 per cent over the preceding year. Loans disbursed by Scheduled Commercial Banks amounted to Rs. 3,813 crore in 1988-89 as against Rs. 3,526 crore in 1987-88, showing an increase of Rs. 287 crore or 8.1 per cent over the preceding year. Disbursements of loans by RRBs in the year 1990-91 recorded a decline of Rs. 74 crore to Rs. 573 crore during 1991 from Rs. 647 crore in 1989-90. Total direct finance disbursed for agriculture and allied activities by the institutional agencies aggregated Rs. 9,381 crore during 1988-89 as against Rs. 9,198 crore in 1987-88, recording a rise of 2.0 per cent.

The amount of direct loans outstanding by the co-operatives aggregated Rs. 10,789 crore at the end of June 1990 which showed an increase of Rs. 1,381 crore or 14.7 per cent over the outstanding of Rs. 9,408 crore at the end of June 1989. The outstanding short-term loans of PACS recorded an increase of 15.5 per cent from Rs. 4,668 crore at end of June 1989 to Rs. 5,392 crore at end of June 1990. The medium and long-term loans by PACS and LDBs showed an increase of Rs. 658 crore or 13.9 per cent to Rs. 5,398 crore as at end of June 1990. The outstanding amount of direct loans of Scheduled Commercial Banks (excluding RRBs) moved up from Rs. 11,424 crore at end-June 1988 to Rs. 12,840 crore during 1989 showing a rise of Rs. 1,416 crore or 12.4 per cent. Loans outstanding by RRBs at end-June 1990 increased to Rs. 1,838 crore (estimates) from Rs. 1,552 crore in 1989, 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 as at end-June 1988 as against Rs. 17,881 crore as at end-June 1987. However, data for the subsequent years are not available (Table VII-34).

*(b) Indirect finance**

Data on indirect finance to agriculture are presented in Table VII-35. Loan disbursed by co-operatives in 1989-90 aggregated to Rs. 1,688 crore as against Rs. 1,942 crore in 1988-89, showing a decline of Rs. 254 crore or 13.1 per cent over the year. Loan disbursed by Scheduled Commercial Banks (excluding RRBs) were lower at Rs. 194 crore during 1988-89 as against Rs. 266 crore in 1987-88. Disbursements of loans by RRBs amounting to Rs. 8 crore (July-June) during 1990-91 were also lower as compared with Rs. 10 crore (July-June) in 1989-90.

The Rural Electrification Corporation Ltd., (REC) disbursed loan to the tune of Rs. 708 crore for the financial year 1990-91 (April-March) as against Rs. 713 crore in 1989-90 (April-March), showing a decline of Rs. 5 crore or 0.7 per cent.

The co-operative loans outstanding at the end of June 1990 aggregated Rs. 2,230 crore as compared with Rs. 2,382 crore a year ago, representing a decline of 6.4 per cent over the year. The outstandings of Scheduled Commercial

* Indirect finance includes credit for distribution of fertilisers, loans to electricity Boards, loans to farmers through PACS/FSS/LAMPS and advances to State-sponsored Corporations for on-lending to weaker section in agricultural sector.

Table VII-34 : 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				
	1986-87	1987-88	1988-89	1989-90	1990-91	1987	1988	1989	1990	1991
1	2	3	4	5	6	7	8	9	10	11
I. Co-operatives	**3,701.0**	**4,710.4^{P}**	**4,873.1^{P}**	**5,453.4^{P}**	..	**7,465.1**	**8,346.6^{P}**	**9,407.7^{P}**	**10,789.4**	..
Of which :										
(a) Short-term loans by PACS[1]	2,619.9	3,119.8	3,594.2	4,079.2	..	3,293.0	3,870.8	4,667.7	5,391.7	..
	(58.0)	(66.7)	(73.4)	(..)		(125.0)	(136.0)	(152.3)	(..)	
(b) Medium and long-term loans by PACS/LDBs[2]	1,081.1	1,590.6	1,278.9	1,374.2	..	4,172.1	4,475.8	4,740.0	5,397.7	..
	(551.7)	(1,023.8)	(676.4)	(734.9)		(2,829.4)	(3,084.4)	(3,167.3)	(3,499.0)	
II. State Governments[3]	**209.6**	**478.4**	**274.5**	**291.8**	**358.6^{P}**	..	..	..	..	..
III. Scheduled Commercial Banks (excluding RRBs)	**3,332.4**	**3,526.1**	**3,813.6**	..	..	**9,354.8**	**11,424.0^{R}**	**12,840.2**	..	..
Of which :										
(a) Short-term loans	1,481.5	1,671.7	1,765.3	..	..	2,619.1	3,071.0	3,414.0	..	..
(b) Term loans	1,850.9	1,854.4^{R}	2,048.3	..	..	6,735.7	8,353.0	9,426.2	..	..
IV. Regional Rural Banks	**476.9**	**483.2^{R}**	**419.9**	**647.2^{E}**	**572.7^{P}**	**1,061.2**	**1,313.4**	**1,551.8**	**1,837.9^{E}**	..
Of which :										
(a) Short-term loans	201.1	245.8	250.1	335.6*^{R}	278.1*	324.0	400.4	479.1	615.5	701.1
(b) Term loans	275.8	237.4	169.8	311.6*^{R}	294.6	737.2	913.0	1,072.7	1,223.5^{R}	1,308.6
V. Total Direct Finance (I to IV)	**7,719.9**	**9,198.1**	**9,381.1**	..	..	**17,881.1**	**21,084.0^{R}**	..	..	..
Of which :										
(a) Short-term loans	4,512.1	5,515.7	5,884.1	..	..	6,236.1	7,342.2	..	..	..
(b) Medium and Long-term loans	3,207.8	3,682.4	3,497.0	..	..	11,645.0	13,741.8	..	..	..

E = 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

* Break up of these data into short-term and Term loans are not available.

Source : i) National Bank for Agriculture and Rural Development
ii) Reserve Bank of India
iii) Annual Budgets of the State Governments

Table VII-35 : 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				
	1986-87	1987-88	1988-89	1989-90	1990-91	1987	1988	1989	1990	1991
1	2	3	4	5	6	7	8	9	10	11
I. Co-operatives[1]	**1,863.7**	**2,452.5**	**1,942.2**	**1,687.7**	..	**2,131.7**	**2,313.1**	**2,381.7**	**2,230.1**	..
Of which :										
(a) State Co-operative Banks[2]	751.0	1,034.6	416.4	494.5	..	778.9	982.0	889.3	837.6	..
(b) Central Co-operative Banks[2]	1,112.7	1,417.9	1,525.8	1,193.2	..	1,352.8	1,331.1	1,492.4	1,392.5	..
II. Scheduled Commercial Banks (excluding RRBs)[3]	**252.1**	**266.3**	**193.9**	..	..	**1,424.2[R]**	**1,510.2**	**1,541.2**	..	..
III. Regional Rural Banks	..	**10.7**	**10.6**	**9.7**	**8.1**	**34.2**	**35.4**	**43.6**	**43.7**	**42.1**
IV. Rural Electrification Corporation[4]	**440.0+**	**654.6+**	**804.5+**	**713.0+**	**707.5+**	**2,291.7+**	**2,828.6+**	**3,457.7[R]+**	**4,110.1+**	**4,474.1**
V. TOTAL INDIRECT FINANCE	..	**3,384.1**	**2,951.2**	..	..	**5,881.8[R]**	**6,687.3[R]**	**7,424.2**	..	..

.. = Not available

\+ = 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 Agricluture and Rural Development.
ii) Reserve Bank of India (Special Return III).
iii) Rural Electrification Corporation Ltd.

Banks stood at Rs. 1,541 crore at end of June 1989 as against Rs. 1,510 crore as at end of June 1988. In the case of RRBs, the loans outstanding at end-June 1991 represented Rs. 42 crore showing a decline of Rs. 2 crore or 4.5 per cent over that of Rs. 44 crore as at end-June 1990. The loans outstanding by Rural Electrification Corporation moved up from Rs. 4,110 crore at end-March 1990 to Rs. 4,474 crore at end-March 1991 or by 8.9 per cent.

NATIONAL BANK AND RURAL CREDIT

Sources and Uses of Funds

Resources of the National Bank

The National Bank mobilised its financial resources during 1990-91 (April-March) from contributions from the Reserve Bank and the National Bank to National Rural Credit (Long-Term Operations) Fund and National Rural Credit (Stabilisation) Fund. As per the Agricultural and Rural Debt Relief Scheme, 1990, the National Bank is acting as a channel for disbursing the funds to RRBs and loans/grants to SCBs and SLDBs. Such receipts amounted to Rs. 692 crore during the year. The aggregate net resources mobilised by the National Bank during 1990-91 (April—March) amounted to Rs. 905 crore as indicated in Table VII-36.

During 1990-91, the Reserve Bank contributed Rs. 375 crore to NRC (LTO) Fund and Rs. 10 crore to NRC (Stabilisation) Fund out of its profits as compared to Rs.330 crore and Rs. 10 crore, respectively, in the previous year. Similarly, the contributions of the National Bank were Rs. 400 crore to NRC (LTO) Fund and Rs. 20 crore to NRC (Stabilisation) Fund during the year as compared with Rs. 350 crore and Rs. 10 crore, respectively, in the previous year. Net borrowings from the Reserve Bank during the period April 1990 to March 1991 were reduced by Rs. 560 crore under the General Line of Credit (GLC) for Short-term lending operations for agriculture and other purposes as against an increase of Rs. 524 crore during the same period last year, under Section 17 (4E) of the Reserve Bank of India Act, 1934. The limit under this line of credit sanctioned by Reserve Bank during 1990-91 (April-March) was Rs. 3,350 crore (Rs. 2,700 crore net GLC-I for seasonal agricultural operations and Rs. 650 crore under GLC-II for the purpose other than SAO.

The gross borrowings from the Government of India during the period 1990-91 (April-March) amounted to Rs. 3 crore. If repayments of Rs. 197 crore during the period were taken into account, there is a net reduction of Rs. 194 crore during 1990-91 in contrast to a net borrowing of Rs. 24 crore in 1989-90 (April-March).

The National Bank resorted to market borrowings during 1990-91 (April-March) to the extent of Rs. 90 crore by issuing the tenth series of NABARD bonds at par having a maturity

Table VII-36 : Resources (Net) Mobilised by the National Bank

(Rupees crore)

Resources	1989-90 (April-March)	1990-91 (April-March)
1	2	3
Reserves and Surplus	58	63
NRC (LTO) Fund	680	775
NRC (Stabilisation) Fund	20	30
Deposits	3	30
Bonds and Debentures	50	90
Borrowings from Government of India	24	(-)194
Borrowings from RBI	524	(-)560
ARDR Scheme, 1990	-	692
Other Liabilities	63	(-)21
Total :	**1,422**	**905**

Source : National Bank for Agriculture and Rural Development.

period of 20 years and carrying an interest rate of 11.5 per cent per annum. As there was no redemption during the period, the net borrowings amounted to Rs. 90 crore during 1990-91 as against Rs. 50 crore in 1989-90.

The National Bank continued to receive deposits from tea companies under Investment Deposit Account Scheme, 1986 (Tea). The balances under the Tea Development Account Scheme, 1985 and Investment Deposit Account Scheme, 1986 (Tea) as at end-March 1991 were Rs. 7 crore and Rs. 54 crore, respectively, as against the balances of Rs. 9 crore and Rs. 23 crore in the respective schemes as at the end of March 1990. Deposits are also received by the National Bank from the Central Government and State Governments under the Special Loan Account for financing normally ineligible farmers under Command Area Development Authority (CADA) projects. The balances outstanding as on March 31, 1991 under this head of account are Rs. 20 crore from the Central Government and Rs. 11 crore from State Governments as against Rs. 19 crore and Rs. 11 crore, respectively, at the end of March 1990.

Progress of Externally Aided Projects

The National Bank has been associated with the implementation of 48 projects (of which 41 have been closed/completed as on June 30, 1991), with external assistance from the international aid agencies since 1969. Out of these 48 projects, 41 were assisted by the World Bank Group (including 5 General Lines of Credit) and two each were supported by the International Fund for Agricultural Development (IFAD), the Organisation of Petroleum Exporting Countries (OPEC) Fund for International Development and the Swiss Development Co-operation (SDC) and one by *Kreditanstalt fur Wiederaufbau (KfW)* of the Federal Republic of Germany. Thus, the total credit to be routed through the National Bank in respect of these projects aggregated US $ 2,851 million (including bilateral credits) as on June 30, 1991. The percentage of utilisation of credit component in respect of completed projects by the National Bank had been 93 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 June 30, 1991. The National Bank has, so far, received assistance under 29 bilateral credits in various currencies aggregating an amount equivalent to US $ 774 million. Of these 29 credits, 28 have already been closed.

Projects in Pipeline

The National Bank has been exploring the possibilities of securing assistance from a few more external agencies. A brief account of the projects, which are in different stages of formulation, appraisal and sanction is given below:

National Bank Credit Project II

The project covers various credit activities in respect of which refinance assistance is provided by the National Bank. Draft project report is submitted to the Government of India for negotiating the same with the World Bank to secure financial assistance of US $640 million (Rs. 10,500 million) for 3 years. The World Bank has indicated that the project would be taken up for appraisal after the Government of India communicate their views on the implementation of Agricultural Credit Review Committee (ACRC) (Khusro Committee) recommendations.

Assistance from Overseas Economic Co-operation (OEC), Japan, for Minor Irrigation

A project envisaging financial assistance of Rs. 450 crore (Yen 42 billion) for development of minor irrigation was submitted to the Government of India for consideration of Overseas Economic Co-operation Fund (OECF), Japan. The outcome of the project is linked to the Government of India's stand on ACRC recommendations.

Project for Wastelands Development

Project involving a total outlay of Rs. 11,780 million with credit assistance of Rs. 9,140 million

for developing one 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. Additional assistance by way of grant of Rs. 25.5 crore is also sought under the project for the purpose of Training, Research and Development (R and D) support, creation of data-base, market infrastructures, etc.

Watershed Development Project in Maharashtra

A project envisaging a financial assistance of DM 12 million for development of Watersheds in Maharashtra was posed to *KfW* for assistance in June 1990. The project would be in the nature of Action Operation Research. It envisages development of Government and common lands, provision of common items of infrastructure and development of farmers' fields. The appraisal by *KfW* in respect of this project has been completed.

Poverty Alleviation Project

A project covering the financing of Industries, Services and Business (ISB) Component of IRDP for poverty alleviation has been posed by the National Bank to *KfW* for assistance by way of General Line of Credit to the extent of DM 26 million. Following the Annual Aid talks between the Government of India and the Government of Germany, efforts are being made through the Government of India to secure assistance from *KfW* under the project.

Animal Husbandry Project under Dutch Assistance

A proposal to seek assistance from the Royal Government of Netherlands covering the refinance commitments and projections of the National Bank for the years 1990-91 and 1991-92 under Animal Husbandry Sector has been submitted to the Government of India. The outcome of the project is dependent on the stand taken by the Government of India on the ACRC recommendations.

Rubber Project under World Bank Assistance

A project identification Mission of the World Bank visited our country to explore the possibility of extending credit facility for rubber development. The project is likely to be sanctioned during the year 1991-92 and the credit would be routed through the National Bank. The Rubber Board has submitted the project report to the World Bank through the Government of India.

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, viz., the co-operatives and the commercial banks including RRBs. There has been 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 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 into medium-term loans in areas affected by natural calamities.

Long-term credit up to 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-37. The progress of credit facilities are reviewed in the following paragraphs.

Credit Limits

Short-term credit

During 1990-91 (July-June), the National Bank sanctioned short-term credit limit for financing Seasonal Agricultural Operations (SAO) aggregating Rs.3,015 crore as against Rs. 2,947 crore for the year 1989-90 (July-June). The sanctions during the year under review also included an amount of Rs. 300 crore (Rs. 288 crore in 1989-90) under the Oilseeds Production Programme (OPP). The drawal against these limits were Rs. 3,179 crore as compared with Rs. 2,979 crore in 1989-90 (July-June) registering an increase of 6.7 per cent. The outstanding amount indicated a fall of 26 per cent from Rs. 2,110 crore as on June 30, 1990 to Rs. 1,566 crore as on June 30, 1991. The details of term-wise/purpose-wise financial accommodations 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-37.

Medium-term credit

During the calendar year 1990, credit limits for medium-term agricultural purposes sanctioned by the National Bank to SCBs on behalf of the CCBs and drawals against these limits amounted to Rs. 10 crore and Rs. 7 crore, respectively, as against Rs. 16 crore and Rs. 4 crore, in 1989. The outstanding amount at the end of December 1990 was Rs. 16 crore as against 19 crore a year ago (Table VII-37). The overall reduction in drawals could be attributed to a gradual switch-over by banks to financing medium term (MT) agricultural loans to those under schematic lending.

Conversion loans

During 1990-91 (July-June), SCBs/CCBs were sanctioned credit limits of Rs. 161 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 wide-spread crop failure following drought, floods and other natural calamities as against Rs. 147 crore in 1989-90 (July-June). The outstandings under these limits amounted to Rs. 278 crore as on June 30, 1991 as against Rs. 274 crore as on June 30, 1990.

Long-term credit

During the financial year 1989-90 (April-March), the National Bank sanctioned long-term credit limits amounting to Rs. 37 crore to 14 State Governments to enable them to contribute to the share capital of co-operative credit institutions. Of the amount sanctioned, the drawals aggregated to Rs. 30 crore. For the year 1990-91, long-term credit limits sanctioned amounted to Rs. 34 crore to 17 State Governments as against which the drawals aggregated to Rs. 28 crore till March 31, 1991.

Important Policy Changes and Major Developments

Farm Sector — Short-term Credit

a) Financing of Seasonal Agricultural Operations (SAO)

Relaxations in credit discipline following ARDR Scheme

The announcement regarding the loan waiver by the Government of India and State Governments had affected the recovery climate leading to recoveries coming to a grinding halt. Farmers who had taken loans during *Kharif* 1989 and *Rabi* 1989-90 refrained from repaying their dues even though such loans were not eligible for relief under the Agricultural and Rural Debt Relief Scheme (ARDR), 1990 on the expectation that the Government might ultimately extend the relief to cover such loans also under the purview of the Scheme. This has not only affected the ability of the banks to re-cycle the funds but also further flow of credit to the agricultural sector. In order to ensure adequate flow of credit to the new and non-defaulting members of PACS, the National Bank extended certain relaxations in the sanctions and ulilisation of limits such as allowing drawals against the limits despite banks defaulting to the National Bank and allowed drawals under the Instant Fresh Finance (IFF) Scheme for members of PACS who repaid their earlier dues as well as new and hitherto non-borrowing members of PACS without the CCBs having sufficient non-overdue cover to operate on the limit, relaxations in the minimum involvement (MI) criteria,

Table VII-37 : The National Bank's Credit to Co-operatives and State Governments During 1989-90 and 1990-91

(Rupees crore)

Section of the NABARD Act, 1981	Term-wise/Purpose-wise Finance	Period for which limits are sanctioned	1989-90 Limits sanctioned	1989-90 Drawals	1989-90 Repayments	1989-90 Outstandings	1990-91 Limits sanctioned	1990-91 Drawals	1990-91 Repayments	1990-91 Outstandings
1	2	3	4	5	6	7	8	9	10	11
	I. Short-term	**Total**	**3,461**	**4,310**	**3,836**	**2,462**	**3,636**	**4,543**	**4,941**	**2,064**
21(1)(i)/2(i)	i) (a) Seasonal Agricultural Operations (at 3% to 5% from March 1988)	July-June	2,947	2,979	2,521	2,110	3,015	3,179	3,723	1,566
21(1)(i)/3	(b) Out of which : for National Oilseeds Development Project/Oilseeds Production Thrust Project (Now Oilseeds Production Programme)	July-June	288	219	170	187	300	262	277	172
	(c) Interim limits for creation of non-overdue cover in respect of SAO	July-June	-	-	-	-	-	-	-	-
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	-	-	4	-	11	3	-	3
	iii) Marketing of cotton and kapas including monopoly procurement of cotton (at Bank Rate from June 1978)	July-June	3	-	-	-	-	-	-	-
21(1)(ii)/3(b)	iv) Purchase and distribution of fertilisers (at 1% above Bank Rate from June 1978)	January-December	47	46	50	11	64	108	69	50
21(1)(v)/3(a)	v) (a) Production and marketing of Handloom Products (at 2 ½% below Bank Rate from March 1978)	April-March	361	1,156	1,145	301	382	1,023	1,000	324
	(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 (2 ½% below Bank Rate from March 1978)$	April-March	21	14	12	14	20	15	14	15

Table VII-37 : The National Bank's Credit to Co-operatives and State Governments During 1989-90 and 1990-91 — *(Concld.)*

(Rupees crore)

Section of the NABARD Act, 1981	Term-wise/Purpose-wise Finance	Period for which limits are sanctioned	1989-90				1990-91			
			Limits sanctioned	Drawals	Repayments	Outstandings	Limits sanctioned	Drawals	Repayments	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	18	106	101	14	20	97	101	10
21(1)(iii)/21(3)(a)and(b)	viii) Against pledge of sugar (at 5% above Bank Rate)	July-June	50	-	-	-	115	116	26	90
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	12	9	3	12	6	-	6	6
21(1)(iii)/21(3)(a)	x) Collection and marketing of minor forest produce (Bank Rate)	July-June	2	-	-	-	3	2	2	-
	II. Medium-term	**Total**	**165**	**58**	**94**	**293**	**174**	**162**	**158**	**297**
24	i) Agricultural purposes (3% below Bank Rate)	January-December	16	4	12	19	10	7	10	16
	ii) Purchase of shares in co-op. processing societies/sugar factories (Bank Rate)	January-December	2	-	-	-	3	3	-	3
22	iii) Conversion of short-term loans into medium-term loans in scarcity affected areas including rephasement and reschedulement (Rate of interest as applicable to SAO loans converted)	July-June	147	54	82	274	161	152	148	278
	III. Long-term	**Total**	**37**	**30**	12	**213**	**34**	28	15	**226**
27	Loans to State Governments for contribution to share capital of co-op. credit institutions (at 6%)	April-March	37	30	12	213	34	28	15	226
	Total Credit (I+II+III)		**3,663**	**4,398**	**3,942**	**2,968**	**3,844**	**4,733**	**5,114**	**2,587**

- : Nil or Negligible

$: Includes financing of individual rural artisans through PACS

Source : National Bank for Agriculture and Rural development.

waiving the seasonality discipline, etc. Initially, these relaxations were extended upto December 31, 1990, however, in the month of December 1990, the National Bank reviewed the position and it was observed that there was no significant improvement in the recovery or the resources of most of the banks since a large amount was due to the banks under the ARDR Scheme. In view of this, it was decided to extend the following concessions up to June 30, 1991 : a) Drawals on the credit limits will be allowed despite default to the National Bank provided the amount of default is less than the amount receivable under the ARDR Scheme and State Governments accept their liability under the scheme in full. b) Seasonality as on March 31, 1991 was waived. c) Banks without having adequate Non-Overdue Cover (NODC) to operate on credit limits were allowed to draw on the credit limits for financing members of PACS who had repaid their earlier dues and the beneficiaries of the ARDR Scheme on reimbursement basis. d) The amount receivable under the ARDR Scheme towards the relief provided under the SAO loans (principal) was treated as part of the involvement of banks for the purpose of complying with Minimum Involvement (MI) stipulation. e) The amount written off/identified for relief would be treated as notional recovery for the purpose of computing Demand, Collection and Balance position of the banks as on June 30, 1990. The eligibility of banks to enjoy refinance from the National Bank is determined on the basis of the revised DCB position.

Oilseeds Production Programme (OPP)

During the year 1990-91, special programmes for increasing production of oilseeds, the National Oilseeds Development Project (NODP) and the Oilseeds Production Thrust Project (OPTP) have been merged into a single programme, i.e., Oilseeds Production Programme (OPP). The coverage of this programme has been increased from 246 to 282 districts in seventeen States. The National Bank has continued to sanction a separate line of credit for this programme to the State Co-operative Banks and Regional Rural Banks without any reference to the level of their overdues.

Produce (Marketing) Loan Scheme

The Government of India introduced the Produce (Marketing) Loan Scheme, on a pilot basis, in November 1988, with a view to enabling the farmers to avail of loans against hypothecation of their agricultural produce and to avoid the distress sale. This scheme was kept in abeyance in April 1989 at the instance of the Government of India. However, it has been decided to re-open the line of credit for *Rabi* 1989-90 crops since April 1990.

State Land Development Banks (SLDBs)

Lending Programme and Resources of SLDBs

The total lending programme of SLDBs for the year 1990-91 (April-March) was fixed at Rs. 902 crore as compared with Rs. 826 crore for the previous year 1989-90. The resources for the programme were to be raised by floatation of special development debentures to the extent of Rs. 793 crore during the year 1990-91 (as against Rs. 728 crore in the previous year), subscribed by the National Bank and the Central and State Governments, and by issue of ordinary debentures for Rs. 109 crore subscribed 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 year 1989-90 and 1990-91 are indicated in Table VII-38. During the financial year 1990-91, SLDBs continued to float ordinary debentures in two sets of 15 and 20 years maturity as in the past. The rates of interest on 15 and 20 years debentures were retained at 11.25 and 11.5 per cent per annum, respectively.

Rehabilitation Programme of Weak Units of Land Development Banks

The 10-point action programme which was sanctioned for rehabilitation of weak PLDBs/ branches of SLDBs in six States viz., Gujarat, Uttar Pradesh, Karnataka, West Bengal, Himachal Pradesh and Rajasthan, was identified on the basis

Table VII-38 : Resources of SLDBs
(April-March)

(Rupees crore)

Item	1989-90 (Achieve-ments)	1990-91 (Achieve-ments)	1991-92 Target
1	2	3	4
Lending Programme/Resources	**826**	**902**	**862**
a) Special Development Debenture			
1) Programme	728	793	769
2) Achievements	616	601	-
b) Internal Resources	-	-	-
c) Ordinary Debentures			
1) Target	98	109	94
2) Actual Flotation	91	102	-
i) Subscription to Ordinary Debentures received from Central and State Governments	18	19	19
ii) LIC	35	40	40
iii) SBI Group	20	20	20
iv) Commercial Banks	13	15	-
v) Mutual Support/Self-help	5	8	-
Total Amount Raised [a(2)+b+c(2)]	**707**	**703**	-

Source : National Bank for Agriculture and Rural Development.

of their overdues position as on June 30, 1985. This programme has since been closed with effect from March 31, 1991 in view of the poor response of the State Governments as well as the concerned banks. As per the recommendation of ACRC, the programme of rehabilitation is to be replaced by a time bound programme designated as Institutional Strengthening Programme (ISP). For the purpose, a set of guidelines for identification of Primary Land Development Banks (PLDBs) and State Land Development Banks (SLDBs) for undertaking Institutional Strengthening Programme have since been issued.

National Bank's Long-term Refinance Assistance Under Various Schemes

During the period 1990-91 (April-March), the National Bank sanctioned 10,650 schemes involving refinance commitments of Rs. 2,119 crore as against 9,211 schemes involving Rs. 2,039 crore of refinance commitments sanctioned during 1989-90 (April-March). Disbursements amounted to Rs. 1,902 crore during 1990-91 (April-March) as against Rs. 1,702 crore in 1989-90; the cumulative number of schemes sanctioned by the National Bank stood at 89,513 with commitments of Rs. 18,299 crore and cumulative disbursements of Rs. 14,310 crore. A comparative position of purpose-wise sanctions and disbursements during the year 1989-90 and 1990-91 is furnished in Table VII-39.

Among the purposes, IRDP accounted for the largest share of commitments as well as refinance disbursements followed by minor irrigation. Minor irrigation continued to be the single largest item in regard to the number of schemes sanctioned; commitments and disbursements made under minor irrigation were also higher, next to IRDP Schemes during 1990-91 (April-March). The National Bank sanctioned 6,570 schemes for minor irrigation involving commitments of Rs. 528 crore and 4,080 schemes for diversified purposes involving commitments of Rs. 1,591 crore (Table VII-39).

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. 934 crore (49.1 per cent), Rs. 288 crore (15.1 per cent), Rs. 565 crore (29.7 per cent) and Rs. 115 crore (6.0 per cent), respectively, during 1990-91 (April-March) (Table VII-40).

Table VII-39 : Purpose-wise Sanctions and Disbursements of Refinance Assistance by the National Bank (April-March)

(Rupees crore)

Purpose	1989-90			1990-91@			Cumulative position as on March 31, 1991$		
	No. of Schemes sanctioned*	Commit-ments	Disburse-ments	No. of Schemes sanctioned*	Commit-ments	Disburse-ments	No. of Schems sanctioned	Commit-ments	Disburse-ments
1	2	3	4	5	6	7	8	9	10
Minor Irrigation	5,174	578	498	6,570	528	496	36,319	6,939	5,238
Land Development/CAD	86	36	11	102	25	16	2,225	508	305
Farm Mechanisation	-	262	225	-	338	338	11,246	2,502	2,350
Plantation/Horticulture	1,133	171	97	1,089	94	94	9,118	137	693
Poultry/Sheep Breeding/Piggery	1,223	109	68	1,028	94	73	7,527	560	374
Fisheries	317	28	21	313	30	21	3,263	349	186
Dairy Development	894	107	75	1,059	157	73	7,134	756	439
Storage/Market Yards	26	9	13	22	14	14	1,978	314	282
IRDP	-	571	549	-	602	602	-	3,946	3,643
Others	358	168	145	467	237	175	10,703	2,288	800
Total	**9,211**	**2,039**	**1,702**	**10,650**	**2,119**	**1,902**	**89,513**	**18,299**	**14,310**

* Excludes schemes sanctioned under ARF
@ Provisional
$ Cumulative position includes adjustments
Source : National Bank for Agriculture and Rural Development

Region-wise, the shares of North-Eastern, Central and Western region in total disbursements rose from 2 per cent, 23 per cent and 16 per cent in 1989-90 to 3 per cent, 25 per cent and 17 per cent during 1990-91 (April-March). In contrast, the shares of Northern, Eastern and Southern region in total disbursements declined moderately from 17 per cent, 12 per cent and 30 per cent in 1989-90 to 15 per cent, 11 per cent and 29 per cent in 1990-91 (April-March) (Table VII-41).

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. 737 crore in 1989-90 to Rs. 821 crore in 1990-91 (April-March). While Uttar Pradesh accounted for the major share of Rs. 339 crore, the shares of Jammu and Kashmir, Orissa and Rajasthan declined. Cumulatively, the National Bank's total disbursements in these States up to end-March 1991 amounted to Rs. 125 crore as against Rs. 144 crore during the previous year (Table VII-42).

Integrated Rural Development Programme

The Integrated Rural Development Programme (IRDP) which is in operation since the Sixth Plan, continues to be a major instrument of the Government's Policy to alleviate rural poverty. During the Seventh Plan period the aggregate expenditure including State's share amounted to Rs. 3,316 crore and the term credit disbursed at Rs. 5,373 crore. Against the target of 160.38 lakh families, the number of families assisted during the Seventh Plan totalled 181.77 lakh. During the year 1990-91, 23.71 lakh families were targetted to be assisted and the allocation was of the order of Rs. 747.31 crore. However, the actual achievement showed that 29.05 lakh families were assisted at the total expenditure of Rs. 802.36 crore. The progress of IRDP since 1985-86 is shown in Table VII-43.

National Bank's Refinance under Integrated Rural Development Programme (IRDP)

The National Bank's refinance assistance, during 1990-91 (April-March) under IRDP amounted to Rs. 602 crore (disbursements) as against Rs. 549 crore in 1989-90 (April-March).

Table VII-40 : Agency-wise Sanctions and Disbursements of Refinance Assistance by the National Bank During 1989-90 and 1990-91 (April-March)

(Rupees crore)

Agency	Number of Schemes**		Financial Assistance		National Bank's Commitments		Disbursements by National Bank		Cumulative position as on March 31, 1991*£			
	1989-90 (April-March)	1990-91* (April-March)	1989-90 (April-March)	1990-91* (April-March)	1989-90 (April-March)	1990-91* (April-March)	1989-90 (April-March)	1990-91* (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	4,613	5,719	815	846	646	746	559	565	29,536	7,627	6,678	4,993
2. Scheduled Commercial Banks	3,909	4,395	1,532	1,486	934	950	741	934	53,157	12,387	8,851	6,971
3. Regional Rural Banks	266	227	352	312	309	280	287	288	4,339	2,166	1,909	1,717
4. State Co-operative Banks	423	309	173	163	150	143	115	115	2,481	984	861	629
Total	**9,211**	**10,650**	**2,872**	**2,807**	**2,039**	**2,119**	**1,702**	**1,902**	**89,513**	**23,164**	**18,299**	**14,310**

** : Excludes schemes sanctioned under Automatic Refinance Schemes

£ : Cumulative position includes adjustments

* : Provisional

Source : National Bank for Agriculture and Rural Development.

Table VII-41 : Region-wise Disbursements of Refinance Assistance by the National Bank during 1989-90 and 1990-91 (April-March)

Region	1989-90 (April-March)		1990-91 (April-March)	
	Amount (Rs. crore)	Percentage to total	Amount (Rs. crore)	Percentage to total
1	2	3	4	5
Northern	283	17	290	15
North-Eastern	42	2	49	3
Eastern	198	12	204	11
Central	392	23	475	25
Western	270	16	327	17
Southern	517	30	557	29
Total	**1,702**	**100**	**1,902**	**100**

Northern Region : Chandigarh, Delhi, Haryana, Himachal Pradesh, Jammu and 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 and Nicobar Islands.
Central Region : Madhya Pradesh and Uttar Pradesh.
Western Region : Goa, Daman and Diu, Dadra and 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-42 : Disbursement of Refinance Assistance by the National Bank to Less Developed and/or Under-banked States During 1989-90 and 1990-91 (April-March) (Schematic Lending)

(Rupees crore)

States/Union Territories	1989-90	1990-91
1	2	3
1. Uttar Pradesh	273	339
2. Madhya Pradesh	119	135
3. Bihar	74	81
4. Rajasthan	88	80
5. Orissa	48	39
6. Jammu and Kashmir	8	6
7. West Bengal	76	82
8. Assam and Other North-Eastern States	42	49
9. Himachal Pradesh	9	9
10. Andaman and Nicobar Islands	-	1
11. Sikkim	-	-
A) Total	**737**	**821**
B) Total Disbursements (All-India)	**1,702**	**1,902**
Percentage of A to B	**(43.3)**	**(43.2)**

Source :National Bank for Agriculture and Rural Development.

Table VII-43 : Progress of Integrated Rural Development Programme

Item	Unit	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91[P]
1	2	3	4	5	6	7	8
1. Central Allocation	Rs. crore	205.93	277.31	310.60	345.00	375.00	374.56
2. Central Releases	,,	207.10	279.67	299.72	309.07	301.44	346.59
3. Total Expenditure including States' share	,,	441.10	613.38	727.44	768.47	765.43	802.36
4. Term credit disbursed	,,	730.15	1,014.88	1,175.35	1,231.62	1,220.53	1,168.32
5. No. of families assisted	in lakhs	30.60	37.47	42.47	37.72	33.51	29.05
6. No. of SC/ST families assisted	,,	13.23	16.80	18.99	17.50	15.45	48.74

P = Provisional.

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

Agency-wise, disbursements under IRDP were highest by commercial banks which amounted to Rs. 309 crore in 1990-91 (April-March) as against Rs. 259 crore in 1989-90 (April-March). Disbursements from RRBs rose from Rs. 227 crore in 1989-90 to Rs. 234 crore during 1990-91 (April-March). Similarly, disbursements of SLDBs also increased from Rs. 9 crore in 1989-90 (April-March) to Rs. 12 crore during 1990-91 (April-March). However, disbursements from SCBs indicated a fall from Rs. 54 crore in 1989-90 (April-March) to Rs. 47 crore during 1990-91 (April-March). The Industry, Services and Business (ISB) Component accounted for Rs. 268 crore or 44.5 per cent of total disbursements during 1990-91 (April-March) (Table VII-44).

Recent Policy Changes

Linkage Studies

The National Bank has decided to conduct, through Consultants, studies in selected States to (1) identify potential for development of industrial activities in rural areas based on local resources,

Table VII-44 : National Bank's Refinance Assistance under IRDP During 1989-90 and 1990-91 (April-March)

(Rupees crore)

Agency	Disbursements		Cumulative Assistance upto end of March 1991
	1989-90	1990-91	
1	2	3	4
SLDBs	9	12	105
	(-)	(-)	(-)
Commercial Banks (excluding RRBs)	259	309	1,838
	(119)	(133)	(696)
RRBs	227	234	1,371
	(124)	(120)	(707)
SCBs	54	47	329
	(24)	(15)	(90)
Total	**549**	**602**	**3,643**
	(267)	**(268)**	**(1,493)**

Note : Figures in brackets indicate disbursements for ISB Component.

Source : National Bank for Agriculture and Rural Development.

(2) assess the existing backward and forward linkages available and those required to be created to exploit the identified potential and (3) formulate replicable pilot projects of development of 4/5 prominent activities among those identified with bank finance. Such studies have been conducted in Andhra Pradesh and Karnataka and have been launched in Maharashtra, West Bengal and Uttar Pradesh.

Study on flow of credit to Handloom sector

The National Bank had, jointly with the Development Commissioner (Handlooms), Government of India, assigned a study to the 'Vaikunth Mehta National Institute of Co-operative Management' to go into the problems affecting flow of credit to handloom co-operatives and recommend measures to remedy them. The report was received in September 1990 and is under consideration of the Government of India.

Revised Eligibility Criteria for Drawing Refinance

The National Bank has revised the eligibility criteria for drawing of refinance with effect from April 1, 1991. The eligibility for drawing refinance from the National Bank would be determined for each financial year (April-March) instead of earlier (July-June). The refinance eligibility would apply to two categories of lending as under:

Annual Recovery Rate as a percentage to Demand	Eligibility for Drawal of Refinance
i) Category A 60 per cent and above	Unrestricted
ii) Category B below 60 per cent	Eligibility to draw refinance during the period would be limited to the extent of the amount recovered in the year ending June 30 of the previous year or of lending during the year ending March 31 of the previous year or the average amount recovered/lent in preceding 3 years whichever is greater.

For determining the eligibility, the 'branch' of the State Land Development Bank or Primary Land Development Bank would continue to be the lending unit. The recovery percentage will be calculated by the National Bank on the basis of the Demand, Collection and Balance position maintained by them as on June 30 of each year in respect of the direct medium and long-term loans for agriculture and allied activities. In respect of banks/branches located in the North-Eastern States (i.e., States/Union Territories of Arunachal Pradesh, Assam, Manipur, Meghalaya Mizoram, Nagaland, Tripura and Sikkim), the banks/branches with the annual recovery rate of 50 per cent and above will have unrestricted eligibility (i.e., category 'A') and those with annual recovery rate below 50 per cent will have restricted eligibility (i.e., category 'B').

The National Bank would, however, consider for providing special exemption from/relaxation in the eligibility criteria for extending refinance support of 100 per cent to banks for thrust areas such as watershed development projects, wastelands development projects, etc. Presently, the items which fall outside the purview of the eligibility criteria are:

(i) Non-farm sector (NFS) advances, including Industries, Services and Business (ISB) Component of Integrated Rural Development Programme (IRDP) and (ii) Advances under ordinary debenture programme.

Ceiling on Individual Loans

During the year 1990-91, the National Bank has enhanced the ceiling on individual loans under Composite Loan Scheme from Rs. 30,000 to Rs. 50,000 and Integrated Loan Scheme from Rs. 5 lakh to Rs. 7.5 lakh to enable the financing banks to meet the genuine credit requirements of the entrepreneurs for setting up cottage, tiny, village and small scale industries. The scope of service activities covered under these schemes has been enlarged to cover any activity involving some minimum investment in fixed assets and providing personalised or household services as eligible for assistance under automatic refinance facility (ARF). The maximum amount of assistance available for construction of workshed

has also been enhanced to Rs. 12,500 (25 per cent of composite loan). Further, State Co-operative Banks have been allowed to avail of National Bank's refinance on an automatic basis for financing (through DCCBs) industrial co-operative societies upto Rs. 7.5 lakh. Having recognised the role played by the Land Development Banks (LDBs) in rural industrialisation by providing substantial assistance under Composite Loan Scheme, the Integrated Loan Scheme has also been extended to them for financing non-farm activities up to Rs. 7.5 lakh.

Criteria for Recovery Performance

Due to poor recovery of loans by the co-operative banks, the criteria for becoming eligible for share capital contribution from State Governments were considered by the National Bank on the following basis:

(i) Overdue norms have been relaxed from 30 per cent to 50 per cent of the demand for DCCBs in general and up to 60 per cent in the case of weak DCCBs and those operating in tribal areas;

(ii) PACS having overdues up to 50 per cent of demand (as against 40 per cent fixed earlier) will be considered eligible and societies with overdues between 50 per cent and 60 per cent would also be eligible if they had improved their recovery performance by 5 percentage points during the previous year;

(iii) In the case of PLDBs, it has been decided to consider sanctioning of share capital loans to PLDBs with overdues not exceeding 50 per cent of the demand (as against 35 per cent earlier) provided the State Governments have contributed to the extent of 10 per cent of the demand out of their own resources to notionally bring down the overdues. For banks functioning in notified tribal areas, the relaxations would be up to 60 per cent of the demand as against 35 per cent fixed earlier.

The coverage of the scheme was enlarged from 14 to 82 districts. It will be now continued on a regular basis and the coverage will be extended gradually.

Crop Loan System

The Agricultural Credit Review Committee has recommended that the banks should introduce system of cash credit for lending of seasonal agricultural operations purposes on a selective basis in compact blocks with high level of agricultural development, perennial irrigation facilities and multiple cropping pattern.

Strengthening of Share Capital Base of Co-operative Credit Institutions

It has been decided to strengthen the share capital base of co-operative credit institutions due to enlarged volume of their business, under both farm and non-farm activities necessitating additional borrowing powers. The Government of India's contribution to the share capital of co-operative credit institutions was made available to them at the maximum extent of 50 per cent of their paid-up share capital. As a further measure of relaxation, it was decided to reckon 50 per cent with reference to the projected level of share capital required for undertaking the anticipated lending programme. Accordingly, the ceiling for sanction of loans in respect of CCBs was raised from Rs. 100 lakhs to Rs. 150 lakhs.

Strengthening and Future Development of the Co-operative Structure

Special Development Programmes for PACS — Reorganisation of PACS

The reorganisation of PACS in all the 6 districts of the Jammu region in the State of Jammu and Kashmir was completed during the year 1990-91 and as a result the number of societies in that region came down from 877 to 300. The process of reorganisation of the PACS in Kashmir Region could not be completed perhaps due to prevailing disturbances in the valley. In Maharashtra, the State Government had constituted a Committee of officers from

Co-operation Department for suggesting viability norms of PACS and accordingly, the Committee has suggested various models. The model which suggests an area of operation of PACS of 5 sq. km. radius having a potential of total lending business of Rs. 13.50 lakhs (ST and MT) works out to be not only a viable unit but also suitable for operational control, supervision and accessibility to members. The National Bank has agreed for this model and advised that it must be ensured that while determining the geographical coverage, the village boundaries should not be cut across and a specified village/villages should remain entirely in the jurisdiction of the society.

The State Government of Orissa had proposed for reorganisation of PACS which envisaged that the area of operation of PACS would be co-terminus with the area of a gram panchayat. However, the National Bank did not favour the proposal after examining it as it would not render the PACS viable and the State Government has been advised to follow the National Bank's guidelines on reorganisation of PACS by ensuring a minimum loan business of Rs. 10 lakh.

Planning for the Future of Reorganised PACS

The programme for intensive development of selected PACS into truly multi-purpose co-operative societies has not made much progress in terms of membership, loan business, deposits, etc., in a few States viz., Gujarat, Punjab, Madhya Pradesh and Tamil Nadu. In view of the general deterioration in the financial condition of the PACS, the National Bank and the Government of India have embarked upon a programme of business oriented development of the primary level credit institutions on the basis of the recommendation of ACRC.

The programme of Business Development Plan to be implemented during the 4 year period 1991-95 aims at development of the selected societies into viable units serving all the interest groups in their area of operations through economically viable activities. For the purpose, Business Development Plan (BDP) encompassing all the business activities of the PACS including resource mobilisation, resource deployment etc., is expected to be prepared with the help of the DCCB concerned. Hence, as part of the programme, necessary training is being imparted to the officers of DCCBs on preparation of the BDPs.

The Programme also envisages certain financial assistance and incentives to PACS. The incentives which are given for efforts made for deposit mobilisation, improvement in working results and promotion of self-help groups, will be available only to those PACS that fulfil the following conditions:

(i) They should have an elected Board/ Management Committee.
(ii) Their audit must have been completed or the Annual Accounts updated.
(iii) The General Body and Managing Committee meetings should have been conducted timely and regularly.

As a supportive measure, Government of India is contemplating a Deposit Insurance Scheme for the deposits raised by the PACS. The scheme envisages guaranteeing of the deposits of PACS by the DCCB concerned. The Guarantee fee of 0.30 per cent of total deposits insured is expected to be shared by the SCB of the State, DCCB and PACS concerned in the ratio of 0.05 per cent : 0.10 per cent and 0.15 per cent. The amount guaranteed per depositor may not exceed Rs. 30,000 and the involvement of the DICGC and the State Government in the scheme are not contemplated. The scheme is in draft stage.

State-Sponsored Programmes for Development of PACS

A few State Governments had taken certain initiatives for development of PACS. The Government of Kerala had selected 175 PACS for rehabilitation under which there was provision for loans and managerial subsidy. The State Government had also organised a "Meet the Co-operative Programme" during February 1990 with a view to enlightening people on the benefits of co-operative movement, recovery, thrift, etc. The Government of Tamil Nadu and NCDC sanctioned loans for construction of 150 and 125 rural and marketing godowns, respectively, of which 25

godowns have so far been completed and the remaining are under various stages of completion. The State Government has also extended financial assistance for purchase of iron safes with trays to 1,045 PACS at a cost of Rs. 80.86 lakhs. The Government of West Bengal had introduced a programme which envisaged managerial subsidy and grant for iron safe, rental subsidy and counters, etc.

Relaxations to Primary Agricultural Credit Societies (PACS)

The National Bank has allowed drawals under Instant Fresh Finance (IFF) scheme for members of PACS who have repaid their earlier dues as well as new and hitherto non-borrowing members of PACS without the CCBs having sufficient non-overdue cover (NODC) to operate on the limits and granted relaxations in the minimum involvement (MI) criteria waiving the seasonality discipline. The Scheme has been now extended up to June 30, 1991.

15-Point Programme for Development of PACS and LAMPS

The 15 Point Programme for the development of PACS and LAMPS was being implemented in 16 pilot project districts which covered about 417 PACS and 157 LAMPS. This has improved the performance of the selected PACS and LAMPS in terms of loan disbursed, deposit mobilised, increase in membership and recovery performance. Most of the societies selected were provided with additional share capital, additional secretaries and safe and counter facilities. An important aspect worth noting was that the recovery performance of the selected PACS and LAMPS remained stagnant in the year 1988-89 in comparison to the performance at the commencement of the programme. Further, it deteriorated sharply during the year 1989-90. The poor show during 1988-89 and 1989-90 could be attributed to the adverse effects of the ARDR Scheme 1990 on the general recovery climate.

Rehabilitation of Weak CCBs

As on June 30, 1989, 178 DCCBs were identified for rehabilitation programme in different States. In many States, due to apathy of the State Governments, the programme has not been implemented in the right earnest. The National Bank is working out a detailed programme on the basis of performance of recovery of overdues under the Agricultural and Rural Debt Relief Scheme (ARDR), 1990. The National Bank has implemented recently a programme to rehabilitate weak DCCBs. In Madhya Pradesh, out of 11 weak DCCBs rehabilitated during 1989-90, 6 have shown improvement in their financial position. In Gujarat, out of 9 DCCBs identified for rehabilitation, 4 have improved their financial position.

12 Point Action Programme

In view of the implementation of Agricultural and Rural Debt Relief Scheme (ARDR), 1990 and the recommendation of ACRC for introduction of Institutional Strengthening Programme (ISP), the 12-Point Programme for rehabilitation of selected weak CCBs/SCBs has been kept in abeyance.

Business Oriented Development of DCCBs/ SCBs (two-tier)

With a view to bring about qualitative improvement in the business operations of Co-operative Credit institutions, National Bank initiated the process of Business Oriented Development amongst the CCBs/SCBs (Two-tier) in the year 1990. The target is to formulate business development plan for atleast one CCB in each State. The plan will cover resource development, resource deployment, human resource development, monitoring of business development plan, development of PACS, etc. A DCCB each in 11 States has been identified for preparation of the plan. However, plans for only 7 DCCBs have been received so far. In view of the delay in preparation of the plan by DCCBs/ SCBs, the period of implementation of the Business Development Plan has been deferred by a year to commence from 1 July 1991 instead of 1 July 1990 in the case of DCCBs for which the plans are either not ready or yet to be implemented.

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 1990-91, credit authorisation granted to non-credit societies for block capital finance amounted to Rs. 193 crore as against Rs. 95 crore in 1989-90 (April-March). During the period April 1990 to March 1991, authorisation for working capital finance were granted for a total amount of Rs. 2,641 crore as compared to Rs. 1,855 crore in 1989-90 (April-March).

Minimum Involvement (MI) Criteria

In the context of the implementation of the Agricultural and Rural Debt Relief (ARDR) Scheme 1990, the Co-operative Banks faced serious resources problem as a result of sharp drop in the repayment of dues to the banks. With a view to ensuring adequate flow of credit for financing the *kharif* operations (1990), the National Bank extended certain relaxations which included amongst others waiver of the requirement as regards maintenance of base level MI by the SCBs and CCBs at 75 per cent of the MI on a weekly basis. This relaxation was initially available upto 30 June 1990, which was subsequently extended up to 31 December 1990. On a review it was observed that some of the SCBs while enjoying the above facility kept huge amounts in Call Deposits. The National Bank reintroduced the stipulation of maintenance of own involvement at 75 per cent of MI on a weekly basis in respect of SCBs while the CCBs continued to enjoy the relaxations up to 30 June, 1991.

Research and Development Fund

The National Bank continued to provide grants from its Research and Development Fund to the co-operative banks and RRBs to establish and strengthen the Technical, Monitoring and Evaluation (TME) Cells with professionally qualified personnel for formulating, appraising, monitoring and evaluating projects/schemes under farm and non-farm sector activities.

During the fiscal year 1990-91, 11 more RRBs were admitted under the National Bank 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 87. The total number of SLDBs assisted under the Scheme continued to remain at 13 during the year. Similarly, 4 SCBs received assistance from the fund so far. In addition to 2 SCBs which were assisted earlier as a special case, 2 more SCBs were admitted into the scheme and the assistance continued to be provided to 13 as was the case during the last year. 7 SLDBs and 27 RRBs had, so far, completed the 5 year period of availing assistance. 4 such RRBs which had completed 5 years were granted extension for a further period of 5 years. The amount of grants disbursed to SLDBs, SCBs and RRBs under the scheme during the period stood at Rs. 40 lakh. During the period April 1990-March 1991, the National Bank approved 3 research projects. The total financial assistance disbursed by the National Bank from its R & D Fund during the period April 1990 to March 1991 for all purposes amounted to Rs. 97 lakh, including Rs. 57 lakh disbursed for seminars, research studies and for co-operative banks under rehabilitation.

Licensing of Co-operative Banks

During the year 1990-91 (July - June), no licences have been issued to any State Co-operative Bank or District Central Co-operative Bank to carry on banking business in India, under Section 22 of the Banking Regulation Act, 1949 (as applicable to co-operative societies). Licenses were issued to 15 Primary Co-operative Banks (10 new banks and 5 existing banks) during the same period. The total number of licensed banks as at the end of 1990-91 (July-June) thus increased from 1,061 as at end-June 1990 to 1,076 comprising 8 SCBs, 40 CCBs and 1, 028 PCBs (Table VII-45).

Branch Licensing

From July 1990 to April 1991, licenses have been issued to 3 SCBs to open branches at 5 centres in their respective areas of operation under Section 23 of Banking Regulation Act, 1949 (as applicable to co-operative societies). Furthermore,

Table VII-45 : Licences Issued to Co-operative Banks During 1988-89, 1989-90 and 1990-91 (July-June)

Item	1988-89				1989-90				1990-91			
	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	..	..	278	278	..	3	297	300	-	-	307	307
No. of Licensed banks at the end of the year	8	37	982	1,027	8	40	1,013	1,061	8	40	1,028	1,076
Licences issued for opening of new offices	9R (21)R	..	29	38R	3 (3)	..	52 (54)	55	3 (5)	-	55 (63)	58

Note : Figures in brackets indicate the number of branches for which licences were issued.
.. : Not available
R : Revised
* : Position as on end-June 1991
@ : Position as on 1989-90 (July-June)
— : Nil or Negligible.
Source : Reserve Bank of India.

as at end-June 1991, 55 Primary Co-operative Banks were issued licenses for opening 63 branches. Besides, 5 Salary Earners' Banks were permitted to open 8 branches and one Salary Earners' Bank was allowed to convert its 2 extension counters into full-fledged branches. Another Salary Earners' Bank was permitted to open 2 extension counters.

Inspection of Banks

A programme of inspecting 329 (out of 621) banks/other institutions coming under the purview of inspection by the National Bank was drawn up for the year 1990-91. As against this, 304 institutions were inspected during the year.

Comprehensive Crop Insurance Scheme

The Comprehensive Crop Insurance Scheme introduced throughout the country from *Kharif* 1985 is being implemented by the General Insurance Corporation of India (GIC) on behalf of Government of India in collaboration with the State Governments. The details of the progress made under the Scheme from 1985 onwards are given in Table VII-46. During *Rabi* 1989-90, 16 States and one Union Territory implemented this Scheme covering 6.59 lakh farmers accounting for about 9.58 lakh hectares and sum insured amounting to Rs. 151.56 crore. The total insurance charges amounted to Rs. 2.76 crore and the claims paid were to the tune of Rs. 3.06 crore.

Large-Sized Adivasi Multi-Purpose Societies (LAMPS)

The Large-sized Adivasi Multi-purpose Societies (LAMPS) operate mainly in backward regions viz., hilly and tribal areas. As at the end of June 1990 as many as 2,518 societies out of the total number of 2,958 LAMPS (or 85 per cent) were in 6 States viz., Madhya Pradesh (1,073), Bihar (474), Maharashtra (274), Rajasthan (268), Orissa (223) and Gujarat (206). These societies had 48.88 lakhs members of which, Scheduled Castes and Scheduled Tribes numbered 7.26 lakhs and 29.88 lakhs, respectively. The paid-up capital of LAMPS stood at Rs. 75 crore which included Government's contribution of Rs. 29 crore. The overdues of LAMPS at Rs. 166 crore formed 67 per cent of their outstanding loans at the end of June 1990.

Table VII-46 : Progress of Crop Insurance Scheme

Season	No. of States and 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	53.74	542.73	9.41	84.12
Rabi 1985-86	14+2	12.12	23.18	238.41	4.47	3.11
Kharif 1986	15+3	39.55	77.40	856.20	14.99	169.16
Rabi 1986-87	15+2	11.28	20.99	242.37	4.51	4.58
Kharif 1987	18+3	46.32	84.10	1140.68	19.10	277.24
Rabi 1987-88	17+2	21.28	32.36	475.44	8.84	12.07
Kharif 1988	13+0	29.64	52.35	547.88	8.82	29.18
Rabi 1988-89	9+0	8.73	10.12	164.10	3.12	3.87
Kharif 1989	15+2	42.26	66.45	873.89	14.48	34.36
Rabi 1989-90	16+1	6.59	9.58	151.56	2.76	3.06
Kharif 1990	17+0	19.42	34.09	515.15	7.66	N. A.

N. A. = Not available.

Source: Ministry of Agriculture, Department of Agriculture and Co-operation, Government of India—Annual Report—1990-91.

Farmers' Service Societies (FSS)

The Farmers' Service Societies (FSS) continue to cater to credit and non-credit requirements of farmers as a single window since their inception in 1973-74. As at end-June 1990, there were 2,525 such societies. Of these, 1,750 societies (or 69 per cent) were located in 2 States viz., Assam (701) and Uttar Pradesh (1,049). The membership as at the end of 1990 was 67.53 lakhs of which, Scheduled Castes and Scheduled Tribes together constituted 24 per cent. The paid up capital of FSS stood at Rs. 79 crore of which, Rs. 18 crore was contributed by State Governments. The FSS issued loans of Rs. 241 crore to 17.24 lakh borrowers during 1989-90. Their overdues at Rs. 150 crore accounted for 36 per cent of their outstanding loans of Rs. 414 crore at the end of June 1990.

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 easy access to the lending windows of the commercial banks. In the sphere of advances to the priority sector (which includes advances to agriculture), commercial banks have achieved 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. 39,418 crore as at end-March 1990 to Rs. 42,276 crore at end-March 1991, showing a rise of 7.2 per cent during the year. The share of Public Sector Banks in priority sector advances to total net bank credit which stood at 43.2 per cent as at end of March 1990 has slightly declined to 40.0 per cent as at end of March 1991.

As at end-March 1991, the outstanding direct advances to agriculture of public sector banks aggregated Rs. 15,857 crore or 15.0 per cent of total credit. The advances outstanding to weaker sections during the same period amounted to Rs. 10,260 crore as against Rs. 9,897 crore as at end-March 1990 (Table VII-47).

Disbursements of Credit for Agriculture and Allied Activities

During 1988-89 (July-June), disbursements of credit for agriculture and allied activities amounted to Rs. 3,813 crore, recording an increase of Rs. 287 crore or 8.1 per cent as compared with the amount disbursed a year ago. A major portion of the credit (Rs. 2,366 crore or 62 per cent) was disbursed by the Nationalised Banks; the State Bank of India group accounted for Rs. 1,296 crore (34.0 per cent) and Foreign and other scheduled commercial banks accounted for Rs. 151 crore or (4.0 per cent) (Table VII-48).

Table VII-47 : Outstanding Advances of Public Sector Banks

(Rupees crore)

Item	End-March 1988	End-March 1989 P	End-March 1990 P	End-March 1991P
1	2	3	4	5
i) Outstanding advances to priority sectors	28,468	34,623	39,418	42,276
Percentage to total credit	45.8	44.3	43.2	40.0
ii) Outstanding direct advances to agriculture	10,438	12,833	15,082	15,857
Percentage to total credit	16.8	16.4	16.5	15.0
iii) Outstanding advances to weaker sections	7,310	8,459	9,897	10,260
Percentage to priority sector advances	25.7	24.4	25.1	24.3
Percentage to total credit	11.8	10.8	10.9	9.7

P : Provisional
Source : Reserve Bank of India.

Table VII-48 : Disbursements of Credit for Agriculture and Allied Activities by Scheduled Commercial Banks During 1986-87 to 1988-89 (July-June)

(Rupees crore)

Category of Banks	1986-87	1987-88	1988-89
1	2	3	4
Nationalised Banks	2,228	2,247	2,366
	(66.9)	(63.7)	(62.0)
State Bank of India Group	979	1,142	1,296
	(29.4)	(32.4)	(34.0)
Foreign and Other Scheduled Commercial Banks	125	137	151
	(3.7)	(3.9)	(4.0)
Total	**3,332**	**3,526**	**3,813**
	(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-I.

Purpose-wise disbursement

During 1988-89 (July-June), short-term loans aggregating Rs. 1,765 crore constituting 46.3 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. 2,049 crore (53.7 per cent), of which Rs. 1,422 crore or 69.4 per cent were provided for agriculture alone under which tractors, agricultural implements and machinery accounted for bulk of the loan disbursed (Rs. 638 crore or 44.9 per cent). Minor irrigation schemes (Rs. 313 crore) was another important purpose under agriculture.

Region-wise disbursement

Region-wise, Southern Region continued to account for the bulk of the credit disbursed; its share in the total credit disbursements stood at 49.9 per cent during 1988-89 (July-June) as against 50.1 per cent in 1987-88 (July-June). The share of Northern and Western Regions declined from 14.8 per cent and 14.5 per cent during 1987-88 (July-June) to 14.4 per cent and 12.5 per cent during 1988-89 (July-June), whereas the shares of North-Eastern Region, Eastern Region and Central Region, respectively, rose from 0.8 per cent, 7.2 per cent and 12.6 per cent in 1987-88 (July-June) to 1.2 per cent, 8.0 per cent and 14.0 per cent during 1988-89 (July-June) (Table VII-49).

Central/State Government and Co-operative Credit

Apart from the refinance support and guidance provided by the National Bank for the development of co-operative movement, the

Table VII-49 : Purpose-wise/Region-wise Distribution of Credit by Scheduled Commercial Banks During 1988-89 (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 Loan (including crop loans)	**102**	**12**	**83**	**106**	**170**	**1292**	**1765**
	(5.8)	(0.7)	(4.7)	(6.0)	(9.6)	(73.2)	(100.0)
	(18.5)	(26.7)	(27.3)	(19.8)	(35.8)	(67.9)	(46.3)
II. Term Loans (A+B)	**449**	**33**	**221**	**429**	**305**	**612**	**2049**
	(21.9)	(1.6)	(10.8)	(20.9)	(14.9)	(29.9)	(100.0)
	(81.5)	(73.3)	(72.7)	(80.2)	(64.2)	(32.1)	(53.7)
A. Loans for Agriculture	365	18	141	351	200	347	1422
i) Minor irrigation schemes	48	5	26	74	67	93	313
ii) Reclamation and Land Development Schemes	3	1	6	3	4	19	36
iii) Tractors and Agricultural implements and Machinery	249	2	52	186	62	86	638
iv) Plantations	4	3	15	7	10	48	87
v) Other term loans	61	7	41	81	57	101	348
B. Loans for Allied Activities	84	15	80	78	105	265	627
i) Dairying	40	6	27	38	42	97	249
ii) Poultry Farming, Piggery and Bee-keeping	13	4	11	12	13	41	93
iii) Fisheries	-	3	10	2	17	30	63
iv) Other	31	2	32	26	33	97	222
Grand Total (I+II)	**551**	**45**	**304**	**535**	**475**	**1904**	**3813**
Region-wise shares (Percentage)	(14.4)	(1.2)	(8.0)	(14.0)	(12.5)	(49.9)	(100)
	(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.

Government of India has also 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. The progress made under these schemes during 1990-91 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 holding upto 0.5 acre, whether as owner or tenant, landless labourers, rural artisans and other people of meagre means such as carpenters, barbers, washermen, etc. The entire amount of Risk Fund Assistance (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 reimbursements from the Government of India. During 1990-91, an amount of Rs. 19.41 lakh was released to five States, viz., Andhra Pradesh, Punjab, Rajasthan, Tamil Nadu and Uttar Pradesh under this scheme. A budget provision of Rs. 25 lakh has been made for the year 1991-92.

Agricultural Credit Stabilisation Fund

The Scheme is for assisting the co-operative banks in providing relief to the farmers by way of conversion of Short-Term Loans into Medium-Term Loans when crop loss is more than 50 per cent on account of natural calamities. The amounts required for conversion is provided by NABARD (60 per cent), State Governments (15 per cent) and State Co-operative Banks/Central Co-operative Banks (25 per cent). In order to meet the share of co-operative banks, a Credit Stabilisation Fund is built at the State Co-operative Bank's level. Deficit in the Fund is being met to the extent possible by the Government of India. During the year 1990-91, a sum of Rs. 453 lakh was released to various States under the scheme. For the year 1991-92 a sum of Rs. 300 lakh has been provided.

Scheme of Assistance to Co-operative Credit Institutions in the Co-operatively Under-developed States

The Scheme is intended for assisting co-operatives in co-operatively under-developed States, tribal areas, drought prone areas, areas selected for the Special Rice Production Programme (SRPP), National Oilseeds Development Projects (NODP) and other special programmes such as Special Foodgrains Production Programme (SFPP). During the year 1990-91, a sum of Rs. 17.00 crore had been released to various States. For the year 1991-92, there is a budget provision of Rs. 10.00 crore.

Other Institutions in the Field of Rural Credit

National Co-operative Development Corporation (NCDC)

The National Co-operative Development Corporation aims at promoting, planning and strengthening the programmes meant for production, processing, marketing, storage, export and import of agricultural produce, foodstuffs and certain other commodities. Besides, it continued to implement the programmes, through co-operatives, intended to benefit the weaker sections of our society namely, scheduled castes and scheduled tribes. These programmes pertain 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.

The implementation of 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 completed. At present, NCDC is implementing NCDC-III IDA project in the areas of storage, oilseeds, cotton processing and institution building in addition to EEC assisted projects for mustard seed and coconut development. Steps have already been initiated to formulate NCDC-IV project with IDA assistance. The NCDC has been playing a significant role on the growth, modernisation and setting up of by-product industries and rehabilitation of sugar factories in the co-operative sugar sector.

During the current year 1990-91, the Corporation provided Rs. 258 crore of financial assistance as compared to Rs. 222 crore in 1989-90. It extended Rs. 134 crore for Central schemes during the year 1990-91 as against Rs. 101 crore in 1989-90 and Rs. 124 crore for Corporation sponsored schemes as against Rs. 121 crore in 1989-90 (Table VII-50). State-wise, the

bulk of assistance was given to Maharashtra (17 per cent) followed by Andhra Pradesh (11 per cent), Kerala (10 per cent), Madhya Pradesh (10 per cent), Tamil Nadu (7 per cent) and Karnataka (7 per cent). With the expenditure of Rs. 257.62 crore incurred during 1990-91, the total assistance provided by the NCDC to various State Governments and other agencies, aggregated about Rs. 1,969.09 crore of which Rs. 1,220.82 crore were outstanding as on March 31, 1991.

NCDC had launched a scheme during the Seventh Plan for Integrated Co-operative Development projects for area development in selected districts. Till March 1991, the scheme has been sanctioned in 25 districts with a project cost of Rs. 114.75 crore, including NCDC's share of Rs. 108.80 crore. The Scheme is 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 areas in a district.

Since 1976, NCDC has been providing assistance to primary agricultural credit societies (PACS) for developing rural consumer business especially in the remote hilly regions of the country. As on March 31, 1991, the total number of co-operative retail outlets assisted by NCDC was 58,073 as compared with 57,355 in the previous year. Supply of essential commodities such as foodgrains, sugar, edible oil, controlled clothes, kerosene, salt, soft coke, etc., through co-operatives in rural areas has become an integral

Table VII-50 : NCDC's Financial Assistance (Disbursements) from 1988-89 to 1990-91 (April-March)

(Rupees crore)

Schemes/Purposes	Amount disbursed		
	1988-89	1989-90	1990-91
1	2	3	4
I. Central Schemes	**99**	**101**	**134**
a) Co-operative Storage Programme with International aid	68	63	105
b) Co-operative Marketing, Processing and Storage Programmes in under-developed States/Union Territories	10	10	10
c) Margin Money Assistance of Village Societies for Distribution of Consumer Articles in Rural Areas	2	2	2
d) Finance for Co-operative Sugar Factories, Co-operative Spinning Mills, NAFED, etc.	19	26	16
e) Miscellaneous	-	-	1
II. Corporation Sponsored Schemes	**107**	**121**	**124**
a) Storage	10	18	7
b) Agro-Processing	51	53	57
c) Weaker Sections	18	21	22
d) Agricultural Marketing	10	14	13
e) Rural Consumer Activity	2	3	3
f) Agro Services and Promotional and Developmental Programmes	10	12	22
III. Total (I+II)	**206**	**222**	**258**

Source : National Co-operative Development Corporation.

part of the Public Distribution System (PDS). NCDC has been providng financial assistance since 1978 to rural consumer co-operatives such as PACS through margin money assistance under a Centrally sponsored scheme. Till the end of March 1991, NCDC has sanctioned a total assistance of Rs. 103.39 crore, representing Rs. 46.57 crore under Centrally sponsored scheme and Rs. 56.82 crore under NCDC sponsored scheme including student consumers stores. Under its Scheme to assist and promote student co-operatives, NCDC sanctioned an amount of Rs. 1.58 crore up to the end of March 1991 for 1,114 student consumer stores.

Warehousing Corporations

The public warehousing system in the country which started a pioneering work in the year 1957 has been showing continuous progress during the last three decades. The scheme envisaged an integrated growth of warehousing in the country under a 3-tier system; the markets of all-India importance were to be served by Central Warehousing Corporation (CWC), while the secondary markets by State Warehousing Corporations and the rural areas by the Co-operatives.

i) *Central Warehousing Corporation (CWC)*

Having started mainly for storage of foodgrains initially, the CWC has diversified its activities, considering the warehousing needs of the country and now caters to a vast clientele of agriculturists, co-operatives, trade and industry, public undertakings and Central and State Governments. It handles a number of commodities, such as foodgrains, pulses, fertilisers, sugar, jaggery, oil and oilseeds, fibres like cotton and jute etc.

Keeping in view the fast industrial growth and internal and international trade, wareshousing becomes an essential ingredient in the developmental phase. Realising the role of warehousing in this growth process, more and more industrial goods like textiles, chemicals, heavy industrial goods, sophisticated electronic components and host of other agricultural and industrial commodities, etc., have been notified for storage in the warehouses. Further, in order to meet the requirements of trade and industries, the Corporation has also started providing mechanical handling facilities at some of the custom bonded warehouses where there is a regular demand for such facilities.

In 1957, CWC was started with 7 warehouses having a total capacity of 7000 tonnes and has shown a steady progress during last three decades. As at end-March 1991, it has developed all-India network of 498 warehouses having a total capacity of 67.8 lakh tonnes (Table VII-51). The average utilisation of the warehousing capacity during the year 1990-91 was higher at 78.0 per cent than that of last year at 77.0 per cent.

ii) *State Warehousing Corporations (SWC)*

During 1990-91, the number of warehouses owned/managed by the State Warehousing Corporations (SWCs) increased from 1,324 to 1,331 and the total capacity from 90.0 lakh tonnes to 93.9 lakh tonnes over the year.

Rural Electrification Corporation Ltd. (REC)

The Rural Electrification Corporation (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 State Electricity Boards. During 1990-91 (April-March), the total amount sanctioned by the Corporation was slightly lower at Rs. 962 crore as against Rs. 959 crore in 1989-90 and Rs. 954 crore in 1988-89.

During the year 1990-91 (April-March), the Corporation sanctioned 1,990 schemes covering 12,888 villages as against 2,312 schemes covering 19,021 villages in 1989-90. The cumulative financial assistance sanctioned and disbursed by the REC as at end-March 1991 amounted to Rs. 7,924 crore and Rs. 5,417 crore, respectively. During the year, REC sanctioned 63 schemes for Harijan Bastis covering 2,101 villages as against 220 schemes covering 6,701 villages last year.

Table VII-51 : 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					
1988-89	465	43.8	18.3	1.5	63.6
1989-90	483	45.7	17.7	1.8	65.2
1990-91	498	47.2	17.6	3.0	67.8
II.State Warehousing Corporations					
1988-89	1,300	62.5	21.8	1.2	85.5
1989-90	1,324	64.5	24.3	1.2	90.0
1990-91*	1,331	65.8	26.2	1.9	93.9

* Provisional

Source : Central Warehousing Corporation

Disbursements for Harijan Bastis during 1990-91 registered a decline of Rs. 4 crore over the preceding year. Cumulatively, REC had approved 1,510 Harijan Bastis' scheme, covering 67,205 villages with a financial assistance of Rs. 110 crore upto end-March 1991. The total amount disbursed under this scheme amounted to Rs. 74 crore as compared with Rs. 68 crore at the end of March 1990 (Table VII-52). State-wise data of schemes sanctioned and amount disbursed by REC (cumulative position) as at end-March 1991 are given in Table VII-53.

Agricultural Finance Consultants Ltd. (AFC)

Agricultural Finance Consultants Ltd., continued to undertake a large number of assignments relating to project formulation, monitoring and evaluation studies concerning agriculture and rural development. During the current year 1990-91 (April-March), AFC handled 92 assignments (as compared to 79 last year) a majority of which were sponsored by Central and State Governments. Thus, of the 92 assignments handled by AFC, during the year under review, 21 were sponsored by Government of India, 43 by State Governments, 2 by NABARD, 5 by Commercial Banks and 5 by International agencies and the rest by other Government bodies and Corporations etc.

The formulation, evaluation and monitoring of projects by AFC related mainly to agriculture and rural development. They included evaluation of

Table VII-52 : Schemes sanctioned and Loans Disbursed by Rural Electrification Corporation (April-March)

(Rupees crore)

Items	1988-89	1989-90	1990-91	Cumulative Position as at end-March 1991
1	2	3	4	5
1. No. of Schemes sanctioned	2,273	2,312	1,990	23,071
	(146)	(220)	(63)	(1,510)
2. No. of villages covered	17,389	19,021	12,888	4,13,185
	(4,737)	(6,701)	(2,101)	(67,205)
3. Total cost of schemes	1,263	1,239	1,178	10,976
	(12)	(22)	(6)	(110)
4. Total amount sanctioned	954	959	962	7,924
	(12)	(22)	(6)	(110)
5. Total amount disbursed	804	713	709	5,417
	(9)	(10)	(6)	(74)

Note : Figures in brackets are in respect of Harijan Basti Schemes included in the respective totals.

Source : Rural Electrification Corporation Limited.

Table VII-53 : State-wise Data on Schemes Sanctioned and Loans Disbursed by REC (Cumulative Position) as at end of March 1990 and 1991

State	No. of schemes sanctioned		Villages including HBs covered		Loan amount sanctioned (Rs. crore)		Amount disbursed (Rs. crore)	
	1990	1991$	1990	1991$	1990	1991$	1990	1991$
1	2	3	4	5	6	7	8	9
Andhra Pradesh	2324	2522	30492	31332	533.6	597.1	383.5	436.2
Arunachal Pradesh	46	46	848	848	55.4	55.3	11.8	16.4
Assam	318	332	18501	18854	221.8	234.5	171.0	186.1
Bihar	1424	1541	55510	56533	421.6	459.4	329.4	355.9
Goa	-	-	-	-	-	-	-	-
Gujarat	883	961	9186	9153	348.7	373.7	217.8	255.3
Haryana	617	661	5917	5917	189.4	211.9	134.8	156.1
Himachal Pradesh	261	269	11097	11097	149.0	154.5	107.7	114.2
Jammu and Kashmir	233	249	5489	5397	114.7	131.6	69.3	75.6
Karnataka	990	1096	15505	15519	215.5	255.0	189.9	214.7
Kerala	471	537	727	849	137.1	158.6	88.5	102.1
Madhya Pradesh	3298	3717	67451	67916	975.9	1147.3	657.0	824.7
Maharashtra	1980	2220	16568	16096	646.1	705.0	400.3	474.6
Manipur	49	61	1420	1583	38.6	51.7	25.2	37.5
Meghalaya	95	95	2928	2928	72.0	72.0	47.5	52.3
Mizoram	16	19	344	344	24.6	27.3	10.0	14.9
Nagaland	45	47	756	742	35.7	38.9	31.4	33.0
Orissa	978	1055	33283	34778	308.9	390.1	222.2	256.7
Punjab	921	1006	4385	4385	343.0	408.1	209.7	235.3
Rajasthan	1449	1554	31166	32749	402.5	484.6	292.0	325.1
Sikkim	34	36	296	291	26.3	29.1	19.3	25.0
Tamil Nadu	1285	1410	1264	1264	319.3	359.3	214.6	249.8
Tripura	88	98	2980	3140	45.2	56.0	32.4	41.6
Uttar Pradesh	2310	2494	62107	62192	951.6	1081.5	568.8	615.0
West Bengal	966	1045	27644	29278	388.3	441.9	275.1	318.4
TOTAL	**21081**	**23071**	**405864**	**413185**	**6964.7**	**7924.4**	**4708.9**	**5417.0**

S : Provisional

Source : Rural Electrification Corporation Limited.

Integrated Programme on Rice Development (IPRD), concurrent evaluation of Oilseeds Production Programme (OPP), Development of Catchment Areas of River Valleys, Comprehensive Agricultural Development model projects under National Watershed Development Programme in rainfed areas, Integrated Horticulture Development, Rehabilitation and Environment Protection , integrated Co-operative Development, Monitoring and Evaluation Studies of Watershed Development and Management Projects, impact of District Credit Plans, Drought Prone Area Programmes in various states etc.

AFC continued to pay greater attention in the Eastern and North-Eastern regions of the country and undertook formulation/evaluation of agricultural and rural development projects. There

were in all 36 assignments relating to this area and some of the significant assignments handled by AFC during the year for this region were preparation of reports for Command Area Development Projects in Assam and Bihar; preparation of status and detailed project reports for catchment treatment and restoration of ecological balance in the river catchment areas in Assam, Arunachal Pradesh, Meghalaya, Mizoram and Nagaland etc.

A Regional Social Forestry Support Unit to the National Forestry Project at the instance of the National Mission on Watershed Development (NMWD) was set up in New Delhi by AFC with the objective of helping NMWD for monitoring the implementation and evaluation of the social forestry programmes in the States of Haryana, Rajasthan and Uttar Pradesh. The Regional unit assisted the State Forest Departments, Forest Development Corporations and other agencies involved in waste land developments in these States.

Another important activity of AFC is its external consultancy. During the year under review, AFC continued to evince interest in a number of assignments funded by international agencies like the Asian Development Bank, International Fund for Agricultural Development, World Bank and African Development Bank.

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 examined the Report submitted by the Group and conveyed its views on the recommendations pertaining to it to the Reserve Bank of India and the Government of India, Ministry of Commerce. The GOI have since set up a Lac Development Co-ordination Committee (LDCC) which has had two meetings so far. The National Bank is a member of the LDCC.

ANNEXURE I

Interest Rate Structure for Advances of Scheduled Commercial Banks (Excluding Interest Tax)

(Per cent per annum)

Category of Advances	Rates effective September 22, 1990	Rates effective from October 9, 1991
1	2	3
1. **Size of Limit**		
a) Up to and inclusive of Rs. 7,500/-	10.0	11.5
b) Over Rs. 7,500/- and up to Rs. 15,000/-	11.5	13.0
c) Over Rs. 15,000/- and up to Rs. 25,000/-	12.0	13.5
d) Over Rs. 25,000/- and up to Rs. 50,000/-	14.0	15.5
e) Over Rs. 50,000/- and up to Rs. 2 lakh	15.0	16.5
f) Over Rs. 2 lakh	16.0* (minimum)	20.0 (minimum)
2. **Lending rate for commodities coming within the purview of Selective Credit Control**		
Loans/Advances/Cash Credit/Overdrafts against commodities subject to Selective Credit Control	16.0* (minimum)	20.0 (minimum)
3. DRI advances	4.0	4.0
4. Lending rate in the case of public sector food procurement/distribution agencies	16.0*	20.0
5. **For term loans to agriculture, small-scale industry and transport operators owning up to two vehicles**		
a) Over Rs. 25,000/- and up to Rs. 50,000/-	13.0	14.0
b) Over Rs. 50,000/- and upto Rs. 2 lakh	14.0	15.0
c) Over Rs. 2 lakh	14.0	15.0 (minimum)
6. a) Loans for purchase of consumer durables	Banks free to @ determine the rate	Banks free to determine the rate
b) Loans to individuals against shares and debentures/bonds	"	"
c) Other non-priority sector personal loans	"	"

* Subsequently revised to 17.00 per cent (minimum) effective April 13, 1991 and again revised to 18.50 per cent (minimum) effective July 4, 1991.

@ Effective from October 10, 1990.

Notes : 1. An interest rate surcharge of 25 per cent applicable in the case of parties with cash credit/overdraft limit of over Rs. 2 lakh if the credit is used for financing imports.

2. The effective interest rate on bill discounting in the case of parties with cash credit/overdraft limits of over Rs. 2 lakh should be one percentage point lower than the rate chargeable on the cash credit/overdraft facility.

3. In the case of finance granted to intermediary agencies (including those for housing) for on lending to ultimate beneficiaries and agencies providing input support the rate should be a fixed rate of 3.0 percentage points below the minimum rate applicable for credit limits in the category of over Rs. 2 lakh.

4. Where short-term loans are routed through PACS/LAMPS/FSS the rates to be charged by banks to the PACS/LAMPS/FSS shall be 2.5 percentage points lower than the rates to the ultimate borrowers indicated in the item I above for the respective size of the limit.

ANNEXURE II

Interest Rate on Export Credit of Scheduled Commercial Banks (Excluding Interest Tax)

(Per cent per annum)

Export Credit	Rates upto March 31, 1991	Rates effective April 1, 1991	Rates effective April 23, 1991	Rates effective August 6, 1991	Rates effective October 9, 1991
1	2	3	4	5	6
1. **Pre-shipment credit**					
a) i) Up to 180 days	7.50	7.50	7.50	12.50	15.00
ii) Beyond 180 days and up to 270 days (with the prior approval of the Reserve Bank of India)	9.50	9.50	9.50	14.50	17.00
b) Against cash incentives, etc. covered by ECGC guarantee up to 90 days	7.50	7.50	7.50	12.50	15.00
2. **Post-shipment credit**					
i) Demand bills for transit period (as specified by FEDAI)	8.65	8.65	7.00	12.50	15.00
ii) Usance Bills (For period comprising usance period of export bills, transit period, as specified by FEDAI, and grace period, wherever applicable)					
a) Up to 45 days			7.00	12.50	15.00
b) Beyond 45 days up to 90 days	8.65 (upto 180 days)	8.65 (upto 90 days)	8.65		
c) Beyond 90 days up to six months from date of shipment		16.00 (from the date of advance)	18.00 (from the date of advance)	18.00 (from the date of advance)	20.00
d) Beyond six months from date of shipment		16.00 (plus a surcharge of 2.00 from the date of advance)	25.00 (from the date of advance)	25.00 (from the date of advance)	25.00
iii) Cash incentives, duty draw back, etc. receivable from Government covered by ECGC Guarantee (up to 90 days)	8.65	8.65	8.65	12.50	15.00
iv) Undrawn balance (up to 90 days)	8.65	8.65	8.65	12.50	15.00
v) Against retention money (for supplies portion only) payable within one year from the date of shipment (up to 90 days)	8.65	8.65	8.65	12.50	15.00
3. **Deferred Credit**					
Deferred credit for the period beyond 180 days	8.65	8.65	8.65	12.50	15.00
4. **Duty Drawback Credit Scheme, 1976**					
Against duty draw back as provisionally certified by the Customs Authorities (up to 90 dyas)	Free of interest	Free of interest	Free of interest	Free of interest	Free of interest
5. **Export credit not otherwise specified**	14.00 to 15.50	16.00 (minimum)	18.00 (minimum)	18.50 (minimum)	20.00 (minimum)

ANNEXURE III

Financing of Imports : Special Regulations

As referred to in the earlier part of the Chapter, the rapid deterioration in the country's external payments situation called for special attention to issues concerning free foreign currency reserves. Towards this end, a series of measures relating to bank finance for imports was introduced which sought to restrain imports to essential levels and reduce the importers' dependence on free foreign exchange for import of capital goods. In response to the rapidly changing situation the Bank's policy measures, which began in September 1990, have had necessarily to be frequently widened, strengthened and modified in scope and coverage. These measures are summarised below :

Import of Capital Goods

Banks were advised on September 11, 1990, that importers of capital goods under OGL or under a specific import licence should be asked to approach the term lending institutions for their foreign currency loan requirements. Should the banks for any compelling reasons provide credit for such purposes, they should charge 0.5 percentage point higher than the rate applicable to foreign currency loans covered by the Exchange Risk Administration Scheme (ERAS). In this regard, the earlier ban on issuing guarantees to term lending institutions by banks for the loans extended by the former was removed.

November 1, 1990

Effective November 1, 1990, the banks were asked to direct all importers of capital goods to the financial institutions. Banks were permitted to grant Rupee term loans only if such imports could not be covered under the lines of credit available with the financial institutions.

December 24, 1990

On December 24, 1990, banks were permitted to issue guarantees favouring financial institutions on behalf of small borrowers as also others located at places which have no offices of financial institutions, subject to the commercial viability of the proposal and certain other conditions.

Banks were advised that as import of capital goods from bilateral trade countries were not covered by foreign currency lines of credit, banks could continue to finance such imports. Banks were also advised that where importers of capital goods claimed to be in a position to meet the Rupee costs of the import from their own resources without having to obtain any term loan from banks or financial institutions banks could provide the necessary letter of credit facility after satisfying themselves that they would not be required to grant any fund-based facility for the purpose.

February 6, 1991

On a review, banks were advised on February 6, 1991, that they could grant Rupee term loans in respect of import of capital goods in the following cases: (a) imports under Technical Development Fund Scheme administered by the IDBI on behalf of the Government of India; and (b) import of technical know-how by existing units for modernisation and upgradation and where it was proposed not to approach financial institutions for the purpose.

March 19, 1991

In supersession of earlier instructions on import of capital goods, banks were advised on March 19, 1991, that no sale of free foreign exchange should be permitted for import of capital goods under any circumstances until further orders and that import of such goods could only be financed out of foreign currency lines of credit available with the financial institutions. For this purpose, where necessary banks were permitted to issue guarantees beyond March 31, 1991 in favour of financial institutions in order to facilitate sanction of such loans by those institutions.

Opening of letters of credit for import of capital goods out of free foreign exchange was permissible on or before March 19, 1991, in certain specified cases. On April 25, 1991, the Reserve Bank clarified that it would be in order for banks to honour letters of credit for such imports which were opened on or before March 19, 1991, after ensuring that those were opened in conformity with the then existing guidelines.

In respect of import of capital goods not covered by letters of credit and where shipments were effected on or before March 19, 1991, banks were advised to try to cover such imports under the foreign currency lines of credit available with financial institutions. In case these imports could not be covered under the foreign currency lines of credit, sale of free foreign exchange might be effected after having ensured that the rupee cost of imports would be met by the importer from his own resources.

May 31, 1991

Banks were advised on May 31, 1991, that import of capital goods not covered by foreign lines of credit but under suppliers' credit for atleast one year would be examined by the Reserve Bank on receipt of certain details about the project for which the import has to be made, the sources of finance for the project, the stage of implementation, terms of suppliers' credit, export performance of the company, and in the case of a new project, the expected earning/saving in foreign exchange.

June 13, 1991

Opening of letters of credit for import of capital goods from the USSR, Czechoslovakia and Romania (during the validity period of the agreements with each of them) was permitted effective June 13, 1991.

July 24, 1991

Banks and financial institutions were permitted on July 24, 1991 to open letters of credit for import of capital goods for projects where the cost of imports would be reimbursed by international institutions like the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA) and the Asian Development Bank (ADB).

With the improvement in Balance of Payments position, in order to provide relief to importers of small value as also to facilitate imports by export-oriented units, Reserve Bank of India announced on November 27, 1991, that it would consider import of capital goods upto the value of Rs. 50 lakhs against free foreign exchange. Such imports of value upto Rs. 100 lakhs would be considered in cases where the importer is able to arrange for suppliers' credit of at last 360 days. Imports in excess of this value will require longer terms of Suppliers' credit subject to prior approval of Government of India.

Import of Goods other than Capital Goods

October 25, 1990

Banks were advised on October 25, 1990, to maintain a minimum cash margin of 50 per cent on all imports of raw materials, components, etc., except imports relating to certain export activities as well as to the core sector of the economy. The level of imported inventory was also restricted to 3.0 months consumption or the prescribed levels, whichever was less.

November 19, 1990

Banks were advised on November 19, 1990, that the cash margin should be placed on all imports other than capital goods at the time of opening of letters of credit. Import of life saving drugs and equipments were added to the list of exemptions from the application of minimum cash margin requirements.

December 24, 1990

With the objective of promoting exports, the condition relating to export performance for qualifying for exemption of margin advised on October 25, 1990 was modified to exempt units having to their credit exports of not less than 25

per cent of their turnover during the previous accounting year or Rs. 10 crore per annum, whichever was less. Imports from bilateral trade countries were also exempted from the requirement of cash margins.

January 24, 1991

Banks were advised on January 24, 1991, to further exempt imports against Advance Licences and Advance Intermediate Licences from the requirement of 50 per cent cash margin provided such imports were strictly for self-consumption.

February 6, 1991

Exemptions from the requirement of minimum cash margins were effected in respect of import of bulk drugs, formulations and intermediates, imports made by companies holding Inland Private Bonded Warehouse after obtaining prior approval of RBI. Licences granted under the Customs Act, 1962, import of technical know-how and imports under suppliers' credit for a minimum period of one year on February 6, 1991.

March 19, 1991

Effective March 19, 1991, the minimum cash margins were stipulated between 50 per cent and 133.33 per cent depending on the type of licence under which the imports, other than capital goods, were to be made and such minimum cash margins were also made applicable to imports not under letters of credit. Simultaneously, the number of items exempted from the requirement of prescribed minimum cash margins was curtailed to the following imports only : imports by Government departments; petroleum, oil and lubricants; fertilisers; foodgrains; edible oils; newsprint; and life-saving drugs. Banks were also advised to ensure that no additionality of limits/ drawing power was provided to their constituents to meet the requirement of cash margins.

April 1, 1991

The 50 per cent margin requirement on imports for own consumption made by registered 100 per cent Export-Oriented Units (EOUs), units located in Export Processing Zones (EPZs) and Free Trade Zones (FTZs) was waived effective April 1991, subject to their exports being made to General Currency Area (GCA) and export proceeds being realised within a period of six months from the date of export.

Imports for own consumption against Advance and Imprest Licences were exempt from the prescribed minimum cash margins provided the exporter had no export bills outstanding beyond a period of six months from the date of export. Imports under REP and Additional Licences were subject to 50 per cent cash margin, effective April 1, 1991, provided the export proceeds against which such licences had been issued had been fully realised.

April 22, 1991

The minimum cash margins on imports under OGL were further raised to 200 per cent and on imports under Specific Licences to 150 per cent effective April 22, 1991. Import of life-saving equipments for value up to Rs. 2 lakh was exempted from the prescribed minimum cash margins. Imports of gem and jewellery under Imprest Licences, for value added re-export, were exempt from the prescribed minimum cash margins provided the importer had no export bills outstanding beyond 90 days from the date of export and he undertook to realise future exports also within 90 days. Imports of gem and jewellery against REP licences to qualify for exemption from cash margin were further subject to banks being satisfied that export proceeds against which the licence was issued had been fully realised and a minimum period of suppliers' credit of 90 days was available.

April 23, 1991

Government of India had decided on April 23, 1991 that all the import Replenishment Licences should be issued only after realisation of export proceeds. In view of these changes, the banks were advised to waive the requirement of prescribed minimum cash margins in respect of imports against such post-payment Replenishment Licences.

May 31, 1991

Import of goods other than capital goods under suppliers' credit for one year and above was exempt from the requirement of prescribed minimum cash margin of 50 per cent (imposed on March 19, 1991), with effect from May 31, 1991.

June 6, 1991

Effective June 6, 1991, in the interest of export promotion, manufacturer-exporters of finished leather/leather products, chemical and pharmaceuticals, engineering goods, garments and marine products were permitted to import, other than capital goods, without any cash margin to the extent of 10 per cent of their actual export realisation from the General Currency Area subject to the ceiling of Rs. 2.5 crore in a year. Imports of hides and skins from USSR by manufacturer-exporters was fully exempt from the requirement of prescribed cash margins. The above relaxation, however, would be available where no export bill remains outstanding beyond a period of six months from date of export.

Further, to make allowances for export outstandings for valid reasons, banks were advised that export bills outstanding beyond the specified period not exceeding 5 per cent of the average annual export realisations during the previous 3 years subject to a ceiling of Rs. 50 lakhs, as also export outstandings from countries facing externalisation problems could be ignored, while deciding the requirement of minimum cash margin.

August 1, 1991

In the light of the Report of a Review Panel, the Reserve Bank modified on August 1, 1991, the extant guidelines on the prescribed cash margins as under :

a) Import of raw materials and intermediates for the manufacture of specified bulk drugs and formulations would be exempt from the requirement of cash margin. Further, the limit for exemption from the prescribed cash margin for the import of life saving equipments was raised to Rs. 10 lakh from the existing limit of Rs. 2 lakh.

b) In the case of imports under letters of credit, banks have been permitted to release the amount of cash margin once goods are cleared by the Customs and the Exchange Control copy of the Customs Bill of Entry is produced to the bank. In the case of imports not covered by letters of credit, the cash margin amount may be released on similar conditions only if such imports are covered by suppliers' credit for a minimum period of six months.

c) The Reserve Bank would consider waiver of cash margin requirements in cases where the exporter-importer would be in a position to obtain advance payments against his future exports and/or suppliers' credit to cover the period of export realisation.

d) Export bills outstanding for valid reasons not exceeding 5 per cent of the average export realisation during the previous three years, subject to a ceiling of Rs. 1 crore as against the existing ceiling of Rs. 50 lakh, would not be reckoned for the purpose of deciding whether export bills were outstanding beyond six months from the date of export.

August 9, 1991

Certain further relaxation were made on August 9, 1991 in respect of related activities in the wake of the new trade policy :

a) Imports of certain type of hides and skins, leather and chemicals by manufacturer-exporters as well as by export and trading houses are exempt from the prescibed minimum cash margins, provided export outstandings do not exceed the stipulated tolerance level.

b) The exemption available to certain categories of manufacturer-exporters for import of goods other than capital goods up to 10 per cent of their actual exports to GCA during the previous year subject

to ceiling of Rs. 2.5 crore in a year has been enhanced to 20 per cent with a ceiling of Rs. 5 crore in a year.

August 19, 1991

Banks were advised on August 19, 1991, that consequent upon Government decision that Additional Licences and Special Additional Licences be issued only after realisation of the export proceeds, the requirement of prescribed minimum cash margin in respect of import of goods, other than capital goods, against the abovementioned licences has been waived.

September 13, 1991

Merchanting trade transactions and import of goods against EXIM scripts were exempted from cash margin requirements. Import of raw cashewnuts without prescribed minimum cash margins was permitted subject to fultilment of certain conditions.

September 17, 1991

Banks were advised that imports such as chemicals, consumables, accessories, etc., for own use by (i) Universities (ii) Indian Institute of Science (iii) Indian Institutes of Technology and (iv) Autonomous Research/Educational institutions, including National Laboratories funded fully by the Government of India, and/or State Governments would be exempt from the requirement of prescribed minimum cash margins.

October 8, 1991

The prescribed minimum cash margin on imports under OGL was reduced from 200 per cent to 150 per cent bringing it on par with imports under specific licences. Further, with a view to enable manufacturer-exporters in thrust sectors for export to have access to a minimum level of imported inputs without prescribed cash margins, manufacturer-exporters, export houses, trading houses in the woollen and carpet industry, handicrafts, sports goods industry, agro products and processed foods were allowed to import without cash margin, specified goods to the extent of 30 per cent of their actual realisation from the General Currency Area during the previous accounting year subject to a maximum of Rs. 10 crores in a year.

The exemption limit permitted earlier to manufacturer-exporters of finished leather/leather products, chemicals and pharmaceuticals engineering goods, garments and marine products was raised to 30 per cent of the actual export realisation from the General Currency Area during the previous accounting year and the monetary ceiling to Rs. 10 crore from Rs. 5 crore. The monetary ceiling on the tolerance level for reckoning export outstandings was increased to Rs. 3 crore from Rs. 1 crore.

October 25, 1991

On the further review it was decided to exempt imports into Bond covered by savings clause 11 (i) (d) and 11 (i) (dd) of the Imports Control Order, 1955, from the requirement of prescribed minimum cash margins.

November 15, 1991

The exemption from the prescribed minimum cash margins available to Manufacturer-Exporters in certain thrust sector for exports was extended to all manufacturer exporters to the extent of 30 per cent of their export realisations from General Currency Area (GCA) during the previous accounting year subject to a ceiling of Rs. 30 crore in a year as against Rs. 10 crore hitherto.

The exemption from the requirement of prescribed minimum cash margins available to exporters for imports under Advance Licences for own consumption provided the exporter has no export bills outstanding beyond the prescibed tolerance level was extended to supporting-manufacturers (manufacturers of export goods who do not have exports in their own name) subject to certain conditions.

December 9, 1991

With a further improvement in the country's exchange reserves the cash margins on imports

under OGL and Specific Licences (except where relaxaton/waiver permitted) were reduced to 50 per cent from the level of 150 per cent.

Simultaneously the following relaxations were also made -

i) Import of Scientific and technical books as also scientific and technical journals were exempt from the requirement of prescribed minimum cash margins subject to the fulfilment of stipulated conditions.

ii) Import of medical equipments/instruments (including opthalmic equipments/ instruments) were exempt from the requirement of prescribed minimum cash margins provided the value of such import did not exceed Rs. 10 lakhs (per consignment).

iii) The requirement of obtaining supplier's credit by importers of gem and jewellery for imports under REP licences to qualify for exemption from prescribed minimum cash margin was waived.

iv) The monetary ceiling of Rs. 3 crore in respect of export bills outstanding for valid reasons not exceeding 5 per cent of the average annual export realisations during the previous 3 years for the purpose of deciding whether export bills are outstanding beyond the prescribed period from the date of export was dispensed with.

December 27, 1991

It was decided to effect further relaxation in the requirement of prescribed minimum cash margin and banks were advised as under on December 27, 1991.

a) Import of (i) planting seeds, (ii) pesticides/ insecticides/including raw materials/ intermediates required for their manufacture and (iii) vaccines used in poultry farming and animal husbandry would be exempt from the requirement of prescribed minimum cash margins.

b) Import of homeopathic medicines in finished form or homeopathic drugs (single) in basic form and/or of any potency including "Sugar of Milk" in bulk (item 38, Appendix 6, Import and Export Policy, 1990-93) were exempt from the margin requirement.

c) Import of carpet grade wool of 32 microns and above by manufacturers of carpet yarn for own consumption was exempt from the requirement of cash margin subject to the importer furnishing undertaking to his banker in the prescribed form.

d) Imports during the year by 100 per cent Export-Oriented units and units in Export Processing Zone/Free Trade Zone were exempt from the requirement of prescribed minimum cash margins provided the unit submitted a declaration that the imports would be utilised for fulfilment of export orders to GCA and the export outstandings of the unit were within the prescribed tolerance level. This was in modification of the instructions linking the margin exemption to past export realisations from GCA.

e) In partial modification of earlier instructions, imports by all manufacturer-exporters would be exempt from the requirement of prescribed minimum cash margins to the extent of 30 per cent of their actual export realisation from the GCA and 15 per cent of their actual export realisation from the Rupee Payment Area in the previous accounting year subject to an overall monetary ceiling of Rs. 30 crore per annum provided their export outstandings did not exceed the prescribed tolerance level.

January 1, 1992

Effective January 1, 1992, minimum cash margins on imports under OGL and Specific Licences (except where relaxation/waiver was permitted) were reduced to 25 per cent.

ANNEXURE - IV

SELECTIVE CREDIT CONTROL

PROVISIONS OF DIRECTIVES APPLICABLE TO SCHEDULED COMMERCIAL BANKS ON ADVANCES AGAINST SELECTED COMMODITIES

(Position as on May 9, 1991)

A. PADDY/RICE, PULSES AND "OTHER FOODGRAINS" (viz., Jowar, Bajra, Maize, Barley, Ragi, and all other foodgrains including coarsegrains) (Wheat exempt from controls)

Rate of Interest: 17.0 per cent (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 (Including Gram)** 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, ar d all other foodgrains including coarsegrains) 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) 1987-88, 1988-89 and 1989-90 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 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 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". IV. Exemption i) Advances to mills/dealers against pledge/ hypothecation of paddy/rice held to the extent of levy quota to be surrendered statutorily to the State Governments.		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. C. OTHERS 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) Advances to Khadi and Village Industries Commission and its associate institutions. v) Advances to Wholesale Consumers' Co-operative Stores and State/National Federations of Consumers' Co-operatives. vi) Advances upto an aggregate limit of Rs. 1 lakh per borrower are exempt from all the provisions of 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 there- against 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 enables other banks to discount usance 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 foodgrains 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: 17.0 per cent (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** i) Advances against all imported oilseeds for a period not exceeding 8 weeks after arrival of the goods in India. 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.	In respect of each party, separate ceiling for each of (i) groundnut, (ii) cottonseed, (iii) linseed and castorseed together: 85% of the peak level of credit maintained by the party in any of the 3 years (November-October), viz. 1987-88, 1988-89 and 1989-90. **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 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 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 oilcakes 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) Advances to 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 purchases 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-operative.
		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 importers guaranteeing payment of customs duty and/or import duty, or other levies, payable in respect of import of essential commodities without taking, as security for issue of such guarantees, a cash margin *equivalent to at least one half of the amount payable* under the guarantee. The term "essential commodities" shall mean such commodities as may be specified by the Reserve Bank of India from time to time.

iv) Warehouse receipts are those issued by Central/State Warehousing Corporations or rural godowns set up under a Government Scheme and godowns set up by Regulated Market Yards.

v) States and categories of advances indicated in column 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 : 17.0 per cent (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 85% of peak level of credit maintained by the party in any of the 3 years (November-October) viz. 1987-88, 1988-89 and 1989-90. **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 oil seeds 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) Advances to Khadi and 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 borrowers should deal 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 issué, 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 are exempted from rate of interest, minimum margin and level of credit prescribed, will continue to be governed by other instructions issued, prohibiting banks from discounting usance bills, allowing book debts and clean credit facilities. In case of advances mentioned at item D(iii) in column 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 : 17.00 per cent (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. (Reduced margin of 17.5 per cent for the period May 9, 1991 to August 8, 1991)

(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.

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) Advances to 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 preceding three months (moving average), or the current market price, whichever is lower. The prices for this purpose shall be exclusive of excise duty.

(ii) Usance bills arising out of sale of commodities covered under Selective Credit Control should not be discounted by banks. Banks should not open inland L/Cs providing a clause therein which would enable other banks to discount usance bills under the L/Cs.

(iii) No bank shall issue, either to a Court or to Government, or any other persons, a guarantee on behalf of, or on account of, any importers guaranteeing payment of customs duty and/or import duty or other levies, payable in respect of import of essential commodities without taking, as security for issue of such guarantees, a cash margin equivalent to at least one half of the amount payable under the guarantee. The term, "essential commodities" shall mean such commodities as may be specified by the Reserve Bank of India from time to time.

(iv) States and categories of advances indicated in Column 2 above, though are exempted from rate of interest and minimum margin prescribed will continue to be governed by other instructions issued prohibiting banks from discounting usance bills, allowing book debts and clean credit facilities etc. In case of advances mentioned at item C(iv) in column 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] presents a review of the combined budgetary position of the Central and State Governments which is 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 Post and Telecommunications are reviewed subsequently.

Combined Budgetary Position of Central and State Governments : 1990-91 and 1991-92

1990-91

The Central Government finances during 1990-91 came under severe pressure which was the outcome of several factors like the Gulf crisis, shortfall in revenue earnings and expenditure overrun. Despite some improvement in the overall budgetary operations of States, the combined Government finances revealed the deficit overshooting the budget anticipation of Rs. 8,943 crore in 1990-91 by Rs. 2,407 crore in the revised estimates. Thus, the combined deficit[2] of the Central and State Governments placed at Rs. 11,350 crore in the revised estimates of 1990-91 was higher than Rs. 10,719 crore in 1989-90 (Table VIII-1). As a percentage to GDP, the combined deficit increased from 1.7 per cent in the budget estimates to 2.2 per cent in the revised estimates of 1990-91, as compared with 2.4 per cent in 1989-90. The rise in the combined deficit was accounted for by the deterioration in the Centre's deficit from Rs. 7,206 crore in the budget estimates to Rs. 10,772 crore in the revised estimates of 1990-91. The States' overall financial situation showed an improvement as the budgeted deficit of Rs. 1,737 crore for 1990-91 came down to Rs. 578 crore in the revised estimates of the same year. The actual financial position of the Centre and States during 1990-91 as revealed from the RBI records showed that the deficit of the Central Government had further gone up from the revised estimates and that of States declined over the corresponding level. According to the books of RBI, the overall budgetary deficit of the Centre and States in 1990-91, after closure of accounts, was placed at Rs. 11,487 crore, of which Centre's deficit was as much as Rs. 11,430 crore. Consequently, net RBI credit to the Governments (Centre and States), after closure of accounts, increased by Rs. 1,097 crore (7.8 per cent) to Rs. 15,165 crore in 1990-91 as against a rise of Rs. 7,140 crore (103.1 per cent) in the previous year. Net RBI credit provided to Centre constituted about 97 per cent (Rs. 14,746 crore) of the total in 1990-91 while the balance of 3 per cent (Rs. 419 crore) was accounted for by the States (Table VIII-2).

The combined aggregate receipts of the Centre and States were placed at Rs. 1,58,309 crore in 1990-91[3], representing a rise of 15.7 per

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The Section on "Economic and Functional Classification of the Central Government Budget" for 1991-92 is not included in this Chapter due to non-availability of such data.

However, data now available for 1990-91 (Budget Estimates) are presented in statements 88 and 89 of Volume II of this Report and a detailed review has already appeared in the December 1991 issue of the RBI Bulletin.

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) withdrawals 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 in 7 working days) (ii) decline in/addition to cash balance and (iii) net sales/purchases of securities held by States in their Cash Balance Investment Account.

3. Hereafter, all references to 1990-91 and 1989-90 relate to revised estimates and accounts, respectively, unless stated otherwise.

Table VIII-1 : Combined Receipts and Disbursements of the Central and State Governments

(Rs. crores)

Item	1987-88 (Accounts)	1988-89 (Accounts)		1989-90 (Accounts)		1990-91 (Budget Estimates)		1990-91 (Revised Estimates)		1991-92+ (Budget Estimates)	
	Amount	Amount	Percentage variation over the previous year	Amount	Percentage variation over the previous year	Amount	Percentage variation over the previous year	Amount	Percentage variation over the previous year	Amount	Percentage variation over the previous year
1	2	3	4	5	6	7	8	9	10	11	12
I. Total Disbursements @	**1,11,161**	**1,28,245**	**15.4**	**1,47,524**	**15.0**	**1,63,514**	**10.8**	**1,69,659**	**15.0**	**1,86,272**	**9.8**
Of which:											
1. Developmental (a+b+c)	**69,087**	**78,983**	**14.3**	**88,790**	**12.4**	**96,153**	**8.3**	**1,00,713**	**13.4**	**1,04,960**	**4.2**
a. Revenue	45,131	52,323	15.9	63,158	20.7	69,947	10.7	72,536	14.8	75,976	4.7
b. Capital	12,479	13,339	6.9	15,085	13.1	16,585	9.9	16,712	10.8	17,608	5.4
c. Loans	11,477	13,321	16.1	10,547	-20.8	9,621	-8.8	11,465	8.7	11,376	-0.8
2. Non-Developmental (a+b+c)	**39,460**	**45,940**	**16.4**	**54,808**	**19.3**	**62,889**	**14.7**	**64,455**	**17.6**	**74,435**	**15.5**
a. Revenue	35,660	41,507	16.4	49,823	20.0	57,218	14.8	58,815	18.0	68,304	16.1
b. Capital	3,392	4,113	21.3	4,690	14.0	5,349	14.1	5,263	12.2	5,750	9.3
c. Loans	408	320	-21.6	295	-7.8	322	9.2	377	27.8	381	1.1
II. Total Receipts (A+B)	**1,05,579**	**1,22,767**	**16.3**	**1,36,805**	**11.4**	**1,54,571**	**13.0**	**1,58,309**	**15.7**	**1,77,094**	**11.9**
A. Revenue Receipts	**70,878**	**82,195**	**16.0**	**98,041**	**19.3**	**1,09,111**	**11.3**	**1,09,260**	**11.4**	**1,26,781**	**16.0**
Of which:											
i. Tax Receipts (a+b+c)	57,010	66,818	17.2	77,441	15.9	89,285	15.3	89,107	15.1	1,03,323	16.0
a. Taxes on Commodities and Services	47,634	54,746	14.9	63,495	16.0	73,344	15.5	72,489	14.2	84,212	16.2
b. Taxes on Income and Property	8,711	11,243	29.1	13,026	15.9	14,793	13.6	15,507	19.0	17,829	15.0
c. Taxes on Union Territories (Without Legislatures)	665	829	24.7	920	11.0	1,148	24.8	1,111	20.8	1,282	15.4
ii. Non-tax Receipts	13,867	15,377	10.9	20,600	34.0	19,826	-3.8	20,153	-2.2	23,458	16.4
B. Capital Receipts	**34,701**	**40,572**	**16.9**	**38,764**	**-4.5**	**45,460**	**17.3**	**49,049**	**26.5**	**50,313**	**2.6**
Of which:											
i. Market Borrowings (Gross)	8,483	11,069	30.5	10,211	-7.8	11,087	8.6	11,349	11.1	11,145	-1.8
ii. Market Borrowings (Net)	7,397	10,331	39.7	9,273	-10.2	10,083	8.7	10,341	11.5	9,705	-6.2
iii. Small Savings (Net)	3,911	5,835	49.2	8,575	47.0	5,000	-41.7	8,000	-6.7	8,000	-
iv. State Provident Funds (Net)	2,188	2,592	18.5	3,004	15.9	3,307	10.1	3,578	19.1	3,420	-4.4

(Contd.)

Table VIII-1 : Combined Receipts and Disbursements of the Central and State Governments — *(Concld.)*

(Rs. crores)

Item	1987-88 (Accounts)	1988-89 (Accounts)		1989-90 (Accounts)		1990-91 (Budget Estimates)		1990-91 (Revised Estimates)		1991-92+ (Budget Estimates)	
	Amount	Amount	Percentage variation over the previous year	Amount	Percentage variation over the previous year	Amount	Percentage variation over the previous year	Amount	Percentage variation over the previous year	Amount	Percentage variation over the previous year
1	2	3	4	5	6	7	8	9	10	11	12
III. Overall Surplus(+)\Deficit(-)(II-I)	**-5,582**	**-5,478**		**-10,719**		**-8,943**		**-11,350**		**-9,178**	
Financing of Surplus(+)/Deficit(-)											
i. Increase(+) or Decrease(-) in cash balances of the Centre and States	-47	+286		+364		-1,755		-1,774		-1,510	
ii. Increase(-) or Decrease(+) in Treasury Bills of the Centre	-5,652	-6,245		-10,911		-7,206		-9,358		-7,719	
iii. Withdrawals from (-) or Additions to (+) Cash Balances Investment Accounts to States (Net)	+32	+650		+60		+24		-196		-4	
iv. Increase(-) or Decrease(+) in Ways and Means Advances and Overdrafts from RBI to States (Net)	+85	-169		-232		-6		-22		+55	
IV. I as per cent of GDP*	**33.4**	**32.5**		**33.3**		**31.5**		**32.7**		**32.1**	
V. II as per cent of GDP*	**31.7**	**31.1**		**30.9**		**29.8**		**30.5**		**30.5**	
VI. IIA as per cent at GDP*	**21.3**	**20.8**		**22.1**		**21.0**		**21.1**		**21.8**	
VII. IIA(I) as per cent of GDP*	**17.1**	**16.9**		**17.5**		**17.2**		**17.2**		**17.8**	

Note: Data relate to 25 State Governments. Data relating to State Governments for 1989-90 to 1991-92 are from Vote-on-Account Budgets of 10 States and Final Budgets of 15 States. Further, data in respect of Nagaland, Bihar and Jammu and Kashmir for the year 1989-90 are Revised Estimates.

\+ Including effects of budget proposals.

@ 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.

Table VIII-2 : Trends in Budgetary Deficits and Net RBI Credit to Government

(Rs. crores)

Year	Budgetary Surplus (+) or Deficit (-) (a)			Net RBI Credit to Governments (b)		
	Centre	States	Total	Centre	States	Total
1	2	3	4	5	6	7
1971-72	-519	-289	-808	583	287	870
1972-73	-869	-7	-876	1,211	-386	825
1973-74	-328	-226	-554	630	134	764
1974-75	-721	-31	-752	528	134	662
1975-76	-366	75	-291	-288	91	-197
1976-77	-131	50	-81	816	22	838
1977-78	-933	-229	-1,162	-260	142	-118
1978-79	-1,506	1,010	-496	2,191	-419	1,772
1979-80	-2,433	-187	-2,620	2,650	339	2,989
1980-81	-2,577	-897	-3,474	3,551	487	4,038
1981-82	-1,392	-1,020	-2,412	3,207	789	3,996
1982-83	-1,656	-820	-2,476	3,368	-860*	2,508*
1983-84	-1,417	-551	-1,968	3,949	38	3,987
1984-85	-3,745	-1,438	-5,183	6,055	1,485	7,540
1985-86	-5,315	1,688	-3,627	6,190	-1,862	4,328
1986-87	-8,261	-890	-9151	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	-10,592	-127+**	-10,719	13,813	255	14,068
1990-91 (R.E.)	-10,772	-578**	-11,350	14,746	419	15,165
1991-92 (B.E.)	-7,719	-1,459**	-9,178	7,719	N.A.	N.A.

(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 to March) and take into account adjustment made at the time of final closure of Government Accounts.

\+ Figures for Bihar, Jammu and Kashmir and Nagaland relate to revised estimates.

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

** Regarding State Governments, data relating to 10 States are from Vote-on-Account Budgets, while those relating to the remaining 15 States are from Final Budgets.

Source : Central and State Budget Documents for budgetary data.

cent over Rs. 1,36,805 crore in 1989-90 as compared with the increases of 11.4 per cent and 16.3 per cent in the previous two years[4] (Table VIII-1). Revenue receipts, the major component of aggregate receipts, increased by 11.4 per cent from Rs. 98,041 crore to Rs. 1,09,260 crore. Capital receipts at Rs. 49,049 crore exhibited a much sharper rise of 26.5 per cent in 1990-91, in contrast to a decline of 4.5 per cent in 1989-90.

Tax receipts, which form the bulk of revenue receipts, increased by 15.1 per cent from Rs. 77,441 crore in 1989-90 to Rs. 89, 107 crore in 1990-91. However, tax receipts as a percentage of GDP declined from 17.5 per cent to 17.2 per cent over the same period. Tax receipts from commodities and services were placed at Rs. 72,489 crore in 1990-91 which was higher by 14.2 per cent over Rs. 63,495 crore in 1989-90, while taxes on income and property at Rs. 15,507 crore, represented a rise of 19.0 per cent over Rs. 13,026 crore in the previous year. Non-tax receipts, on the other hand, declined by 2.2 per cent from Rs. 20,600 crore to Rs. 20,153 crore.

Under capital receipts, net market borrowings at Rs. 10,341 crore in 1990-91 indicated a rise

4. 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.

of 11.5 per cent as against the decline of 18.2 per cent recorded in 1989-90. Small Savings, on the other hand, were placed at Rs. 8,000 crore showing a fall of 6.7 per cent over those in 1989-90. These had recorded an impressive growth of 47.0 per cent in 1989-90.

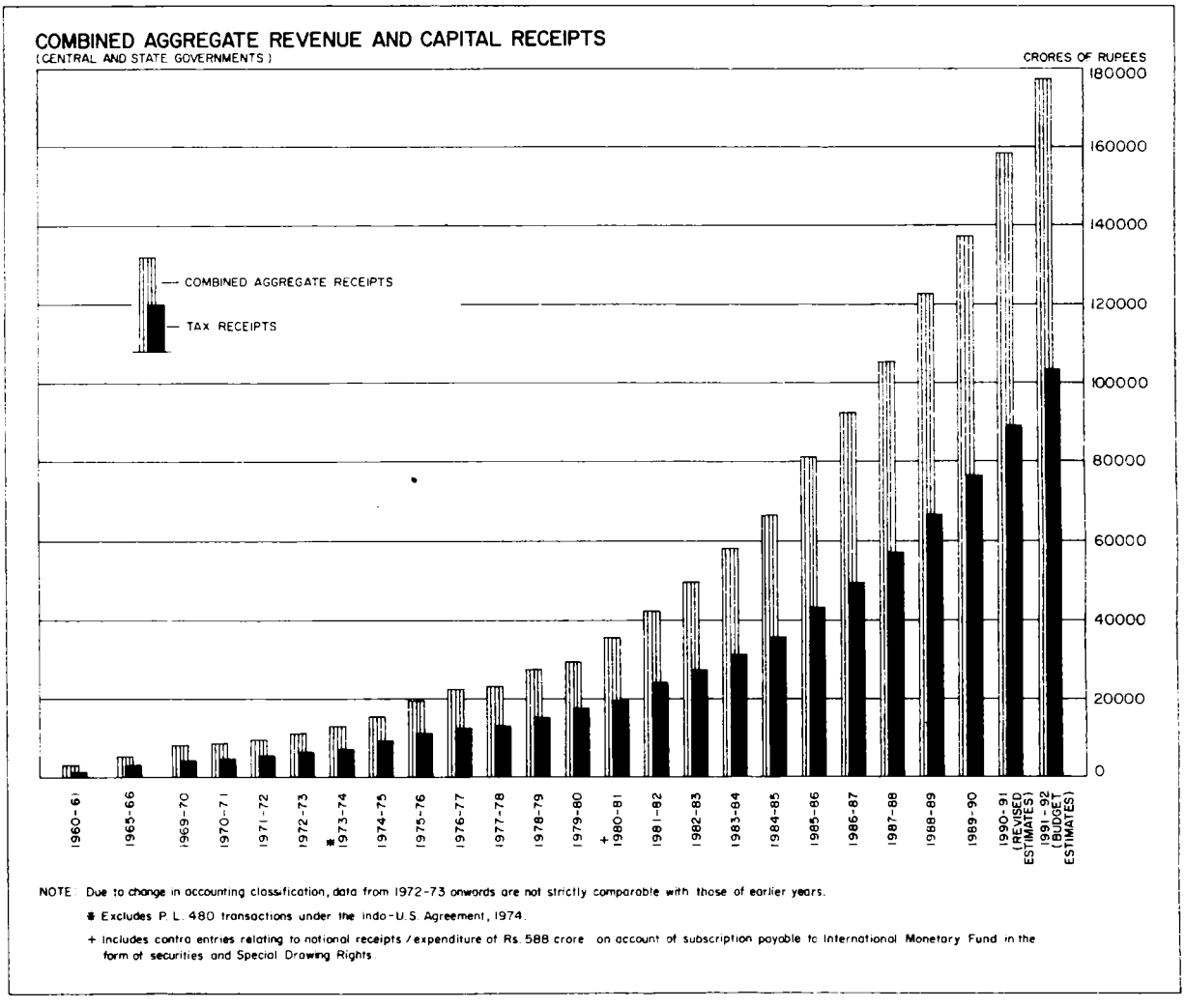
Aggregate disbursements of the Centre and States increased from Rs.1,47,524 crore in 1989-90 to Rs. 1,69,659 crore in 1990-91 recording a rise of 15.0 per cent, same as that in 1989-90. However, the proportion of aggregate disbursements to GDP decreased from 33.3 per cent in 1989-90 to 32.7 per cent in 1990-91. Developmental expenditure, which was placed at Rs. 88,790 crore in 1989-90 increased by 13.4 per cent to Rs. 1,00,713 crore in 1990-91. A relatively faster growth in non-developmental expenditure caused the share of developmental expenditure in aggregate disbursements going down from 60.2 per cent in 1989-90 to 59.4 per cent in 1990-91. In 1990-91, the revenue, capital and loan components of developmental expenditure witnessed a rise of 14.8 per cent, 10.8 per cent and 8.7 per cent, respectively, over their respective levels in the previous year. On the other hand, although the non-developmental expenditure in 1990-91 decelerated to 17.6 per cent from 19.3 per cent in the previous year, the persistent tendency of the growth in these expenditures outpacing that of developmental expenditure got further accentuated in 1990-91. As a result, the share of non-developmental expenditure in total disbursements increased from 37.2 per cent (Rs. 54,808 crore) in 1989-90 to 38.0 per cent (Rs. 64,455 crore) in 1990-91. While the loan component of non-developmental expenditure recorded an increase of Rs. 82 crore (27.8 per cent) in 1990-91, the revenue and capital components increased by Rs. 8,992crore (18.0 per cent) and Rs. 573 crore (12.2 per cent), respectively.

1991-92

Following the process of fiscal adjustment initiated in the Union Budget for 1991-92, the combined overall deficit of the Central and State Governments at revised rates of taxation is budgeted at Rs. 9,178 crore in 1991-92 implying a substantial decline of Rs. 2,172 crore (-19.1 per cent) over the deficit of Rs. 11,350 crore in 1990-91. The Centre's deficit, after taking into account revenue from new measures, is expected to come down by Rs. 3,053 crore or 28.3 per cent to Rs. 7,719 crore in 1991-92, while the deficit of States is anticipated much higher at Rs. 1,459 crore as compared with Rs. 578 crore in 1990-91.

The combined aggregate receipts are estimated at Rs. 1,77,094 crore in 1991-92 which would imply a rise of 11.9 per cent over those in the previous year. While revenue receipts at Rs. 1,26,781 crore are expected to rise by 16 per cent over 1990-91, capital receipts would exhibit a small increase of 2.6 per cent, following the budgeted decline in net receipts under capital account of the Centre. Under revenue receipts, tax receipts are budgeted to rise by 16 per cent to Rs. 1,03,323 crore as compared with the increase of 15.1 per cent in the previous year The non-tax receipts which had declined by 2.2 per cent in 1990-91 are anticipated to increase by 16.4 per cent to Rs. 23,458 crore in 1991-92. Of the total tax receipts, revenue from taxes on commodities and services would show a higher growth of 16.2 per cent in 1991-92 than that of 14.2 per cent in 1990-91, while revenue from taxes on income and property would grow at 15 per cent as against a rise of 19 per cent in the previous year. Under capital receipts, Small Savings collections are budgeted to be maintained at Rs. 8,000 crore and the net market borrowings would decline by 6.2 per cent to Rs. 9,705 crore in 1991-92.

The combined aggregate disbursements budgeted at Rs. 1,86,272 crore in 1991-92 would show a significant deceleration to 9.8 per cent in the current year as compared with 15.0 per cent in 1990-91. However, this deceleration is expected to be much sharper in the case of developmental expenditure from (13.4 per cent to 4.2 per cent) than in non-developmental expenditure (from 17.6 per cent to 15.5 per cent). As a consequence, the share of developmental expenditure in total disbursements is estimated to decline to 56.3 per cent in 1991-92 from 59.4 per cent in 1990-91 while that of non-developmental expenditure would increase to 40 per cent from 38 per cent, respectively.



NOTE : Due to change in accounting classification, data from 1972-73 onwards are not strictly comparable with those of earlier years.

* Excludes P. L. 480 transactions under the Indo-U.S. Agreement, 1974.

\+ Includes contra entries relating to notional receipts / expenditure of Rs. 588 crore on account of subscription payable to International Monetary Fund in the form of securities and Special Drawing Rights.

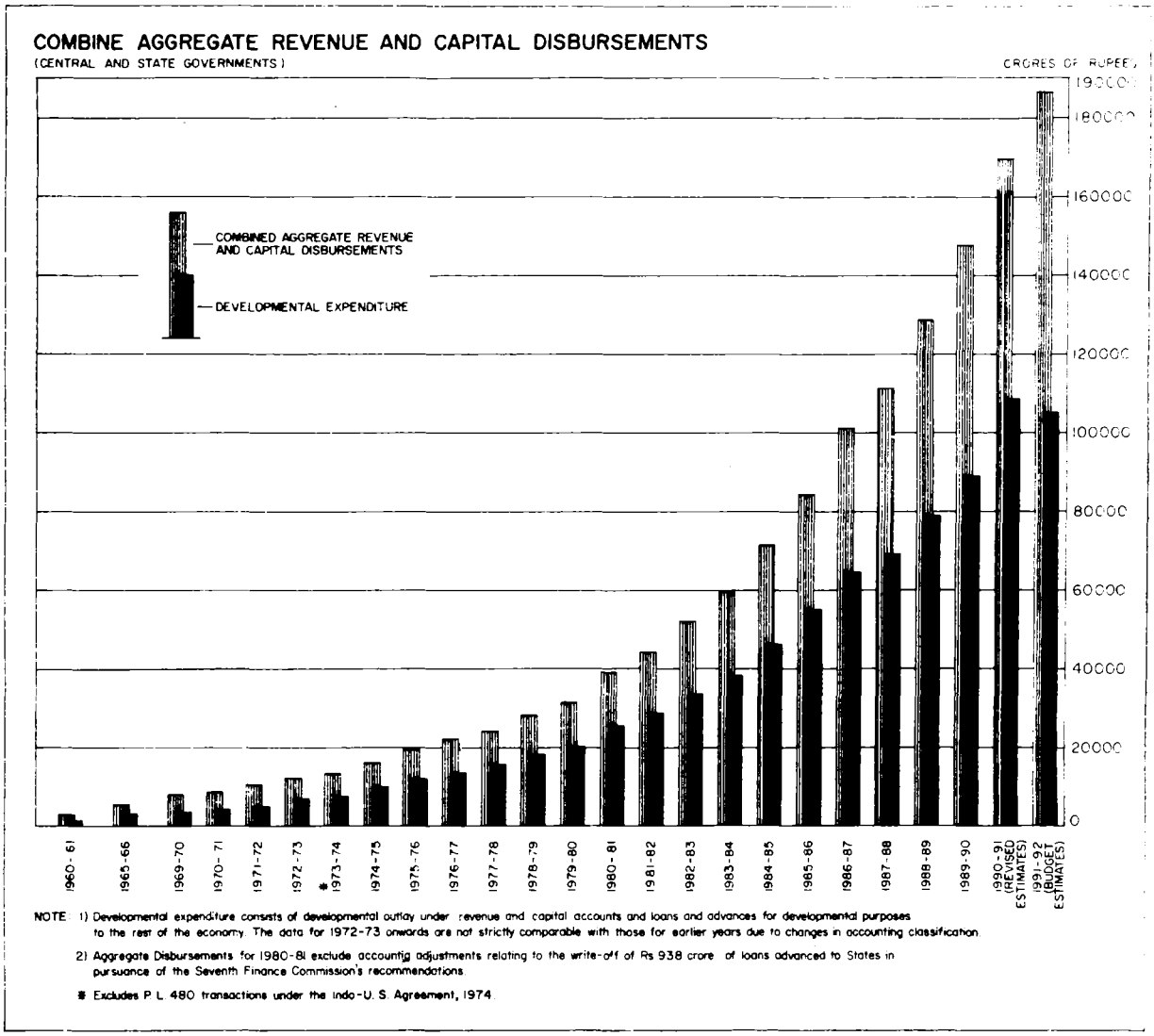
Table VIII-3 : Budgetary Position of the Government of India

(Rs. crores)

Item	1987-88 (Accounts)	1988-89 (Accounts)	1989-90 (Accounts)	1990-91 (Budget Estimates)	1990-91 (Revised Estimates)	1991-92 (Budget Estimates)*
1	2	3	4	5	6	7
I. Revenue Account						
A. Revenue	38,992	45,740	54,614	60,763	60,049	70,870
B. Expenditure	48,129	56,255	66,526	73,795	77,634	84,724
C. Surplus (+)/Deficit (-)	-9,137	-10,515	-11,912	-13,032	-17,585	-13,854
II. Capital Account						
A. Revenue**	25,408	29,878	30,018	34,165	38,564	38,174
B. Expenditure**	22,087	25,005	28,698	28,339	31,751	32,039
C. Surplus (+)/Deficit (-)	+3,321	+4,873	+1,320	+5,826	+6,813	+6,135
III. Overall Surplus (+)/Deficit (-)	**-5,816**	**-5,642**	**-10,592**	**-7,206**	**-10,772**	**-7,719**
IV. Fiscal Deficit	**27,044**	**30,923**	**35,630**	**36,795**	**43,331**	**37,727**

* Includes effect of Budget proposals. Post-budget tax concessions are not adjusted.

** Includes loans to States against Small Savings collections and Railway capital expenditure matched by receipts.



I. BUDGETARY OPERATIONS OF THE CENTRAL GOVERNMENT

Central Finances : 1990-91

The major thrust of the Central Government Budget for 1990-91 was placed on management of the deficit through containment of expenditure growth and better tax compliance. The Budget also referred to the firm determination of the Government not to exceed the estimated level of the deficit of Rs. 7,206 crore and towards this end, the Government proposed four monthly reviews of the actual developments in the budgetary situation in 1990-91.

The year 1990-91, however, witnessed certain disquieting developments like the Gulf crisis, contraction in revenue earnings and expenditure overruns leading to a worst-ever fiscal imbalance in the history of Central Government finances. Consequently, the overall deficit of the Central Government at Rs. 10,772 crore, surpassed the budget estimates of Rs. 7,206 crore by almost 50 per cent (Table VIII-3). Although the surplus on the capital account increased from Rs. 5,826 crore in the budget estimates to Rs. 6,813 crore in the revised estimates, this was more than offset by a sharp deterioration in the revenue deficit from an estimated level of Rs. 13,032 crore to Rs. 17,585 crore.

The Central Government's aggregate receipts were placed at Rs. 98,613 crore in the revised estimates as compared with Rs. 94,928 crore envisaged in the budget and Rs. 84,632 crore

Table VIII 4 : Revenue Receipts of the Government of India.

(Rs. crores)

Item	1987-88 (Accounts)	1988-89 (Accounts)	1989-90 (Accounts)	1990-91 (Budget Estimates)	1990-91 (Revised Estimates)	1991-92 (Budget Estimates)
1	2	3	4	5	6	7
1. Tax Receipts	**28,015**	**33,751**	**38,349**	**45,294**	**44,318**	**52,500**
I As per cent of total receipts	45.9	47.3	45.3	47.7	44.9	48.1
I As per cent of revenue receipts	71.8	73.8	70.2	74.5	73.8	74.1
I As per cent of GDP+	8.4	8.5	8.7	8.7	8.5	9.0
a. Direct Taxes	**4,157**	**6,074**	**6,081**	**7,710**	**8,059**	**9,327**
a) As per cent of tax receipts	14.8	18.0	15.9	17.0	18.2	17.8
b. Indirect Taxes*	**23,858**	**27,677**	**32,268**	**37,584**	**36,259**	**43,173**
b) As per cent of tax receipts	85.2	82.0	84.1	83.0	81.8	82.2

+ Figures may differ from those published earlier due to revision in the figures of GDP.
* Includes taxes of Union Territories, net of assignments to local bodies

reached in 1989-90. At these levels, the revised estimates showed a rise of Rs. 3,685 crore in the receipts (3.9 per cent) over the budget estimates and Rs. 13,981 crore (16.5 per cent) over 1989-90.

Revenue receipts placed at Rs. 60,049 crore were lower than the budget anticipation of Rs. 60,763 crore, owing entirely to a decline of Rs. 976 crore in tax receipts (-2.2 per cent), while the non-tax receipts showed a rise of Rs. 262 crore (1.7 per cent). Net tax revenue receipts to Centre placed at Rs. 44,318 crore were lower by Rs. 976 crore than the budget estimates of Rs. 45,294 crore (Table VIII-4). Indirect tax receipts showed a decline of Rs. 1,325 crore (-3.5 per cent) to Rs. 36,259 crore despite the post-budgetary imposts like the auxiliary customs duty and excise duty on a few commodities. Receipts from direct taxes, on the other hand, increased by Rs. 349 crore (4.5 per cent) to Rs. 8,059 crore. Compared to the level in 1989-90, net tax receipts of the Central Government represented an increase of 15.6 per cent in 1990-91. As a percentage of GDP, net tax receipts, however, witnessed a decline from 8.7 per cent in 1989-90 to 8.5 per cent in 1990-91. Direct tax receipts rose by 32.5 per cent (Rs. 1,978 crore) over those in 1989-90 constituting 18.2 per cent of total tax receipts as against 15.9 per cent in 1989-90, while indirect taxes increased by 12.4 per cent (Rs. 3,991 crore), and their share in tax receipts declined from 84.1 per cent to 81.8 per cent over the year.

Total non-tax receipts at Rs. 15,731 crore in 1990-91 declined by Rs. 534 crore (-3.3 per cent) over the previous year, primarily due to the transfer of Oil Co-ordination Committee (OCC) surplus of Rs. 2,300 crore (R.E.) to the revenue account in 1989-90. Non-tax receipts, however, showed an increase of 10.8 per cent in 1990-91, over their level excluding the OCC surplus in 1989-90. A large part of this increase had taken place in the interest receipts which went up from Rs. 8,466 crore in 1989-90 to Rs. 9,573 crore in 1990-91. This rise was primarily a reflection of higher interest receipts from States and Union Territories following the Central Government's decision to increase the interest rate on Plan and non-Plan loans to States in 1990-91.

Capital receipts of the Central Government increased from Rs. 30,018 crore in 1989-90 to Rs. 38,564 crore in 1990-91, indicating a rise of Rs. 8,546 crore (28.5 per cent). The major items contributing to this increase were internal and external borrowings and recovery of loans. Within the internal sources, market loans rose by Rs. 596 crore (8.0 per cent) to Rs. 8,000 crore in

1990-91. External loans at Rs. 3,984 crore, represented an increase of Rs. 1,389 crore (53.5 per cent) and recovery of loans registered an increase of Rs. 1,025 crore (20.6 per cent).

Aggregate disbursements of the Central Government at Rs. 1,09,385 crore marked an increase of Rs. 7,251 crore (7.1 per cent) over Rs. 1,02,134 crore budgeted and a rise of Rs. 14,161 crore (14.9 per cent) over Rs. 95,224 crore in 1989-90. The increase over the budget estimates was partly because of the additional expenditure of Rs. 4,578 crore under three Supplementary Demand for Grants presented during the course of the year. The rise in revenue expenditure captured 78.4 per cent and 52.9 per cent of the total variation in aggregate disbursements over 1989-90 and the budget estimates of 1990-91, respectively.

Revenue expenditure increased by Rs. 11,108 crore (16.7 per cent) from Rs. 66,526 crore in 1989-90 to Rs. 77,634 crore in 1990-91. A major part of the increase was on account of grants to States and UTs (Rs. 4,460 crore or 51.2 per cent), interest payments (Rs. 4,115 crore or 23.2 per cent) and debt relief to farmers (Rs. 1,500 crore). The rise in revenue expenditure over the budget estimates of 1990-91 was placed at Rs. 3,839 crore (5.2 per cent). Expenditure on interest payments at Rs. 21,850 crore in the revised estimates was higher by Rs. 1,000 crore than the budget estimates, while that on major subsidies was up by Rs.1,032 crore. The provision for debt relief to farmers placed at Rs. 1,000 crore in the budget estimates increased to Rs. 1,500 crore in the revised estimates. Apart from this, the repatriation of Indian citizens from Kuwait imposed an additional burden to the extent of Rs. 300 crore in the revised estimates. In addition, non-Plan grants to States also recorded more than the expected increase envisaged in the Budget.

Capital disbursements inclusive of loans witnessed an increase of Rs. 3,053 crore (10.6 per cent) from Rs. 28,698 crore in 1989-90 to Rs. 31,751 crore in 1990-91. More than 80 per cent of the rise was accounted for by loans to States and Union Territories which recorded an increase of Rs. 2,524 crore (23.1 per cent).

At the level placed in the revised estimates, capital disbursements showed an increase of Rs. 3,412 crore (12.0 per cent) over the budget estimates of 1990-91. Much of this increase was because of higher non-Plan loans disbursed to States than budgeted. While an additional loan of Rs. 2,270 crore was given to States on account of their Small Savings collections, the Central Government also provided Rs. 521 crore assistance to States to meet a part of their opening deficit with the RBI. Total capital outlay placed at Rs. 12,622 crore in the revised estimates registered decrease of Rs. 334 crore (-2.6 per cent) over those in the budget estimates.

Developmental expenditure at Rs. 60,257 crore was higher by Rs. 6,353 crore (13.0 per cent) over Rs. 54,204 crore in 1989-90. On the other hand, non-developmental expenditure rose by Rs. 8,108 crore (19.8 per cent) from Rs. 41,020 crore in 1989-90 to Rs. 49,128 crore in 1990-91. Thus, share of non-developmental expenditure in total disbursements, increased from 43.1 per cent in 1989-90 to 44.9 per cent in 1990-91, while that of developmental expenditure declined from 56.9 per cent to 55.1 per cent.

Pattern of Expenditure and Receipts - 1991-92

Budget Estimates

The regular Budget of the Central Government for 1991-92 was presented on July 24, 1991 against the backdrop of an unprecedented macroeconomic crisis facing the country. The progressive deterioration in the fiscal scenario witnessed in the eighties was accentuated by the Gulf crisis in 1990-91. This resulted in a worst ever fiscal imbalance having adverse implications on the balance of payment situation and gave rise to an accelerated rate of inflation. Against this disquieting development, the Budget has sought to initiate a process of fiscal adjustment and macroeconomic stabilisation without sapping the growth impulse in the economy and ensuring a minimum burden on the poor. Towards this objective, alongwith measures for fiscal adjustment, the Budget contains proposals for reform in a number of areas entailing substantial liberalisation of foreign investment and remittances, amnesty for mopping up of

unaccounted incomes, restructuring of the financial system, flexible interest rate regime for term lending financial institutions, strengthening of the capital market and mutual fund activities, and programmes for social welfare and employment generation.

At the 1990-91 rates of taxes and duties, the Budget Estimates envisage an overall deficit of Rs. 9,724 crore for 1991-92, which is lower than estimated for the year by the *interim* Budget (Rs. 9,977 crore). After taking into account Additional Resources Mobilisation (ARM), the Centre's deficit would come down substantially to Rs. 7,719 crore in 1991-92 as compared with deficits of Rs. 10,772 crore in 1990-91 and Rs. 10,592 crore in 1989-90. More significantly, as a step to correct the structural imbalance in the Central Government's current account transactions, it is proposed that the revenue deficit is brought down to Rs. 13,854 crore in 1991-92 from Rs. 17,585 crore in the previous year. The surplus on capital account estimated at Rs. 6,135 crore also represents a decline over that of Rs. 6,813 crore in 1990-91.

The *interim* Budget for 1991-92 had for the first time set out estimates of the Central Government's fiscal deficit which measures its total borrowing requirements. The regular Budget seeks to consolidate the process of correction of fiscal imbalance initiated in the *interim* Budget by bringing down the level of fiscal deficit to Rs. 37,727 crore in 1991-92 from Rs. 43,331 crore in 1990-91, representing a decline of Rs. 5,604 crore (-12.9 per cent). Fiscal deficit would, thus, account for 6.5 per cent of GDP in 1991-92 as compared with 8.4 per cent in 1990-91 and over 8 per cent in 1989-90. The correction of such a magnitude of imbalance is proposed to be achieved in the Budget in a number of ways i.e., by restricting the overall growth in non-Plan spending to 3.8 per cent; envisaging a further reduction in major subsidies; cutting down the provision of certain non-essential expenditure; ensuring no outgo on account of additional dearness allowance payment; proposing additional resource mobilisation of Rs. 2,617 crore; and retaining the proposal for disinvestment in selected public sector enterprises (PSEs) to the extent of Rs. 2,500 crore as mooted in the *interim* Budget.

Aggregate receipts of the Central Government, inclusive of ARM, are budgeted at Rs. 1,09,044 crore in 1991-92 which is higher by Rs. 10,431 crore (10.6 per cent) over Rs. 98,613 crore in 1990-91. The expected rise of Rs. 10,821 crore (18.0 per cent) in revenue receipts would more than offset the decline of Rs. 390 crore (-1 per cent) in capital receipts.

Of the total revenue receipts of Rs. 70,870 crore in 1991-92, tax receipts (net to Centre) at Rs. 52,500 crore would constitute 74.1 per cent, slightly higher than 73.8 per cent in the previous year (Table VIII - 4). Tax receipts are estimated to increase by Rs. 8,182 crore (18.5 per cent) in 1991-92 and would account for 9 per cent of GDP as against 8.5 per cent in 1990-91. Direct taxes at Rs. 9,327 crore are expected to rise by 15.7 per cent (Rs. 1,268 crore) on top of a rise of 32.5 per cent in 1990-91, while indirect taxes, budgeted at Rs. 43,173 crore, would show an increase of 19.1 per cent (Rs. 6,914 crore) as against a growth of 12.4 per cent in the previous year. The expected rise in direct taxes would be mainly on account of increases in corporation tax (Rs. 354 crore), income tax (Rs. 148 crore), interest tax (Rs. 535 crore) and expenditure tax (Rs. 160 crore). On the other hand, the increase in customs duty (Rs. 5,100 crore) and in excise duty (Rs. 1,626 crore) would constitute the major share of the rise in indirect taxes. The share of indirect taxes in total tax revenue would consequently rise from 81.8 per cent in 1990-91 to 82.2 per cent in 1991-92, while that of direct taxes would correspondingly decline from 18.2 per cent to 17.8 per cent, respectively.

Non-tax receipts are estimated to rise by Rs. 2,639 crore (16.8 per cent) to Rs. 18,370 crore in 1991-92 from Rs. 15,731 crore in 1990-91. The increase would be mainly on account of interest receipts (Rs. 1,436 crore or 15 per cent), receipts of commercial departments (Rs. 613 crore or 34.7 per cent), and dividends and profits (Rs. 188 crore or 24.1 per cent).

The expected decline of 1 per cent (Rs. 390 crore) in capital receipts despite an additional accrual of Rs. 2,500 crore from disinvestment of equity holdings in public sector enterprises, would result from an anticipated decrease in net market loans (-Rs. 500 crore or -6.3 per cent), net external

loans (-Rs. 474 crore or -11.9 per cent) and other capital receipts (-Rs. 1,436 crore or -42.6 per cent) which also comprises the OCC surplus.

Aggregate disbursements of the Central Government are budgeted at Rs. 1,16,763 crore in 1991-92, indicating a substantial deceleration in the rate of growth to 6.7 per cent (Rs. 7,378 crore) as compared with an increase of 14.9 per cent (Rs. 14,161 crore) in 1990-91. The deceleration would be reflected in both revenue and capital accounts. Total revenue expenditure is estimated to increase from Rs. 77,634 crore in 1990-91 to Rs. 84,724 crore in 1991-92, representing a rise of 9.1 per cent as compared with 16.7 per cent in 1990-91. Despite the expected increase of Rs. 5,600 crore (25.6 per cent) in interest payments, the decline in the rate of growth of revenue expenditure in 1991-92 would primarily result from the decrease in non-Plan grants to States and Union Territories (-Rs. 317 crore or -10.8 per cent) and the significant curtailment of subsidies (-Rs. 1,726 crore or -18.1 per cent). Further, defence revenue expenditure is expected to increase by only Rs. 127 crore (1.2 per cent) in 1991-92 as compared with Rs. 818 crore (8 per cent) in the previous year.

Capital disbursements are budgeted to rise by only Rs. 288 crore (0.9 per cent) from Rs. 31,751 crore in 1990-91 to Rs. 32,039 crore in 1991-92. The rate of growth in capital disbursements was 10.6 per cent in 1990-91. Despite an expected increase of Rs. 1,183 crore (16.7 per cent) in assistance for State and Union Territory Plans, the deceleration is proposed to be brought about mainly by declines in Central Plan Capital expenditure (-Rs. 462 crore or -5.2 per cent) and loans to public sector enterprises (-Rs. 438 crore or -40.9 per cent).

The Budget has sought to restrict the growth in non-Plan expenditure[5] to 3.8 per cent in 1991-92 as against 19 per cent in the previous year. Such a restriction is a part of the fiscal reforms envisaged in the Budget which are to be brought about by a substantial curtailment in total provision for subsidies. Expenditure on subsidies has been cut down from Rs. 12,121 crore in 1990-91 to Rs. 10,395 crore in 1991-92, indicating a decline of Rs. 1,726 crore (-14.2 per cent). The details of provision of subsidies are set out below:

Expenditure on Subsidies

(Rs. crores)

	1989-90 Accounts	1990-91 Revised Estimates	1991-92 Interim Budget Estimates	1991-92 Regular Budget Estimates	Savings proposed in the Regular Budget (Col. 3 minus Col. 5)
1	2	3	4	5	6
Major Subsidies (1+2+3)	9,166	9,550	8,616	7,824	1,726
1. Food	2,476	2,450	1,800	2,600	-150
2. Fertilisers	4,601	4,400	4,500	4,000	400
(a) Indigenous	3,771	3,650	3,300	2,900	750
(b) Imported	830	750	1,200	1,100	-350
3. Export Promotion and Market Development	2,089	2,700	2,316	1,224	1,476
4. Other Subsidies (including debt relief)	1,511	2,571	2,571	2,571	—
Total Subsidies	**10,677**	**12,121**	**11,187**	**10,395**	**1,726**

Apart from the decline in subsidies, non-Plan grants and loans to States and Union Territories and Foreign Governments, non-Plan loans to public sector enterprises and other non-Plan capital outlay are also proposed to be reduced. No separate provision has been made for payment of additional dearness allowance that may become payable during the course of the current year, thus resulting in some savings on this account. As result of the expenditure proposals, total non-Plan expenditure, excluding interest payments would decline by 4.9 per cent in 1991-92 over the last year.

The Central Government has, however, ensured that total Plan expenditure budgeted at Rs. 33,725 crore for 1991-92 would go up by 12.6 per cent over 1990-91 and its share in total expenditure would increase to 29.7 per cent from 28.1 per cent, respectively.

5. The figures of Plan and non-Plan expenditures are taken from the Union Budget. Their sum total would not add up to total expenditure given earlier in the Chapter (Rs. 1,16,763 crore for 1991-92), the difference being on account of the inclusion in the said total expenditure the gross expenditure of Commercial Departments and Posts.

A functional classification of expenditure indicates that developmental expenditure is budgeted at Rs. 62,015 crore in 1991-92 showing a rise of only 2.9 per cent as compared with a rate of growth of 11.2 per cent in 1990-91. The growth rate of non-developmental expenditure is also expected to come down from 19.8 per cent in 1990-91 to 11.4 per cent in 1991-92. The share of non-developmental expenditure in total disbursements would increase to 46.9 per cent in 1991-92 from 44.9 per cent in 1990-91 while that of developmental expenditure would correspondingly decline to 53.1 per cent from 55.1 per cent.

The Central Plan outlay fixed at Rs. 42,969 crore for 1991-92 represents an increase of 12.9 per cent over the revised outlay in 1990-91 and 9.3 per cent over the approved outlay for the same year. In 1990-91, the Central Plan outlay suffered a shortfall of 3.2 per cent from the approved level of Rs. 39,329 crore to a revised figure of Rs. 38,053 crore. The sectoral distribution of Central Plan outlay for 1991-92 indicates that priority has been placed on the development of energy sector which will have a share of 31.5 per cent in the total. This will be followed by transport (17.5 per cent), industry and minerals (16.6 per cent), social services (11.5 per cent), communications (7.9 per cent), rural development (6.3 per cent) and agriculture (4.3 per cent).

Budgetary support for the Plan outlay is estimated to increase to Rs. 19,015 crore or by 8.1 per cent in 1991-92 from Rs. 17,594 crore in 1990-91. The Internal and Extra Budgetary Resources (IEBR) of public sector enterprises would go up to Rs. 23,953 crore from Rs. 20,459 crore, representing an increase of 17.1 per cent over the previous year. The increase in IEBR would be brought about by an increase in the internal resource generation of public sector enterprises from Rs. 10,722 crore in 1990-91 to Rs. 13,705 crore in 1991-92 and a higher provision of their market borrowings at Rs. 5,869 crore in 1991-92 as against Rs. 4,933 crore in 1990-91. The external commercial borrowings and suppliers' credit of the public sector enterprises have been estimated at Rs. 2,001 crore in the current year as against Rs. 2,553 crore in 1990-91. In addition, the public sector enterprises would mobilise Rs. 2,379 crore through deposits and inter-corporate transfers in 1991-92 as against Rs. 2,251 crore in 1990-91. The details of Internal and Extra-Budgetary Resources of PSEs are set out below :

(Rs. crores)

	1990-91 (BE)	1990-91 (RE)	1991-92 (BE)
1. Internal Resources	13,138	10,722	13,705
2. Bonds/Debentures	3,942	4,933	5,869
3. External Commercial borrowings/Suppliers' Credit	1,466	2,553	2,001
4. Others	3,439	2,251	2,379
Total	**21,985**	**20,459**	**23,954**

Budget Proposals : 1991-92

A major thrust of the fiscal adjustment envisaged by the Budget has been on the Additional Resource Mobilisation (ARM) during 1991-92. The ARM measures proposed in the Budget are expected to net in an additional revenue of Rs. 2,617 crore* in 1991-92. Of this, States and Union Territories would get a share of Rs. 612 crore and the balance of Rs. 2,005 crore would accrue to the Centre (Table VIII-5).

As a step towards restoring a sense of equity and balance to the fiscal system, the Budget has sought to reverse the trend of declining contribution of direct tax revenue to total tax revenue and thus proposed to mobilise Rs. 2,139 crore or around 82 per cent of additional resources from direct taxes. The Budget has proposed substantial liberalisation in the tax provisions for attracting foreign remittances and tapping black money apart from providing incentives for research and financing projects in the socio-economic sphere.

In the area of indirect taxes, efforts have been made to place the burden on affluent sections of the society, to curb conspicuous consumption and at the same time keep the prices of essential commodities under check. Emphasis has been placed on strengthening the growth impulse of

* Excluding the impact of post-Budget changes.

Table VIII-5 : Additional Resource Mobilisation by the Centre during 1991-92

(Rs. crores)

Item	Centre's share	States' share	Total
1	2	3	4
I. Taxes (a+b)	**2,005**	**612**	**2,617**
a) Direct Taxes (i to v)	2,042	97	2,139
i) Corporation Tax	1,304	-	1,304
ii) Income Tax	28	97	125
iii) Interest Tax	535	-	535
iv) Expenditure Tax	150	-	150
v) Wealth tax	25	-	25
b) Indirect Taxes (i+ii)	-37	515	478
i) Customs	-510	-	-510
ii) Union Excise Duties	473	515	988
II. Revision in Railway Fares and Freight	**584**	**-**	**584**
III. Total (I+II)	**2,589**	**612**	**3,201**

Source : i) Budget Documents, Government of India, 1991-92.
ii) Railway Budget, 1991-92.

indigenous industries and ensuring the availability of required imports for export production.

The salient features of the modifications in direct and indirect taxes are given below :

A. Direct Taxes

1. Personal Income Tax

While no change is envisaged in the rate structure of personal income tax including surcharge, the Budget has taken several measures to rationalise the direct tax structure and provide tax reliefs and incentives to certain sectors.

1) To promote housing activity, the benefit of tax rebate under Section 88 is extended to contractual schemes floated by public housing corporations like HUDCO and State Housing Boards. The tax rebate will also be available in respect of instalments or repayment of loans towards the purchase or construction of house before April 1, 1987 or towards the cost of land. This amendment will take effect from April 1, 1992 and will accordingly, apply in relation to assessment year, 1992-93, and subsequent years.

2) The scheme of tax deduction at source is extended to payments exceeding Rs. 2,500 per year in relation to commission, interest paid by banks on term deposits and withdrawals from the National Savings Schemes.

3) Full deduction is made available in computing taxable profits of a tax payer whether carrying on any business/profession or not, for the amount paid by him for financing projects or schemes promoting social and economic welfare. A National Committee of eminent persons would be set up to identify areas requiring assistance and for recommending specific projects and schemes.

4) The benefit of 100 per cent deduction in respect of sums paid to approved institutions engaged in research in social sciences is now extended for tax payers who are not carrying on any business/profession. Further, the area of research need not now be necessarily related to business for the purpose of this facility.

5) The 25 per cent deduction from professional income of authors of text books in Indian languages, is revived in the current income-earning period and would be available for 5 years. Further, the deduction of 20 per cent of profits from publication of books is also to be revived for a period of 5 years.

6) The deduction available under Section 80 U in respect of totally blind or physically handicapped persons is increased to Rs. 20,000 from Rs. 15,000. This benefit is also to be extended to partially blind persons.

7) The benefit of tax concession under Section 80 O relating to income by way of royalty, commissions, fees, etc. received in the form of convertible foreign exchange, so far available only to the corporate sector would be extended to non-corporate assessees who have by virtue of their professional skills, an increasing capacity to earn foreign exchange for the country.

8) Donations to the AFRICA FUND would be fully exempt from tax under Section 80 G.

9) Income tax exemption of Rs. 5,000 in respect of earnings from races, including horse races is withdrawn.

10) Section 273 A would be amended in order to provide one more opportunity to tax payers who have already availed of the benefit of waiver of penalty and interest on the amount disclosed, to disclose their unaccounted incomes.

11) The tax concession available under Section 80 HHC would be extended to export of software and processed minerals.

2. Corporation Tax

1) Corporate tax rates for widely held and closely held companies are raised from 40 per cent to 45 per cent and from 45 per cent to 50 per cent, respectively. The existing surcharge of 15 per cent is to be continued.

2) The general rate of depreciation for machinery and plant is reduced from 33.33 per cent to 25 per cent. For aeroplanes, motor buses, motor taxis, etc., the rate is reduced from 50 per cent to 40 per cent. The rate of depreciation would be restricted to 50 per cent of the normal rate when the asset is used for less than 6 months in a year. However, the 100 per cent depreciation on energy saving and renewable energy devices would be continued.

3) Loss on transfer of capital assets will be set off only against gains from transfer of another capital asset in order to put an end to the present practice of setting off of short term capital losses against incomes arising from any other source.

3. Wealth tax

The rules of valuation for unquoted shares of an investment company is modified to capture their market value. The rates of wealth tax would, however, remain unchanged.

4. Expenditure Tax

1. Expenditure incurred in new approved hotels set up in hilly and other remote areas would be exempted from expenditure tax for a period of 10 years. Further, these hotels would be allowed a deduction of 50 per cent from their profits instead of the normal 30 per cent under Section 80-I subject to certain conditions.

2. An expenditure tax of 15 per cent is to be levied on expenditure incurred in restaurants providing superior facilities like air-conditioning.

5. Interest Tax

Reintroduced with an expanded coverage from the fiscal year, 1991-92, the tax will be levied at the rate of 3 per cent on the gross amount of interest received by all banks, financial institutions and non-banking financial companies in the corporate sector on loans and advances made in India. Interest accruing before October 1, 1991 will not be taxed. Interest received on transactions between various credit institutions will be exempted from the tax. The tax will also be eligible for deduction in the computation of taxable income under the Income-tax Act.

6. Taxation of Off-shore Funds

Tax on dividend income received by Indian Off-shore funds is reduced to 10 per cent from 25 per cent. Tax on long term capital gains on these investments is also decreased to 10 per cent from about 45 per cent at present.

7. Tax on Long Term Capital Gains

The basic deduction under Section 48 of the Income-tax Act in respect of long term capital gains is raised to Rs. 15,000 from Rs. 10,000 at present.

The proposed changes in direct taxes would net Rs. 2,139 crore, of which Rs. 97 crore would constitute the share of States and the balance of Rs. 2,042 crore would accrue to the Centre.

B. Indirect Taxes

1. Union Excise Duties

1. Agro-based products such as butter, cheese, vegetable oils, jams, preparations of meat and fish, ketchup, etc., are exempted from excise duties. This would involve a revenue loss of Rs. 84 crore.

2. The MODVAT scheme (1986) is reintroduced for aerated waters without any increase in duty. The scheme is also extended to man-made fibres and filament yarns in respect of their inputs without raising the duty rates on those fibres and yarns on which the duty was raised in December 1990. The duty rates on other fibres and yarns would be adjusted to maintain the collection of excise revenue at the earlier level. Duties on poly propylene mono-filament and multi-filament yarns are increased to raise additional revenue. The proposals would involve a net loss of Rs. 230 crore in a full year.

3. Total exemption from excise duties currently available on utensils made of aluminium, copper and stainless steel is extended to certain other household items, particularly, tiffin boxes. Excise duty on specified table-ware produced by semi-automatic process as well as duty on glassware manufactured by mouth-blown process is reduced. Further, aluminium doors, windows and their frames are fully exempted from excise duty.

4. Electric bulbs of more than 60 watts which presently attract a duty of Re. 1 per bulb would be exempted from the payment of duty. Energy efficient chulhas (stoves) would also not be subject to excise duty. Duty rates on two wheelers of engine capacity more than 50 cc but not exceeding 75 cc, would be reduced to 15 per cent from 20 per cent.

5. The money credit for rice bran oil used in the manufacture of soap is increased from Rs. 640 to Rs. 1,000 per metric ton. Some more non-conventional and solvent extracted oils are also be included in the scheme intended to encourage the use of minor oils for the manufacture of soaps. These proposals would result in a revenue loss of Rs. 10 crore in a full year.

6. The rate of special excise duty is raised from 5 per cent to 10 per cent of the basic excise duty with the exception of diesel and two wheelers. Further, items of mass consumption like tea, coffee, sugar, kerosene, matches and vanaspati would remain exempt from special excise duty. The proposal would net in an additional revenue of Rs. 1,010 crore in a full year.

7. In order to boost exports, the excise duty on goods permitted to be sold in the domestic market by 100 per cent (export oriented undertakings or units in a free zone, would be reduced to 50 per cent) of the import duty payable from 100 per cent at present, subject to the condition that the duty would not be less than the excise duty levied on similar items produced in the domestic tariff area.

8. Excise duty rates on filter and non-filter cigarettes are raised to yield an additional revenue of Rs. 300 crore in a full year.

9. Excise duty on hand-made branded and paper rolled biris to be increased to result in a revenue gain of Rs. 33 crore in a full year.

10. Excise duty on motor cars increased to 60 per cent from 50 per cent at present. Duty on taxis to be continued at 30 per cent. This would involve a revenue gain of Rs. 150 crore in a full year.

11. Excise duty on refrigerators, air-conditioners and their compressors, audio and video cassette tapes, colour TVs and picture tubes, VCRs and VCPs are also to be raised resulting in an additional revenue of Rs. 186 crore in a full year.

12. Excise duty on free sale sugar is to be raised to Rs. 71 per quintal from the existing level

of Rs. 50 per quintal. There would be no increase in the excise duty on levy sugar which is sold through the public distribution system. The proposal would net in Rs. 122 crore in a full year.

13. The value limit of exemption from excise duty on footwear manufactured in rural areas by registered cooperative societies, women's societies or by institutions recognised by the KVIC, is raised from Rs. 100 to Rs. 150 per pair. Synthetic detergents manufactured by these units would also be fully exempt from excise duties.

The proposed changes in excise duties would yield a gross revenue of Rs. 1,799 crore in a full year. Adjusting for concessions and reliefs of Rs. 358 crore, the net revenue gain would amount to Rs.1,441 crore in a full year. Of this, the share of the Centre and States would be Rs. 691 crore and Rs. 750 crore, respectively. However, during the current fiscal year, net additional revenue from excise duties would be Rs. 988 crore, of which the States' share would be Rs. 514 crore, while Rs. 474 crore would be retained by the Centre.

2. Customs Duties

1. The *ad valorem* rate of basic plus auxiliary duties of customs is reduced to a maximum of 150 per cent with the exception of imported alcoholic beverages and passenger luggage. This would result in a revenue loss of Rs. 132 crore in a full year.

2. A duty relief of 10 percentage points is extended to almost every item which had suffered an increase of 20 percentage points during the hike in the rate of auxiliary customs duties in December 1990. Tax rates on items like waste paper, wood in rough, ethylene, machinery for fuel injection, etc. would be rolled back to their levels prevailing before December 15, 1990. These proposals would imply a loss of Rs. 472 crore in a full year.

3. Customs duty on capital goods for general projects and machinery is reduced from 85 per cent to 80 per cent. The rate of duty on their components is also reduced by 5 percentage points from 65 per cent or 70 per cent at present. This would result in a revenue loss of Rs. 167 crore in a full year.

4. In order to encourage the growth of the finished leather industry and to promote exports, the basic and auxiliary customs duties on polyurethane film and foil as well as polyols is reduced from 150 per cent to 40 per cent. Duty on isocynates is also reduced from 120 per cent to 40 per cent. Import duty on two important leather preservatives viz., TCMTB and PCMC is also reduced from over 150 per cent to 50 per cent. Further, in order to encourage the indigenous manufacture of cubic zirconium which is the closest imitation of natural diamond and has the potential to provide job opportunities for a large number of artisans and the jewellery made therefrom has a significant export potential, the import duty on its raw materials is reduced to 40 per cent from 150 per cent at present.

5. Standard newsprint is exempted from import duty and the monetary limit of duty free import of photographic goods by accredited cameramen of the Press is raised to Rs. 60,000 from Rs. 30,000 at present.

6. The list of machinery items under the technology upgradation scheme (1987), which were eligible for fiscal concessions on the import of capital equipment for their manufacture, has been expanded and would now be subject to a concessional duty of 50 per cent. This would involve a revenue loss of Rs. 5 crore in a full year.

7. Import duty on adventure sports equipment is reduced from the existing rates of about 100 to 300 per cent to 40 per cent.

8. The general duty free allowance for personal baggage is raised from Rs. 2,000 to Rs. 2,400.

The changes envisaged in the sphere of customs duties would imply a net revenue loss of Rs. 745 crore in a full year and a loss of Rs. 510 crore during 1991-92.

C. Other Measures

1. Remittances in foreign exchange to any person in India would be exempted from the purview of Gift tax. Such remittances will enjoy

general immunity from tax laws including the one relating to the scrutiny of sources of such funds.

2. The State Bank of India proposes to float India Development Bonds for purchase by NRIs and their corporate investors. These bonds would be exempt from wealth tax and would guarantee exchange rate protection and free repatriation of the face value of the bond and interest thereon. The scheme was initially proposed to remain open till November 30, 1991; it was extended upto January 31, 1992.

3. NRI investments on non-repatriable basis would be allowed in areas like housing, infrastructure and real estate investment, including a general exemption under the Foreign Exchange Regulation Act (FERA).

4. In order to tap black money, a new scheme has been introduced. Any person would be allowed to open deposits with the National Housing Bank (NHB). The scheme was initially proposed to remain open till November 30, 1991; it was extended upto January 31, 1992, with immunity from enquiry and investigation as to the sources of funds; 40 per cent of such funds would be deducted as a special levy to be kept as a corpus for the NHB. The money so mobilised will be utilised for slum clearance and low cost housing for the poor.

II. BUDGETARY OPERATIONS OF STATE GOVERNMENTS @

The combined budgetary operations of 25 States as envisaged by the 1991-92 budgets suggest that the estimated overall deficit* would be substantially higher than in the preceding two years. While the revenue deficit continued to be high, non-developmental expenditure would show a steep increase without commensurate resource mobilisation efforts. Nonetheless, some State Governments have proposed measures to cut down revenue deficit both by raising resources and pruning down their non-developmental expenditures.

Revised Estimates : 1990-91

The combined budgetary operations of the State Governments, according to the revised estimates for 1990-91, show a substantial reduction in the overall deficit at Rs. 578.2 crore from that of Rs. 1,736.6 crore estimated in the budget. The deficit even at this level was, however, significantly higher than the actual deficit of Rs. 127.4 crore in 1989-90 (Table VIII-6). The lower order of deficit in the revised estimates for 1990-91 over the budget estimates was because of the improvement in both revenue and capital accounts.

The deficit in the revenue account narrowed down by Rs. 430.3 crore to Rs. 5,307.8 crore as receipts increased by 4.0 per cent while expenditure showed a rise of 3.1 per cent over the budget estimates. The capital account surplus widened to Rs. 4,729.6 crore from Rs. 4,001.5 crore since capital receipts increased by 10.5 per cent while disbursements rose by 8.8 per cent over the budgeted figures.

Receipts

The States' aggregate receipts increased by 20.5 per cent from Rs. 76,581.1 crore in 1989-90 to Rs. 92,287.2 crore in 1990-91 as compared with that of 13.5 per cent in 1989-90.[6] While revenue receipts moved up from Rs. 56,483.0 crore in 1989-90 to Rs. 67,854.7 crore showing a rise of 20.1 per cent, capital receipts at Rs. 24,432.5 crore in 1990-91 showed a growth of 21.6 per cent over Rs. 20,098.1 crore in 1989-90. During 1989-90, revenue receipts and capital receipts had increased by 12.0 per cent and 17.9 per cent, respectively. Revenue receipts and capital receipts formed 73.5 per cent and 26.5 per cent, respectively, of aggregate receipts in 1990-91, almost the same as in 1989-90.

@ Data from Vote-on-Account expenditure budgets for 10 States, viz., Andhra Pradesh, Assam, Goa, Jammu and Kashmir, Kerala, Madhya Pradesh, Punjab, Tamil Nadu, Uttar Pradesh, and West Bengal and from regular budgets for the remaining 15 States.

* Overall surplus or deficit for the year is computed by deducting aggregate disbursements from aggregate receipts. Aggregate receipts include (i) Revenue Receipts, (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 also excluded.

6. The comparisons are between revised estimates of 1990-91 and the accounts figures of 1989-90, unless otherwise stated.

Table VIII-6 Overall Budgetary Position Of State Governments

(Rs. crores)

Item	1989-90 (Accounts)@	Percentage variations over the previous year	1990-91 (Budget Estimates)	1990-91 (Revised Estimates)	Percentage variations over the previous year	1991-92 (Budget Estimates)	Percentage variations over the previous year
1	2	3	4	5	6	7	8
1. Aggregate Receipts (A+B)	**76,581.1**	**+13.5**	**87,339.9** (86,564.6)	**92,287.2**	**+20.5**	**1,02,249.3** (1,01,545.0)	**+10.8** (+10.0)
A. Revenue Receipts (1+2)	**56,483.0**	**+12.0**	**65,234.3** (64,459.0)	**67,854.7**	**+20.1**	**77,807.2** (77,102.9)	**+14.7** (+13.6)
1. Tax Receipts (a + b)	39,092.4	+18.0	43,990.8 (43,226.2)	44,789.4	+14.6	50,823.0 (50,111.2)	+13.5 (+11.9)
a) States' Taxes	25,995.1	+16.0	29,817.7 (29,056.2)	30,324.4	+16.7	34,382.2 (34,282.4)	+13.3 (+13.1)
b) Share in Central Taxes	13,097.3	+22.3	14,173.1 (14,170.0)	14,465.0	+10.4	16,440.8 (15,828.8)	+13.7 (+9.4)
2. Non-tax Receipts (c + d)	17,390.6	+0.6	21,243.5 (21,232.8)	23,065.3	+32.6	26,984.2 (26,991.7)	+17.0 (+17.0)
c) Grants from the Centre	8,499.5	-12.0	12,226.7	13,729.5	+61.5	15,441.3	+12.5
d) Other Non-tax Receipts	8,891.1	+16.6	9,016.8 (9,006.1)	9,335.8	+5.0	11,542.9 (11,550.4)	+23.6 (+23.7)
B. Capital Receipts (1 + 2)	**20,098.1**	**+17.9**	**22,105.6**	**24,432.5**	**+21.6**	**24,442.1**	**Neg.**
1. States' Capital Receipts	8,839.4	+24.2	9,222.8	10,273.5	+16.2	9,442.5	-8.1
Of which :							
a) Market Borrowings (Gross)	2,166.7	-3.5	2,099.3	2,360.9	+9.0	2,226.5	-5.7
b) Recovery of Loans and Advances	1,024.7	-23.0	1,104.9	1,365.2	+33.2	1,064.1	-22.1
2. Loans from the Centre	11,258.7	+13.3	12,882.8	14,159.0	+25.8	14,999.6	+5.9

(Contd.)

Table VIII-6 Overall Budgetary Position Of State Governments — *(Concld.)*

(Rs. crores)

Item	1989-90 (Accounts)@	Percentage variations over the previous year	1990-91 (Budget Estimates)	1990-91 (Revised Estimates)	Percentage variations over the previous year	1991-92 (Budget Estimates)	Percentage variations over the previous year
1	2	3	4	5	6	7	8
II Aggregate Disbursements (A to E)	**76,708.5**	**+14.3**	**89,076.5**	**92,865.4**	**+21.1**	**1,03,708.5**	**+11.7**
A. Developmental Expenditure+ (1 + 2)	**52,555.1**	**+11.9**	**60,406.1**	**64,487.6**	**+22.7**	**69,896.4**	**+8.4**
1. Social Services	25,711.1	+15.2	28,549.6	30,647.6	+19.2	32,368.1	+5.6
Of which :							
Expenditure on Natural Calamaties	563.0	-35.9	495.2	904.7	+60.7	798.0	-11.8
2. Economic Services	26,844.0	+8.8	31,856.5	33,840.0	+26.1	37,528.3	+10.9
B. Non-Developmental Expenditure +	19,760.5	+24.4	24,381.6	23,335.1	+18.1	28,615.0	+22.6
C. Repayment of loans to the Centre	**3,341.3**	**+2.8**	**3,349.8**	**3,841.0**	**+15.0**	**3,702.7**	**-3.6**
D. Discharge of Internal Debt	**472.2**	**+16.7**	**234.8**	**464.8**	**-1.6**	**579.7**	**+24.7**
Of which :							
Market Loans (Gross)	298.0	+9.2	15.9	13.4	-95.5	21.6	+61.2
E. Others*	**579.4**	**+1.6**	**704.2**	**736.9**	**+27.2**	**914.7**	**+24.1**
III. Overall Surplus (+)/Deficit (-) (I-II)	**-127.4**		**-1,736.6** (-2,511.9)	**-578.2**		**-1,459.2** (-2,163.5)	

\+ Comprise expenditure on revenue and capital accounts and loans and advances extended by States.

@ Figures for Bihar, Jammu and Kashmir and Nagaland relate to Revised Estimates.

* Comprise compensation and assignments to local bodies, remittances (Net) and reserve with Finance Department.

Notes : 1. Figures outside brackets under Budget Estimates for 1991-92 include the estimated net yield of Rs. 92.3 crore from additional resource mobilisation (ARM) measures introduced through the State budgets and Rs. 612.0 crore as States' share in the Centre's additional ARM measures announced in its Budget for 1991-92.

2. Figures outside brackets under Budget Estimates for 1990-91 include the estimated net yield of Rs. 772.2 crore from additional resource mobilisation (ARM) measures introduced by the States and States' share of Rs. 3.1 crore in the Centre's additional taxation/concessions proposed in the Central Budget for 1990-91.

Among the revenue receipts, tax receipts increased to Rs. 44,789.4 crore (at a decelerated rate of 14.6 per cent) from Rs. 39,092.4 crore in 1989-90 as compared with a rise of 18.0 per cent recorded in the previous year. The slowdown may be seen in the context of the 10.4 per cent increase in the States' share in Central taxes at Rs. 14,465.0 crore in 1990-91 over Rs. 13,097.3 crore in 1989-90 as against 22.0 per cent in the previous year. States' share in Income tax at Rs. 4,134.9 crore improved by 5.0 per cent over 1989-90, while that in Union excise duties by 12.8 per cent to Rs. 10,330.1 crore. States' share in Central taxes to total tax receipts of States, however, has come down marginally to 32.3 per cent from 33.5 per cent in 1989-90. States' own taxes increased by 16.7 per cent from Rs. 25,995.1 crore in 1989-90 to Rs. 30,324.4 crore and the rise was marginally higher than that of 16.0 per cent in 1989-90. Indirect taxes (taxes on commodities and services) at Rs. 27,011.6 crore formed 89.1 per cent of States' own tax revenue as against 88.4 per cent in 1989-90 while direct taxes (taxes on income, property and capital transactions) at Rs. 3,312.8 crore accounted for 10.9 per cent as compared with 11.6 per cent in 1989-90. Out of the total rise of Rs. 4,329.3 crore in States' own taxes in 1990-91, sales tax contributed Rs. 2,621.2 crore (60.5 per cent) followed by State excise duties (Rs. 755.1 crore), taxes on passengers and goods (Rs. 222.4 crore), electricity duties (Rs. 202.6 crore), taxes on vehicles (Rs. 162.4 crore), taxes on property and capital transactions (Rs. 159.7 crore), taxes on income (Rs. 146.8 crore) and others (Rs. 59.1 crore). Non-tax receipts, the other component of revenue receipts, moved up sharply by 32.6 per cent from Rs. 17,390.6 crore in 1989-90 to Rs. 23,065.3 crore in 1990-91 as against a marginal rise of only 0.6 per cent in the previous year, mainly due to a steep rise of 61.5 per cent in the grants from the Centre, from Rs. 8,499.5 crore in 1989-90 to Rs. 13,729.5 crore in 1990-91. These grants had fallen by 12.0 per cent in the previous year. The share of Central grants to total non-tax receipts increased to 59.5 per cent in 1990-91 from 48.9 per cent in the preceding year. Non-tax receipts formed 34.0 per cent of total revenue in 1990-91 as compared with 30.8 per cent in 1989-90. States' other non-tax receipts at Rs. 9,335.8 crore in 1990-91 increased by 5.0 per cent as against a rise of 16.6 per cent in 1989-90. Component-wise, interest receipts at Rs. 2,595.4 crore increased by only 0.4 per cent, while general services at Rs. 1,817.5 crore increased sharply by 59.7 per cent. Social services (Rs. 638.9 crore) and economic services (Rs. 4,240.6 crore), on the other hand, declined by 5.4 per cent and 5.0 per cent, respectively. Dividends and profits moved up from Rs. 26.3 crore in 1989-90 to Rs. 43.4 crore in 1990-91. Tables VIII-7 and VIII-8 give the sources of States' revenue receipts and pattern of revenue expenditure from 1985-86 in percentage terms.

Capital Receipts

Capital receipts during 1990-91 increased by Rs. 4,334.4 crore to Rs. 24,432.5 crore. Of the rise in total capital receipts, States' own capital receipts amounted to Rs. 1,434.1 crore or 33.1 per cent, while the contribution of loans from the Centre was to the tune of Rs. 2,900.3 crore or 66.9 per cent. States' own capital receipts in 1990-91 at Rs. 10,273.5 crore went up by 16.2 per cent as against the rise of 24.2 per cent in 1989-90. Recovery of loans and advances by the States amounted to Rs. 1,365.2 crore in 1990-91 as against Rs. 1,024.7 crore in 1989-90. Within States' own capital receipts, the market borrowings (gross) increased by 9.0 per cent to Rs. 2,360.9 crore in 1990-91 over Rs. 2,166.7 crore in 1989-90 as compared with a decline of 3.5 per cent in the previous year. Nonetheless, the share of market borrowings (gross) to States' own capital receipts declined from 24.5 per cent in 1989-90 to 23.0 per cent in 1990-91. The net market borrowings after repayment of matured loans were Rs. 2,341.1 crore in 1990-91 as compared with Rs. 1,868.7 crore in the preceding year. According to Reserve Bank of India records, the gross market borrowings of all States in 1990-91 were Rs. 2,569.0 crore. As there were no repayments, the net market borrowings in 1990-91 were the same as gross market borrowings. In 1989-90, the gross and net market borrowings were Rs. 2,554.9 crore and Rs. 2,249.0 crore, respectively. States' share in combined gross market borrowings of the Centre and States came down from 24.1 per cent in 1989-90 to 22.4 per cent in 1990-91 with the share in combined

Table VIII - 7 : Sources of State Revenue Receipts — Percentage Distributions

Item	1985-86 (Accounts)	1986-87 (Accounts)	1987-88 (Accounts)	1988-89 (Accounts)	1989-90 (Accounts)+	1990-91 (Revised Estimates)	1991-92 (Budget Estimates)
1	2	3	4	5	6	7	8
Total Revenue (I + II)	**100.0**	**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**	**69.2**	**66.0**	**65.3**
A. Revenue from States' Taxes (i to iii)	**43.5**	**43.7**	**43.6**	**44.5**	**46.0**	**44.7**	**44.2**
i) Taxes on Income (a + b)	0.8	0.7	0.6	0.6	0.8	0.9	0.8
a) Agricultural Income Tax	0.4	0.3	0.1	0.1	0.2	0.3	0.3
b) Taxes on Professions, Trades, Callings and Employment	0.4	0.4	0.5	0.5	0.6	0.6	0.5
ii) Taxes on Property and Capital Transactions (a to c)	3.6	3.7	3.9	4.2	4.5	4.0	4.1
a) Stamps and Registration Fees	2.6	2.7	2.9	1.2	3.3	3.1	3.1
b) Land Revenue	1.0	1.0	1.0	3.0	1.2	0.9	1.0
c) Urban Immovable Property Tax	—	—	—	—	0.1	—	neg
iii) Taxes on Commodities and Services (a to g)	39.1	39.3	39.1	39.7	40.7	39.8	39.3
a) Sales Tax	25.2	25.2	25.3	26.1	26.7	26.1	25.8
b) State Excise Duties	6.1	6.3	6.5	6.1	6.8	6.8	6.9
c) Taxes on Vehicles	2.5	2.6	2.5	2.6	2.5	2.3	2.2
d) Taxes on Passengers and Goods	1.7	1.6	1.6	1.7	1.6	1.7	1.6
e) Electricity Duties	1.9	2.1	1.8	2.0	1.9	1.9	1.7
f) Entertainment Tax	0.9	1.1	0.9	0.8	0.6	0.5	0.5
g) Other Taxes and Duties	0.8	0.4	0.5	0.4	0.6	0.5	0.6
B. Share in Central Taxes (a to c)	**21.7**	**21.9**	**22.0**	**21.3**	**23.2**	**21.3**	**21.1**
a) Income Tax	5.2	5.7	5.8	5.5	7.0	6.1	6.0
b) Estate Duty	0.1	—	—	—	—	—	—
c) Union Excise Duties	16.4	16.2	16.2	15.8	16.2	15.2	15.1
II. Non-Tax Revenue (C + D)	**34.8**	**34.4**	**34.4**	**34.2**	**30.8**	**34.0**	**34.7**
C. Grants from the Centre	**18.9**	**18.3**	**19.0**	**19.1**	**15.0**	**20.2**	**19.8**
D. Other Non-Tax Revenue (a to f)	**15.9**	**16.1**	**15.4**	**15.1**	**15.8**	**13.8**	**14.9**
a) Interest Receipts	4.1	4.4	4.4	4.7	4.6	3.8	5.6
b) Dividends	0.1	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	2.7	1.8
d) Social Services	1.4	1.2	1.1	1.1	1.2	0.9	0.9
e) Economic Services	8.3	8.5	8.0	7.3	7.9	6.3	6.5
f) Fiscal Services	—	—	—	—	neg.	—	—

+ Figures in respect of Bihar, Jammu and Kashmir and Nagaland relate to Revised Estimates.
Neg. : Negligible.
Source : State Government Budget Documents.

net market borrowings going up from 23.1 per cent to 24.3 per cent over the same period. Loans from the Centre (gross) at Rs. 14,159.0 crore showed a rise of 25.8 per cent in 1990-91 as compared with the lower order of increase of 13.3 per cent in the previous year. The net loans from the Centre, after providing for repayment of loans, increased by 30.3 per cent from Rs. 7,917.4 crore in 1989-90 to Rs. 10,318.0 crore in 1990-91.

Transfer of Resources from Centre to States

The gross transfer of resources from the Centre comprising States' share in Central taxes, grants and loans from the Centre at Rs. 42,353.5 crore in 1990-91 increased by 28.9 per cent over Rs. 32,855.5 crore in 1989-90. Of the total increase of Rs. 9,498.0 crore in the gross transfer in 1990-91, grants from the Centre contributed Rs. 5,230.0 crore (55.1 per cent) followed by loans from the Centre (gross) Rs. 2,900.3 crore (30.5 per cent) and States' share in Central taxes Rs. 1,367.7 crore (14.4 per cent). The gross transfer of resources from the Centre formed 45.9 per cent of States' aggregate receipts in 1990-91 as compared with 42.9 per cent in the preceding year. The net loans from the Centre, after

Table VIII - 8 : Pattern of Revenue Expenditure—Percentage Distributions

Item	1985-86 (Accounts)	1986-87 (Accounts)	1987-88 (Accounts)	1988-89 (Accounts)	1989-90 (Accounts)*	1990-91 (Revised Estimates)	1991-92 (Budget Estimates)
1	2	3	4	5	6	7	8
Total Expenditure (A to D)	**100.0**	**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**	**66.9**	**67.7**	**64.7**
1. Social Services (i to xi)	**40.6**	**39.9**	**39.5**	**39.4**	**39.9**	**38.9**	**36.4**
i) Education, Sports, Art and Culture	20.8	20.4	20.4	20.9	22.5	21.6	20.3
ii) Medical, Public Health and Family Welfare	7.8	6.7	6.7	6.6	6.6	6.2	5.8
iii) Water Supply and Sanitation	2.1	3.1	2.9	2.7	2.5	2.2	2.0
iv) Housing	0.6	0.6	0.5	0.5	0.6	0.5	0.4
v) Welfare of Scheduled Castes, Scheduled Tribes and other Backward Classes	2.6	2.4	2.6	2.5	2.4	2.5	2.4
vi) Labour and Labour Welfare	0.7	0.7	0.9	0.7	0.7	0.7	0.6
vii) Social Security and Welfare	2.3	2.4	1.8	1.9	1.8	2.1	2.0
viii) Nutrition	0.4	0.8	0.8	0.7	0.7	0.7	0.7
ix) Relief on Account of Natural Calamities	2.3	1.7	1.9	1.7	0.9	1.2	0.9
x) Urban Development	0.7	0.8	0.7	0.9	0.9	0.9	0.8
xi) Others	0.3	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**	**27.0**	**28.8**	**28.3**
i) Agriculture and Allied Activities	9.5	8.7	8.6	8.2	8.0	9.2	7.9
ii) Rural Development	6.7	7.4	6.5	7.0	4.3	6.2	6.5
iii) Special Area Programmes	0.5	0.5	0.5	0.5	0.6	0.5	0.5
iv) Irrigation and Flood Control	5.8	6.3	6.1	6.4	5.6	5.0	4.9
v) Energy	0.7	1.1	2.0	1.5	1.8	1.3	2.6
vi) Industry and Minerals	1.8	1.7	1.6	1.7	2.0	1.7	1.5
vii) Transport and Communications	3.3	3.6	3.2	3.3	2.8	2.6	2.5
viii) Science, Technology and Environment	0.1	0.1	0.1	Neg.	0.1	0.1	0.1
ix) General Economic Services	1.4	1.3	1.6	1.4	1.8	2.2	1.8
B. Non-Developmental Expenditure (1 to 5)	**28.4**	**28.2**	**29.3**	**29.5**	**32.2**	**31.2**	**34.2**
1. Organs of State	1.0	0.9	1.0	1.0	1.3	0.9	1.0
2. Fiscal Services	3.3	2.3	3.1	2.2	3.3	3.2	3.0
3. Interest Payments and Servicing of Debt	10.3	11.6	11.5	12.2	12.7	12.8	14.4
Of which :							
i) Interest on Loans from the Centre	5.2	7.2	5.9	6.9	7.3	6.9	8.1
ii) Interest on Internal Debt	1.9	1.9	1.7	1.9	2.2	2.3	2.6
4. Administrative Services	10.1	9.8	9.7	9.6	10.0	9.3	10.7
5. Pensions and Miscellaneous General Services	3.7	3.6	4.0	4.5	4.9	5.0	5.1
C. Compensation and Assignments to Local Bodies and Panchayati Raj Institutions	**1.2**	**1.2**	**1.0**	**1.1**	**0.9**	**1.1**	**1.1**
D. Reserve with Finance Department	**—**	**—**	**—**	**—**	**—**	**—**	**—**

* Figures for Bihar, Jammu and Kashmir and Nagaland relate to Revised Estimates.
Neg. Negligible.
Source : State Government Budget Documents.

providing for repayment of loans (Rs. 3,841.0 crore) and interest payments (Rs. 4,262.5 crore) registered a rise of 36.1 per cent from Rs. 4,448.2 crore in 1989-90 to Rs. 6,055.5 crore in 1990-91. Net transfer of resources, after taking into account the repayment of loans and interest payments to the Centre, increased by 31.5 per cent to Rs. 34,250.0 crore in 1990-91 over Rs. 26,045.0 crore in 1989-90. Net transfers as per cent both of aggregate receipts (including loans from the Centre on a net basis) and aggregate disbursements (excluding repayment of loans and interest payments to the Centre) increased; the former moved up from 35.6 per cent in 1989-90 to 38.7 per cent in 1990-91, while the latter increased from 37.3 per cent in 1989-90 to 40.4 per cent in 1990-91.

Grants from the Centre to States amounted to Rs. 13,729.5 crore in 1990-91 as against Rs. 8,499.5 crore in 1989-90. While the Plan grants were Rs. 10,825.2 crore, showing an increase of 67.5 per cent over Rs. 6,464.2 crore in 1989-90, non-Plan grants at Rs. 2,904.3 crore rose by 42.7 per cent over Rs. 2,035.3 crore. Among the Plan grants, State Plan Schemes, Centrally sponsored Schemes and Central Plan Schemes accounted for Rs. 5,295.4 crore, Rs. 4,581.3 crore and Rs. 948.5 crore, respectively, in 1990-91 as against Rs. 3,859.3 crore, Rs. 2,009.5 crore and Rs. 595.4 crore in the preceding year.

Disbursements

Aggregate disbursements in 1990-91 moved up by 21.1 per cent to Rs. 92, 865.4 crore from Rs. 76,708.5 crore as against a comparatively smaller growth of 14.3 per cent in the previous year. Revenue expenditure increased by 21.8 per cent from Rs. 60,062.5 crore in 1989-90 to Rs. 73,162.5 crore in 1990-91, while capital disbursements registered a rise of 18.4 per cent from Rs. 16,646.0 crore to Rs. 19,702.9 crore over the same period. Revenue expenditure formed 78.8 per cent of the aggregate disbursements in 1990-91 as compared with 78.3 per cent in 1989-90.

Developmental expenditure in 1990-91 increased at a higher rate of 22.7 per cent from Rs. 52,555.1 crore in 1989-90 to Rs. 64,487.6 crore as compared with a rise of 11.9 per cent in 1989-90. The growth in non-developmental expenditure at 18.1 per cent to Rs. 23,335.1 crore in 1990-91 from Rs. 19,760.5 crore in 1989-90 was lower than the rise of 24.4 per cent recorded in 1989-90. The share of developmental expenditure to aggregate disbursements in 1990-91 at 69.4 per cent was higher than that of 68.5 per cent in the previous year while the share of non-developmental expenditure declined from 25.8 per cent to 25.1 per cent. Under developmental expenditure, the expenditure on social services increased by Rs. 4,936.5 crore or 19.2 per cent to Rs. 30,647.6 crore in 1990-91 while that on economic services moved up faster by Rs. 6,996.0 crore or 26.1 per cent to Rs. 33,840.0 crore. Consequently, the share of social services decreased from 48.9 per cent of developmental expenditure in 1989-90 to 47.5 per cent in 1990-91 while that of economic services over the same period went up from 51.1 per cent to 52.5 per cent. Repayment of loans to the Centre at Rs. 3,841.0 crore in 1990-91 increased by 15.0 per cent over Rs. 3,341.3 crore in the previous year. Repayment of loans to the Centre which was 4.4 per cent of aggregate disbursements in 1989-90 moved down to 4.1 per cent in 1990-91. Discharge of internal debt declined marginally by 1.6 per cent from Rs. 472.2 crore in 1989-90 to Rs. 464.8 crore in 1990-91. Repayment of market loans at Rs. 19.8 crore in 1990-91 showed a steep decline of 93.4 per cent as against Rs. 298.0 crore in 1989-90. Other disbursements, comprising compensation and assignments to local bodies and remittances (net), moved up by 27.1 per cent or Rs. 157.2 crore to Rs. 736.9 crore in 1990-91.

Budget Estimates : 1991-92

The combined budgetary transactions of States in 1991-92, at 1990-91 rates of taxation, are estimated to result in an overall deficit of Rs. 2,163.5 crore as compared with deficits of Rs. 578.2 crore in the revised estimates of 1990-91 and Rs. 127.4 crore in 1989-90 (Accounts). During 1991-92, the additional resource mobilisation (ARM) measures announced by seven States are expected to yield a net revenue of Rs. 92.3 crore. Further, the States' share in the new tax proposals of the Union Budget, 1991-92, is estimated at Rs. 612.0 crore.

Taking into account the yield from ARM measures and States' share in Centre's additional taxation, the overall deficit in 1991-92 would fall to Rs. 1,459.2 crore. The deficit on the revenue account is estimated at Rs. 4,573.6 crore in 1991-92 while the capital account will show a surplus of Rs. 3,114.4 crore.

State-wise Position

State-wise budgetary position for 1991-92, at 1990-91 rates of taxation, shows that only three States presented surplus budgets, twenty-one States presented deficit budgets and one State (Mizoram) presented a balanced budget. Among the deficit budget States, six States proposed additional resource mobilisation (ARM) measures. In the case of two States, however, consequent to the concessions proposed, the ARM measures would lead to a net revenue loss. Maharashtra, a surplus State, proposed ARM measures to net Rs. 3.0 crore. After taking into account ARM measures of States and the States' share in the Centre's additional taxation measures, the number of deficit States will come down to nineteen with an aggregate deficit of Rs. 1,584.8 crore. The six surplus States will have a total surplus of Rs. 125.6 crore. These States are : Haryana* (Rs. 60.1 crore), Maharashtra* (Rs. 43.3 crore), Arunachal Pradesh (Rs. 9.5 crore), Mizoram (Rs. 5.7 crore), Kerala (Rs. 4.0 crore) and Rajasthan (Rs. 3.0 crore). Amongst the deficit States, Jammu and Kashmir has the highest deficit (Rs. 280.1 crore), followed by Assam (Rs. 275.2 crore), Himachal Pradesh (Rs. 139.7 crore), Andhra Pradesh (Rs. 137.9 crore), Uttar Pradesh (Rs. 137.3 crore) and Bihar (Rs. 121.0 crore). These six States account for 68.9 per cent of the total deficit of 19 States. States with deficit budgets propose to bridge their gaps through buoyancy and greater efficiency in tax collections, cuts in non-Plan non-productive expenditure, assistance from the Central Government, etc. (Table VIII-9).

Transactions under Revenue Accounts

The revenue account transactions of States, at revised rates of taxation, reveal a lower deficit of Rs. 4,573.6 crore in 1991-92 as against a deficit of Rs. 5,307.8 crore in 1990-91. The total surplus of ten States is estimated at Rs. 888.3 crore, while fifteen States would post a total deficit of Rs. 5,461.9 crore in 1991-92. Of the deficit States, Uttar Pradesh (-Rs. 1,390.6 crore), West Bengal (-Rs. 1,121.3 crore), Punjab (-Rs. 568.0 crore), Bihar (-Rs. 424.7 crore), Maharashtra (-Rs. 396.4 crore), Andhra Pradesh (-Rs. 375.7 crore) and Tamil Nadu (-Rs. 329.4 crore) together account for 84.3 per cent of the aggregate revenue deficit (Table VIII-10).

Receipts

Aggregate receipts, at revised rates of taxation, in 1991-92 expected at Rs. 1,02,249.3 crore would decelerate to 10.8 per cent as compared with a 20.5 per cent growth in 1990-91. Of the budgeted total rise of Rs. 9,962.1 crore, as much as Rs. 9,952.5 crore will be due to rise in revenue receipts from Rs. 67,854.7 crore to Rs.77,807.2 crore, while the capital receipts will contribute only Rs. 9.6 crore, up from Rs. 24,432.5 crore in 1990-91 to Rs. 24,442.1 crore in 1991-92. Revenue receipts will show a rise of 14.7 per cent in 1991-92 as compared with a higher growth of 20.1 per cent in 1990-91. Capital receipts had risen by 21.6 per cent in 1990-91. Revenue receipts, which formed 73.5 per cent of aggregate receipts in 1990-91, would go up to 76.1 per cent in the current year, while the proportion of capital receipts would correspondingly come down to 23.9 per cent from 26.5 per cent over the same period.

Revenue Receipts

Within revenue receipts, tax receipts are expected to go up by 13.5 per cent in 1991-92 from Rs. 44,789.4 crore in 1990-91 to Rs. 50,823.0 crore. In 1990-91, these had risen by 14.6 per cent. The growth in non-tax receipts is budgeted lower from 32.6 per cent in 1990-91 to 17.0 per cent in the current year as these receipts would move up from Rs. 23,065.3 crore to Rs. 26,984.2 crore. Under tax receipts, States' own taxes at Rs. 34,382.2 crore in 1991-92 are expected to rise by 13.3 per cent over Rs. 30,324.4 crore in 1990-91 as

* It may be noted that the surplus of Haryana will decline to Rs. 30.1 crore as the budget has not taken into account Rs. 30.0 crore relief provided to State Government employees. The surplus of Maharashtra will turn into a deficit of Rs. 108.9 crore as the budget has not provided for Plan outlay of Rs. 152.2 crore.

Table VIII-9 : Aggregate Receipts/Disbursements and Overall Surplus (+)/Deficit(-) of State Governments - State-wise Details

(Rs. crores)

States	1989-90 (Accounts)			1990-91 (Budget Estimates)			1990-91 (Revised Estimates)			1991-92 (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	5,698.4	5,752.9	—54.5	6,235.3	6,296.9	—61.6	6,741.8	6,702.1	+39.7	7,463.4	7,508.3	7,646.2	—182.8	—137.9
2. Arunachal Pradesh	369.8	404.2	—34.4	392.9	389.8	+3.1	414.5	395.1	+19.4	476.8	481.5	472.0	+4.8	+9.5
3. Assam	2,190.0	2,288.1	—98.1	2,256.5	2,562.9	—306.4	2,766.0	2,864.3	—98.3	2,717.0	2,739.2	3,014.4	—297.4	—275.2
4. Bihar	5,219.8	5,245.3	—25.5	5,931.6	5,987.6	—56.0	6,035.2	6,216.5	—181.3	6,893.1	6,962.0	7,083.0	—189.9	—121.0
5. Goa	338.2	329.3	+8.9	417.1	441.4	—24.3	439.5	404.4	+35.1	391.7	394.5	477.3	—85.6	—82.8
6. Gujarat	4,929.8	4,805.1	+124.7	5,243.8	5,364.7	—120.9	5,834.8	5,957.7	—122.9	6,030.2	6,037.3	6,049.7	—19.5	—12.4
7. Haryana	2,043.2	2,118.3	—75.1	2,348.8	2,360.8	—12.0	2,469.6	2,467.6	+2.0	2,870.1	2,877.0	2,816.9	+53.2	+60.1
8. Himachal Pradesh	911.6	984.6	—73.0	950.6	1,073.0	—122.4	1,130.2	1,101.8	+28.4	1,133.6	1,154.2	1,293.9	—160.3	—139.7
9. Jammu and Kashmir	1,611.4	1,611.4	—	1,692.2	1,900.2	—208.0	1,746.0	2,021.0	—275.0	1,817.3	1,836.2	2,116.3	—299.0	—280.1
10. Karnataka	4,452.3	4,426.2	+26.1	4,954.1	4,992.1	—38.0	5,250.4	5,274.1	—23.7	5,868.7	5,904.8	5,920.7	—52.0	—15.9
11. Kerala	2,864.5	2,857.2	+7.3	3,119.4	3,160.0	—40.6	3,480.4	3,461.9	+18.5	3,591.4	3,696.5	3,692.5	—101.1	+4.0
12. Madhya Pradesh	5,015.9	4,843.7	+172.2	6,316.6	6,410.5	—93.9	5,961.9	6,087.8	—125.9	6,862.1	6,907.2	6,943.8	—81.7	—36.6
13. Maharashtra	10,012.9	9,796.2	+216.7	9,974.5	10,133.7	—159.2	10,719.8	10,604.2	+115.6	11,564.2	11,601.9	11,558.6	+5.6	+43.3
14. Manipur	374.2	455.1	—80.9	485.8	414.4	+71.4	481.5	456.8	+24.7	464.4	470.6	482.6	—18.2	—12.0
15. Meghalaya	349.2	353.8	—4.6	411.7	451.6	—39.9	409.2	457.0	—47.8	460.1	466.9	529.8	—69.7	-62.9
16. Mizoram	414.2	308.0	+106.2	347.6	344.0	+3.6	404.9	412.5	—7.6	384.6	390.3	384.6	—	+5.7
17. Nagaland	473.7	514.8	—41.1	461.3	476.1	—14.8	519.0	552.1	—33.1	548.1	555.1	564.1	—16.0	—9.0

Table VIII-9 : Aggregate Receipts/Disbursements and Overall Surplus (+)/Deficit(-) of State Governments - State-wise Details — *(Concld.)*

(Rs. crores)

States	1989-90 (Accounts)			1990-91 (Budget Estimates)			1990-91 (Revised Estimates)			1991-92 (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	2,335.6	2,459.4	—123.8	3,520.0	3,383.3	+136.7	3,375.5	3,281.4	+94.1	3,959.0	3,990.8	4,000.6	—41.6	—9.8
19. Punjab	2,934.2	2,915.3	+18.9	3,391.4	3,339.7	+51.7	3,715.5	3,615.6	+99.9	5,192.0	5,200.7	5,277.0	—85..0	—76.3
20. Rajasthan	3,611.3	3,573.5	+37.8	4,374.0	4,383.0	—9.0	4,797.2	4,764.7	+32.5	5,010.7	5,039.0	5,036.0	—25.3	+3.0
21. Sikkim	180.4	166.7	+13.7	177.5	190.5	—13.0	188.1	197.2	—9.1	213.9	215.3	227.0	—13.1	—11.7
22. Tamil Nadu	5,508.5	5,499.1	+9.4	5,420.2	5,613.3	—193.1	5,926.2	6,102.6	—176.4	6,638.3	6,678.9	6,766.5	—128.2	—87.6
23. Tripura	601.8	526.4	+75.4	635.2	637.2	—2.0	604.6	602.2	+2.4	653.5	661.8	684.5	—31.0	—22.7
24. Uttar Pradesh	9,339.4	9,591.6	—252.2	12,142.5	12,179.3	—36.8	12,338.5	12,300.2	+38.3	13,094.4	13,191.2	13,328.5	—234.1	—137.3
25. West Bengal	4,800.8	4,882.3	—81.5	6,139.3	6,590.5	—451.2	6,536.9	6,564.6	—27.7	7,246.4	7,288.1	7,342.0	—95.6	—53.9
TOTAL	**76,581.1**	**76,708.5**	**—127.4**	**87,339.9**	**89,076.5**	**—1,736.6**	**92,287.2**	**92,865.4**	**—578.2**	**1,01,545.0**	**1,02,249.3**	**1,03,708.5**	**—2,163.5**	**—1,459.2**

Notes : 1. Aggregate Disbursements include remittances (net).

2. Figures for 1989-90 (Accounts) in respect of Bihar, Jammu and Kashmir and Nagaland relate to Revised Estimates.

3. Figures for individual States for 1990-91 (Budget Estimates) include the estimated net yield of Rs. 772.2 crore from ARM 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.

4. Figures for individual States for 1991-92 (Budget Estimates) include the estimated net yield of Rs. 92.3 crore from ARM measures proposed by the States and States' share of Rs. 612.0 crore in the Centre's additional taxation proposed in the Central Budget for 1991-92.

Table VIII - 10 : Transactions on Revenue Accounts, 1985-86 to 1991-92

(Rs. crores)

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	2,773.2	2,780.5	—7.3	3,056.1	3,244.5	—188.4	3,478.1	3,440.9	+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	1,210.0	1,149.4	+60.6	1,241.1	1,325.5	—84.4
4. Bihar	2,395.7	2,098.1	+297.6	2,622.7	2,277.2	+345.5	2,968.7	2,932.6	+36.1
5. Goa	—	—	—	170.9	172.0	—1.1	161.0	168.5	—7.5
6. Gujarat	1,902.5	1,972.4	—69.9	2,159.7	2,469.2	—309.5	2,806.5	3,093.1	—286.6
7. Haryana	960.3	854.2	+106.1	1,130.2	967.4	+162.8	1,303.9	1,287.5	+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	2,013.1	2,097.9	—84.8	2,284.1	2,204.7	+79.4	2,556.9	2,666.8	—109.9
11. Kerala	1,371.2	1,445.3	—74.1	1,502.5	1,654.8	—152.3	1,586.1	1,780.7	—194.6
12. Madhya Pradesh	2,173.5	2,103.1	+70.4	2,567.4	2,531.7	+35.7	2,994.2	3,053.1	—58.9
13. Maharashtra	4,174.2	4,490.8	—316.6	4,978.2	4,978.8	—0.6	5,578.2	5,504.4	+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	1,000.9	—60.1	1,228.2	1,248.0	—19.8	1,333.1	1,407.6	—74.5
19. Punjab	1,170.2	1,162.8	+7.4	1,292.5	1,202.1	+90.4	1,404.5	1,633.5	—229.0
20. Rajasthan	1,505.7	1,507.9	—2.2	1,806.5	1,866.7	—60.2	2,183.1	2,539.2	—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	2,638.3	2,449.7	+188.6	2,879.3	2,775.7	+103.6	3,091.9	3,374.8	—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	3,876.8	3,702.3	+174.5	4,171.6	4,349.2	—177.6	5,331.9	5,079.9	+252.0
25. West Bengal	2,343.2	2,260.3	+82.9	2,510.2	2,697.5	—187.3	2,912.2	3,027.5	—115.3
TOTAL	**33,424.1**	**32,769.7**	**+654.4**	**38,226.3**	**38,056.6**	**+169.7**	**44,160.3**	**45,402.2**	**—1,241.9**

Table VIII - 10 : Transactions on Revenue Accounts, 1985-86 to 1991-92 — *(Concld.)*

(Rs. crores)

States	1988-89 (Accounts)			1989-90(Accounts)+			1990-91 (Revised Estimates)			1991-92 (Budget Estimates)*		
	Revenue Receipts	Revenue Expenditure	Revenue Surplus(+)/ Deficit(—)	Revenue Receipts	Revenue Expenditure	Revenue Surplus(+)/ Deficit(—)	Revenue Receipts	Revenue Expenditure	Revenue Surplus(+)/ Deficit(—)	Revenue Receipts	Revenue Expenditure	Revenue Surplus(+)/ Deficit(—)
1	11	12	13	14	15	16	17	18	19	20	21	22
1. Andhra Pradesh	4,279.0	4,245.7	+33.3	4,476.9	4,715.1	—238.2	5,363.6	5,650.4	—286.8	5,977.1	6,352.8	—375.7
2. Arunachal Pradesh	299.3	208.7	+90.6	289.1	257.6	+31.5	352.1	254.6	+97.5	432.7	301.4	+131.3
3. Assam	1,372.9	1,435.4	—62.5	1,532.1	1,668.8	—136.7	1,914.9	2,012.4	—97.5	2,381.9	2,205.9	+176.0
4. Bihar	3,488.1	3,210.6	+277.5	3,911.2	3,944.6	—33.4	4,321.6	4,887.7	—566.1	5,045.2	5,469.9	—424.7
5. Goa	210.8	198.8	+12.0	217.2	228.3	—11.1	283.6	282.7	+0.9	304.6	329.0	—24.4
6. Gujarat	3,235.7	3,362.4	—126.7	3,601.2	3,727.4	—126.2	4,258.5	4,397.1	—138.6	4,626.0	4,639.6	—13.6
7. Haryana	1,441.1	1,442.9	—1.8	1,607.2	1,701.7	—94.5	1,946.1	2,043.3	—97.2	2,264.1	2,305.3	—41.2
8. Himachal Pradesh	698.4	768.2	—69.8	721.2	782.5	—61.3	843.5	881.2	—37.7	957.0	1,009.0	—52.0
9. Jammu and Kashmir	901.8	965.7	—63.9	958.0	1,081.2	—123.2	1,157.8	1,249.1	—91.3	1,114.7	1,363.7	—249.0
10. Karnataka	2,963.6	3,002.3	—38.7	3,336.4	3,482.9	—146.5	4,084.4	4,112.4	—28.0	4,854.0	4,815.5	+38.5
11. Kerala	1,897.1	2,061.0	—163.9	2,047.6	2,298.1	—250.5	2,503.5	2,824.8	—321.3	2,795.5	3,089.5	—294.0
12. Madhya Pradesh	3,471.7	3,617.6	—145.9	3,876.7	3,805.8	+70.9	4,770.3	4,808.4	—38.1	5,560.4	5,343.2	+217.2
13. Maharashtra	6,299.8	6,540.7	—240.9	7,528.7	7,902.5	—373.8	8,338.1	8,722.2	—384.1	9,071.9	9,468.3	—396.4
14. Manipur	322.3	273.2	+49.1	332.0	299.3	+32.7	395.7	307.2	+88.5	432.8	311.1	+121.7
15. Meghalaya	302.3	224.6	+77.7	309.2	258.8	+50.4	368.9	338.0	+30.9	412.5	382.4	+30.1
16. Mizoram	273.8	230.9	+42.9	304.3	239.6	+64.7	352.5	306.3	+46.2	355.0	296.2	+58.8
17. Nagaland	384.7	343.5	+41.2	347.3	393.2	—45.9	416.7	421.9	—5.2	487.7	423.0	+64.7
18. Orissa	1,550.9	1,658.7	—107.8	1,740.7	1,846.1	—105.4	2,331.5	2,514.7	—183.2	2,819.7	2,835.0	—15.3
19. Punjab	1,623.4	1,867.5	—244.1	1,800.0	2,021.0	—221.0	2,147.1	2,662.7	—515.6	3,787.7	4,355.7	—568.0
20. Rajasthan	2,352.2	2,570.7	—218.5	2,667.6	2,697.6	—30.0	3,657.7	3,500.0	+157.7	3,853.7	4,020.0	—166.3
21. Sikkim	149.5	113.2	+36.3	134.3	115.3	+19.0	162.2	134.2	+28.0	190.6	150.1	+40.5
22. Tamil Nadu	3,488.9	3,763.0	—274.1	4,199.8	4,550.1	—350.3	4,975.7	5,266.3	—290.6	5,625.6	5,955.0	—329.4
23. Tripura	395.6	380.5	+15.1	427.0	419.6	+7.4	498.8	516.2	—17.4	571.2	561.7	+9.5
24. Uttar Pradesh	5,652.2	6,256.8	—604.6	6,623.2	7,654.1	—1,030.9	8,011.0	9,421.1	—1,410.1	8,911.0	10,301.6	—1,390.6
25. West Bengal	3,337.4	3,474.6	—137.2	3,494.1	3,971.3	—477.2	4,398.9	5,647.6	—1,248.7	4,974.6	6,095.9	—1,121.3
TOTAL	**50,392.5**	**52,217.2**	**—1,824.7**	**56,483.0**	**60,062.5**	**—3,579.5**	**67,854.7**	**73,162.5**	**—5,307.8**	**77,807.2**	**82,380.8**	**—4,573.6**

* Includes proposed ARM of States and States' share in Centre's additional taxation.

\+ Figures for Bihar, Jammu and Kashmir and Nagaland relate to Revised Estimates.

compared with a rise of 16.7 per cent in 1990-91 (Table VIII-11). States' share in Central taxes will rise by Rs. 1,975.8 crore or 13.7 per cent in 1991-92 to Rs. 16,440.8 crore as against a rise of 10.4 per cent in 1990-91. States' share in Central taxes to total tax receipts works out at 32.3 per cent in 1991-92, same as in the preceding year. Under non-tax receipts, grants from the Centre in 1991-92 are budgeted to increase by 12.5 per cent to Rs. 15,441.3 crore over Rs. 13,729.5 crore in 1990-91 as against a sharp rise of 61.5 per cent in the previous year resulting in the deceleration in non-tax receipts. Other non-tax receipts, which had increased by only 5.0 per cent in 1990-91 over 1989-90, will move up at a faster rate of 23.6 per cent in the current year to Rs. 11,542.9 crore from Rs. 9,335.8 crore in 1990-91.

Capital Receipts

Capital receipts in 1991-92 at Rs. 24,442.1 crore,as mentioned earlier, will be nearly the same as in 1990-91. States' own capital receipts are estimated to decrease from Rs. 10,273.5 crore in 1990-91 to Rs. 9,442.5 crore in 1991-92 as against a rise of 16.2 per cent in the preceding year, while loans from the Centre (gross) are estimated to grow by 5.9 per cent to Rs. 14,999.6 crore. Loans from the Centre (gross) had increased by 25.8 per cent in 1990-91 over 1989-90. Net loans from the Centre, after adjusting for repayment of Central loans, at Rs. 11,296.9 crore in 1991-92,would go up by 9.5 per cent over Rs. 10,318.0 crore in 1990-91. Within States' own capital receipts, market borrowings (gross) are budgeted to decline by Rs. 134.4 crore or 5.7 per cent to Rs. 2,226.5 crore in the current year. Taking into account repayment of market loans, the net market borrowings in 1991-92 at Rs. 2,204.9 crore will be lower by 5.8 per cent over that of Rs. 2,341.1 crore in the earlier year. Recovery of loans and advances is estimated to fall by Rs. 301.1 crore to Rs. 1,064.1 crore in 1991-92 from Rs. 1,365.2 crore in 1990-91. Receipts from small savings and State provident funds (net) are also budgeted to fall by Rs. 266.5 crore or 9.2 per cent to Rs. 2,633.9 crore in 1991-92. Deposits and advances (net) too will fall by 13.3 per cent from Rs. 1,136.2 crore in 1990-91 to Rs. 985.2 crore in the current year. The share of States' own capital receipts to total capital receipts, which fell from 44.0 per cent in 1989-90 to 42.0 per cent in 1990-91, is budgeted to fall further to 38.6 per

Table VIII-11 : States' Own Tax Receipts

(Rs. crores)

Taxes	1990-91 (Revised Estimates)		1991-92 (Budget Estimates)	
	Amount	Percentage variation over the previous year	Amount	Percentage varation over the previous year
(1)	(2)	(3)	(4)	(5)
1. Sales Tax	17,681.3	+17.4	20,090.3	+13.6
2. State Excise Duties	4,619.5	+19.5	5,338.0	+15.6
3. Land Revenue	603.6	—12.6	766.1	+26.9
4. Taxes on Vehicles	1,577.2	+11.5	1,749.1	+10.9
5. Taxes on Passengers and Goods	1,127.6	+24.6	1,264.0	+12.1
6. Taxes and Duties on Electricity	1,286.6	+18.7	1,336.9	+3.9
7. Stamps and Registration Fees	2,087.3	+13.1	2,373.3	+13.7
8. Agricultural Income Tax	176.3	+90.4	204.2	+15.8
9. Entertainment Tax	357.6	+4.6	374.8	+4.8
10. Others+	807.4	+15.8	885.5	+9.7
Total	**30,324.4**	**+16.7**	**34,382.2**	**+13.3**

+ Includes taxes on Professions, Trades, Callings and Employment, Urban immovable property tax and other taxes.

cent in 1991-92. Gross loans from the Centre would correspondingly go up from 58.0 per cent in 1990-91 to 61.4 per cent in 1991-92 (Table VIII-12).

Disbursements

States' aggregate disbursements will grow at a slower rate of 11.7 per cent in 1991-92, as against 21.1 per cent in 1990-91, from Rs. 92,865.4 crore to Rs. 1,03,708.5 crore. Revenue expenditure would move up by 12.6 per cent from Rs. 73,162.5 crore in 1990-91 to Rs. 82,380.8 crore in 1991-92, while capital disbursements, over the same period,would rise by 8.2 per cent from Rs. 19,702.9 crore to Rs. 21,327.7 crore. Revenue expenditure as proportion of aggregate disbursements would rise from 78.8 per cent in 1990-91 to 79.4 per cent in 1991-92 with capital disbursements going down from 21.2 per cent to 20.6 per cent. Developmental expenditure will increase by only 8.4 per cent in the current year to Rs. 69,896.4 crore over Rs. 64,487.6 crore in 1990-91. It had risen by 22.7 per cent in 1990-91. Under developmental expenditure, expenditure on social services is estimated to rise by Rs. 1,720.5 crore or 5.6 per cent to Rs. 32,368.1 crore in 1991-92, while that on economic services will increase by Rs. 3,688.3 crore or 10.9 per cent to Rs. 37,528.3 crore (Table VIII-13). Non-developmental expenditure will move up from Rs. 23,335.1 crore in 1990-91 to Rs. 28,615.0 crore in 1991-92, that is, by 22.6 per cent as against a rise of 18.1 per cent in 1990-91. Non-developmental expenditure, which was 25.1 per cent of aggregate disbursements in 1990-91, would rise to 27.6 per cent in 1991-92, while the developmental expenditure would fall from 69.4 per cent to 67.4 per cent. Repayment of loans to the Centre will decline by Rs. 138.3 crore or 3.6 per cent to Rs. 3,702.7 crore in 1991-92. Discharge of internal debt would increase by Rs. 114.9 crore or 24.7 per cent to Rs. 579.7 crore in the current year. Other disbursements comprising compensation and assignments to local bodies and remittances (net) are budgeted to rise to Rs. 914.7 crore or by 24.1 per cent in 1991-92 over Rs. 736.9 crore in 1990-91.

While the gross transfer of resources from the Centre to the States would go up by Rs. 4,528.2 crore or 10.7 per cent to Rs. 46,881.7 crore in 1991-92, the net transfer of resources would be higher by Rs. 3,346.2 crore or 9.8 per cent to Rs. 37,596.2 crore. The gross and net transfers had risen by 28.9 per cent and 31.5 per cent, respectively, in the previous year. The ratio of net devolution to aggregate receipts (including loans from the Centre on net basis) as well as aggregate disbursements (excluding repayment of loans and interest to the Centre) is budgeted to fall from 38.7 per cent and 40.4 per cent, respectively, in 1990-91 to 38.2 per cent and 39.8 per cent, respectively, in 1991-92.

Additional Resource Mobilisation Measures

In their 1991-92 budgets, five State Governments have announced additional resource mobilisation (ARM) measures which would yield Rs. 110.8 crore, while two State Governments, namely, Gujarat and Rajasthan have announced measures which would result in a net revenue loss of Rs. 18.5 crore. Adjusting for this revenue loss, net ARM is expected to be Rs. 92.3 crore in 1991-92 as against Rs. 772.2 crore in 1990-91. However, 10 States have presented Vote-on-Account Budgets in 1991-92 and for meeting the payment gaps, they are expected to announce ARM measures while presenting their regular budgets. The revision in tax rates will yield Rs. 99.8 crore, whereas non-tax measures would result in a revenue loss of Rs. 7.5 crore. Sales tax would contribute Rs. 68.3 crore, tax on vehicles Rs. 18.2 crore, while agriculture income tax Rs. 15.0 crore. State-wise information on ARM shows that Kerala would raise Rs. 85.6 crore, Karnataka Rs. 10.2 crore, Himachal Pradesh Rs. 10.0 crore, Maharashtra Rs. 3.0 crore and Meghalaya Rs. 2.0 crore (Table VIII-14).

Ways and Means Advances from Reserve Bank of India

Reserve Bank of India provides Ways and Means Advances (WMA) to State Governments to tide over temporary imbalances in the cash flow of their receipts and expenditure. The aggregate normal WMA limits for 23 States (excluding Jammu and Kashmir and Sikkim) maintaining accounts with the Bank have been fixed at

Table VIII-12 : Capital Transactions of States

(Rs. crores)

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	1,135.2	—319.0	1,503.5	1,328.9	+174.6
5. Goa	—	—	—	87.3	82.1	+5.2	181.6	71.8	+109.8
6. Gujarat	712.1	671.7	+40.4	1,230.4	815.9	+414.5	1,157.0	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	1,094.1	899.0	+195.1
13. Maharashtra	1,582.1	1,264.2	+317.9	1,513.8	1,473.3	+40.5	1,427.7	1,389.8	+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	1,238.4	981.0	+257.4
20. Rajasthan	680.1	651.7	+28.4	735.6	698.4	+37.2	1,013.6	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	1,037.1	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	1,525.3	1,458.8	+66.5	2,204.2	2,141.0	+63.2	1,514.3	1,647.1	—132.8
25. West Bengal	777.2	728.3	+48.9	918.3	824.9	+93.4	1,022.8	933.4	+89.4
Total	**13,133.1**	**12,099.2**	**+1,033.9**	**13,283.6**	**14,191.8**	**—9,08.2**	**16,072.7**	**14,596.4**	**+1,476.3**

(Contd.)

Table VIII - 12 : Capital Transactions of States — *(Concld.)*

(Rs. crores)

States	1988-89 (Accounts)			1989-90 (Accounts)£			1990-91 (Revised Estimates)			1991-92 (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(—)	Capital Receipts	Capital Disburse-ments	Capital Surplus (+)/ Deficit(—)
11	12	13	14	15	16	17	18	19	20	21	22	23
1. Andhra Pradesh	1,000.7	972.7	+28.0	1,221.5	1,037.8	+183.7	1,378.2	1,051.7	+326.5	1,531.2	1,293.4	+237.8
2. Arunachal Pradesh	79.0	128.3	—49.3	80.7	146.6	—65.9	62.4	140.4	—78.0	48.9	170.7	—121.8
3. Assam	533.3	448.4	+84.9	658.0	619.3	+38.7	851.2	851.9	—0.7	357.3	808.5	—451.2
4. Bihar	967.2	1,250.8	—283.6	1,308.6	1,300.8	+7.8	1,713.5	1,328.8	+384.7	1,916.7	1,613.2	+303.5
5. Goa	49.2	97.6	—48.4	121.0	100.9	+20.1	156.0	121.7	+34.3	89.9	148.2	—58.3
6. Gujarat	1,257.5	1,038.2	+219.3	1,328.6	1,077.8	+250.8	1,576.2	1,560.6	+15.6	1,411.3	1,410.2	+1.1
7. Haryana	449.0	429.9	+19.1	436.0	416.6	+19.4	523.4	424.3	+99.1	612.9	511.5	+101.4
8. Himachal Pradesh	176.4	205.3	—28.9	190.3	202.1	—11.8	286.7	220.6	+66.1	197.2	284.9	—87.7
9. Jammu and Kashmir	502.7	438.8	+63.9	653.4	530.1	+123.3	588.1	771.9	—183.8	721.5	752.6	—31.1
10. Karnataka	833.0	782.8	+50.2	1,115.8	943.3	+172.5	1,166.0	1,161.7	+4.3	1,050.8	1,105.3	—54.5
11. Kerala	577.0	414.0	+163.0	816.9	559.1	+257.8	976.8	637.1	+339.7	901.0	603.0	+298.0
12. Madhya Pradesh	918.2	1,029.2	—111.0	1,139.2	1,037.9	+101.3	1,191.6	1,279.4	—87.8	1,346.8	1,600.7	—253.9
13. Maharashtra	1,933.0	1,523.3	+409.7	2,484.3	1,893.7	+590.6	2,381.7	1,882.0	+499.7	2,530.0	2,090.3	+439.7
14. Manipur	55.4	115.5	—60.1	42.1	155.8	—113.7	85.8	149.6	—63.8	37.8	171.4	—133.6
15. Meghalaya	34.5	91.2	—56.7	40.0	95.1	—55.1	40.4	119.0	-78.6	54.4	147.4	—93.0
16. Mizoram	19.7	81.4	—61.7	110.0	68.4	+41.6	52.4	106.2	—53.8	35.4	88.3	—52.9
17. Nagaland	53.0	105.0	—52.0	126.4	121.6	+4.8	102.4	130.2	—27.8	67.4	141.1	—73.7
18. Orissa	775.3	613.7	+161.6	594.9	613.3	—18.4	1,044.0	766.7	+277.3	1,171.2	1,165.8	+5.4
19. Punjab	1,362.2	962.6	+399.6	1,134.2	894.2	+240.0	1,568.4	952.9	+615.5	1,413.0	921.3	+491.7
20. Rajasthan	1,130.3	838.7	+291.6	943.7	875.8	+67.9	1,139.5	1,264.7	—125.2	1,185.3	1,015.9	+169.4
21. Sikkim	18.5	47.9	—29.4	46.1	51.4	—5.3	25.9	63.0	—37.1	24.6	76.8	—52.2
22. Tamil Nadu	1,058.4	853.1	+205.3	1,308.7	949.0	+359.7	950.6	836.3	+114.3	1,053.2	811.4	+241.8
23. Tripura	74.3	121.7	-47.4	174.7	106.8	+67.9	105.8	86.1	+19.7	90.6	122.8	—32.2
24. Uttar Pradesh	2,252.2	1,624.0	+628.2	2,716.2	1,937.5	+778.7	4,327.5	2,879.1	+1,448.4	4,280.2	3,026.9	+1,253.3
25. West Bengal	1,073.9	840.0	+233.9	1,306.8	911.1	+395.7	2,138.0	917.0	+1,221.0	2,313.5	1,246.1	+1,067.4
Total	**17,183.9**	**15,054.1**	**+2,129.8**	**20,098.1**	**16,646.0**	**+3,452.1**	**24,432.5**	**19,702.9**	**+4,729.6**	**24,442.1**	**21,327.7**	**+3,114.4**

Note : Capital Disbursements include remittances (net).

£ Figures for Bihar, Jammu and Kashmir and Nagaland relate to Revised Estimates.

Table VIII-13 : Pattern of Aggregate Disbursements

(Rs. crores)

States	Developmental Expenditure			Social Services			Economic Services			Non-Developmental Expenditure			Others			Aggregate Disbursements		
	1989-90 (Accounts)	1990-91 (Revised Estimates)	1991-92 (Budget Estimates)	1989-90 (Accounts)	1990-91 (Revised Estimates)	1991-92 (Budget Estimates)	1989-90 (Accounts)	1990-91 (Revised Estimates)	1991-92 (Budget Estimates)	1989-90 (Accounts)	1990-91 (Revised Estimates)	1991-92 (Budget Estimates)	1989-90 (Accounts)	1990-91 (Revised Estimates)	1991-92 (Budget Estimates)	1989-90 (Accounts)	1990-91 (Revised Estimates)	1991-92 (Budget Estimates)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1. Andhra Pradesh	4,141.3	4,812.3	5,480.6	2,070.8	2,404.7	2,608.5	2,070.5	2,407.6	2,872.1	1,322.0	1,604.2	1,833.0	289.6	285.6	332.6	5,752.9	6,702.1	7,646.2
	(72.0)	(71.8)	(71.7)							(23.0)	(23.9)	(24.0)	(5.0)	(4.3)	(4.3)	(100.0)	(100.0)	(100.0)
2. Arunachal Pradesh	280.9	308.0	366.4	101.9	104.9	121.7	179.0	203.1	244.7	84.1	73.9	88.1	39.2	13.2	17.5	404.2	395.1	472.0
	(69.5)	(78.0)	(77.6)							(20.8)	(18.7)	(18.7)	(9.7)	(3.3)	(3.7)	(100.0)	(100.0)	(100.0)
3. Assam	1,508.9	1,910.5	1,932.2	702.5	812.9	872.7	806.4	1,097.6	1,059.5	545.3	698.9	791.6	233.9	254.9	290.6	2,288.1	2,864.3	3,014.4
	(66.0)	(66.7)	(64.1)							(23.8)	(24.4)	(26.3)	(10.2)	(8.9)	(9.6)	(100.0)	(100.0)	(100.0)
4. Bihar	3,439.0	4,173.1	4,507.7	1,745.4	2,047.7	2,273.2	1,693.6	2,125.4	2,234.5	1,486.5	1,772.0	2,226.0	319.8	271.4	349.3	5,245.3	6,216.5	7,083.0
	(65.6)	(67.1)	(63.7)							(28.3)	(28.5)	(31.4)	(6.1)	(4.4)	(4.9)	(100.0)	(100.0)	(100.0)
5. Goa	253.0	318.0	363.8	131.5	157.4	168.1	121.5	160.6	195.7	62.6	71.8	96.9	13.7	14.6	16.6	329.3	404.4	477.3
	(76.8)	(78.6)	(76.2)							(19.0)	(17.8)	(20.3)	(4.2)	(3.6)	(3.5)	(100.0)	(100.0)	(100.0)
6. Gujarat	3,538.1	4,354.3	4,223.0	1,541.1	1,772.0	1,848.2	1,997.0	2,582.3	2,374.8	1,079.1	1,206.4	1,483.4	187.9	397.0	343.3	4,805.1	5,957.7	6,049.7
	(73.6)	(73.1)	(69.8)							(22.5)	(20.2)	(24.5)	(3.9)	(6.7)	(5.7)	(100.0)	(100.0)	(100.0)
7. Haryana	1,461.1	1,714.6	1,928.7	628.7	746.4	793.9	832.4	968.2	1134.8	557.4	671.1	791.6	99.8	81.9	96.6	2,118.3	2,467.6	2,816.9
	(69.0)	(69.5)	(68.5)							(26.3)	(27.2)	(28.1)	(4.7)	(3.3)	(3.4)	(100.0)	(100.0)	(100.0)
8. Himachal Pradesh	722.2	770.1	888.3	345.2	402.8	445.0	377.0	367.3	443.3	240.3	302.8	349.9	22.1	28.9	55.7	984.6	1,101.8	1,293.9
	(73.4)	(69.9)	(68.7)							(24.4)	(27.5)	(27.0)	(2.2)	(2.6)	(4.3)	(100.0)	(100.0)	(100.0)
9. Jammu and Kashmir	1,070.2	1,339.1	1,327.7	486.8	582.7	556.8	583.4	756.4	770.9	416.6	483.9	578.0	124.6	198.0	210.6	1,611.4	2,021.0	2,116.3
	(66.4)	(66.3)	(62.7)							(25.9)	(23.9)	(27.3)	(7.7)	(9.8)	(10.0)	(100.0)	(100.0)	(100.0)
10. Karnataka	3,036.2	3,766.3	4,145.0	1,400.5	1,666.6	1,941.1	1,635.7	2,099.7	2,203.9	1,064.3	1,246.1	1,481.6	325.7	261.7	294.1	4,426.2	5,274.1	5,920.7
	(68.6)	(71.4)	(70.0)							(24.0)	(23.6)	(25.0)	(7.4)	(5.0)	(5.0)	(100.0)	(100.0)	(100.0)
11. Kerala	1,826.4	2,293.4	2,451.7	1,136.6	1,396.9	1,457.1	689.8	896.5	994.6	815.5	987.5	1,089.1	215.3	181.0	151.7	2,857.2	3,461.9	3,692.5
	(63.9)	(66.3)	(66.4)							(28.6)	(28.5)	(29.5)	(7.5)	(5.2)	(4.1)	(100.0)	(100.0)	(100.0)

Table VIII-13 : Pattern of Aggregate Disbursements — *(Concld.)*

(Rs. crores)

States	Developmental Expenditure			Social Services			Economic Services			Non-Developmental Expenditure			Others			Aggregate Disbursements		
	1989-90 (Accounts)	1990-91 (Revised Estimates)	1991-92 (Budget Estimates)	1989-90 (Accounts)	1990-91 (Revised Estimates)	1991-92 (Budget Estimates)	1989-90 (Accounts)	1990-91 (Revised Estimates)	1991-92 (Budget Estimates)	1989-90 (Accounts)	1990-91 (Revised Estimates)	1991-92 (Budget Estimates)	1989-90 (Accounts)	1990-91 (Revised Estimates)	1991-92 (Budget Estimates)	1989-90 (Accounts)	1990-91 (Revised Estimates)	1991-92 (Budget Estimates)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
12. Madhya Pradesh	3,390.3	4,354.8	5,010.1	1,649.8	2,032.7	2,287.6	1,740.5	2,322.1	2,722.5	1,177.4	1,327.0	1,579.2	276.0	406.0	354.5	4,843.7	6,087.8	6,943.8
	(70.0)	(71.5)	(72.2)							(24.3)	(21.8)	(22.7)	(5.7)	(6.7)	(5.1)	(100.0)	(100.0)	(100.0)
13. Maharashtra	6,612.0	6,945.1	6,984.8	2,926.4	3,202.1	3,183.6	3,685.6	3,743.0	3,801.2	2,810.5	3,289.2	4,176.2	373.7	369.9	397.6	9,796.2	10,604.2	115,58.6
	(67.5)	(65.5)	(60.4)							(28.7)	(31.0)	(36.1)	(3.8)	(3.5)	(3.5)	(100.0)	(100.0)	(100.0)
14. Manipur	309.9	333.4	354.9	148.0	144.2	142.7	161.9	189.2	212.2	92.9	103.4	105.7	52.3	20.0	22.0	455.1	456.8	482.6
	(68.1)	(73.0)	(73.5)							(20.4)	(22.6)	(21.9)	(11.5)	(4.4)	(4.6)	(100.0)	(100.0)	(100.0)
15. Meghalaya	258.3	340.1	403.6	121.4	158.3	185.4	136.9	181.8	218.2	84.3	101.8	109.9	11.2	15.1	16.3	353.8	457.0	529.8
	(73.0)	(74.4)	(76.2)							(23.8)	(22.3)	(20.7)	(3.2)	(3.3)	(3.1)	(100.0)	(100.0)	(100.0)
16. Mizoram	246.8	275.6	287.8	109.3	115.9	115.6	137.5	159.7	172.2	56.2	93.3	81.6	5.0	43.6	15.2	308.0	412.5	384.6
	(80.1)	(66.8)	(74.8)							(18.3)	(22.6)	(21.2)	(1.6)	(10.6)	(4.0)	(100.0)	(100.0)	(100.0)
17. Nagaland	347.0	366.6	372.9	161.5	156.4	140.1	185.5	210.2	232.8	147.5	158.1	157.2	20.3	27.4	34.0	514.8	552.1	564.1
	(67.4)	(66.4)	(66.1)							(28.7)	(28.6)	(27.9)	(3.9)	(5.0)	(6.0)	(100.0)	(100.0)	(100.0)
18. Orissa	1,666.4	2,387.8	2,879.4	821.8	1,066.8	1,190.0	844.6	1,321.0	1,689.4	657.8	772.6	971.2	135.2	121.0	150.0	2,459.4	3,281.4	4,000.6
	(67.8)	(72.8)	(72.0)							(26.7)	(23.5)	(24.3)	(5.5)	(3.7)	(3.7)	(100.0)	(100.0)	(100.0)
19. Punjab	2,028.2	2,542.4	3,907.2	914.3	1,009.6	1,096.9	1,113.9	1,532.8	2,810.3	702.3	905.0	1,146.9	184.8	168.2	222.9	2,915.3	3615.6	5277.0
	(69.6)	(70.3)	(74.0)							(24.1)	(25.0)	(21.7)	(6.3)	(4.7)	(4.2)	(100.0)	(100.0)	(100.0)
20. Rajasthan	2,296.0	3,120.5	3,473.3	1,278.8	1,671.5	1,765.1	1,017.2	1,449.0	1,708.2	996.2	1,152.4	1,371.8	281.3	491.8	190.9	3,573.5	4,764.7	5,036.0
	(64.3)	(65.5)	(69.0)							(27.9)	(24.2)	(27.2)	(7.9)	(10.3)	(3.8)	(100.0)	(100.0)	(100.0)
21. Sikkim	137.4	158.7	182.6	53.4	59.6	70.3	84.0	99.1	112.3	26.3	34.8	40.2	3.0	3.7	4.2	166.7	197.2	227.0
	(82.4)	(80.5)	(80.4)							(15.8)	(17.6)	(17.7)	(1.8)	(1.9)	(1.9)	(100.0)	(100.0)	(100.0)
22. Tamil Nadu	4,021.0	4,301.5	4,697.1	2,188.2	2,383.8	2,654.2	1,832.8	1,917.7	2,042.9	1,197.0	1,459.9	1,722.2	281.1	341.2	347.2	5,499.1	6,102.6	6,766.5
	(73.1)	(70.5)	(69.4)							(21.8)	(23.9)	(25.5)	(5.1)	(5.6)	(5.1)	(100.0)	(100.0)	(100.0)
23. Tripura	392.3	458.0	507.2	204.1	243.3	256.5	188.2	214.7	250.7	120.0	137.0	158.6	14.1	7.2	18.7	526.4	602.2	684.5
	(74.5)	(76.1)	(74.1)							(22.8)	(22.7)	(23.2)	(2.7)	(1.2)	(2.7)	(100.0)	(100.0)	(100.0)
24. Uttar Pradesh	6,325.8	8,621.1	8,160.9	3,041.6	3,658.0	3,282.4	3,284.2	4,963.1	4,878.5	2,778.8	3,027.7	4,359.3	487.0	651.4	808.3	9,591.6	12,300.2	13,328.5
	(66.0)	(70.1)	(61.2)							(29.0)	(24.6)	(32.7)	(5.1)	(5.3)	(6.1)	(100.0)	(100.0)	(100.0)
25. West Bengal	3,246.4	4,522.3	5,059.5	1,801.5	2,650.4	2,911.4	1,444.9	1,871.9	2,148.1	1,239.6	1,654.3	1,825.8	396.3	388.0	456.7	4,882.3	6,564.6	7,342.0
	(66.5)	(68.9)	(68.9)							(25.4)	(25.2)	(24.9)	(8.1)	(5.9)	(6.2)	(100.0)	(100.0)	(100.0)
Total	**52,555.1**	**64,487.6**	**69,896.4**	**25,711.1**	**30,647.6**	**32,368.1**	**26,844.0**	**33,840.0**	**37,528.3**	**19,760.5**	**23,335.1**	**2,8615.0**	**4,392.9**	**5,042.7**	**5,197.1**	**76,708.5**	**92,865.4**	**1,03,708.5**
	(68.5)	**(69.4)**	**(67.4)**							**(25.8)**	**(25.1)**	**(27.6)**	**(5.7)**	**(5.4)**	**(5.0)**	**(100.0)**	**(100.0)**	**(100.0)**

Notes : 1. Figures in brackets indicate percentages to aggregate disbursements.

2. Figures in respect of Bihar, Jammu and Kashmir and Nagaland for 1989-90 (Accounts) 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 1991-92

(Rs. crores)

States	Net additional yield during 1991-92
1	2
1. Gujarat	-13.7
2. Himachal Pradesh	+10.0
3. Karnataka	+10.2
4. Kerala	+85.6
5. Maharashtra	+3.0
6. Meghalaya	+2.0*
7. Rajasthan	-4.8
Total	**+92.3**
By Major Heads	
1. Agricultural Income Tax	+15.0
2. Land Revenue	-4.8
3. Stamps and Registration Fees	+3.0
4. Profession Tax	+1.1
5. Sales Tax	+68.3
6. Tax on Vehicles	+18.2
7. Entertainment Tax	-1.2
8. Electricity Duties	-4.5
9. Other Taxes and Duties	+4.7*
10. Non-Tax Revenue	-7.5
Total	**+92.3**

* Tax-wise details not available.

Rs. 744.8 crore since March 1988. Special WMA limits are fixed at Rs. 266.0 crore against the pledge of Government of India rupee securities. Thus the aggregate limits for WMA to 23 States are Rs. 1,010.8 crore.

During the financial year 1990-91, all State Governments abided by the Overdraft Regulation Scheme as no State was in overdraft position beyond the prescribed limit of 7 consecutive working days. In the preceding year, two States remained overdrawn beyond 7 consecutive days and the Bank had stopped payments on their behalf-one in July 1989 and the other in March 1990 - till the overdrafts were cleared.

Annual Plan Outlays for 1991-92

The Planning Commission has approved the total Plan outlay of 25 States for 1991-92 at Rs. 27,208 crore, recording an increase of 25.9 per cent over the revised approved outlay of Rs. 21,606 crore in 1990-91. The increase in the annual Plan outlays though varied between 61.5 per cent (Madhya Pradesh) and 2.3 per cent (Andhra Pradesh) was of more than 20.0 per cent in case of as many as 14 States (Table VIII - 15.)

The total Central assistance for State Plans 1991-92, estimated at Rs. 13,427.5 crore in the Central Budget for 1991-92 would show a rise of 18.3 per cent over that of Rs. 11,354.0 crore (revised estimates) in 1990-91. While normal Central assistance would record an increase of 18.7 per cent at Rs. 11,000.0 crore from Rs. 9,267.7 crore in 1990-91, special Central assistance would decline marginally from Rs. 841.3 crore to Rs. 835.0 crore. Assistance towards rural electrification is increased to Rs. 260.0 crore from Rs. 248.5 crore in 1990-91, while grants to States under Article 275(1) of the Constitution during 1991-92 are stepped up to Rs. 1,332.5 crore from Rs. 991.5 crore in 1990-91.

Sector-wise allocation shows that the agriculture and allied services and irrigation, flood control and power would account for 54.4 per cent of Plan outlay during 1991-92 as compared with 53.1 per cent in the preceding year. Industry and minerals would get 5.5 per cent as compared with 5.2 per cent in the previous year while transport and communication 8.8 per cent as against 8.4 per cent (Table VIII-16). Social services, which is subsumed under the category 'Others' claimed about 23.0 per cent of the total allocation in 1990-91 as well as 1991-92.

III. RAILWAY FINANCES@

Highlights

The Railway Budget for 1991-92, presented to the Parliament on July 16, 1991 envisages, at the 1990-91 rates of freights and fares, a deficit of Rs. 349.0 crore, as compared with a deficit of Rs. 512.0 crore anticipated in the interim budget+ and a surplus of Rs. 155.0 crore in 1990-91*. Additional revenue raising proposals, through revisions in passenger fares, freights and parcel rates, with effect from August 16, 1991, are expected to yield Rs. 584.0 crore in the current

@ The RBI Bulletin for the month of November 1991 gives a detailed discussion on Railway Finances in 1991-92.

\+ Presented on February 25, 1991.

* All references to 1990-91 relate to revised estimates, unless stated otherwise.

Table VIII-15 : Plan Outlay of States

(Rs. crores)

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 (Actual Expenditure)	1989-90 (Actual Expenditure)	1990-91 (Revised Outlays)	1991-92 (Approved Outlays)	Percentage variation over the previous year (Col. 12 over Col. 11)
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
1. Andhra Pradesh	426	1,449	3,221	5,200	943	1,205	1,123	1,341	1,351	1,378	1,410	+2.3
2. Arunachal Pradesh	-	-	-	-	72	88	112	127	154	168	235	+39.9
3. Assam	198	433	1,280	2,100	401	499	572	420	626	633	805	+27.2
4. Bihar	479	1,185	2,949	5,100	932	1,281	1,195	1,269	1,365	1,400	2,251	+60.8
5. Goa	-	-	-	-	-	73@	89	99	113	139	173	+24.5
6. Gujarat	545	1,374	3,880	6,000	825	965	1,102	1,077	1,350	1,451	1,755	+21.0
7. Haryana	358	671	1,569	2,900	423	481	464	561	581	653	765	+17.2
8. Himachal Pradesh	113	236	669	1,050	192	239	277	288	321	362	410	+13.3
9. Jammu and Kashmir	162	376	919	1,400	274	338	405*	446	543	650	723	+11.2
10. Karnataka	374	1,039	2,665	3,500	638	696	702*	844	957	1,120	1,510	+34.8
11. Kerala	333	661	1,645	2,100	366	427	390	470	526	650	807	+24.2
12. Madhya Pradesh	476	1,396	3,865	7,000	1,010	1,169	1,413	1,505	1,680	1,502	2,426	+61.5
13. Maharashtra	1,005	2,612	6,521	10,500	1,747	1,964	2,191	2,433	2,449	2,430	2,500	+2.9
14. Manipur	31	93	243	430	70	84	105	116	135	170	200	+17.6
15. Meghalaya	36	99	260	440	74	89	110	126	140	175	210	+20.0
16. Mizoram	-	-	-	-	48	62	73	84	103	125	152	+21.6
17. Nagaland	39	97	230	400	64	74	95	113	120	145	170	+17.2
18. Orissa	249	640	1,562	2,700	446	574	701	752	793	1,000	1,402	+40.2
19. Punjab	428	940	1,892	3,285	468	679	790	713	869	905	1,010	+11.6
20. Rajasthan	309	872	2,135	3,000	428	528	645	702	796	956	1,170	+22.4
21. Sikkim	-	41	148	230	42	53	58	66	71	76	96	+26.3
22. Tamil Nadu	552*	1,143	3,584	5,750	999	1,151	1,277	1,279	1,386	1,489	1,605	+7.8
23. Tripura	35	75	293	440	94	115	138	167	173	200	227	+13.5
24. Uttar Pradesh	1,163	2,909	6,519	10,447	1,710	2,005	2,215	2,523	2,758	2,501	3,710	+48.3
25. West Bengal	364	1,230	2,433	4,125	700	715	783	985	1,156	1,328	1,486	+11.9
A. Total (All States)	7,675	19,571	48,482$	78,097	12,966	15,554	17,025	18,506	20,516	21,606	27,208	+25.9
B. Hill Areas including Western Ghat@	-	170	557£	870	168++	188	200	238	N.A.	N.A.	N.A.	
C. Tribal Areas	-	167	485	756	140++	155	15	185	N.A.	N.A.	N.A.	
D. Total Union Territories	278	655	2,008	3,768	574	631	708	765	846	1,013	1,286	
E. North Eastern Council	-	91	385	675	114+	144	150	214				
F. Border Areas	-	-	-	200	-	30	-	213	N.A.	N.A.	N.A.	
G. Other Special Areas Development Programme	-	-	-	58	**	N.A.	-	-	N.A.	N.A.	N.A.	
GRAND TOTAL (A TO G)	**7,953**	**20,654**	**51,917**	**84,424**	**13,962**	**16,702**	**18,098**	**20,121**	**21,362**	**22,619**	**28,494**	

£ 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 expenditure are not available, revised estimates repeated.
@ Includes actual expenditure for Union Territories of Daman and Diu also.
$ Subsequent revisions are not included.

Table VIII-16 : States' Plan Outlay by Heads of Developments

(Rs. crores)

Sectors	7th Plan (Approved Outlay) (1985-86 to 1989-90)	1988-89 (Actual Expenditure)	1989-90 (Actual Expenditure)	1990-91 (Revised Expenditure)	1991-92 (Approved Outlay)	Variation over the previous year (Col. 6 over Col. 5)
1.	2.	3.	4.	5.	6.	7.
1. Agriculture and Allied Services	10,468	1,586	1,822	2,004	2,615	611
including Co-operation (i+ii)	(13.4)	(8.6)	(8.9)	(9.3)	(9.6)	(+30.5)
i) Agriculture and Allied Services	9,598	1,359	1,581	1,673	2,220	547
	(12.3)	(7.4)	(7.7)	(7.8)	(8.2)	(+32.7)
ii) Co-operation	870	227	241	331	395	64
	(1.1)	(1.2)	(1.2)	(1.5)	(1.4)	(+19.3)
2. Irrigation, Flood Control and Power (i+ii)	38,736	8,070	8,652	9,471	12,183	2,712
	(49.6)	(43.6)	(42.2)	(43.8)	(44.8)	(+28.6)
i) Power	22,786	4,733	5,216	5,819	7,751	1,932
	(29.2)	(25.6)	(25.4)	(26.9)	(28.5)	(+33.2)
ii) Irrigation and Flood Control	15,950	3,337	3,436	3,652	4,432	780
	(20.4)	(18.0)	(16.8)	(16.9)	(16.3)	(+21.4)
3. Industry and Minerals (i+ii)	3,776	1,016	1,114	1,127	1,501	374
	(4.8)	(5.5)	(5.4)	(5.2)	(5.5)	(+33.2)
i) Village and Small Industries	1,378	349	437	469	631	162
	(1.8)	(1.9)	(2.1)	(2.2)	(2.3)	(+34.5)
ii) Medium and Large Scale Industries and Mining	2,398	667	677	658	870	212
	(3.0)	(3.6)	(3.3)	(3.0)	(3.2)	(+32.2)
4. Transport and Communication	5,781	1,350	1,366	1,815	2,382	567
	(7.4)	(7.3)	(6.6)	(8.4)	(8.8)	(+31.2)
5. Others	19,336	6,484	7,562	7,189	8,527	1,338
	(24.8)	(35.0)	(36.9)	(33.3)	(31.3)	(+18.6)
Total (1 to 5)	**78,097**	**18,506**	**20,516**	**21,606**	**27,208**	**5,602**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(25.9)**

Note : Figures in brackets in columns 2 to 6 are percentages to total while those in column 7 indicate percentage variation over the previous year i.e., Col. 6 over Col. 5.

Source : Planning Commission, Government of India.

year. After taking into account the additional revenue from the budgetary measures and providing for allocation of Rs. 1,037.0 crore as dividend and other payments due to General Revenues, the Budget shows a surplus of Rs. 235.0 crore as compared with Rs. 155.0 crore in the previous year. The appropriation to Depreciation Reserve Fund has been raised by Rs. 50.0 crore (2.6 per cent) to Rs. 2,000.0 crore in 1991-92. The contribution to the Pension Fund is also enhanced by Rs. 150.0 crore (16.7 per cent) to Rs. 1,050.0 crore. The Annual Plan outlay has been fixed at Rs. 5,325.0 crore, higher by Rs. 409.0 crore (8.3 per cent) from Rs. 4,916.0 crore in 1990-91. The Railways, for financing the Plan, propose to borrow Rs. 1,500.0 crore from the market as compared with Rs. 1,170.0 crore in 1990-91. The budgetary support at Rs. 1,694.0 crore in 1991-92 accounting for 31.8 per cent of the Plan outlay is higher as compared with Rs. 1,420.3 crore or 28.9 per cent of the Plan outlay in the previous year.

Revised Estimates : 1990-91

Receipts

The gross traffic receipts at Rs. 12,038.0 crore during 1990-91 recorded a marginal decline of Rs. 22.0 crore over the budget estimates but were higher by Rs. 1,298.6 crore (12.1 per cent) over the actuals of Rs. 10,739.4 crore in 1989-90 (Table VIII-17). The passenger earnings at Rs. 3,130.0 crore were higher by Rs. 15.0 crore than the budget estimates and by Rs. 461.1 crore (17.3 per cent) than the actuals of Rs. 2,668.9 crore in 1989-90. Goods earnings, the largest component of gross traffic receipts, at Rs. 8,380.0 crore were lower by Rs. 44.0 crore than those of the budget estimates but higher by Rs. 755.5 crore (9.9 per cent) than the actuals of Rs. 7,624.5 crore in the preceding year. The receipts from the 'other coaching earnings' at Rs. 350.0 crore were higher by Rs. 16.0 crore while receipts from 'sundry other earnings' (including suspense) at Rs. 178.0 crore were lower by Rs. 9.0 crore over the respective budget estimates.

The higher passenger earnings were due to a growth of 7.6 per cent in passenger traffic as against 3.0 per cent envisaged in the budget estimates. On the other hand, the goods traffic recorded a 9 million tonnes shortfall in revenue earning freight traffic from the target of 325 million tonnes set for 1990-91. The shortfall occurred mainly, due to lower offerings of coal (6.0 million tonnes), raw material to steel plants (2.0 million tonnes), iron-ore for export (1.0 million tonnes), and pig iron and finished steel from steel plants (0.8 million tonne). This was partly offset by increased offerings of foodgrains (1.0 million tonne).

Expenditure

The total working expenses of the Railways, according to the revised estimates for 1990-91, were retained at Rs. 11,091.0 crore, as anticipated in the budget estimates but were higher by Rs. 1,203.3 crore (12.2 per cent) over the actuals in 1989-90. The ordinary working expenses were also maintained at the budgeted level of Rs. 8,241.0 crore but were higher by Rs. 796.3 crore (10.7 per cent) over the actuals of Rs. 7,444.7 crore in the preceding year. The impact of the increase in the prices of petroleum products in March 1990, the 'Gulf surcharge' in October 1990 and the general increase in the cost of inputs exerted considerable pressure on the working expenses but were offset by stringent financial control and fuel efficiency measures. The appropriations to the Depreciation Reserve Fund and to the Pension Fund remained unchanged at the budgeted levels of Rs. 1,950.0 crore and Rs. 900.0 crore, respectively.

Net Financial Results

The net traffic receipts at Rs. 947.0 crore were lower by Rs. 22.0 crore (2.3 per cent) as compared with the budget estimates. The net miscellaneous receipts showed a decline of Rs. 14.0 crore (9.4 per cent) over the budget estimates. Thus, the net Railway revenue at Rs. 1,082.0 crore was lower by Rs. 36.0 crore (3.2 per cent) over the budget estimates. The payment to General Revenues was estimated lower at Rs. 927.0 crore as compared with Rs. 932.0 crore in the budget estimates. The Railways were able to achieve a surplus, though lower, of Rs. 155.0 crore as compared with Rs. 186.0 crore budgeted for the year.

Table VIII - 17 : Financial Results of Railways

(Rs. crores)

Item	1989-90 (Accounts)	1990-91 (Budget Estimates)	1990-91 (Revised Estimates)	1991-92 (Budget Estimates)		Variation			
						Col. 4 over Co. 3		Col. 6 over Col. 4	
				Interim	Final	Amount	Percentage	Amount	Percentage
1	2	3	4	5	6	7	8	9	10
I. Gross Traffic Receipts*	10,739.4	12,060.0	12,038.0	12,665.0	13,319.0	-22.0	-0.2	+1,281.0	+10.6
II. Total Working Expenses (Net)	9,887.7	11,091.0	11,091.0	12,320.0	12,230.0	—	—	+1,139.0	+10.3
III. Net Traffic Receipts (I-II)	851.7	969.0	947.0	345.0	1,089.0	-22.0	-2.3	+142.0	+15.0
IV. Net Miscellaneous Receipts (a-b)	130.4	149.0	135.0	180.0	183.0	-14.0	-9.4	+48.0	+35.6
a) Total Miscellaneous Receipts £	301.9	348.0	344.4	383.7	383.7	-3.6	-1.0	+39.3	+11.4
b) Total Miscellaneous Expenditure ££	171.5	199.0	209.4	203.7	200.7	+10.4	+5.2	-8.7	-4.2
V. Net Railway Revenue (III + IV)	982.1	1,118.0	1,082.0	525.0	1,272.0	-36.0	-3.2	+190.0	+17.6
VI. Operating Ratio (II ÷ I) (Per cent)+	91.5	91.8	91.8	97.2	91.8	—	—	—	—
VII. Capital-at-Charge **	14,629.5	16,164.0	16,091.0	17,150.0	17,620.0	-73.0	-0.5	+1,529.0	+9.5
VIII. Net Railway Revenue as percentage of Capital-at-Charge***	6.7	6.9	6.7	3.1	7.2	-0.2	-2.9	+0.5	+7.5
IX. Payment to General Revenues @	808.8	932.0	927.0	1,037.0	1,037.0	-5.0	-0.5	+110.0	+11.9
X. Surplus (+)/Deficit (-) (V - IX)	+173.3	+186.0	+155.0	-512.0	+235.0	—	—	—	—
XI. Appropriation to (+)/Withdrawals from (-)									
a) Railway Development Fund	+173.3	+186.0	+155.0	—	+235.0	—	—	—	—
b) Railway Revenue Reserve Fund	—	—	—	—	—	—	—	—	—
c) Deferred Dividend Liability Fund	—	—	—	+512.0	—	—	—	—	—

* Includes receipts of worked lines.

** Excludes capital outlay on Metropolitan Transport Projects and Circular Railway (Eastern Railway).

*** 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.

\+ Excludes the Metro Railways, Calcutta.

£ Includes receipts from subsidised companies, surcharge on passengers, subsidy from General Revenues towards dividends, reliefs and other concessions.

££ Includes mainly expenditure on subsidy, payment to worked lines, surveys, open line works-Revenue, appropriations to Pension Fund, and Accident Compensation, Safety, and Passenger Amenities Fund.

Source : Explanatory Memorandum on the Railway Budget, 1991-92.

Developmental Expenditure

The Annual Plan outlay of the Railways for 1990-91 was placed at Rs. 4,916.0 crore as compared with Rs. 5,000.0 crore in the budget estimates and the actual outlay of Rs. 4,562.2 crore for 1989-90. In financing the Plan outlay, the share of internally generated resources was 47.3 per cent (Rs. 2,325.7 crore) and that of market borrowings was 23.8 per cent (Rs. 1,170.0 crore). The balance of 28.9 per cent (Rs. 1,420.3 crore) was financed through the budgetary support. In the preceding year, the internally generated resources, market borrowings and budgetary support amounted to Rs. 2,000.0 crore (43.8 per cent), Rs. 1,000.0 crore (21.9 per cent) and Rs. 1,562.2 crore (34.3 per cent), respectively. The Plan outlay for 1990-91 continued to emphasise acquisition of rolling stock, electrification, and rehabilitation of assets like track renewals. The investment on rolling stock at Rs. 1,891.2 crore and track renewals at Rs. 1,091.2 crore accounted for 38.5 per cent and 22.2 per cent, respectively, of the total Plan outlay. Traffic facilities (Rs. 599.6 crore), new lines (Rs. 292.8 crore) and electrification (Rs. 288.5 crore) accounted for 12.2 per cent, 6.0 per cent and 5.9 per cent, respectively, of the total Plan outlay for 1990-91 (Table VIII-18).

Financial effect of social obligations

The Indian Railways being a public utility undertaking, have social obligations to transport certain essential commodities and raw materials at concessional rates. Also, in the event of natural calamities, relief supplies are transported free of cost to the affected areas. The Railways also incur losses on the operation of suburban and short-distance passenger services and other coaching services (luggage, postal mail and parcels). The cost involved in the discharge of these obligations is described as 'social costs'. The social cost is estimated at Rs. 2,222.3 crore for 1990-91 as compared with Rs. 2,104.0 crore in 1989-90 (Table VIII-19). The loss on coaching services (suburban and non-suburban passenger traffic, parcel, luggage, etc.) is estimated at Rs. 1,916.9 crore as compared with Rs. 1,819.9 crore in 1989-90. The burden due to transportation of commodities like iron-ore for export, industrial raw materials and low rated freight like foodgrains, salt, fodder, sugarcane, edible oils, fruits and vegetables, etc. is estimated at Rs. 305.4 crore as against Rs. 284.1 crore in 1989-90.

Budget Estimates : 1991-92

Receipts

The Railways for 1991-92, have assumed a growth of 6.0 per cent (19 million tonnes) in revenue earning freight traffic and 3.0 per cent in passenger traffic. The target for revenue earning freight traffic is fixed at 335 million tonnes as compared with the revised estimates of 316 million tonnes in the previous year. The rise in revenue earning freight traffic is mainly anticipated in coal (12.0 million tonnes), raw materials to steel plants (4.5 million tonnes) and cement (1.5 million tonnes).

The gross traffic receipts, after considering the assumed growth in traffic and the additional revenue of Rs. 584.0 crore from the proposed revisions in the fare and freight rates,are estimated to rise by Rs. 1,281.0 crore (10.6 per cent) from Rs. 12,038.0 crore in 1990-91 to Rs. 13,319.0 crore in 1991-92. The receipts from goods traffic are anticipated to rise by Rs. 842.0 crore (10.0 per cent) to Rs. 9,222.0 crore while the passenger earnings would rise by Rs. 363.0 crore (11.6 per cent) to Rs. 3,493.0 crore. Receipts from 'other coaching earnings' and 'sundry other earnings' (including suspense) are also anticipated higher by Rs. 19.0 crore (5.4 per cent) and Rs. 57.0 crore (32.0 per cent) to Rs. 369.0 crore and Rs. 235.0 crore, respectively, in 1991-92, over the revised estimates in the previous year.

Expenditure

The total working expenses for 1991-92 are anticipated at Rs. 12,230.0 crore, higher by Rs. 1,139.0 crore (10.3 per cent) as against Rs. 11,091.0 crore in 1990-91. The ordinary working expenses are budgeted to rise by Rs. 939.0 crore (11.4 per cent) from Rs. 8,241.0 crore in 1990-91 to Rs. 9,180.0 crore in 1991-92. Of the increase of Rs. 939.0 crore in the ordinary working expenses, Rs. 567.4 crore would

Table VIII - 18 : Developmental Expenditure of Railways and Financing Pattern

(Rs. crores)

Item	1989-90 (Accounts)	1990-91 (Budget Estimates)	1990-91 (Revised Estimates)	1991-92 (Budget Estimates)		Variation			
						Col. 4 over Col. 3		Col. 6 over Col. 4	
				Interim	Final	Amount	Percentage	Amount	Percentage
1	2	3	4	5	6	7	8	9	10
Developmental Expenditure									
1. Rolling Stock £	1,582.8	1,850.0	1,891.2	2,071.4	2,107.9	+41.2	+2.2	+216.7	+11.5
2. Traffic Facilities*	552.5	675.5	599.6	450.9	637.9	-75.9	-11.2	+38.3	+6.4
3. Track Renewals	1,055.8	1,091.9	1,091.2	1,294.4	1,234.4	-0.7	-0.1	+143.2	+13.1
4. Electrification	285.7	280.9	288.5	219.0	305.0	+7.6	+2.7	+16.5	+5.7
5. New Lines	269.6	357.8	292.8	199.0	249.0	-65.0	-18.2	-43.8	-15.0
6. Signalling and Telecommunication Works	108.0	132.3	140.3	117.8	135.8	+8.0	+6.0	-4.5	-3.2
7. Staff Quarters	34.1	40.0	38.2	35.0	38.0	-1.8	-4.5	-0.2	-0.5
8. Plant and Machinery	104.1	95.2	99.6	82.0	115.0	+4.4	+4.6	+15.4	+15.5
9. Workshop including Production Units	265.4	300.2	247.5	246.2	275.2	-52.7	-17.6	+27.7	+11.2
10. Computerisation	45.1	46.0	45.3	36.0	45.0	-0.7	-1.5	-0.3	-0.7
11. Others (adjusted to credit or recoveries)	259.1	130.2	181.8	68.3	181.8	+51.6	+39.6	—	—
Of which:									
Metropolitan Transport Projects	103.5	122.0	125.4	110.0	165.0	+3.4	+2.8	+39.6	+31.6
Total (1 to 11) £	**4,562.2**	**5,000.0**	**4,916.0**	**4,820.0**	**5,325.0**	**-84.0**	**-1.7**	**+409.0**	**+8.3**
Financing Pattern									
1. Budgetary Support	1,562.2	1,420.0	1,420.3	1,309.0	1,694.0	+0.3	Neg.	+273.7	+19.3
	(34.3)	(28.4)	(28.9)	(27.2)	(31.8)				
2. Market Borrowings	1,000.0	1,170.0	1,170.0	1,500.0	1,500.0	—	—	+330.0	+28.2
	(21.9)	(23.4)	(23.8)	(31.1)	(28.2)				
3. Internal Resources	2,000.0	2,410.0	2,325.7	2,011.0	2,131.0	-84.3	-3.5	-194.7	-8.4
	(43.8)	(48.2)	(47.3)	(41.7)	(40.0)				
Total (1 to 3)	**4,562.2**	**5,000.0**	**4,916.0**	**4,820.0**	**5,325.0**				
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**				

£ Includes a sum of Rs. 1,000 crore (Accounts, 1989-90), Rs. 1,170 crore (Budget Estimates and Revised Estimates, 1990-91) and Rs. 1,500 crore (Budget Estimates, 1991-92) 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, 1991-92.

TABLE VIII - 19 : Financial Effect of Social Obligations on Indian Railways

(Rs. crores)

Item	1988-89 (Accounts)	1989-90 (Accounts)	1990-91 (Estimates)	Variation			
				Col. 3 over Col. 2		Col. 4 over col. 3	
				Amount	Percentage	Amount	Percentage
1	2	3	4	5	6	7	8
1. Loss on Coaching Services (Suburban and Non-Suburban Passenger Traffic, Parcels, Luggage, etc.)	1,351.3	1,819.9	1,916.9	+468.6	+34.7	+97.0	+5.3
2. Loss on low rated freight (like Foodgrains, Fodder, Charcoal, Firewood, Fruits and Vegetables, etc.)	293.2	284.1	305.4	-9.1	-3.1	+21.3	+7.5
3. Loss on Freight Concessions on relief measures	—	—	—	—	—	—	—
4. Total (1 + 2 + 3)	1,644.5	2,104.0	2,222.3	+459.5	+27.9	+118.3	+5.6
5. Receipts including Miscellaneous Receipts	9,528.6	11,041.3	12,382.4*	+1,512.7	+15.9	+1,341.1	+12.1
6. Expenditure including Miscellaneous Expenditure	8,791.3	10,059.2	11,300.4*	+1,267.9	+14.4	+1,241.2	+12.3
7. Percentage of item (4) to item (5)	17.3	19.1	17.9				
8. Percentage of item (4) to item (6)	18.7	20.9	19.7				

* Revised Estimates.

Sources : 1. Indian Railways Year Book, 1989-90.
2. Explanatory Memorandum on the Railway Budget, 1991-92.

be on account of operating expenses on fuel, traffic, rolling stock and equipment followed by Rs. 263.8 crore on account of repairs and maintenance. The increase in ordinary working expenses is primarily to cover the cost of fuel and other inputs for incremental traffic, escalating material prices including the full year effect of 'Gulf surcharge', annual increments and additional payment of dearness allowance to staff, higher lease charges payable to the Indian Railway Finance Corporation, etc. The appropriation to the Depreciation Reserve Fund is proposed to be marginally raised to Rs. 2,000.0 crore as compared with Rs. 1,950.0 crore in 1990-91. The contribution to the Pension Fund is also proposed to be raised, to strengthen the Fund, from Rs. 900.0 crore in 1990-91 to Rs. 1,050.0 crore in 1991-92.

Net Financial Results

The net traffic receipts are estimated at Rs. 1,089.0 crore in 1991-92 as compared with Rs. 947.0 crore in 1990-91. The net miscellaneous receipts are placed at Rs. 183.0 crore, showing a rise of Rs. 48.0 crore (35.6 per cent) from Rs. 135.0 crore in 1990-91 due to higher miscellaneous receipts of Rs. 39.3 crore and lower miscellaneous expenditure of Rs. 8.7 crore. The net revenue, as a result, is estimated to rise by Rs. 190.0 crore to Rs. 1,272.0 crore as compared with Rs. 1,082.0 crore in 1990-91. After making a full payment of dividend to General Revenues of Rs. 1,037.0 crore, the Railways would record a surplus of Rs. 235.0 crore as compared with Rs. 155.0 crore in the previous year. The operating ratio is expected to be maintained at 91.8 per cent, same as in 1990-91. The net Railway revenue as percentage of the Capital-at-Charge would rise from 6.7 per cent in 1990-91 to 7.2 per cent in 1991-92.

Developmental Expenditure

The Annual Plan outlay of the Railways has been fixed at Rs. 5,325.0 crore, higher by Rs. 409.0 crore (8.3 per cent) from Rs. 4,916.0 crore in the previous year. In financing the Plan outlay, the internal resources of the Railways, inclusive of market borrowings, are placed at Rs. 3,631.0 crore as compared with Rs. 3,495.7 crore in 1990-91. The provision for market borrowings by the Indian Railway Finance Corporation has been raised to Rs. 1,500.0 crore as against Rs. 1,170.0 crore in 1990-91. The budgetary support to the Railways is placed higher at Rs. 1,694.0 crore or 31.8 per cent of the Plan outlay in the current year as against Rs. 1,420.3 crore or 28.9 per cent of the Plan outlay in the previous year.

The Annual Plan for 1991-92 continues to place emphasis on rolling stock, track renewals, traffic facilities and electrification. Accordingly, the allocation on rolling stock has been raised from Rs. 1,891.2 crore in 1990-91 to Rs. 2,107.9 crore in 1991-92 and on track renewals from Rs. 1,091.2 crore to Rs. 1,234.4 crore. In the case of traffic facilities and electrification the outlay for 1991-92 is estimated marginally higher at Rs. 637.9 crore and Rs. 305.0 crore as against Rs. 599.6 crore and Rs. 288.5 crore, respectively, in 1990-91. However, in the case of new lines and signalling and telecommunication works, the outlay for 1991-92 is placed lower than that in 1990-91 (Table VIII-18).

In the case of rolling stock, the target is to acquire 180 diesel locos, 117 electric locos, 231 EMU's/Metro coaches, 2,125 other coaches and 25,120 wagons (in terms of 4-wheelers). The target for track renewals in 1991-92 is 3,325 track kms. as against an achievement of 3,611 track kms. in the previous year. Similarly, the target for electrification has been placed at 675 route kms. as compared with 831 route kms. in 1990-91. The Railways have set a target to construct new lines for 314 route kms. as compared with a target of 300 route kms. and an achievement of 107 route kms. in 1990-91.

Budget Proposals : 1991-92

The Railway Budget for 1991-92 contained proposals for mobilising additional resources (Rs. 584.0 crore) through upward adjustments in rates for freight (Rs. 338.0 crore), passenger fares (Rs. 235.0 crore) and parcels and luggage (Rs. 11.0 crore). These proposals, which became effective from August 16, 1991, are detailed below :

A. Freight Rates

The freight rates for goods traffic are proposed to be increased by 10 per cent for all commodities, except salt for human consumption, edible oils, foodgrains, pulses, sugar, gur, jaggery, fruits, vegetables, kerosene and diesel oil. These exemptions are expected to afford relief to the urban and rural poor and the farmers.

B. Parcel and Luggage Rates

The present rates for parcel and luggage (all commodities) have been increased by 10 per cent.

C. Passenger Fares

1. Upper Classes

(i) The existing fares for the air-conditioned first class, sleeper class, chair car and ordinary first class have been increased by 20 per cent upto a distance of 800 kms. and by 15 per cent for distances beyond 800 kms.

(ii) The fares for Rajdhani Express, Shatabdi Express and New Delhi-Bombay A.C. Express trains have also been raised.

(iii) The increase in the first class monthly season tickets ranges between Rs. 16.0 and Rs. 64.0 per ticket depending upon the distances travelled.

2. Second Class

(i) The fares of second class ordinary are increased by Re. 1.0 at the lowest slab, rising progressively to Rs. 5.0 for distances beyond 400 kms., with marginal adjustments in the 11 kms. to 60 kms. distance zone. However, the fare in the distance slab of 1 km. to 10 kms. has not been raised.

(ii) The hike in the fares for second class/ Mail/Express is Re. 1.0 at the lowest slab, rising progressively to a maximum of Rs. 20.0 for distances beyond 1,300 kms.

(iii) The second class monthly season ticket fares are increased by Rs. 4.0 to Rs. 16.0 per ticket, according to the distance travelled.

IV. FINANCES OF DEPARTMENT OF POSTS AND DEPARTMENT OF TELECOMMUNICATIONS

The reviews of the Finances of Department of Posts and Department of Telecommunications are presented in the following paragraphs.

A. Department of Posts — Revised Estimates — 1990-91

Financial Working — 1990-91

The financial working of the Department of Posts reveals a deficit of Rs. 159.4 crore as per the revised estimates as compared with a deficit of Rs. 93.4 crore in the budget estimates for 1990-91 and Rs. 263.0 crore in 1989-90 (Table VIII-20).

The revenue receipts at Rs. 900.0 crore were lower than the budget estimates of Rs. 972.0 crore but were higher by Rs. 197.4 crore (28.1 per cent) as compared with Rs. 702.6 crore in 1989-90. The large increase in the revenue receipts can be partially attributed to the revision of tariff rates effective June 11, 1990.

The working expenses were maintained at the budgeted level of Rs. 1,309.4 crore and were higher than Rs. 1,223.8 crore incurred in 1989-90 or by Rs. 85.6 crore (7.0 per cent). Of the working expenses, expenditure on 'Operation' was the largest component, accounting for 70.4 per cent of the working expenses in 1990-91 as per the revised estimates. The expenditure on 'Operation' at Rs. 921.5 crore was higher by Rs. 57.3 crore (6.6 per cent) than Rs. 864.2 crore in 1989-90. The other components of working expenses which recorded significant increases as compared with the previous year were Pension Rs. 12.6 crore, (11.4 per cent) and General Administration Rs. 10.5 crore, (13.1 per cent). Net working expenses, after taking into account the credit to working expenses, at Rs. 1,059.4 crore though marginally lower than the budget estimates of Rs. 1,065.4 crore, were higher by Rs. 93.8 crore as compared with Rs. 965.6 crore in 1989-90.

Table VIII-20 : Financial Working of Department of Posts*

(Rs. crores)

Item	1988-89 (Actuals)	1989-90 (Actuals)	1990-91 (Budget Estimates)	1990-91 (Revised Estimates)	1991-92 (Budget Estimates)
1	2	3	4	5	6
1. Revenue Receipts	**741.8**	**702.6**	**972.0+**	**900.0**	**960.0**
2. Working Expenses	**1,090.7**	**1,223.8**	**1,309.4**	**1,309.4**	**1,525.1**
Of which:					
i) Operation	775.6	864.2	917.3	921.5	1,063.8
ii) Agency Services	38.5	44.1	46.4	47.0	60.2
iii) General Administration	72.9	80.3	93.2	90.8	105.5
iv) Engineering	14.5	16.2	20.3	13.2	27.5
v) Pension	99.9	110.2	114.5	122.8	135.2
vi) Accounts and Audit	25.8	29.0	37.4	34.5	41.9
vii) Stationery and Printing	46.6	62.1	61.1	60.9	66.3
viii) Depreciation	4.9	5.2	6.0	5.4	6.0
ix) Others	12.0	12.5	13.2	13.3	18.7
3. Credit to Working Expenses	179.2	258.2	244.0	250.0	310.0
4. Net Working Expenses (2-3)	911.5	965.6	1,065.4	1,059.4	1,215.1
5. Net Receipts (1-4)	-169.7	-263 0	-93.4	-159.4	-255.1
6. Dividend to General Revenues	-	-	-	-	-
7. Surplus (+)/Deficit (-) before making contributions towards Capital Expenditure (5-6)	**-169.7**	**-263.0**	**-93.4**	**-159.4**	**-255.1**
8. Contributions towards Capital Expenditure	-	-	-	-	-
9. Surplus (+)/Deficit (-) after making contributions towards Capital Expenditure (7-8)	**-169.7**	**-263.0**	**-93.4**	**-159.4**	**-255.1**
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.

\+ Includes ARM of Rs. 172.0 crore as a result of revision of tariff rates with effect from June 11, 1990.

£ Consequent on the constitution of two distinct departments viz., Department of Posts and Department of Telecommunications

i) The deficit in the working result of Department of Posts is borne by General Revenues of the Central Government from the year 1988-89.

ii) The surplus transferred to P and T Revenue Reserve Fund and Capital Reserve Fund and withdrawals from Capital Reserve Fund from 1988-89 entirely relates to Telecommunications.

Source : Detailed Demand for Grants of Department of Posts - 1991-92, Government of India.

Table VIII-21 : Capital Outlay of Department of Posts*

(Rs. crores)

Item	1988-89 (Actuals)			1989-90 (Actuals)			1990-91 (Budget Estimates)			1990-91 (Revised Estimates)			1991-92 (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	**33.7**	**-3.6**	**30.1**	**33.0**	**0.8**	**33.8**	**50.6**	**3.0**	**53.6**	**38.6**	**2.4**	**41.0**	**59.9**	**3.0**	**62.9**
2. Financed from :															
i) Receipts and Recoveries on (a+b)	-	-	-	-	0.1	0.1	-	-	-	-	-	-	-	-	-
a) Capital Account	-	-	-	-	0.1	0.1	-	-	-	-	-	-	-	-	-
b) Under Stores Suspense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ii) Capital Reserve Fund £	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
iii) Depreciation on Historical costs transferred from Revenue	-	4.9	4.9	-	5.2	5.2	-	6.0	6.0	-	5.4	5.4	-	6.0	6.0
iv) Contributions towards Capital Expenditure from Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
v) Capital advanced from the General Revenues	33.7	-8.5	25.2	33.0	-4.5	28.5	50.6	-3.0	47.6	38.6	-3.0	35.6	59.9	-3.0	56.9
(Total i to v)	**33.7**	**-3.6**	**30.1**	**33.0**	**0.8**	**33.8**	**50.6**	**3.0**	**53.6**	**38.6**	**2.4**	**41.0**	**59.9**	**3.0**	**62.9**

* The erstwhile combined Posts and Telegraphs Department has been bifurcated into Department of Posts and Department of Telecommunications with effect from 31.12.1984.

£ Consequent on the constitution of two distinct departments, viz., Department of Posts and Department of Telecommunications, the surplus transferred to P and T Revenue Reserve Fund and withdrawals from Capital Reserve Fund from 1988-89 entirely relates to Telecommunications.

Source : Detailed Demand for Grants of Department of Posts-1991-92, Government of India.

The Department of Posts, in the absence of surplus, was neither able to pay dividend to General Revenues nor make any contribution towards capital expenditure.

Capital Outlay - 1990-91

The capital outlay of the Department of Posts, placed at Rs. 41.0 crore, though lower by Rs. 12.6 crore (23.5 per cent) as compared with the budget estimates of Rs. 53.6 crore, was higher by Rs. 7.2 crore (21.3 per cent) over the outlay of Rs. 33.8 crore in 1989-90. The capital outlay consisted of Plan expenditure of Rs. 38.6 crore and non-Plan expenditure of Rs. 2.4 crore as compared with the budget estimates of Rs. 50.6 crore and Rs. 3.0 crore, respectively (Table VIII - 21).

The capital outlay of Rs. 41.0 crore was financed by the capital advanced from the General Revenues (Rs. 35.6 crore) and depreciation on historical costs transferred from revenue (Rs. 5.4 crore).

Budget Estimates - 1991-92*

Financial Working - 1991-92

The Department of Posts is budgeted to post a larger deficit of Rs. 255.1 crore during 1991-92 than that of Rs. 159.4 crore in 1990-91.

The revenue receipts are estimated higher by Rs. 60.0 crore (6.7 per cent) moving up from Rs. 900.0 crore in 1990-91 to Rs. 960.0 crore in 1991-92.

The working expenses are estimated to increase by Rs. 215.7 crore (16.5 per cent) from Rs. 1,309.4 crore in 1990-91 to Rs. 1,525.1 crore in 1991-92. The expenditure on 'Operation', is placed at Rs. 1,063.8 crore - a rise of Rs. 142.3 crore (15.4 per cent) as compared with Rs. 921.5 crore in 1990-91. Net working expenses, after considering the credit to working expenses, are anticipated to rise by Rs. 155.7 crore (14.7 per cent) from Rs. 1,059.4 crore in 1990-91 to Rs. 1,215.1 crore in 1991-92.

In view of the deficit in the financial working, no provision has been made for payment of dividend to General Revenues and for making any contribution towards capital expenditure.

Capital Outlay - 1991-92

The capital outlay of the Department of Posts is anticipated to rise by Rs. 21.9 crore (53.4 per cent) from Rs. 41.0 crore in 1990-91 to Rs. 62.9 crore in 1991-92. The Plan and non-Plan expenditure are envisaged higher at Rs. 59.9 crore and Rs. 3.0 crore during 1991-92 as compared with Rs. 38.6 crore and Rs. 2.4 crore in 1990-91, respectively.

The capital outlay of Rs. 62.9 crore is anticipated to be financed by capital advanced from the General Revenues (Rs. 56.9 crore) and depreciation on historical costs transferred from revenue (Rs. 6.0 crore).

B. Department of Telecommunications — Revised Estimates — 1990-91

Financial Working — 1990-91

The surplus of the Department of Telecommunications, according to the revised estimates for 1990-91, was placed at Rs. 1,430.9 crore as compared with Rs. 1,674.6 crore in the budget estimates and Rs. 1,058.0 crore in 1989-90 (Table VIII-22).

The revenue receipts of the Department at Rs. 3,570.0 crore were lower than the budget estimates of Rs. 3,942.6 crore but higher by Rs. 728.9 crore (25.7 per cent) as compared with Rs. 2,841.1 crore in 1989-90.

The working expenses at Rs. 2,161.0 crore were marginally lower than Rs. 2,294.0 crore in the budget estimates but were higher by Rs. 356.3 crore (19.7 per cent) as compared with Rs. 1,804.7 crore in 1989-90. Of the total working expenses of Rs. 2,161.0 crore, a major portion of the expenses were accounted for by engineering, operation and depreciation. The expenses on engineering rose by Rs. 116.5 crore (16.7 per cent) to Rs. 813.4 crore in 1990-91 from Rs. 696.9 crore in 1989-90. Operation expenses at Rs. 402.9 crore in 1990-91 were higher by Rs. 36.5 crore (9.9 per cent) as compared with Rs. 366.4 crore

* These were presented to Parliament on July 24, 1991.

in 1989-90. Depreciation expenses rose by Rs. 86.1 crore (28.5 per cent) from Rs. 302.5 crore in 1989-90 to Rs. 388.6 crore in 1990-91.

The net working expenses, after making adjustments for credits to working expenses, at Rs. 1,935.5 crore were lower than the budget estimates but were higher by Rs. 332.8 crore (20.8 per cent) as compared with Rs. 1,602.7 crore in 1989-90. The net receipts (i.e. revenue receipts less net working expenses) at Rs. 1,634.5 crore though lower than the budget estimates of Rs. 1,872.6 crore were higher by Rs. 396.1 crore (31.9 per cent) as compared with Rs. 1,238.4 crore in 1989-90. The dividend to General Revenues was higher at Rs. 203.6 crore as compared with Rs. 198.0 crore in the budget estimates and Rs. 180.4 crore in 1989-90.

Capital Outlay — 1990-91

The capital outlay of the Department of Telecommunications, according to the revised estimates, was higher at Rs. 2,363.0 crore as compared with the budget estimates of Rs. 2,330.0 crore and the actuals of Rs. 2,269.4 crore in 1989-90. Plan expenditure (under Telecommunication Services) was higher at Rs. 2,173.0 crore, accounting for 91.9 per cent of the capital outlay in 1990-91 as compared with Rs. 2,071.3 crore accounting for 91.3 per cent in 1989-90. Non-Plan expenditure (under Stores and Manufacture Suspense) was lower at Rs. 190.0 crore in 1990-91 as compared with Rs. 198.1 crore in the previous year. The dependence on General Revenues for financing the capital outlay declined with capital advanced from General Revenues being lower at Rs. 233.9 crore in 1990-91 as compared with Rs. 352.2 crore in the previous year. On the other hand, the share of internal finances to the total capital outlay increased from 84.5 per cent in 1989-90 to 90.1 per cent in 1990-91 (Table VIII -23).

Budget Estimates — 1991-92

Financial Working — 1991-92

The financial working of the Department of Telecommunications is budgeted to show a higher surplus of Rs. 1,487.0 crore in 1991-92 as compared with Rs. 1,430.9 crore in 1990-91.

The revenue receipts are estimated to be higher by Rs. 395.0 crore (11.1 per cent), rising from Rs. 3,570.0 crore during 1990-91 to Rs. 3,965.0 crore during 1991-92.

The working expenses are budgeted to rise by Rs. 329.0 crore (15.2 per cent), from Rs. 2,161.0 crore during 1990-91 to Rs. 2,490.0 crore during 1991-92. The major items of expenditure continue to be engineering, operations and depreciation, accounting together for 75.5 per cent of the working expenses. The depreciation expenditure is budgeted to rise by Rs. 124.4 crore, from Rs. 388.6 crore in 1990-91 to Rs. 513.0 crore in 1991-92, while expenditure on engineering would be higher by Rs. 96.9 crore from Rs. 813.4 crore to Rs. 910.3 crore and on operations higher by Rs. 54.6 crore, from Rs. 402.9 crore to Rs. 457.5 crore over the similar period.

The net working expenses, after adjusting for credits to working expenses, are estimated to be higher at Rs. 2,253.3 crore in 1991-92 as compared with Rs. 1,935.5 crore in 1990-91. The net receipts are anticipated to rise by Rs. 77.2 crore from Rs. 1,634.5 crore in 1990-91 to Rs. 1,711.7 crore in 1991-92. The payment of Dividend to General Revenues is budgeted higher at Rs. 224.7 crore in 1991-92 as compared with Rs. 203.6 crore in the previous year.

Capital Outlay — 1991-92

The capital outlay is budgeted to rise by Rs. 263.0 crore (11.1 per cent) from Rs. 2,363.0 crore in 1990-91 to Rs. 2,626.0 crore in 1991-92. Plan outlay is budgeted higher by Rs. 253.0 crore (11.6 per cent) and would account for 92.4 per cent of the capital outlay while the non-Plan outlay is marginally higher by Rs. 10.0 crore (5.3 per cent) accounting for the rest. The share of capital advanced from General Revenues in financing the capital outlay is estimated to decline to 7.5 per cent in 1991-92 from 9.9 per cent in 1990-91 and 15.5 per cent in 1989-90. Consequently, the share of internal resources in financing of the capital outlay has been increasing over the years.

Table VIII-22: Financial Working of Department of Telecommunications*

(Rs. crores)

Item	1988-89 (Accounts)	1989-90 (Accounts)	1990-91 (Budget Estimates)	1990-91 (Revised Estimates)	1991-92 (Budget Estimates)
1	2	3	4	5	6
1. Revenue Receipts	**2,358.5**	**2,841.1**	**3,942.6**	**3,570.0**	**3,965.0**
2. Working Expenses	**1,545.7**	**1,804.7**	**2,294.0**	**2,161.0**	**2,490.0**
Of which:					
i) Operation	333.6	366.4	411.8	402.9	457.5
ii) General Administration	117.2	142.9	178.6	187.1	219.9
iii) Engineering	616.3	696.9	811.9	813.4	910.3
iv) Pension	96.0	105.9	150.0	120.0	110.0
v) Accounts and Audit	13.2	13.7	15.1	15.0	16.6
vi) Stationery and Printing	6.1	9.3	16.1	14.1	12.1
vii) Stores and Factories	32.9	15.9	22.0	20.6	24.8
viii) Depreciation	235.9	302.5	402.5	388.6	513.1
ix) Others	94.5	151.2	286.0	199.3	225.7
3. Credits to Working Expenses	170.7	202.0	224.0	225.5	236.7
4. Net Working Expenses (2-3)	1,375.0	1,602.7	2,070.0	1,935.5	2,253.3
5. Net Receipts (1-4)	983.5	1,238.4	1,872.6	1,634.5	1,711.7
6. Dividend to General Revenues	160.6	180.4	198.0	203.6	224.7
7. Surplus (+)/Deficit (-) before making contributions towards Capital Expenditure (5-6)	**822.9**	**1,058.0**	**1,674.6**	**1,430.9**	**1,487.0**
8. Contributions towards Capital Expenditure	—	—	—	—	—
9. Surplus (+)/Deficit (-) after making contributions towards Capital Expenditure	**822.9**	**1,058.0**	**1,674.6**	**1,430.9**	**1,487.0**
10. Appropriations to (+)/Withdrawals from (-) £					
a) Revenue Reserve Fund	0.1	0.1	0.1	17.1	30.1
b) Capital Reserve Fund	822.8	1,057.9	1,674.5	1,413.8	1,456.9

* The erstwhile combined Posts and Telegraphs Department has been bifurcated into Department of Posts and Department of Telecommunications with effect from 31.12.1984.

£ Consequent on the constitution of two distinct departments viz., Department of Posts and Department of Telecommunications, the surplus transferred to P and T Revenue Reserve Fund and Withdrawals from Capital Reserve Fund from 1987-88 entirely relates to Telecommunications.

Source: Detailed Demand for Grants of Department of Telecommunications- 1991-92, Government of India.

Table VIII-23: Capital Outlay of Department of Telecommunications*

(Rs. crores)

Item	1988-89 (Accounts)			1989-90 (Accounts)			1990-91 (Budget Estimates)			1990-91 (Revised Estimates)			1991-92 (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)	**1,657.7**	**112.4**	**1,770.1**	**2,071.3**	**198.1**	**2,269.4**	**2,140.0**	**190.0**	**2,330.0**	**2,173.0**	**190.0**	**2,363.0**	**2,426.0**	**200.0**	**2,626.0**
a) Telecommunication Services	1,657.7	—	1,657.7	2,071.3	—	2,071.3	2,140.0	—	2,140.0	—	—	—	2,426.0	—	2,426.0
b) Under Stores and Manufacture Suspense	—	112.4	112.4	—	198.1	198.1	—	190.0	190.0	—	190.0	190.0	—	200.0	200.0
2. Financed from :															
i) Receipts and Recoveries on (a + b + c)	400.0	—	400.0	500.0	—	500.0	—	—	—	274.5	—	274.5	397.0	—	397.0
a) Capital Account	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
b) Under Stores and Manufacture Suspense	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
c) Deposits of Mahanagar Telephone Nigam Ltd.	400.0	—	400.0	500.0	—	500.0	—	—	—	274.5	—	274.5	397.0	—	397.0
ii) Advance Rental Received under O. Y. T. and Other Schemes	30.3	—	30.3	35.9	—	35.9	32.0	—	32.0	40.9	—	40.9	46.8	—	46.8
iii) Deposits received under Telex Deposit Scheme	1.1	—	1.1	1.4	—	1.4	2.0	—	2.0	2.0	—	2.0	2.0	—	2.0
iv) Capital Reserve Fund £	884.4	—	884.4	947.9	110.0	1,057.9	1,654.6	20.0	1,674.6	1,383.8	20.0	1,403.8	1,429.9	20.0	1,449.9
v) Depreciation on Historical costs transferred from Revenue	236.4	—	236.4	302.0	—	302.0	400.0	—	400.0	387.9	—	387.9	513.0	—	513.0
vi) Contributions towards Capital Expenditure from Revenue	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
vii) Capital advanced from General Revenue	85.5	112.4	197.9	264.1	88.1	352.2	31.4	170.0	201.4	63.9	170.0	233.9	17.3	180.0	197.3
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)	**1,657.7**	**112.4**	**1,770.1**	**2,071.3**	**198.1**	**2,269.4**	**2,140.0**	**190.0**	**2,330.0**	**2,173.0**	**190.0**	**2,363.0**	**2,426.0**	**200.0**	**2,626.0**

* 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 Posts and Department of Telecommunications, the surplus transferred to P and T Revenue Reserve Fund and 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 — 1991-92, Government of India.

V. PUBLIC DEBT AND OTHER LIABILITIES

A. Central Government

During 1990-91, the aggregate liabilities of the Central Government, comprising public debt and other liabilities, increased by Rs. 43,166.8 crore (16.1 per cent) to Rs. 3,11,359.2 crore at end-March 1991 as compared with a rise of Rs. 38,420.9 crore (16.7 per cent) in the preceding year. These outstandings are estimated at Rs. 3,55,201.1 crore by end-March 1992, rising by Rs. 43,841.9 crore (14.1 per cent) during 1991-92 (Table VIII-24). The aggregate liabilities of the Central Government as a proportion of Gross Domestic Product (GDP) at current market prices declined from 60.6 per cent in 1989-90 to 60.1 per cent in 1990-91.

The share of public debt in the aggregate liabilities has declined from 60.2 per cent at end-March 1990 to 58.8 per cent at end-March 1991 and is estimated to decline further to 58.2 per cent by end-March 1992. The proportion of 'Other Liabilities' comprising small savings, provident funds, other accounts and reserve funds and deposits in the aggregate liabilities, on the other hand, increased from 39.8 per cent at end-March 1990 to 41.2 per cent at end-March 1991 and is estimated to rise further to 41.8 per cent by end-March 1992.

Public Debt

Public debt, consisting of external and internal debt, increased by Rs. 21,647.3 crore (13.4 per cent) from 1,61,536.0 crore at end-March 1990 to Rs. 1,83,183.3 crore at end-March 1991 and is estimated to rise by Rs. 23,528.2 crore (12.8 per cent) to Rs. 2,06,711.5 crore by end-March 1992. Public debt as a proportion of GDP at current market prices declined from 36.5 per cent in 1989-90 to 35.3 per cent in 1990-91.

The share of internal debt to public debt increased from 82.5 per cent at end-March 1990 to 82.6 per cent at end-March 1991 and is anticipated at 83.0 per cent by end-March 1992. Consequently, the share of external debt declined from 17.6 per cent at end-March 1990 to 17.4 per cent at end-March 1991 and is estimated to decline further to 17.0 per cent by end-March 1992.

External Debt

The external debt of the Government of India expanded by Rs. 3,488.2 crore (12.3 per cent) during 1990-91 to Rs. 31,830.9 crore at end-March 1991, as compared with an increase of Rs. 2,596.9 crore (10.1 per cent) during 1989-90 to Rs. 28,342.7 crore at end-March 1990. The external debt is estimated to rise by Rs. 3,291.5 crore (10.3 per cent) during the year to Rs. 35,122.4 crore by end-March 1992. The ratio of external debt to GDP at current market prices declined to 6.1 per cent during 1990-91 from 6.4 per cent in 1989-90.

The Union Budget anticipates external loans of Rs. 6,543.8 crore (exclusive of receipts of Rs. 371.2 crore under revolving fund), during 1991-92 as compared with Rs. 5,669.2 crore (exclusive of receipts of Rs. 572.3 crore under revolving fund) in 1990-91. Repayments would amount to Rs. 3,252.3 crore in 1991-92 as compared with Rs. 2,180.9 crore (inclusive of Rs. 127.0 crore for the Trust Fund) in 1989-90. Consequently, net receipts from external loans would be lower at Rs. 3,291.5 crore in 1991-92 as against Rs. 3,488.3 crore in the previous year. Net external loans, after providing for repayments and an amount of Rs. 2,680.4 crore for interest payments would be sharply lower at Rs. 611.1 crore in 1991-92 as compared with Rs. 1,679.0 crore in 1990-91.

Internal Debt

Internal debt of the Government of India comprising mainly market loans, treasury bills, special securities issued to RBI, special floating and other loans, was placed at Rs. 1,51,352.3 crore at end-March 1991, higher by Rs. 18,159.0 crore (13.6 per cent) from Rs. 1,33,193.3 crore at end-March 1990. According to the Union Budget for 1991-92 the internal debt is estimated to rise further by Rs. 20,236.7 crore (13.4 per cent) to Rs. 1,71,589.0 crore by end-March 1992. Internal debt as a proportion of the aggregate liabilities

Table VIII 24 : Public Debt and Other Liabilities of Government of India
(As at the end of March)

(Rs. crores)

Item	1986	1987	1988	1989	1990	1991 (Revised Estimates)	1992 (Budget Estimates)
1	2	3	4	5	6	7	8
A. Public Debt (1 + 2)	**89,192.0**	**1,06,611.5**	**1,21,868.8**	**1,40,244.3**	**1,61,536.0**	**1,83,183.2**	**2,06,711.4**
	(34.1)	**(36.5)**	**(36.6)**	**(35.5)**	**(36.5)**	**(35.3)**	
1. Internal Debt (i to viii)	**71,039.4**	**86,312.6**	**98,645.6**	**1,14,498.5**	**1,33,193.3**	**1,51,352.3**	**1,71,589.0**
	(27.1)	(29.6)	(29.7)	(29.0)	(30.1)	(29.2)	
i) Market Loans	35,240.5	40,832.0	46,695.4	55,114.7	62,519.7	70,520.0	78,019.8
ii) Market Loans in course of repayment	38.1	48.3	47.9	46.3	45.5	45.5	45.5
iii) Others £	507.5	394.6	333.0	480.8	579.7	722.4	887.9
iv) Special Bearer Bonds	964.3	964.3	964.3	964.3	964.3	876.3	—
v) 91 - day Treasury Bills	26,014.3	19,876.1	8,028.2	14,272.9	25,184.2	34,542.2	44,266.2
vi) 182 - day Treasury Bills	—	—	—	566.5	774.3	974.3	1,274.3
vii) Special Floating and Other loans +	3,087.7	4,330.3	5,399.8	6,066.0	6,244.2	6,570.2	10,048.9
viii) Special Securities issued to RBI	5,187.0	19,867.0	37,177.0	36,987.0	36,881.4	37,101.4	37,046.4
2. External Debt	**18,152.6**	**20,298.9**	**23,223.2**	**25,745.8**	**28,342.7**	**31,830.9**	**35,122.4**
Of which :							
Loans from IMF Trust Fund	464.0	296.0	116.0	-86.0	N.A.	N.A.	N.A.
B. Other Liabilities (a to d)	**48,291.8**	**59,934.9**	**73,692.5**	**89,527.2**	**1,06,656.4**	**1,28,176.0**	**1,48,489.7**
	(18.4)	**(20.5)**	**(22.2)**	**(22.7)**	**(24.1)**	**(24.7)**	
a) Small Savings	21,448.9	24,724.7	28,358.1	33,833.1	41,791.3	49,071:3	56,281.3
b) Provident Funds (i + ii)	4,629.3	5,505.6	6,643.8	7,950.1	9,675.4	11,575.4	13,635.4
i) State Provident Fund	4,001.9	4,742.3	5,602.4	6,548.8	7,657.4	8,857.4	10,157.4
ii) Public Provident Fund	628.4	763.3	1,041.4	1,401.3	2,018.0	2,718.0	3,478.1
c) Other accounts*	10,780.8	14,698.1	19,526.1	26,752.4	35,597.3	45,632.7	54,410.8
d) Reserve Funds and Deposits** (i + ii)	11,432.8	15,006.5	19,164.5	20,991.6	19,592.4	21,896.6	24,162.1
i) Bearing Interest	8,573.9	9,853.9	6,718.2	7,854.0	8,884.6	10,640.4	12,497.1
ii) Not Bearing Interest	2,858.9	5,152.6	12,446.3	13,137.6	10,707.8	11,256.1	11,665.0
C. Aggregate Liabilities (A + B)	**1,37,483.8**	**1,66,546.4**	**1,95,561.3**	**2,29,771.5**	**2,68,192.4**	**3,11,359.2**	**3,55,201.1**
	(52.5)	**(57.0)**	**(58.8)**	**(58.2)**	**(60.6)**	**(60.1)**	
D. Amount due from Pakistan on account of Pre-partition debt	**300.0**	**300.0**	**300.0**	**300.0**	**300.0**	**300.0**	**300.0**
E. Aggregate Liabilities (C-D) (Net of Pre-partition debt)	**1,37,183.8**	**1,66,246.4**	**1,95,261.3**	**2,29,471.5**	**2,67,892.4**	**3,11,059.2**	**3,54,901.1**

£ Comprises comensation 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.

Sources : 1) Finance Accounts, Government of India.
2) Receipts Budget, 1991-92, Government of India.

declined from 49.7 per cent at end-March 1990 to 48.6 per cent at end-March 1991 and is budgeted to decline to 48.3 per cent at end-March 1992. The proportion of internal debt to GDP at current market prices also declined from 30.1 per cent in 1989-90 to 29.2 per cent in 1990-91.

Amongst the components of internal debt, 91-day treasury bills rose by Rs. 9,358.0 crore (37.2 per cent) and market loans increased by Rs. 8,000.3 crore (12.8 per cent) during 1990-91. The increase in these two components accounted for 95.6 per cent of the total increase in internal debt during the year. The other components which recorded increases were special floating and other loans (Rs.326.0 crore), others mainly consisting of compensation and other bonds (Rs. 143.8 crore) and 182-day treasury bills (Rs. 200.0 crore). Special securities issued to RBI continued to be placed at Rs. 36,000.0 crore while special bearer bonds would decline by Rs. 88.0 crore.

Market Borrowings : 1990-91@

The Central Government completed its market borrowing programme for 1990-91 in five tranches mobilising a gross amount of Rs. 8,989.1 crore, marginally higher than Rs. 8,988.0 crore budgeted for the year. The repayment of maturing loans amounted to Rs. 987.7 crore. The net market borrowings thus amounted to Rs. 8,001.4 crore, marginally higher than the budgeted Rs. 8,000.3 crore for the year.

The Central Government initiated its market borrowing operations with the first tranche on June 11, 1990 and completed the operations with the fifth tranche on March 11, 1991. Of the five tranches, the first and the last tranche were on cash basis while the other three tranches were on cash-cum-conversion basis (Table VIII-25).

The monthly average of gross redemption yield on Central Government securities worked out at 12.30 per cent during 1990-91 as compared with 11.96 per cent during 1989-90 (Reference : Statement No. 75 Volume—II of the Report).

1991-92@

The gross market borrowings of the Central Government are assumed at Rs. 8,918.0 crore in the Union Budget for 1991-92. Maturing loans during the year would amount to Rs. 1,418.2 crore. The net market loans, thus, are budgeted lower at Rs. 7,499.8 crore as compared with Rs. 8,001.4 crore in the previous year.

The market borrowing programme of the Central Government for the current year began with the first tranche on August 5, 1991. It offered four loans, viz., 10.50 per cent, 1996; 10.75 per cent, 2001; 11.25 per cent, 2006 and 11.50 per cent, 2011, and raised a gross amount of Rs. 2,000.0 crore and a net sum of Rs. 703.2 crore, after accounting for repayments of Rs. 1,296.8 crore.

Coupon Rates on Central Government Loans

Though the highest coupon rate of 11.50 per cent continued to be offered on loans with a maturity of 20 years, the structure of coupon rates on other Central Government loans was changed in 1990-91. The coupon rate on loans with 5-year maturity period was raised during the year from 10.00 per cent to 10.50 per cent while that on 10-year instruments was raised from 10.50 per cent to 10.75 per cent and that on 15-year instruments from 11.00 per cent to 11.25 per cent.

Reserve Bank Support to Central Loans

The Reserve Bank's initial support to the Central Government market borrowing programmes during 1990-91 at Rs. 4,431.7 crore or 49.3 per cent of the gross market borrowings was lower by Rs. 429.0 crore (8.8 per cent) as compared with Rs. 4,861.2 crore or 60.4 per cent during 1989-90. The increase in the Reserve Bank's holdings of Central Government dated securities, other than treasury bills, was higher by Rs. 3,260.7 crore during 1990-91 as compared with Rs. 3,105.7 crore during 1989-90.

Market Borrowings by Public Sector Undertakings

In addition to the Central Government's own market borrowings, a number of Central public sector undertakings have also been permitted to raise resources through the issue of bonds/ debentures in the domestic market and external

@ Figures are actuals and are compiled from RBI records.

Table VIII - 25 : Market Borrowings of Government of India During 1990-91

(Rs. crores)

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
11.6.1990	10.50% Loan 1995	1000.00		64.69	—	64.69	—	64.69
	10.75% Loan 2000	1000.00	2,000.00	50.15	—	50.15	—	50.15
	11.25% Loan 2005	1000.00		182.06	—	182.06	—	182.06
	11.50% Loan 2010	1000.00		1,704.52	—	1,704.52	—	1,704.52
				2,001.42	—	2,001.42	—	2,001.42
20.8.1990	10.50% Loan 1995 (II issue)	1000.00		56.31	0.11	56.42	—	—
	10.75% Loan 2000 ,,	1000.00		3.32	1.90	5.22	—	—
	11.25% Loan 2005 ,,	1000.00	3,000.00	115.02	238.89	353.91	376.32	2,283.30
	11.50% Loan 2010 ,,	1000.00		2,484.97	100.61	2,585.58	—	—
				2,659.62	341.51	3,001.13	376.32	2,283.30
26.11.1990	10.50% Loan 1995 (III issue)	1000.00		54.65	0.01	54.66	—	—
	10.75% Loan 2000 ,,	1000.00	1,500.00	50.01	—	50.01	49.49	1,368.50
	11.25% Loan 2005 ,,	1000.00		400.00	—	400.00	—	—
	11.50% Loan 2010 ,,	1000.00		913.33	82.87	996.20	—	—
				1,417.99	82.88	1,500.87	49.49	1,368.50
28.1.1991	10.50% Loan 1995 (IV issue)	1000.00		57.23	0.08	57.31	—	—
	10.75% Loan 2000 ,,	1000.00		50.87	—	50.87	103.45	1,363.69
	11.25% Loan 2005 ,,	1000.00	1,500.00	300.64	0.03	300.67	—	—
	11.50% Loan 2010 ,,	1000.00		1,058.40	33.96	1,092.36	—	—
				1,467.14	34.07	1,501.21	103.45	1,363.69
11.3.1991	10.50% Loan 1995 (V issue)	1000.00		58.21	—	58.21	—	—
	10.75% Loan 2000 ,,	1000.00		50.51	—	50.51	—	984.44
	11.25% Loan 2005 ,,	1000.00	988.00	101.59	—	101.59	—	—
	11.50% Loan 2010 ,,	1000.00		774.13	—	774.13	—	—
				984.44	—	984.44	—	984.44
	Total during 1990-91		**8,988.00**	**8,530.61**	**458.46**	**8,989.07**	**529.26**	**8,001.35**

Source : Reserve Bank of India Records.

commercial borrowings/suppliers credit abroad for financing their development programmes. These public sector undertakings are budgeted to raise Rs. 5,869.0 crore during 1991-92 through issue of bonds and debentures in the domestic market and Rs. 2,001.0 crore through external commercial borrowings as compared with Rs. 4,932.0 crore and Rs. 2,553.0 crore, respectively, raised in 1990-91.

In addition to market borrowings, the Centre mobilised resources through small savings instruments. Collections from some recently introduced small savings instruments are presented below :

(Rs. crores)

Sr. No.	Name of Savings Instrument	Outstandings (end-March)	
		1990	1991
1.	Indira Vikas Patra	6,241	8,709
2.	Kisan Vikas Patra	5,394	9,514
3.	Post Office Monthly Income Scheme	1,535	2,340
4.	9 per cent Relief Bond, 1988	334	587*
5.	National Savings Scheme	2,516	4,592
6.	National Savings Certificates VIII	1,529	3,135

* Provisional

The Union Budget for 1991-92 has proposed to raise the interest rates payable under the small saving schemes. It has also proposed tax deduction at source on withdrawals from the National Savings Scheme.

Market Borrowings of Local Authorities and Institutions sponsored by Central and State Governments

The net market borrowings during 1990-91 by local authorities and institutions sponsored by Central and State Governments were higher by Rs. 225.9 crore (6.8 per cent), from Rs. 3,300.9 crore in 1989-90 to Rs. 3,526.8 crore (Table VIII-26). The net market borrowings of the institutions sponsored by the Central Government at Rs. 2,428.6 crore were higher by Rs. 263.8 crore (12.2 per cent) from Rs. 2,164.8 crore in the previous year. The net market borrowings of the institutions sponsored by State Governments declined marginally from Rs. 1,106.1 crore in 1989-90 to Rs. 1,079.0 crore in 1990-91. The net market borrowings of local authorities declined from Rs. 30.1 crore in 1989-90 to Rs. 24.2 crore in 1990-91. The institutions sponsored by the Central and State Governments that are engaged in promoting industry and export accounted for 67.6 per cent of the net market borrowings of all the institutions and local authorities in 1990-91 as compared with 65.7 per cent in 1989-90.

Treasury Bills

91-day Treasury Bills

The Government of India's outstanding 91-day treasury bills recorded a growth of Rs. 9,358.0 crore (37.2 per cent) during 1990-91 to Rs. 34,542.2 crore at end-March 1991. These are budgeted to further rise by Rs. 9,724.0 crore (28.2 per cent) to Rs. 44,266.2 crore by end-March 1992.

182-day Treasury Bills

The 182-day treasury bills were introduced in November 1986 to provide short term investment opportunity to financial institutions and others. These bills are periodically offered for sale on auction basis by the Reserve Bank of India. Prior to July 1988, the auctions for these treasury bills were held every month but since then auctions are being held on a fortnightly basis synchronising with the reporting Fridays of scheduled commercial banks. These bills cannot be rediscounted with the Reserve Bank of India. During 1989-90 and 1990-91, 26 auctions were held, with the bid amount aggregating Rs. 2,364.2 crore and Rs. 4,336.4 crore, respectively. Of this, the amount accepted was Rs. 1,740.2 crore and Rs. 3,425.4 crore with the bid price (accepted) in the range of 95.26 per cent to 95.50 per cent and 95.20 per cent to 95.26 per cent in 1989-90 and 1990-91, respectively. The outstanding 182-day treasury bills increased from Rs. 774.3 crore at end-March 1990 to Rs. 974.3 crore at end-March 1991 and are budgeted to increase further to Rs. 1,274.3 crore by end-March 1992.

Table VIII-26 : Net Market Borrowings of Local Authorities and Institutions Sponsored by Central and State Governments

(Rs. crores)

Institutions	1989-90	1990-91
1	2	3
Local Authorities	**30.07**	**24.17**
Municipal Corporations	30.07	24.17
Institutions Sponsored by the Central Government	**2,164.75**	**2,428.63**
Industrial Development Bank of India	975.00	1,070.00
Industrial Credit and Investment Corporation of India	515.00	350.00
Industrial Finance Corporation of India	363.00	400.00
Export Import Bank of India	58.00	64.00
Industrial Reconstruction Bank of India	57.00	65.00
National Bank for Agriculture and Rural Development	49.75	89.63
Rural Electrification Corporation	49.00	49.00
Housing and Urban Development Corporation	61.00	70.00
National Co-operative Development Corporation	66.00	66.00
Damodar Valley Corporation	50.00	50.00
Delhi Development Authority	—	—
Shipping Credit and Investment Company of India Ltd.	25.00	35.00
National Housing Bank	60.00	80.00
Delhi Co-operative Housing Finance Society Ltd.	16.00	20.00
Power Finance Corporation	20.00	20.00
Institutions sponsored by State Governments	**1,106.11**	**1,078.98**
State Electricity Boards	608.55	556.21
State Financial Corporations	307.76	343.60£
Industrial Investment Corporations and Industrial Development Corporations	22.69	20.87
Land Development Banks	33.48	13.42*
Housing Boards	12.31	11.95
Other Institutions	121.32	127.93
Grand Total	**3,300.93**	**3,526.78**

£ Includes Rs. 51.68 crore representing net amount allotted in the absence of actual details of subscription.
* Represent net amount allotted in the absence of actual details of subscription.
Source : Reserve Bank of India Records.

Special Floating and Other Loans

Special Floating and other loans represent mainly the contributions of the Government of India towards the capital of the international financial institutions, viz., International Monetary Fund, International Bank for Reconstruction and Development, International Development Association, International Fund for Agricultural Development, African Development Fund/Bank and Asian Development Bank. These loans rose by Rs. 326.0 crore (5.2 per cent) during 1990-91 from Rs. 6,244.2 crore at end-March 1990 to Rs. 6,570.2 crore at end-March 1991. These are estimated to rise by Rs. 3,478.7 crore (52.9 per cent) to Rs. 10,048.9 crore by end-March 1992.

Special Securities issued to Reserve Bank of India

Special Securities issued to Reserve Bank, mainly against *ad hoc* treasury bills rose from Rs. 36,881.4 crore at end-March 1990 to Rs. 37,101.4 crore at end-March 1991 and is budgeted marginally lower at Rs. 37,046.4 crore by end-March 1992. Special securities against conversion of *ad hoc* treasury bills would continue at Rs. 36,000.0 crore at end-March 1992 as in 1990-91 but that of others would decline by Rs. 55.0 crore due to the repayment of borrowings against deposits under the Compulsory Deposit (Income-tax payers) Scheme 1974.

Other Liabilities

The other liabilities comprising of small savings, provident funds, other accounts, and reserve funds and deposits increased by Rs. 21,519.5 crore (20.2 per cent) from Rs. 1,06,656.4 crore at end-March 1990 to Rs. 1,28,176.0 crore at end-March 1991. The increase of Rs. 21,519.6 crore during 1990-91 was mainly accounted for by small savings (Rs. 7,280.0 crore), provident funds (Rs. 1,900.0 crore) and other accounts (Rs. 10,035.3 crore). The other liabilities, according to the Union Budget for 1991-92, are estimated to rise by Rs. 20,313.7 crore (15.8 per cent) during 1991-92 to Rs. 1,48,489.7 crore by end-March 1992. The increase would be accounted for mainly by small savings (Rs. 7,210.0 crore), provident funds (Rs. 2,060.0 crore) and other accounts (Rs. 8,778.1 crore). The sharp rise in other accounts is mainly due to special deposits of non-Government provident funds, etc., which increased by Rs. 7,000.0 crore during 1990-91 and are budgeted to increase by the same amount during 1991-92. The share of other liabilities in aggregate liabilities rose from 39.8 per cent at end-March 1990 to 41.2 per cent at end-March 1991 and is estimated to rise to 41.8 per cent by end-March 1992. Other liabilities, as a proportion of GDP at current market prices increased from 24.1 per cent in 1989-90 to 24.7 per cent in 1990-91.

Small Savings

Small savings collections during 1990-91 amounted to Rs. 7,869.0 crore+ as compared with Rs. 7,860.0 crore during the previous year with the outstanding amounts rising from Rs. 42,896.0 crore at end-March 1990 to Rs. 50,765.0 crore at end-March 1991£. During 1990-91, with a view to stepping up the small savings collections, the following changes in the schemes were made : (1) Post Office Recurring Deposit rules were amended to provide payment of interest at the rate applicable to Post Office Savings Account, on premature closure of an account after one year from the date of opening the account. The maturity value of the recurring deposit amount of Rs. 10 denomination opened on or after April 1, 1991 stands raised to Rs. 811.1 ; (2) Post Office Time Deposits rules were also amended. The interest rates on deposits with 3-year and 5-year maturity periods have been raised from 10.5 per cent and 11.0 per cent to 11.0 per cent and 11.5 per cent, respectively, with effect from April 1, 1991; (3) Pledging of National Saving Certificates VIII Issue as a security with Housing Finance Companies as approved by the National Housing Bank has been authorised.

The small savings collections comprise of deposits and certificates. The outstanding deposits

+ Figures are provisional estimates for 1990-91.

£ Refer to Statement No. 105, Vol.—II of the Report.

increased by Rs. 1,701.0 crore (13.1 per cent) from Rs. 12,980.0 crore at end-March 1990 to Rs. 14,681.0 crore at end-March 1991. The largest increase was recorded by the National Savings Scheme, the outstandings under which rose by Rs. 2,076.0 crore from Rs. 2,516.0 crore at end-March 1990 to Rs. 4,592.0 crore at end-March 1991. The outstanding post office savings bank deposits and recurring deposits moved up marginally from Rs. 3,994.0 crore and Rs. 2,255.0 crore at end-March 1990 to Rs. 4,205.0 crore and Rs. 2,638.0 crore, respectively, at end-March 1991. The amounts under the post office 5-year time deposits continued to decline and were at Rs. 2,410.0 crore at end-March 1991 as compared with Rs. 3,389.0 crore at end-March 1990.

The amount of small savings mobilised through sales of various certificates increased by Rs. 5,828.0 crore during 1990-91, lower than Rs. 6,200.0 crore during the previous year, with the outstandings rising from Rs. 27,559.0 crore at end-March 1990, to Rs. 33,387.0 crore at end-March 1991. The amount mobilised by Kisan Vikas Patra was Rs. 4,120.0 crore during 1990-91 as compared with Rs. 3,456.0 crore in the previous year, while that by Indira Vikas Patra amounted to Rs. 2,468.0 crore as against Rs. 2,685.0 crore in 1989-90. The amount mobilised under the National Savings Certificates VIII Issue (NSC - VIII) rose from Rs. 1,529.0 crore in 1989-90 to Rs. 1,606.0 crore in 1990-91. However, the outstandings under the NSC-VI and NSC-VII issue declined from Rs. 13,221.0 crore and Rs. 996.0 crore, respectively, at end-March 1990 to Rs. 11,137.0 crore and Rs. 737.0 crore at end-March 1991.

B. State Governments*

The outstanding debt liabilities of the State Governments during 1990-91 increased by Rs. 16,470 crore (18.0 per cent) to Rs. 1,07,860 crore at end-March 1991 as compared with a rise of Rs. 13,206 crore (16.9 per cent) during 1989-90. During 1991-92, the outstanding debt liabilities are estimated to grow by Rs. 16,848 crore (15.6 per cent) to Rs. 1,24,708 crore by end-March 1992. Of this increase of Rs. 16, 848 crore, loans and advances from the Centre would account for Rs. 11,007 crore, internal debt for Rs. 3,182 crore, and provident funds and other funds, etc. for Rs. 2,659 crore.

Loans and Advances from the Centre

The outstanding loans and advances from the Central Government (consisting of loans for Plan and non-Plan schemes including loans against small savings collections and Ways and Means Advances from the Centre) increased by Rs. 10,354 crore (16.6 per cent) during 1990-91 to Rs. 72,564 crore at end-March 1991 from Rs. 62,210 crore at end-March 1990. During 1989-90, the loans and advances from the Centre to the States registered an increase of Rs. 7,918 crore (14.6 per cent). These are budgeted to rise by Rs. 11,007 crore (15.2 per cent) during 1991-92 to Rs. 83,571 crore by end-March 1992.

The outstanding loans and advances from the Centre formed 67.3 per cent of the total debt liabilities of the States at end-March 1991 and are estimated at 67.0 per cent at end-March 1992 as compared with 68.1 per cent at end-March 1990.

Internal Debt

The internal debt of the States increased by Rs. 3,216 crore during 1990-91 from Rs. 16,417 crore at end-March 1990 to Rs. 19,633 crore at end-March 1991. It is estimated to rise by Rs. 3,182 crore during 1991-92 to Rs.22,815 crore by end-March 1992. The share of Internal debt to total debt increased from 18.0 per cent at end-March 1990 to 18.2 per cent at end-March 1991 and would be marginally higher at 18.3 per cent at end-March 1992. The major components of internal debt are market loans and bonds, and loans from banks and other institutions.

Market Loans and Bonds

The outstanding market loans and bonds of the State Governments (comprising market loans and compensation and other bonds) increased by Rs.2,518 crore (19.5 per cent) during 1990-91 to Rs. 15,438 crore at end-March 1991 as compared with a rise of Rs. 2,203 crore (20.6 per cent) during 1989-90. These are budgeted to rise by

* Refer to Statement No. 101, Debt Position of States, and Statement No.102, State-wise Composition of Outstanding Debt, in Vol.—II of the Report.

Rs. 3,022 crore (19.6 per cent) during 1991-92 to Rs. 18,460 crore by end-March 1992.

Loans from Banks and other Institutions

The outstanding loans from banks and other institutions comprise 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 Co-operative Development Corporation and Life Insurance Corporation of India. The outstandings of these loans at Rs. 3,416 crore at end-March 1991 increased by Rs. 782 crore (29.7 per cent) during 1990-91 as compared with an increase of Rs. 514 crore (24.2 per cent) in the preceding year. During 1991-92, these loans are budgeted to rise by Rs. 266 crore (7.8 per cent) to Rs. 3,682 crore at end-March 1992.

Provident Funds and Other Funds

The outstandings under Provident Funds and other Funds comprising State Provident Funds, Insurance and Pension Funds, Trusts and Endowments, etc., increased by Rs. 2,900 crore (22.7 per cent) during 1990-91 to Rs. 15,663 crore at end-March 1991 as compared with an increase of Rs. 2,307 crore (22.1 per cent) during 1989-90. These are estimated to rise by Rs. 2,659 crore (17.0 per cent) during 1991-92 to Rs. 18,322 crore at end-March 1992. The share of Provident Funds and Other Funds to the Total Debt rose from 14.0 per cent at end-March 1990 to 14.5 per cent by end-March 1991 and is estimated to be at 14.7 per cent by end-March 1992.

@ Figures are actuals and are compiled from RBI records.

Market Borrowings of State Governments : 1990-91@

The market borrowings programme for the State Governments was conducted in two tranches during 1990-91, mobilising a gross amount of Rs. 2,569.0 crore. As there were no maturing loans in 1990-91, the net market borrowings at Rs. 2,569.0 crore were higher by Rs. 320.0 crore (14.2 per cent) as compared with Rs. 2,249.0 crore in 1989-90.

In the first tranche of the borrowing programme, thirteen States entered the market on July 23, 1990, with Rs. 1,430.5 crore on cash basis. In the second tranche on September 17, 1990, twenty-three States, inclusive of all the thirteen States which had floated market loans in the first tranche, raised Rs. 1,138.5 crore on cash basis. The loans in both the tranches were issued at par with a maturity period of 20 years and a coupon rate of 11.50 per cent.

The monthly gross redemption yield during 1990-91 increased from 7.56 per cent in 1989-90 to 8.65 per cent in 1990-91 (Reference: Statement No. 75, Volume—II of the Report).

Market Borrowings of State Governments : 1991-92@

In the current financial year, twenty-four States entered the market on July 8,1991, with a notified amount of Rs. 1,200.0 crore on a cash basis. These loans were issued at par with a maturity period of 20 years and carrying a coupon rate of 11.50 per cent.

CHAPTER IX

Capital Market

Overview

The primary capital market during the financial year 1990-91 witnessed a significant setback as the new capital issues by non-Government public limited companies at Rs.4,201.8 crore registered a decline of 35.1 per cent from the record level of Rs.6,473.1 crore reached in 1989-90. However, resources raised through public sector bonds at Rs.5,463.2 crore recorded an increase of 46.5 per cent over those of 1989-90 (Rs.3,729.0 crore). The secondary market during the year was characterised by wide fluctuations in share prices. There was an unprecedented buoyancy till about mid-October 1990 followed by a steep decline in equity prices till end-January 1991. A cautious recovery was, however, observed during February and March 1991. The equity prices as reflected by the RBI All-India Index Numbers of Ordinary Share Prices (Base : 1980-81 = 100) registered a net gain of 32.0 per cent on a point-to-point basis during the financial year 1990-91 as compared with an increase of 27.9 per cent in 1989-90 (April-March).

The sanctions and disbursements by the all financial institutions (i.e. All-India Financial Institutions and State-level Financial Institutions) at Rs.19,917.1 crore and Rs.12,369.1 crore during the year recorded a substantial increase of 27.3 per cent and 23.3 per cent, respectively, as compared with that of 8.7 per cent and 9.3 per cent, respectively, during the financial year 1989-90.

As a part of the structural transformation witnessed in the Indian capital market in recent years, a number of new financial intermediaries were set up. Mutual Funds are now an integral part of the capital market and play an important role in mobilisation of funds from the public. During the year, Unit Trust of India, LIC Mutual Fund, SBI Mutual Fund, Canbank Mutual Fund and PNB Mutual Fund launched their Equity Linked Savings Schemes (ELSS). GIC Mutual Fund was set up during the year. Merchant banking outfits set up by commercial banks and financial institutions also are helping the corporate sector to raise finances from the household sector. A new financial instrument viz., "Debt Securitisation" was introduced during the year. The activities of mutual funds and merchant bankers are being monitored and supervised by the Securities and Exchange Board of India (SEBI) with a view to ensuring transparency in the transaction of shares of companies and protection of the interest of the investors; SEBI has taken various steps in this direction. The second credit rating agency in the country incorporated during the year viz., Investment Information and Credit Rating Agency (IICRA) was set up by Industrial Finance Corporation of India (IFCI).

Policy Developments

During the year 1990-91 the Government of India set up four committees to look into some of the existing problems of the capital market and suggest measures to overcome them. Securities and Exchange Board of India (SEBI) has been undertaking several policy initiatives in the areas of investors' grievances, regulation of merchant banking, mutual funds and takeovers. A two-tier interest rate structure has been introduced by the term lending institutions with effect from August 1, 1990 for loans to industrial projects. During the year Over-the-Counter Exchange of India (OTCEI) was accorded recognition by the Ministry of Finance as a Stock Exchange under the Securities Contracts (Regulation) Act, 1956. A number of reform proposals relating to financial sector, SEBI, stock exchanges, mutual funds, public sector and foreign investments alongwith certain tax exemptions were announced in the Union

Budget for 1991-92. The Industrial Policy statement of the Government made alongwith the presentation of the Union Budget for 1991-92 gave an impetus to the capital market.

1) Committees/Working Groups

During the year 1990-91, the Government of India has set up four Committees/Working Groups to reform the working of the stock exchanges and for orderly development of the capital market. The details are set out below:

i) The Government set up a Working Group in February, 1991 under the Chairmanship of Shri M.J. Pherwani to examine the need for setting up new Stock Exchanges in the country, keeping in view the requirements of balanced development of the securities industry.

ii) With a view to regulating the unregulated share dealings, the Government set up a high level Committee in February, 1991 under the Chairmanship of Shri Ajit Dey. The Committee was asked to look into the whole gamut of unregulated dealings in stock securities and suggest measures to regulate them.

iii) The Government constituted a high level Committee under the Chairmanship of Dr. S. A. Dave in February, 1991 to examine and identify causes of payments problem in stock markets and to recommend suitable steps for improving the existing settlement system in stock exchanges.

iv) In April 1991, the Government constituted a Working Group under the Chairmanship of Shri M.J. Pherwani for reviewing and revising the guidelines relating to capital issues and stock exchanges. The Study Group is reported to have submitted its report to the Government.

Subsequently, a Study Group has been set up under the Chairmanship of Dr. S. A. Dave in July 1991 to review the existing regulatory framework for mutual funds and to prepare a draft regulation for offshore funds in the public, joint and private sector. Further, a High Level Committee has been set up in August, 1991 under the Chairmanship of Shri M. Narasimham as proposed in the Union Budget 1991-92 to examine all aspects of the structures, organisation, functions and procedures of the financial system. The Committee has submitted its report to the Government.

2) Securities and Exchange Board of India (SEBI)

During the year under review, various measures were taken by SEBI relating to investors grievances and regulation of financial intermediaries and takeovers. These measures are outlined below:

a) Investors' Grievances

SEBI has developed a system of classifying and attending to complaints received by it. Since March 1991, SEBI has been issuing a series of advertisements in the public interest, to enlighten investors on the basic features of various investments, minimum precautions that they should take before choosing an investment or dealing with an intermediary and to create an awareness about their rights and remedies. As a promotional measure for creating greater investor awareness, SEBI granted provisional registration to five investors' associations.

b) Regulation of Financial Intermediaries

i) Merchant Bankers

Merchant bankers can now undertake the work relating to issue management and related services, underwriting and portfolio management only with the authorisation of SEBI. During the year, SEBI has given such authorisations to 77 merchant bankers. A code of conduct has been prescribed for merchant bankers. The authorised merchant bankers have been categorised into three categories. Category I with a minimum net worth of Rs.1 crore may engage in issue management, underwriting, portfolio management or advisory services, Category II with a minimum net worth of Rs.50 lakhs may engage in issue management

(other than as Lead Manager) and related corporate advisory services and portfolio management and Category III with a minimum net worth of Rs.20 lakhs to act only as Advisor/Consultant to an issue. SEBI has issued guidelines for lead managers for *inter-se* allocation of responsibilities in respect of pre and post issue activities. A grading system for prospectus based on the standard of disclosure has been evolved. SEBI has also devised a penalty system for the merchant bankers based on irregularities in compliance with the various guidelines. All merchant bankers are required to submit a copy of the draft prospectus to SEBI for its comments before finalisation and also a due diligence certificate as to the verification of the contents of the prospectus.

ii) **Mutual Funds**

According to the guidelines of the Controller of Capital Issues, all mutual funds have to be registered with SEBI excepting Unit Trust of India, which is formed under statute. In January 1991, SEBI issued guidelines with regard to advertisements and disclosure and reporting requirements for mutual funds. Accordingly, the mutual funds must desist from offering a guaranteed return in their advertisements and must specify that investments are subject to market risks and that past performance is no guarantee of future results. SEBI has also prescribed formats for half-yearly unaudited and audited annual accounts to be disclosed to the public. In July 1991, the Ministry of Finance, Government of India has empowered the SEBI to inspect the operations of the mutual funds.

c) **Takeovers**

Under the powers granted to SEBI in terms of Clause 40A of the listing agreement, SEBI has issued a set of guidelines for granting exemption to takeovers of sick companies from the applicability of Clause 40B. SEBI has drafted a new takeover code which widens its coverage to include every segment of capital market and financial sector. The legislation when enacted will provide for stringent penalties for violation of any of the provisions.

d) **Inspection of Stock Exchanges**

In June 1991, the Government has entrusted the task of conducting annual inspection of the stock exchanges to SEBI with the objective of improving their functioning and thereby promoting investors' protection.

3) **Financial Institutions**

A two-tier interest rate structure has been introduced by the term lending institutions (with effect from August 1, 1990) for loans to industrial projects. The first tier (viz., 14 per cent per annum) is applicable during the initial two years or the implementation period of the project, whichever is earlier, from the date of signing of the agreement and the second tier (viz., 15 per cent per annum) to the remaining period of loan.

With effect from September 21, 1990, the structure of certain allied rates and other charges were also rationalised in line with the revised basic lending rates. Institutions also decided to collect up-front fee (on both rupee and foreign currency loans) in lieu of commitments charges levied earlier. Up-front fee, however, will not be levied on rupee loan assistance to projects located in 'A' category backward districts.

Consortium financing arrangements amongst all India financial institutions were modified during the year. Projects costing up to Rs.20 crore are now considered for sanction of assistance by the institution receiving the application without reference to the inter-institutional forum.

4) **Over-the-Counter-Exchange of India**

In order to create a multi-tiered market for securities, Over-the-Counter-Exchange of India (OTCEI) is being promoted jointly by UTI, ICICI, IDBI, IFCI, LIC, GIC, SBI Caps and Canbank Financial Services Ltd. OTCEI will have an authorised capital of Rs.10 crore and an initial paid-up capital of Rs.5 crore to be contributed by the promoters. It will be incorporated as a company under Section 25 of the Companies Act,

1956. OTCEI will help companies to raise capital from the market at least cost and on optimal terms. At the same time OTCEI will endeavour to help investors to access capital market, safely and conveniently. The company's shares will be made available to the public investors only after commercial operation is commissioned.

OTCEI has secured recognition from the Ministry of Finance as a Stock Exchange under the Securities Contracts (Regulation) Act, 1956. The Union Finance Ministry has issued guidelines for the listing of companies on the OTCEI. In regard to pricing of shares of OTCEI companies, the CCI was given powers for determining the premium on shares.

5) Union Budget 1991-92

Various policy measures relating to financial sector, SEBI, stock exchanges, mutual funds, public sector, foreign investment alongwith certain tax exemption were announced in the Union Budget for 1991-92 for the healthy development of the capital market. These are as under :

a) Financial Sector

It is proposed to extend the freedom of charging lending rates to term-lending institutions where the minimum interest rates would be 15 per cent and these institutions would be free to charge an interest rate in accordance with their perception of the credit worthiness of borrowers.

With the exception of the tax-free public sector bonds, it is proposed to remove all restrictions on interest rates for debentures both convertible and non-convertible. The interest rates on such debt instrument would hereafter be governed by market forces. The credit rating of such debt instrument would now become an integral part of the capital market process. In consultation with Reserve Bank of India, the Government would continue to watch the structure of interest rates.

b) Securities and Exchange Board of India (SEBI)

In order to enable SEBI to effectively regulate, promote and monitor the working of stock exchanges, the powers from the Controller of Capital Issues (CCI) and Government under the relevant provision of the Securities Contracts (Regulation) Act and Companies Act would be transferred to SEBI. Thus, the SEBI will be vested with full statutory powers.

c) Stock Exchange Reforms

A comprehensive package of reforms relating to trading on the stock exchanges including a system of national clearing and settlement and setting up of a central depository is under active consideration of the Government.

d) Mutual Funds

It has been decided to further promote the development of mutual funds by throwing the field open to the private and joint sectors. In order to safeguard the interest of the investing public and to encourage a healthy growth of capital markets, comprehensive guidelines are being evolved for the operation of mutual funds. Consideration would also be given to enactment of legislation for the purpose.

e) Public Sector

In order to raise resources, encourage wider public participation and promise greater accountability, upto 20 per cent of Government equity in public sector undertakings would be offered to mutual funds and investment institutions in the public sector as also to the workers in these firms.

f) Foreign Investment

Direct foreign investment in specified high priority industries with a raised limit for foreign equity at 51 per cent would be given prompt approval if equity inflows are sufficient to finance capital good at this stage of investment and if

dividends are balanced by export earnings over a period of time. Foreign equity upto 51 per cent would be allowed for trading companies primarily engaged in export activities.

g) Tax Exemption

Tax incentives to off-shore mutual funds for investment in India

It has been proposed to open a new section 115AB in the Income-Tax Act to provide substantial reduction in the rate of tax on dividend income received by the offshore funds for units of UTI or other mutual funds and long-term capital gain for such units. On dividend income, the proposed rate of tax would be 10 per cent as against the existing rate of 25 per cent. On the long-term capital gains it has been proposed to charge tax rate of 10 per cent as against the effective tax rate of 45 per cent at present.

h) Capital Gains Tax

The basic tax deduction in respect of long-term capital gains under section 48 of the Income Tax Act has been raised from Rs. 10,000 to Rs. 15,000.

Primary Capital Market

1) Consents to non -Government Companies for raising capital

During the financial year 1990-91 approvals (i.e., consents/acknowledgements) granted by the Controller of Capital Issues (CCI) to non-Government Companies for raising capital by way of shares and debentures (including premium but excluding bonus shares) at Rs.6,124.0 crore were lower by Rs.1,443 crore or 19.1 per cent than those in the previous year (Table IX - 1). The decline in the total approvals was mainly accounted by debentures, the approvals for which fell from Rs.5,879.0 crore in 1989-90 to Rs.3,571.0 crore in 1990-91. Approvals for equity and preference shares were placed at Rs.2,553.0 crore, recording a rise of Rs.865.0 crore or 51.2 per cent over those in the previous year (Rs.1,688.0 crore). Accordingly, the proportion of debentures in the total approvals was placed lower at 58.3 per cent as against 77.7 per cent in 1989-90 and the shares (equity and preference) accounted for a higher proportion in the total approvals at 41.7 per cent as compared with 22.3 per cent in 1989-90.

2) Consents to Government Companies for raising capital

Approvals to Government Companies to raise capital by way of shares and debentures /bonds during 1990-91 amounted to Rs. 6,067.0 crore registering an increase of 46. 7 per cent over those of the previous year (Rs.4,135 crore). The details since 1985-86 are set out below:

Approvals granted by CCI to Government Companies for raising capital

(Rs. crore)

Year (April-March)	Shares	Bonds/ Debentures	Total
1985-86	-	354.0	354.0
1986-87	3.0	1,791.0@	1,794.0@
1987-88	101.0	3,014.0@	3,115.0@
1988-89	-	3,140.0	3,140.0
1989-90	61.0	4,074.0	4,135.0
1990-91	60.0	6,007.0	6,067.0

@ Revised.

During 1990-91, Public Sector Undertakings (PSU) were granted approvals by CCI for the issue of bonds aggregating Rs. 6,007.0 crore as against Rs. 4,074.0 crore in the previous year.

3) New Issue Market

According to the provisional data compiled by the Reserve Bank of India, during the financial year 1990-91 the new issue market witnessed a considerable slow-down as the

Table IX - 1 Consents/Acknowledgements of Proposals granted by the Controller of Capital Issues to Non - Government Public and Private Limited Companies

(Rs. crore)

Year (April-March)	Equity and Preference Shares	Debentures			Sub-Total (2+5)	Bonus Shares	Grand Total (6+7)
		Convertible	Non-Convertible	Total (3+4)			
1	2	3	4	5	6	7	8
1986-87	1,599.0	1,962.0	652.0	2,614.0	4,213.0	302.0	4,515.0
	(38.0)	(46.6)	(15.4)	(62.0)	(100.0)		
1987-88	1,440.0	377.0	346.0	723.0	2,163.0	296.0	2,459.0
	(66.6)	(17.4)	(16.0)	(33.4)	(100.0)		
1988-89	1,487.0	3,134.0	311.0	3,445.0	4,932.0	196.0	5,128.0
	(30.2)	(63.5)	(6.3)	(69.8)	(100.0)		
1989-90	1,688.0	5,325.7	553.3	5,879.0	7,567.0	352.0	7,919.0
	(22.3)	(70.4)	(7.3)	(77.7)	(100.0)		
1990-91@	2,553.0	2,588.0	983.0	3,571.0	6,124.0	301.0	6,425.0
	(41.7)	(42.3)	(16.0)	(58.3)	(100.0)		
1990-91	312.0	557.1	222.8	779.9	1,091.9	47.7	1,139.6
(April-June)	(28.6)	(51.0)	(20.4)	(71.4)	(100.0)		
1991-92	490.6	579.0	564.6	1,143.6	1,634.2	88.0	1,722.2
(April-June)	(30.0)	(35.4)	(34.6)	(70.0)	(100.0)		

@ Data are provisional.

Note : 1. The preference shares constitute negligible portion.

2. Equity shares include premium allowed to be raised—Rs. 90 crore in 1986-87, Rs. 408 crore in 1987-88, Rs.112.3 crore in 1988-89, Rs. 212.9 crore in 1989-90 and Rs. 274.1 crore in 1990-91.

3. Figures in brackets in column 2, 3, 4 & 5 indicate percentage to total in column 6.

Source : Controller of Capital Issues, Government of India.

new capital issues by non-Government public limited companies at Rs. 4,201.8 crore showed a decline of Rs. 2,271.3 crore or 35.1 per cent as compared with capital issues aggregating Rs. 6,473.1 crore (through 408 issues) in the preceding year (Table IX-2). Security-wise break-up of capital issues reveals that the decline was mainly due to decline in the issue of convertible debentures. However, the amount of issues by way of equity shares, preference shares and non-convertible debentures recorded increases.

During 1990-91, equity issues aggregated Rs. 1,247.5 crore (through 248 issues) recording an increase of Rs. 29 crore or 2.4 per cent over 1989-90 (Rs. 1,218.8 crore through 268 issues). The preference share issues amounted to Rs. 13.3 crore through 4 issues during 1990-91 as against Rs. 7.9 crore through 4 issues in the previous year. Debenture issues at Rs. 2,941.0 crore through 113 issues showed a decline of Rs. 2,305.4 crore or 43.9 per cent over those in 1989-90 (Rs. 5,246.4 crore through 136 issues). The convertible debenture issues at Rs. 2,288.7 crore (through 92 issues) were substantially lower by 52 per cent than those in 1989-90 (Rs. 4,762.2 crore through 109 issues). However, non-convertible debenture issues at Rs. 652.3 crore (through 21 issues), recorded an increase of Rs. 168.1 crore or 34.7 per cent over the previous year (Rs. 484.2 crore through 27 issues).

During 1990-91, there were only six larger

Table IX-2 : New Capital Issues by Non-Government Public Limited Companies*

(Rs. crore)

Year (April-March)	Equity shares		Preference shares		Debentures						Grand Total	
					Convertible		Non-Convertible		Total (C D +NCD)		(2+4+10)	(3+5+11)
	No. of Issues	Amo-unt	No.of Issues	Amo-unt	No. of Issues	Amo-unt	No. of Issues	Amount	No. of Issues	Amount	No. of Issues	Amount
1	2	3	4	5	6	7	8	9	10	11	12	13
1986-87	424	1,007.5	3	0.7	49	1,067.5	45	488.2	94	1,555.7	521	2,563.9
	(40)	(35.4)									(40)	(35.4)
1987-88**	174	1,103.0	5	6.8	38	528.8	8	138.5	46	667.3	225	1,777.1
	(31)	(440.0)									(31)	(440.0)
1988-89**	256	1,032.2	6	3.3	48	1,747.5	31	389.4	79	2,136.9	341	3,172.4
	(47)	(110.1)									(47)	(110.1)
1989-90**	268	1,218.8	4	7.9	109	4,762.2	27	484.2	136	5,246.4	408	6,473.1
	(57)	(272.0)									(57)	(272.0)
1990-91**	248	1,247.5	4	13.3	92	2,288.7	21	652.3	113	2,941.0	365	4,201.8
	(41)	(126.4)									(41)	(126.4)
April-June												
1990**	36	125.1	–	–	9	43.0	3	61.2	12	104.2	48	229.3
1991**	61	178.1	–	–	26	366.2	3	51.1	29	417.3	90	595.4

* Exclude bonus shares. CD – Convertible Debentures

** Provisional. NCD – Non-Convertible Debentures

Note : Figures in brackets indicate data in respect of premium on capital issues which are included in respective totals.

Source : Prospectuses/Letters of offer/Circulars/advertisements issued by the companies; replies given by the companies to the Reserve Bank's questionnaires; information received/collected from Stock Exchange Division of Ministry of Finance, Stock Exchanges, Press Reports/handouts, etc.

issues of debentures exceeding Rs. 100 crore each by 5 companies, which together accounted for Rs. 1,199 crore constituting 40.8 per cent of the total debenture issues. As against this, during 1989-90 there were as many as 17 debenture issues of over Rs. 100 crore each by 10 companies, which aggregated to Rs. 3,974 crore accounting for 75.7 per cent of the total debenture issues.

Capital issues both by way of prospectus and rights during 1990-91 at Rs. 1,974.3 crore (through 151 issues) and Rs. 2,227.5 crore (through 214 issues) recorded decline of 37.1 and 33.2 per cent, respectively over those in the previous year (Table IX-3).

During 1990-91, issues through prospectus constituted 47.0 per cent and issues through rights accounted for 53.0 per cent of the total capital issues. As against this, during 1989-90 prospectus issues and rights issues accounted for 48.5 per cent and 51.5 per cent, respectively, of the total capital issues.

The number of issues by new companies (i.e. companies which have made public issues for the first time since their incorporation as public limited companies under the Companies Act, 1956 which may or may not have commenced commercial production/business) during 1990-91 declined to 88 from 105 in 1989-90. However, the amount of issues increased from Rs. 666.6 crore in 1989-90 to Rs. 753.5 crore in 1990-91. Thus, the average amount of issue was Rs. 8.6 crore in 1990-91 as against Rs. 6.3 crore

Table IX - 3: Capital Issues through Prospectus and Rights by Non-Government Public Limited Companies*

(Rs. crore)

	1988-89** (April-March)	1989-90** (April-March)	1990-91** (April-March)	1990-91** (April-June)	1991-92** (April-June)
	1	2	3	4	5
I. Issues through Prospectus					
No. of Issues	**191**	**190**	**151**	**22**	**36**
	(21)	**(17)**	**(15)**	**(7)**	**(2)**
Amount (a+b+c)	**1,570.1**	**3,140.2**	**1,974.3**	**126.6**	**282.8**
	(19.9)	**(30.0)**	**(73.3)**	**(5.7)**	**(3.6)**
a. Equity Shares	709.6	734.1	963.5	104.2	107.0
	(19.9)	(30.0)	(73.3)	(5.7)	(3.6)
b. Preference Shares	1.8	5.4	13.0	—	—
c. Debentures	858.7	2,400.7	997.8	22.4	175.8
of which:					
Convertible	829.0	2,240.4	831.7	12.4	175.8
Non-Convertible	29.7	160.3	166.1	10.0	—
II. Issues through Rights					
No. of Issues	**150**	**218**	**214**	**26**	**54**
	(26)	**(40)**	**(26)**	**(5)**	**(6)**
Amount (a+b+c)	**1,602.3**	**3,332.9**	**2,227.5**	**102.7**	**312.6**
	(90.2)	**(242.0)**	**(53.1)**	**(3.9)**	**(12.5)**
a. Equity Shares	322.6	484.7	284.0	20.9	71.1
	(90.2)	(241.2)	(53.1)	(3.9)	(12.5)
b. Preference Shares	1.5	2.5	0.3	—	—
c. Debentures	1,278.2	2,845.7	1,943.2	81.8	241.5
of which:					
Convertible	918.6	2,521.8	1,457.1	30.6	190.4
Non-Convertible	359.6	323.9	486.1	51.2	51.1
Grand Total (I+II)					
No. of Issues	**341**	**408**	**365**	**48**	**90**
	(47)	**(57)**	**(41)**	**(7)**	**(8)**
Amount	**3,172.4**	**6,473.1**	**4,201.8**	**229.3**	**595.4**
	(110.1)	**(272.0)**	**(126.4)**	**(9.6)**	**(16.1)**
Distribution between					
Number of Issues by					
New Companies	121	105	88	15	30
Amount	1,228.7	666.6	753.5	96.3	127.6
Number of Issues by					
Existing Companies	220	303	277	33	60
Amount	1,943.7	5,806.5	3,448.3	133.0	467.8
	(110.1)	(272.0)	(126.4)	(9.6)	(16.1)

* Exclude bonus shares.

** Provisional.

Note : Figures in brackets indicate data in respect of premium on capital issues which are included in respective totals.

Sources : Prospectuses/Circulars advertisements issued by companies, replies given by companies to the Reserve Bank's questionnaries, information received/collected from Stock Exchange Division of Ministry of Finance, Stock Exchanges, Press Reports/handouts, etc.

in 1989-90. As regards the existing companies both the number as well as the amount of issues showed decline during the year.

During the first quarter of the financial year 1991-92 (i.e. April-June 1991) the amount of capital issues at Rs. 595.4 crore (through 90 issues) were more than two and a half times higher than those in the corresponding period of the preceding year (Rs. 229.3 crore through 48 issues). The increase is mostly on account of substantial rise in convertible debenture issues from Rs. 43.0 crore in 1990-91 (April-June) to Rs. 366.2 crore in 1991-92 (April-June).

4) Public Sector Bonds

According to data compiled by the Reserve Bank of India, during the financial year 1990-91, Public Sector Undertakings (PSUs) raised Rs. 5,463.2 crore (through 14 bond issues). Of the total bond issues only Rs. 100 crore were offered to the public and the balance Rs. 5,363.2 crore were privately placed with financial institutions, banks and their subsidiaries.

During the financial year 1990-91, the tax-free bonds with a coupon rate of 9 per cent at Rs. 2,345 crore constituted 42.9 per cent and the bonds with a coupon rate of 13 per cent aggregated Rs. 3,118.2 crore accounting for 57.1 per cent of the total public sector bond issues. As against this, during 1989-90 the tax-free bonds with the coupon rate of 9 per cent at Rs. 2,817 crore accounted for 75.5 per cent and the bonds with coupon rate of 13 per cent at Rs. 912 crore constituted 24.5 per cent of the total bond issues.

Capital raised by the public sector undertakings through the issue of PSU bonds since 1985-86 are as under:

Year (April-March)	Amount (Rs. crore)	Percentage variation over the previous year
1985-86	354.0	
1986-87	1,791.0	+405.9
1987-88	2,738.9	+52.9
1988-89	2,566.3	−6.3
1989-90	3,729.0	+45.3
1990-91	5,463.2	+46.5

5) Capital raised by non-Government Companies

Capital raised paid-up (excluding bonus shares) by non-Government companies against approvals (consents/acknowledgements) granted by Controller of Capital Issues (CCI) during 1990-91 at Rs. 2,160.4 crore recorded a decline of Rs. 472.6 crore or 17.9 per cent over those in 1989-90 (Rs. 2,633.0 crore) (Table IX-4). Security-wise break-up of capital raised reveals that, the capital raised through equity and preference shares increased from Rs. 522.9 crore in 1989-90 to Rs.563.6 crore in 1990-91. Capital raised through the issue of debentures had declined from Rs. 2,110.1 crore to Rs. 1,596.8 crore over the same period.

Secondary Capital Market

Industrial Security Market

Maintaining the tempo of buoyancy witnessed during 1988-89 and 1989-90, the stock markets recorded a firm optimistic trend till mid-October, 1990 when the Reserve Bank's All-India Index Numbers of Ordinary Share Prices (Base: 1980-81 = 100) reached an all-time peak at 654.2 for the week ended October 13, 1990. Even though there was a significant decline thereafter, the average of the index for 1990-91 at 500.3 showed an increase of 39.2 per cent over that of 1989-90 (Table IX-5). On a point-to-point basis, the index recorded a net gain of 63.5 per cent from 400.0 at end-March 1990 to 654.2 for the week ended October 13, 1990. The index declined thereafter by 19.3 per cent to 527.9 by the end of March 1991, witnessing a net rise of 32 per cent over the year.

The month-wise analysis of the developments in the stock market during the financial year 1990-91 are set out in the following paragraphs.

a) Month-wise trend during 1990-91

The stock markets opened on a better note during April 1990 when the average of the Reserve Bank All-India Index Numbers of Ordinary Share Prices recorded a rise of 5.8 per cent. During the months of May and June, 1990 the

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

(Rs. crore)

Year (April-March)	1988-89*	1989-90*	1990-91@
1	2	3	4
I. Equity and Preference Shares	979.5	522.9	563.6
a) Initial	363.5	313.0	295.2
b) Further	616.0	209.9	268.4
II. Debentures	2,219.8	2,110.1	1,596.8
Total (I + II)	**3,199.3**	**2,633.0**	**2,160.4**

* : 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.

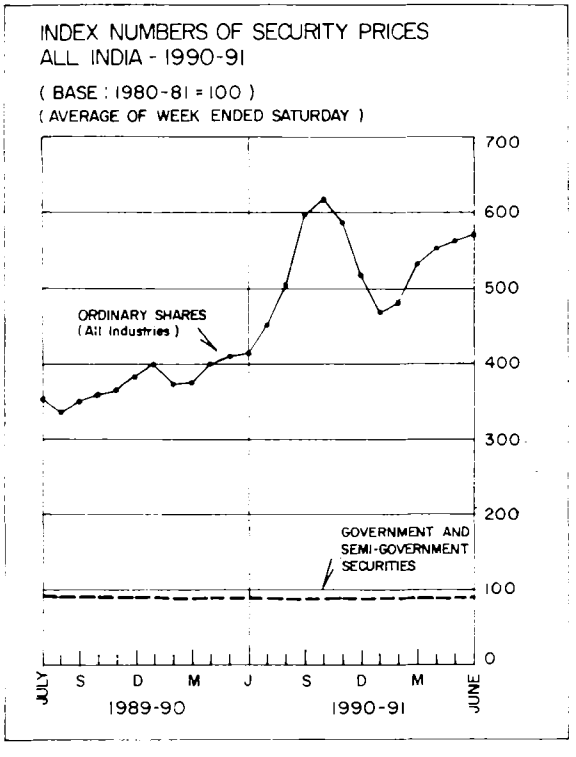
Source : Controller of Capital Issues, Government of India.

TABLE IX-5 : RBI All India Index Numbers of Ordinary Share Prices and Yield thereon

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
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)	3.18
1990-91	527.9	654.2	395.6	500.3 (+39.2)	2.59
1990-91 (April–June)	419.3	420.0	395.6	408.6	
1991-92 (April–June)	568.6	579.6	536.9	563.9	

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

monthly average index moved in a narrow range with increases of 2.4 per cent and 1.3 per cent, respectively. The stock market witnessed considerable buoyancy in the month of July and the optimistic trend continued in the month of August and September 1990. Reflecting this, the average of the index showed increase of 8.7 per cent in July, 12.3 per cent in August and 18.3 per cent in September. During the month of October 1990 the index reached an all-time high of 654.2 during the week ended October 13, 1990. However, the trend was adversely affected thereafter and reflecting this, the average of the RBI index for Ordinary Share Prices for the month of October, 1990 showed a modest increase of 3.0 per cent. In the next three months the market recorded net decline during each of the month registering a total decline of 26.3 per cent during the period November 1990 to January 1991. The equity prices showed a cautious recovery during February and March 1991 when the average of the RBI index registered growth rates of 3.1 per cent and 9.9 per cent, respectively* (Table IX-5a). The annual average of the index recorded a rise of 39.2 per cent during the year 1990-91 as against a rise of 45.2 per cent recorded during 1989-90.



b) **Industry-wise Trend during 1990-91**

The industry-wise analysis of the share prices as reflected in the Reserve Bank of India's Index Numbers of Ordinary Share Prices indicates that all the industry groups recorded net gains between the end-March 1990 and the peak witnessed in October 1990 except shipping which showed a net fall of 17.8 per cent. The industry groups which recorded over 100 per cent net gains during April-October 1990 were cotton textiles (285.1 per cent), electricity generation and supply (256.6 per cent) and cement (239.3 per cent). Thereafter during the post-peak period i.e., from October 13, 1990 to March 30. 1991, except for the cement industry which recorded a net gain of 4.3 per cent, all other industrial groups experienced declines in share prices. The industry groups which recorded substantial decline were: man-made fibres (41.9 per cent), cotton textiles (35.0 per cent), electricity generation and supply (34.9 per cent) and aluminium (30.0 per cent).

Over the financial year 1990-91, the cement industry witnessed the maximum gain (254.0 per cent) followed by electricity generation and supply (132.1 per cent) and cotton textiles (85.2 per cent). However, shipping and man-made fibres registered decline of 43.1 per cent and 40.1 per cent, respectively. The data in respect of industry-wise trend from end-March 1986 to end-March 1991 are indicated in Table IX-5b.

c) **Share Price Trend during financial year 1991-92 @**

During the first quarter of the financial year 1991-92 (i.e. April-June 1991) the equity prices displayed a mixed trend. However, the undercurrent of the market was optimistic. Reflecting this, the average of the RBI index for April-June 1991 at 563.9 recorded an increase of 12.7 per cent over the average of the index for the full financial year 1990-91(500.3). On a point-to-point basis the index increased from 527.9 during the week ended March 30, 1991 to 568.6 during the week ended June 29, 1991, showing a rise

* For detailed discussion on the developments of the month-wise/quarter-wise trend of equity prices during the financial year 1990-91, please see RBI Monthly Bulletins September 1990, March 1991 and June 1991.

@ Up to July 1991.

Table IX–5 a : All India Index Numbers of Ordinary Share Prices (Year: April-March)

(Base: 1980-81 = 100)

Month	1988-89				1989-90				1990-91				1991-92			
	Monthly Average	High	Low	Last week-end of the Month	Monthly Average	High	Low	Last week-end of Month	Monthly Average	High	Low	Last week-end of Month	Monthly Average	High	Low	Last week-end of the Month
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
April	189.5	195.6	187.1	195.6	335.7	355.7	317.7	355.7	399.9	405.7	395.6	401.6	554.9	568.0	536.9	568.0
	(-1.8)			(+3.3)	(+11.1)			(+15.4)	(+5.8)			(+0.4)	(+4.4)			(+7.6)
May	202.9	207.4	198.8	207.4	342.9	348.6	338.6	338.6	409.4	413.5	402.7	413.5	563.8	570.2	558.9	570.2
	(+7.1)			(+6.0)	(+2.1)			(-4.8)	(+2.4)			(+3.0)	(+1.6)			(+0.4)
June	215.0	218.6	212.2	212.2	340.5	347.5	332.7	347.5	414.9	420.0	408.9	419.3	571.3	579.6	563.8	568.6
	(+6.0)			(+2.3)	(-0.7)			(+2.6)	(+1.3)			(+1.4)	(+1.3)			(-0.3)
July	212.3	215.1	209.5	215.1	350.8	356.9	343.7	343.7	450.9	481.4	430.4	481.4	607.9	644.3	569.3	644.3
	(-1.3)			(+1.4)	(+3.0)			(-1.1)	(+8.7)			(+14.8)	(+6.3)			(+13.3)
August	215.2	216.5	214.2	215.2	336.5	339.4	333.9	334.6	506.3	527.5	488.6	527.5				
	(+1.4)			(–)	(-4.1)			(-2.6)	(+12.3)			(+9.6)				
September	227.2	236.5	219.0	236.5	350.0	353.6	343.9	353.6	599.1	643.0	555.9	643.0				
	(+5.6)			(+9.9)	(+4.0)			(+5.7)	(+18.3)			(+21.9)				
October	263.2	273.3	245.5	273.3	358.4	363.4	355.0	363.4	617.3	654.2	587.4	587.4				
	(+15.8)			(+15.0)	(+2.4)			(+2.8)	(+3.0)			(-8.6)				
November	284.6	293.2	274.7	293.2	362.8	366.6	359.7	361.8	588.1	608.7	567.3	567.3				
	(+8.1)			(+7.3)	(+1.2)			(-0.4)	(-4.7)			(-3.4)				
December	290.8	295.9	285.2	286.3	383.7	396.3	359.9	396.3	518.3	552.1	490.7	490.7				
	(+2.2)			(-2.4)	(+5.8)			(+9.5)	(-11.9)			(-13.5)				
January	285.9	288.0	283.5	287.2	400.6	411.4	387.1	387.1	468.6	471.5	463.6	463.6				
	(-1.7)			(+0.3)	(+4.4)			(-2.3)	(-9.6)			(-5.5)				
February	290.3	292.4	287.3	290.3	372.5	377.8	368.0	372.6	483.3	510.8	462.7	510.8				
	(+1.5)			(+1.1)	(-7.0)			(-3.7)	(+3.1)			(+10.2)				
March	302.2	308.2	292.2	308.2	378.1	400.0	367.1	400.0	531.3	536.2	527.9	527.9				
	(+4.1)			(+6.2)	(+1.5)			(+7.4)	(+9.9)			(+3.3)				
(April–March) £	247.5	308.2	187.1	308.2	359.4	411.4	317.7	400.0	500.3	654.2	395.6	527.9				
	(+19.4)			(+62.8)	(+45.2)			(+29.8)	(+39.2)			(+32.0)				

£ Based on weekly averages

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

Table IX-5 b : RBI All India Index Numbers of Ordinary Share Prices (Industry-wise)

(Base:1980-81 = 100)

Sr. No.	Industries	March 29, 1986	March 28, 1987	March 26, 1988	March 25, 1989	March 31, 1990	March 30, 1991
1	2	3	4	5	6	7	8
1.	All Industries	239.5	219.3	189.3	308.2	400.0	527.9
		(+45.7)	(-8.4)	(-13.7)	(+62.8)	(+29.8)	(+32.0)
2.	Tea Plantations	383.6	462.7	458.6	658.7	1068.8	1423.5
		(+19.7)	(+20.6)	(-0.9)	(+43.6)	(+62.3)	(+33.2)
3.	Cotton Textiles	136.7	115.8	86.8	106.1	160.0	296.4
		(+28.4)	(-15.3)	(-25.0)	(+22.2)	(+50.8)	(+85.3)
4.	Silk, Woollen and Rayon Textiles	88.0	84.3	88.9	185.1	325.9	436.5
		(+8.1)	(-4.2)	(+5.5)	(+108.2)	(+76.1)	(+34.0)
5.	Aluminium	261.6	303.1	252.3	852.7	1204.4	1574.3
		(+61.5)	(+15.9)	(-16.8)	(+237.4)	(+41.2)	(+30.7)
6.	Automobiles and Auto-ancillaries	290.7	236.4	212.2	379.7	493.6	580.0
		(+45.6)	(-18.7)	(-10.2)	(+78.9)	(+30.0)	(+17.5)
7.	Electricals and Electronic Machinery	158.7	132.8	128.3	189.1	229.4	256.6
		(+27.7)	(-16.3)	(-3.4)	(+47.4)	(+21.3)	(+11.9)
8.	Chemical Fertilizers	428.4	323.6	226.6	340.4	433.9	512.2
		(+68.7)	(-24.5)	(-30.0)	(+50.2)	(+27.5)	(+10.0)
9.	Man-made Fibres	267.2	180.4	139.7	236.7	264.8	211.7
		(+58.1)	(-32.5)	(-22.6)	(+69.4)	(+11.9)	(-20.1)
10.	Cement	218.4	183.0	138.7	188.6	208.7	738.8
		(+3.9)	(-15.9)	(-24.5)	(+36.0)	(+10.7)	(+254.0)
11.	Rubber and Rubber Products	205.3	271.8	347.6	573.0	424.0	506.2
		(+112.5)	(+32.4)	(+27.9)	(+64.8)	(-26.0)	(+19.4)
12.	Paper and Paper Products	139.6	118.3	76.6	141.3	256.9	435.8
		(+18.0)	(-15.3)	(-35.2)	(+84.5)	(+81.8)	(+69.6)
13.	Electricity Generation and Supply	217.1	181.2	173.7	251.3	305.6	894.8
		(+52.6)	(-16.5)	(-4.1)	(+44.7)	(+53.4)	(+132.1)
14.	Shipping	74.2	45.2	46.5	121.3	233.6	179.6
		(+32.7)	(-39.1)	(+2.9)	(+160.9)	(+92.6)	(-23.1)

Note : Figures in brackets are percentage variation over the last week-end of the previous financial year.

of 40.7 points or 7.7 per cent as against an increase of 4.8 per cent recorded in the corresponding period of the previous year. Industry-wise analysis indicates that the shipping group registered a maximum gain of 41.6 per cent followed by cement (24.9 per cent), cotton textiles (16.7 per cent) and paper and paper products (16.2 per cent). Aluminium industry was the only industry to register a marginal loss of 4.4 per cent.

The optimistic sentiment turned buoyant in the month of July 1991 and the average index for the month recorded an increase of 7.9 per cent over the average for the first quarter of the year. On a point-to-point basis, the index recorded an increase of 13.3 per cent, from 568.6 during the week ended June 29, 1991 to 644.3 during the week ended July 27, 1991.

Open Market Operations

During the fiscal year 1990-91, both sales and purchases of Central Government securities under the Reserve Bank's Open Market Operations were lower than in 1989-90. There was a net purchase of Central Government securities by the Reserve Bank during 1990-91 in contrast to a net sale in the previous year.

Purchases of Central Government securities declined to Rs.2,291.2 crore or by 35.5 per cent, while sales decreased to Rs.2,238.1 crore or by 52.8 per cent in 1990-91. As a result, there were net purchases amounting to Rs.53.1 crore as against net sales of Rs.1,187.2 crore in 1989-90. After taking into account the transactions effected out of surplus funds of IDBI, EXIM Bank, NABARD and other institutions, there were net purchases of Rs.431.8 crore in 1990-91 as compared to net sales of Rs.1,344.1 crore in 1989-90 (Table IX-6).

During the first quarter of 1991-92, sales of Central Government securities amounted to Rs.1,144.9 crore while purchases amounted to Rs.182.8 crore. Thus, there were net sales of Rs.962.1 crore which were substantially higher than the net sales of Rs.127.7 crore in the corresponding quarter of 1990-91. Taking into account sale/purchase transactions of IDBI, EXIM Bank, NABARD and other institutions, the net sales were placed at Rs.971.8 crore as against Rs.451.5 crore in the first quarter of 1990-91.

Buy-Back Arrangement

It was mentioned in the last year's Report that the Reserve Bank had decided to phase out the buy-back arrangements in Government of India dated securities provided to a few institutions. Accordingly, the limits in respect of three out of six institutions were completely phased out as at the end of March 1991. Subsequently, as at the end of June 1991, such arrangements in respect of another two institutions were also discontinued. At present, only one institution is availing of the buy-back facility from the Reserve Bank and it is intended to phase out this facility by the end of March 1992. Apart from this, buy-back facility has also been extended to the Registrar General of Supreme Court to invest the funds held

Table IX-6 : Reserve Bank's Open Market Operations in Central Government Securities

(Rupees crore)

Year	Purchases	Sales	Net Sales
1	2	3	4
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)	(9,848.7)
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)
1990-91	2,291.2	2,238.1	-53.1
	(14,157.0)	(13,725.2)	(-431.8)
April - June			
1990-91	308.8	436.5	127.7
	(3,072.1)	(3,532.6)	(451.5)
1991-92	182.8	1,144.9	962.1
	(995.0)	(1,966.8)	(971.8)

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 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.

by them on behalf of victims of the Bhopal Gas Tragedy.

State Loans - Commercial Banks

Although in terms of Section 17(8) of the Reserve Bank of India Act, 1934, the Reserve Bank has been authorised to purchase/sell both Central and State Governments securities of any maturity, the Bank's Open Market Operations, in practice, are confined to the purchase and sale of Central Government securities as in terms of Section 33 of the Act, State/State-guaranteed securities cannot be held as assets of Issue Department; for the same reason, the Reserve Bank does not also make any initial subscription to State loans. However, the Reserve Bank purchases Central Government dated securities from a few commercial banks so as to provide liquidity to them to enable them to subscribe to State loans. This arrangement, however, is for a temporary period before the expiry of which the securities sold by the commercial banks would be purchased back by them (sell-back from the Reserve Bank's point of view).

Thus, while the buy-back facility provided to the institutions help absorb the excess liquidity with the institutions, that provided to the commercial banks, help provide liquidity to commercial banks at the time of floatation of State loans.

Gilt-edged Market

The generally stable trend noticed in the Gilt-edged market in 1989-90 continued during 1990-91 with prices fluctuating within a narrow band. The price index of Central Government securities declined by 0.9 percentage point, while the price index of State Government securities rose by 0.1 percentage point. Price index of semi-Government securities remained unchanged. Likewise, the coupon rates of newly issued Central Government securities too remained unchanged during the year.

The movements in the all-India index number of Government and semi-Government security prices (Base: 1980-81 = 100) during 1990-91 were within a range of 89.5 and 88.6. Over the year, the index declined by 0.7 percentage point as compared with a fall of 0.6 percentage point in the previous year.

During 1990-91, the price index of Central Government securities oscillated within a range of 87.4 and 86.3 and registered a fall of 0.9 percentage point over the year as compared with a decline of 0.8 percentage point in the previous year.

Table IX-7 : Price and Yield Variations of Central Government Securities in Bombay *

Loans	Price as on (Rs.)			Variation (Rs.)		Yield as on (Per cent)			Variation in Yield (in percentage points)	
	30.3.90	27.3.91	28.6.91	Col.3 over Col.2	Col.4 over Col.3	30.3.90	27.3.91	28.6.91	Col.8 over Col.7	Col.9 over Col.8
1	2	3	4	5	6	7	8	9	10	11
7 per cent loan 1998	76.00	78.75	78.75	+2.75	-	11.41	11.26	11.39	-0.15	+0.13
6 per cent loan 1998	67.00	73.00	73.00	+6.00	-	12.10	11.33	11.49	-0.77	+0.16
5.50 per cent loan 1999	62.50	68.75	68.75	+6.25	-	12.00	11.22	11.38	-0.78	+0.16
5.50 per cent loan 2000	60.55	66.75	66.75	+6.20	-	11.90	11.13	11.26	-0.77	+0.13
11.50 per cent loan 2007	101.00	100.25	100.25	-0.75	-	11.38	11.47	11.47	+0.09	-
11.50 per cent loan 2008	-	98.90	100.00	-	+1.10	-	11.63	11.50	-	-0.13
11.50 per cent loan 2009	100.95	100.00	101.40	-0.95	+1.40	11.39	11.50	11.34	+0.11	-0.16
11.50 per cent loan 2010	-	100.00$	100.25	-	+0.25	-	11.50	11.47	-	-0.03
10.25 per cent loan 2012	87.50	96.00	96.00	+8.50	-	11.55	10.66	10.66	-0.89	-
9 per cent loan 2013	76.00	77.50	77.50	+1.50	-	11.44	11.32	11.33	-0.12	+0.01
11.50 per cent loan 2015	-	99.50	100.00	-	+0.50	-	11.55	11.50	-	-0.05

* Only those securities which have recorded price variation over the year have been included in this statement.
$ = Issue price.

The index numbers of State Government securities which fluctuated within a narrow range of 98.0 and 97.4 during 1990-91, closed at 97.8 at end-March 1991, recording a marginal rise of 0.1 percentage point over the year as against a fall of 0.3 percentage point in 1989-90. The index of semi-Government securities fluctuated within a range of 98.7 and 97.7 and closed at 98.2 at the end of March 1991, recording no change over the year.

In Bombay, among 8 Central Government securities experiencing price variation during 1990-91, prices of securities registered declines ranging between Re.0.75 and Re.0.95, with consequent improvement in yields ranging between 0.09 per cent and 0.11 per cent. Prices of the remaining six securities recorded increases ranging between Rs.1.50 and Rs.8.50 with consequent decrease in yields, ranging between 0.12 per cent and 0.89 per cent (Table IX-7).

Prices of only three State Government loans of Manipur, Meghalaya and Tamil Nadu remained steady during the year. A few loans of Maharashtra, Andhra Pradesh and Uttar Pradesh displayed a mixed trend. Price of a loan each of the States of Gujarat, Jammu & Kashmir, Kerala, Nagaland, Orissa and Punjab increased between Re.0.75 and Rs.5.50 while those of the remaining State Governments loan prices decreased between Re.0.15 and Rs.12.00.

During the first quarter of 1991-92 (April-June 1991) the all-India price index of Government and semi-Government securities moved within a narrow range of 88.8 and 89.1 and closed at 88.8 at end-June 1991, recording no change over the quarter. Likewise, the price index of Central Government securities remained unchanged over the quarter. The price index of State Government securities moved between 97.8 and 98.0 and closed at 98.0 at end-June 1991, recording a rise of 0.2 percentage point over the quarter while that of semi-Government securities remained steady at 98.2 throughout the quarter.

In Bombay, prices of most of the Central Government securities remained steady barring four securities which recorded increases ranging between Re.0.25 and Rs.1.40 with consequent decrease in yields ranging from 0.03 per cent to 0.16 per cent. Prices of most of the State Government securities remained steady during the quarter. Price of one security each of the State Governments of Gujarat and Madhya Pradesh fell by Rs.4.00 and Rs.3.00, respectively, while in the case of Maharashtra, Andhra Pradesh, Tamil Nadu, Uttar Pradesh and West Bengal prices of one security each showed increases ranging between Re.0.60 and Rs.5.50.

Operations of All Financial Institutions@

The overall performance of the All Financial Institutions as reflected in their sanctions and disbursements of financial assistance indicates that both sanctions (Rs. 19,917.1 crore) and disbursements (Rs. 12,369.1 crore) during 1990-91 (April-March) rose significantly over the previous year by 27.3 per cent and 23.3 per cent, respectively (Table IX-8). As against this, during 1989-90 sanctions registered an increase of 8.7 per cent and the disbursements showed a rise of 9.3 per cent.

Institution-wise operations indicate that the financial assistance sanctioned and disbursed by the Development Banks during 1990-91 registered increase of 24.5 per cent and 29.5 per cent, respectively. During 1990-91, Investment Institutions showed increase of 46.8 per cent and 22.8 per cent, respectively, in the overall sanctions and disbursements. Disbursements by Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC) and its subsidiaries showed decline of 6.1 and 18.5 per cent, res-

@ All Financial Institutions comprise Development Banks viz., Industrial Development Bank of India, Industrial Finance Corporation of India, Industrial Credit and Investment Corporation of India Ltd., Small Industries Development Bank of India, Shipping Credit and Investment Company of India Ltd., and Tourism Finance Corporation of India Ltd.; Investment Institutions viz., Unit Trust of India, Life Insurance Corporation of India, General Insurance Corporation of India and its subsidiaries; Other Financial Institutions viz., Industrial Reconstruction Bank of India, and State-Level Institutions viz., State Financial Corporations and State Industrial Development Corporations.

Table IX-8 : Assistance by All Financial Institutions

(Year : April-March) (Rs. crore)

Institutions		1989-90*		1990-91*		Percentage change in 1990-91 over 1989-90	
		Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
1		2	3	4	5	6	7
A. All India Development Banks (1 to 6)	@	**12,936.5**	**7,418.3**	**16,101.6**	**9,603.2**	**+24.5**	**+29.5**
	@@	**(11,170.2)**	**(6,437.7)**	**(14,035.3)**	**(8,329.8)**	**(+25.6)**	**(+29.4)**
1. IDBI	@	5,330.9	3,130.0	6,450.0	4,016.0	+21.0	+28.3
	@@	(4,664.2)	(2,823.8)	(5,569.9)	(3,483.8)	(+19.4)	(+23.4)
2. IFCI		2,294.9	1,121.8	2,965.1	1,574.9	+29.2	+40.4
3. ICICI		2,850.6	1,357.1	3,861.1	1,967.6	+35.4	+45.0
4. SIDBI		2,086.1	1,570.9	2,408.8	1,838.5	+15.5	+17.0
	@@	(986.5)	(896.5)	(1,222.6)	(1,097.3)	(+23.9)	(+22.4)
5. TFCI		52.8	12.8	85.0	39.2	+61.0	+206.3
6. SCICI		321.2	225.7	331.6	167.0	+3.2	-26.0
B. Investment Institutions (7 to 9)		**2,096.6**	**1,715.4**	**3,078.2**	**2,106.5**	**+46.8**	**+22.8**
7. UTI		1,307.2	1,080.6	2,077.2	1,532.7	+58.9	+41.8
8. LIC		578.2	455.2	688.1	427.4	+19.0	-6.1
9. GIC and its Subsidiaries		211.2	179.6	312.9	146.4	+48.2	-18.5
C. Other Institutions		**146.6**	**141.1**	**234.7**	**153.9**	**+60.1**	**+9.1**
10. IRBI		146.6	141.1	234.7	153.9	+60.1	+9.1
D. Total Assistance by All-India Financial Institutions	@	**15,179.7**	**9,274.8**	**19,414.5**	**11,863.6**	**+27.9**	**+27.9**
E. State Level Financial Institutions (11+12)		**2,233.9**	**1,739.7**	**2,568.9**	**1,778.9**	**+15.0**	**+2.3**
11. SFCs		1,543.6	1,190.2	1,870.1	1,260.1	+21.2	+5.9
12. SIDCs		690.3	549.5	698.8	518.8	+1.2	-5.6
F. Total Assistance by All Financial Institutions (A+B+C+E)	@@	**15,647.3**	**10,033.9**	**19,917.1**	**12,369.1**	**+27.3**	**+23.3**

* Provisional

@ Data are net of inter- institutional (all-India) flows.

@@ Data are net of inter- institutional (all-India and State-level) flows.

Note : 1. Data have been adjusted for inter-institutional flows. This involves adjustment in regard to IDBI's and SIDBI's refinance to SFCs and SIDCs, seed capital assistance and resource support to other financial institutions by IDBI and LIC. SFCs' and SIDCs' data for 1990-91 are estimated.

2. SIDBI commenced its operations from April 2, 1990 and the data for 1989-90 for SIDBI pertains to Small Industries Development Fund and National Equity Fund Schemes taken over by SIDBI from IDBI. Sanctions and Disbursements of SIDBI for 1990-91 exclude short-term bills of Rs.415 crore.

3. TFCI commenced its operations from February 1, 1989.

4. Data exclude short-term loans by LIC.

Source : Respective Financial Institutions.

pectively, while those by the Unit Trust of India (UTI) showed a substantial rise of 41.8 per cent during the year, resulting in an overall increase in disbursements by investment institutions. The total sanctions and disbursements by the State-level institutions, viz., SFCs and SIDCs during 1990-91 together showed a rise of 15.0 per cent in sanctions and 2.3 per cent in disbursements. However, disbursements by the State Industrial Development Corporations (SIDCs) showed a decline of 5.6 per cent.

Aggregate sanctions and disbursements by the All-India Financial Institutions during 1990-91 amounted to Rs.19,414.5 crore and Rs.11,863.6 crore, respectively, registering a rise of 27.9 per cent in both sanctions and disbursements over those of 1989-90 (Rs. 15,179.7 crore and Rs. 9,274.8 crore).

Component-wise assistance* reveals that sanctions of loans (rupee loans, foreign currency loans and guarantees) by All-India financial institutions at Rs.17,210.6 crore during the year was higher by 29.5 per cent than those of Rs. 13,288.3 crore in 1989-90. Disbursements of loans during 1990-91 at Rs.10,843.5 crore was also higher by 34.5 per cent than those of Rs.8,064.4 crore in the preceding year. In the case of underwriting of and direct subscription to shares and debentures, while there was a rise in sanctions from Rs. 1,891.4 crore in 1989-90 to Rs. 2,203.9 crore in 1990-91, there was a decline in disbursements from Rs. 1,210.4 crore in 1989-90 to Rs. 1,020.1 crore in 1990-91.

1. Institution-wise performance of Development Banks

Institution-wise performance of the development banks is discussed below.

i) Industrial Development Bank of India (IDBI)

During 1990-91 (April-March), the total financial assistance@ sanctioned by the IDBI under its various schemes aggregated Rs.6,897.0 crore showing a rise of 20.6 per cent over that of Rs. 5,718.6 crore in the previous year. Disbursements of assistance by the IDBI during the year 1990-91 at Rs. 4,459.4 crore recorded a rise of 26.9 per cent over those of the previous year (Rs. 3,513.8 crore)-(Table IX-9). While bulk of the assistance involved rupee loans, foreign currency loans also recorded a significant growth. Sanctions and disbursements of foreign currency loans during the year amounted to Rs. 814.0 crore and Rs. 375.1 crore registering increase of 53.4 per cent and 87.8 per cent, respectively. The increase in the sanctions of foreign currency loans was mainly due to substantial amounts of assistance sanctioned to a few large cement and artificial fibre projects. The cumulative assistance sanctioned and disbursed by the IDBI since its inception till the end of March 1991 was at Rs.48,560.3 crore and Rs.34,656.4 crore, respectively.

Sanctions of direct assistance, the bulk of which was in the form of project loans, increased by 22.1 per cent from Rs. 3,407.6 crore (770 projects) in 1989-90 to Rs. 4,161.1 crore (866 projects) in 1990-91. Disbursements of direct assistance at Rs. 2,442.4 crore in 1990-91 recorded an increase of 41.0 per cent over those of the previous year (Rs. 1,732.8 crore).

Sanctions of indirect assistance, the bulk of which is by way of refinance of industrial loans and bills refinance, at Rs. 2,735.9 crore in 1990-91, showed an increase of 18.4 per cent over those in the previous year (Rs. 2,311.0 crore). Disbursements under indirect assistance at Rs. 2,017.0 crore during 1990-91 registered an increase of 13.3 per cent over the previous year's level of Rs. 1,781.0 crore.

High priority industries accounted for a major

* Due to non-availability of data in respect of State-level institutions, the component-wise analysis is restricted to All-India Financial Institutions.

@ Financial assistance of IDBI may be broadly categorised as direct assistance and indirect assistance. Direct assistance includes project loans, underwriting/direct subscription, guarantee for loans and deferred payments and technical development fund. Indirect assistance comprises refinance of industrial loans, bills finance, loans and investments in shares and bonds of financial intermediaries and seed capital.

Table IX-9 : Scheme-wise Assistance Sanctioned and Disbursed by IDBI

(Year : April-March) (Rs. crore)

Schemes	Sanctions			Disbursements		
	1989-90*	1990-91	Cumulative upto end-March 1991**	1989-90*	1990-91	Cumulative upto end-March 1991**
1	2	3	4	5	6	7
I) Direct Assistance (a to d)	**3,407.6**	**4,161.1**	**19,472.3**	**1,732.8**	**2,442.4**	**12,488.4**
a) Project loans	3,200.6	3,839.4	17,412.9	1,650.7	2,338.0	11,559.1
b) Underwriting and direct subscription	168.4	261.9	1,350.9	37.6	48.9	346.5
i) Equity/Preference shares	149.2	134.1	1,141.9	26.1	16.3	267.2
ii) Debentures	19.2	127.8	209.0	11.5	32.6	79.3
c) Guarantees for loans and deferred payments	6.1	17.2	418.1	14.1	28.5	347.4
d) Technical Development Fund	32.5	42.6	290.4	30.4	27.0	235.4
II) Indirect Assistance (e to h)	**2,311.0**	**2,735.9**	**29,064.0**	**1,781.0**	**2,017.0**	**22,144.0**
e) Refinance of Industrial loans	719.9	897.4	16,445.0	474.2	532.3	12,180.9
f) Bills finance	1,100.0	1,170.3	9,924.3	815.4	857.8	7,445.2
g) Loans and investments in shares and bonds of financial intermediaries	486.7	664.6	2,603.3	487.6	623.6	2,442.3
i) All-India	387.7	447.0	1,569.4	383.8	443.4	1,543.8
ii) State-level institutions	19.5	88.1*	724.9	16.2	84.1	631.4
iii) Leasing	79.5	129.5	309.0	87.6	96.1	267.1
h) Seed Capital	4.4	3.6	91.4	3.8	3.3	75.6
Sub-Total (I+II)	**5,718.6**	**6,897.0**	**48,536.3**	**3,513.8**	**4,459.4**	**34,632.4**
III) Other guarantees	**-**	**-**	**24.0**	**-**	**-**	**24.0**
Grand Total (I+II+III)	**5,718.6**	**6,897.0**	**48,560.3**	**3,513.8**	**4,459.4**	**34,656.4**

* Excludes assistance to small sector.

** Includes assistance to small sector upto March 31, 1990 as the operations in respect of small sector has been transferred to SIDBI from April 2, 1990.

Note : Data are provisional.

Source : Industrial Development Bank of India.

portion of assistance sanctioned during 1990-91. Textile industry accounted for 14.1 per cent of total assistance sanctioned followed by chemicals and chemical products (12 per cent), basic metals (10.3 per cent), machinery including electrical and electronic equipment (8.9 per cent), electricity generation (8.6 per cent), cement (6.8 per cent), and manufacturing (5.9 per cent), transport equipment (3.9 per cent), fertiliser (3.7 per cent) and rubber and rubber products (3.6 per cent).

Sector-wise, out of the total assistance sanctioned (Rs. 6,228.8 crore) comprising direct assistance, refinance of industrial loans and bills finance, private sector accounted for bulk of assistance sanctioned (Rs. 4,803.4 crore or 77 per cent), followed by public sector (Rs. 911.6 crore

or 14.6 per cent), joint sector (Rs. 292.7 crore or 4.7 per cent) and co-operative sector (Rs. 221.1 crore or 3.6 per cent).

Assistance sanctioned to backward areas during the year was 43 per cent (Rs. 2,685.5 crore) of the total assistance (Rs. 6,228.8 crore) as against 36.6 per cent (Rs. 1,913.4 crore) during the previous year.

Rehabilitation assistance aggregating Rs. 26.2 crore was sanctioned to 20 sick units during the year 1990-91. The assistance sanctioned included modernisation, expansion and/or diversification as part of rehabilitation package.

The Excise Relief Scheme introduced by the Government of India became operational during the year. Under the scheme, excise loans aggregating Rs. 124.9 crore were sanctioned by Empowered Committee to 30 companies assisted by the IDBI.

In terms of the Government of India's Notification, activity of development, maintenance and construction of roads has been specified as an 'Industrial Concern' under Section 2(c) of IDBI Act, 1964 and made eligible for financial assistance from the bank.

The total resources raised by IDBI during the year 1990-91 aggregated Rs. 2,882.1 crore (inclusive of foreign currency borrowings of Rs. 660.5 crore). The Government of India contributed an amount of Rs. 66 crore towards share capital of IDBI. The Government has also extended a grant of Rs. 10 crore to Venture Capital Fund and a loan of Rs. 5 crore towards seed capital. Drawals during the year from Government of India against various lines of credit from World Bank routed through Government aggregated Rs. 103.8 crore as against Rs. 94.6 crore in the previous year. IDBI raised during the year an amount of Rs. 1,070 crore from the domestic market through three bond issues. Further a sum of Rs. 546 crore was collected under the Investment Deposit Account Scheme, Rs. 405 crore by way of sale of 3 year capital bonds and Rs. 15.8 crore by way of other deposits and borrowings.

With a view to catering to the foreign currency requirements, IDBI made borrowings abroad — multilateral and other lines of credit and commercial borrowings. This includes (i) a line of credit of US $ 149 million made available by the World Bank during the year for restructuring of cement industry; (ii) a second untied loan of US $ 100 million from the Export Import Bank of Japan and (iii) a second public bond issue (Samurai) in the Japanese Capital Market in January 1991 for an amount of Yen 30 billion.

ii) Industrial Finance Corporation of India (IFCI)

During 1990-91 (April-March), total financial assistance sanctioned by the Industrial Finance Corporation of India (IFCI) under its various schemes aggregated Rs. 2,965.1 crore recording an increase of 29.2 per cent over those in the previous year (Rs. 2,294.9 crore) (Table IX-10). The above assistance was in respect of 960 projects as compared with 928 projects in 1989-90. Assistance sanctioned to projects in backward areas was for 57 projects amounting to Rs. 1,406.8 crore which accounted for 47.4 per cent of the total sanctions. Financial assistance disbursed during the year amounted to Rs. 1,574.9 crore showing an increase of 40.4 per cent over those in the preceding year (Rs. 1,121.8 crore).

As on March 31, 1991 the cumulative financial assistance sanctioned and disbursed by the IFCI was Rs. 11,423 crore (for 3,958 projects) and Rs. 7,045.6 crore, respectively.

Component-wise, sanctions of rupee loans rose by 20.5 per cent from Rs.1,685.4 crore in 1989-90 to Rs.2,030.6 crore in 1990-91, and disbursements of rupee loans rose by 38.7 per cent from Rs.864.0 crore in 1989-90 to Rs.1,198.2 crore in 1990-91. Sanctions of foreign currency loans at Rs.629.2 crore in 1990-91, registered a significant rise of 82.0 per cent over the previous year (Rs.345.7 crore) and disbursements at Rs.250.0 crore increased by 77.4 per cent over the previous year (Rs.140.9 crore). While there was rise in sanctions for underwriting of and direct subscriptions to shares and debentures from

Table IX-10 : Financial Assistance Sanctioned and Disbursed by IFCI

(Year : April – March) (Rs. crore)

Type of Assistance	1989-90		1990-91*		Cumulative Assistance as at the end of March, 1991*	
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5	6	7
1) Rupee loans	1,685.4	864.0	2,030.6	1,198.2	8,187.2	5,480.4
2) Foreign currency loans	345.7	140.9	629.2	250.0	2,086.2	1,064.3
3) Underwriting and direct subscription (i+ii)	100.9	31.5	141.1	15.9	627.4	165.1
i) Equity and Preference share	80.7	19.8	88.0	14.3	525.9	131.7
ii) Debentures	20.2	11.7	53.1	1.6	101.5	33.4
4) Guarantees	27.4	0.4	61.6	50.0	207.5	127.3
5) Equipment Leasing	135.5	85.0	102.6	60.8	314.7	208.5
Total (1 to 5)	**2,294.9**	**1,121.8**	**2,965.1**	**1,574.9**	**11,423.0**	**7,045.6**

* Provisional

Source : Industrial Finance Corporation of India.

Rs.100.9 crore in 1989-90 to Rs.141.1 crore in 1990-91, disbursements showed a decline from Rs.31.5 crore to Rs.15.9 crore over the year. Financial assistance sanctioned and disbursed by way of guarantees was higher at Rs.61.6 crore and Rs.50.0 crore as compared with Rs.27.4 crore and Rs.0.4 crore, respectively, during 1989-90.

Sanctions and disbursements under Equipment Leasing Scheme recorded a decline from Rs.135.5 crore and Rs.85.0 crore in 1989-90 to Rs.102.6 crore and Rs.60.8 crore, respectively, in 1990-91.

IFCI has been offering financial services under various schemes such as the Suppliers' Credit Scheme, Equipment Leasing Scheme, Equipment Procurement Scheme, Finance to Leasing and Hire-purchase concerns, Buyer's Credit Scheme, Equipment Credit Scheme and Equipment Finance. During the year, the financial assistance sanctioned under these schemes was for 275 projects amounting to Rs.741.2 crore. Cumulative assistance sanctioned under these schemes was Rs.1,838.9 crore (for 752 projects) as on March 31,1991.

During the year, Merchant Banking and allied Services Department of IFCI handled 82 assignments, of which 31 related to public issue management which helped the clients to mobilise funds of the order of Rs.520 crore. The Merchant Banking Department, since its inception on July 1, 1986 upto March 31, 1991 had handled 248 assignments which included 129 public issue management helping in mobilisation of funds of Rs.1,391.9 crore.

During the year, IFCI was permitted by Government of India to establish the Investment Information and Credit Rating Agency of India (IICRA). IICRA was incorporated on January 16, 1991 as a public limited company with an authorised capital of Rs.10 crore. IICRA commenced business from March 15, 1991. IICRA has a paid-up share capital of Rs.3.5 crore which is subscribed by IFCI, UTI, LIC, GIC, SBI and 17 other banks.

During the year, IFCI was permitted by the Reserve Bank of India to participate in the call money market (i.e., overnight call money and short notice money for period upto and including 14 days) only as a lender with effect from October 20, 1990. The lending operations of IFCI were, however, restricted only to the placement of its short-term surplus funds, provided IFCI did not have outstanding short-term borrowings from the Reserve Bank of India.

During the year under review, IFCI raised funds to the extent of Rs.400 crore by issue of bonds. The total outstanding borrowings by way of bonds as on March 31, 1991 aggregated Rs.2,899.6 crore.

The foreign currency resources presently available with IFCI comprise lines of credit from Kreditanstalt - fur - Wiederaufbau (KFW), DM Revolving Fund, FINFUND, borrowings from Euro-currency markets, ADB loans and funds raised from Japanese capital market. IFCI raised a loan of US $ 100 million from syndicate of foreign banks. The cumulative borrowings in foreign currency as on March 31, 1991 aggregated US $ 425 million. As on March 31, 1991, cumulative net sanctions in respect of Euro-Dollar loans amounted to US $ 454 million and Japanese Yen loans amounted to Yen 51,935 million.

iii) Industrial Credit and Investment Corporation of India Ltd. (ICICI)

During 1990-91 (April-March), the financial assistance sanctioned by the ICICI amounted to Rs.3,861.1 crore as compared with Rs.2,850.6 crore, in the preceding year (Table IX-11). Disbursements during the year were placed at Rs.1,967.6 crore as against Rs.1,357.1 crore in 1989-90. Thus, during the year sanctions and disbursements recorded a rise of 35.4 per cent and 45.0 per cent, respectively. As against this, during 1989-90 there was a rise of 43.5 per cent in sanctions and 25.0 per cent in disbursements over those in 1988-89. The cumulative assistance sanctioned and disbursed by ICICI as on March 31, 1991 amounted to Rs.16,822.4 crore and Rs.10,597.2 crore, respectively.

Sanctions by way of loans (rupee and foreign currency) rose from Rs.1,648.8 crore in 1989-90 to Rs.2,552.4 crore in 1990-91 recording a rise of 54.8 per cent over the year. While sanctions during 1990-91 for rupee loans went up by 38.8 per cent those for foreign currency loans rose by 79.9 per cent. Disbursements of loans also rose by 58.6 per cent over the year from Rs.813.2 crore to Rs.1,289.8 crore. While sanctions by way of underwriting of and direct subscription to shares and debentures declined from Rs.275.5 crore in 1989-90 to Rs.259.2 crore in 1990-91, disbursements rose from Rs.98.1 crore to Rs.113.5 crore

Table IX - 11 : Financial Assistance Sanctioned and Disbursed by ICICI

(Year : April-March) (Rs. crore)

Type of Assistance	1989-90		1990-91*		Cumulative Assistance as at the end of March 1991*	
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5	6	7
I. Direct Finance (1 to 3)	**1,947.7**	**913.3**	**2,832.8**	**1,406.5**	**13,566.5**	**8,844.1**
1. Loans (i + ii)	1,648.8	813.2	2,552.4	1,289.8	12,174.3	8,380.0
i) Rupee loans	1,007.3	591.7	1,398.1	934.0	6,002.6	4,158.7
ii) Foreign currency loans	641.5	221.5	1,154.3	355.8	6,171.7	4,221.3
2. Underwriting and direct subscription (i + ii)	275.5	98.1	259.2	113.5	1,101.0	453.9
i) Equity and Preference shares	105.0	20.9	83.7	23.8	617.4	204.3
ii) Debentures	170.5	77.2	175.5	89.7	483.6	249.6
3. Guarantees	23.4	2.0	21.2	3.2	291.2	10.2
II. Financial Services (4 to 7)	**902.9**	**443.8**	**1,028.3**	**561.1**	**3,255.9**	**1,753.1**
4. Deferred credit	547.5	308.7	513.4	265.2	1,898.4	1,077.0
5. Leasing	103.1	69.8	172.9	110.6	720.6	417.2
6. Instalment sale	38.3	7.5	-	4.6	69.5	21.6
7. Asset credit	214.0	57.8	342.0	180.7	567.4	237.3
III Total (I + II)	**2,850.6**	**1,357.1**	**3,861.1**	**1,967.6**	**16,822.4**	**10,597.2**

* Provisional

Source : Industrial Credit and Investment Corporation of India Ltd.

in 1990-91.

During 1990-91, total sanctions by the ICICI under project finance at Rs.2,832.8 crore registered an increase of 45.4 per cent over the previous year (Rs.1,947.7 crore). Disbursements amounted to Rs.1,406.5 crore against Rs.913.3 crore during 1989-90 recording an increase of 54 per cent over the year.

During 1990-91, assistance sanctioned and disbursed to backward areas at Rs.1,270.3 crore and Rs.631.4 crore showed increase of 50.8 per cent and 41.6 per cent, respectively. Sanctions and disbursements to the backward areas accounted for 44.8 per cent and 44.9 per cent of the total sanctions and disbursements by way of project/ direct finance, respectively. Assistance sanctioned and disbursed to the projects in private sector at Rs.2,632.3 crore and Rs.1,239.4 crore accounted for 92.9 per cent and 88.1 per cent, respectively of the total sanctions and disbursements by way of project/direct finance.

Over the year, total sanctions under financial services, comprising deferred credit, leasing, instalment sale and asset credit, increased from Rs.902.9 crore in 1989-90 to Rs.1,028.3 crore in 1990-91, showing a rise of 13.9 per cent over the year. Total disbursements for financial services increased from Rs.443.8 crore in 1989-90 to Rs.561.1 crore in 1990-91, recording an increase of 26.4 per cent over the year.

During 1990-91, the Merchant Banking Division completed 122 assignments and helped its clients raise Rs.2,515 crore including Rs.1,361 crore from the Capital Market (Rs.3,662 crore in 1989-90 including Rs.2,656 crore from the capital market). Since inception in 1973, the Merchant Banking Division has completed 845 assignments and assisted in raising a total amount of Rs.14,906 crore, including Rs.10,031 crore from the capital market.

During 1990-91, ICICI raised resources aggregating Rs.1,722 crore in rupee and foreign currencies. Rupee resources raised amounted to Rs.1,095 crore comprising Rs.364 crore by way of three bond issues guaranteed by Government of India, Rs.15 crore by way of securitization, and remaining by way of fixed deposits and loans at commercial rates from other financial institutions.

During the year ICICI concluded arrangements for US $ 319 million equivalent in foreign currencies. This comprises (i) US $ 50 million raised from the Euro currency market, (ii) US $ 149 million from the World Bank under the cement modernisation project, (iii) US $ 120 million from the Asian Development Bank for medium scale industries to meet their requirements of funds primarily for balancing, modernisation, replacement and expansion of existing production facilities. The line would also be utilised for the establishment of new enterprises or facilities that have outstanding economic merits and those that introduce new technology in India.

iv) Small Industries Development Bank of India (SIDBI)

Small Industries Development Bank of India (SIDBI) was set up as a wholly owned subsidiary of the IDBI under the Small Industries Devlopment Bank of India Act, 1989*. It commenced its operations on April 2, 1990 with an initial paid-up capital of Rs.250 crore and by taking over the outstanding portfolio of IDBI relating to small-scale sector held under Small Industries Development Fund as on March 31, 1990 amounting to Rs.4,200 crore. The authorised capital and paid-up capital of the bank were subsequently raised to Rs.500 crore and Rs.450 crore, respectively. In terms of Section 32(1) of the SIDBI Act, 1989, the business assets and liabilities, rights, interests, privileges and obligations of IDBI relating to Small Industries Development Fund and National Equity Fund were transferred to and vested in SIDBI with effect from April 2, 1990.

* The decision to set up SIDBI was announced by the Finance Minister while presenting the Union Budget for 1989-90 and the Bill for setting up the Bank as a wholly owned subsidiary of Industrial Development Bank of India (IDBI) was introduced in Parliament in May 1989 and passed in October 1989.

With a view to ensuring larger flow of financial and non-financial assistance to small scale sector, the immediate thrust of SIDBI was on : (i) initiating steps for technological upgradation and modernisation of existing units; (ii) expanding the channels for marketing the products of SSI sector in domestic and overseas market; and (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 major activities of SIDBI are : (a) refinance of loans and advances; (b) discounting and re-discounting of bills; (c) extension of seed capital/soft loans; (d) granting direct assistance and refinancing of loans; (e) providing services like factoring, leasing etc. and (f) extending financial support to State Small Industries Development Corporations.

During the financial year 1990-91, SIDBI's sanctions and disbursements amounted to Rs.2,823.8 crore and Rs.2,253.5 crore, respectively (Table IX-12). The salient features of SIDBI operations are that the bulk of the sanctions during the year was in the form of refinance (Rs.2,052.2 crore) which constituted 72.7 per cent of the total sanctions. Further, assistance was provided by SIDBI to commercial banks under the facility of rediscounting of short-term bills of less than 90 days usance. The sanctions under rediscounting of short-term bills at Rs.415 crore accounted for 14.7 per cent of total sanctions, followed by sanctions under Bills Rediscounting Scheme (to help manufacturers in offering deferred payment credit facilities to purchasers)

Table IX-12 : Assistance Sanctioned and Disbursed by Small Industries Development Bank of India

(Year : April-March) (Rs. crore)

Schemes	1989-90@		1990-91	
	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5
I) Direct Assistance	**-**	**-**	**34.5**	**20.8**
Direct Discounting	-	-	26.0	20.1
Marketing Scheme	-	-	0.9	-
Assistance to Leasing Companies	-	-	5.5	0.7
Quality Testing Centre	-	-	0.1	-
Infrastructural Development	-	-	2.0	-
II) Indirect Assistance	**1,986.2**	**1,483.5**	**2,707.2**	**2,155.1**
Refinance	1,844.3	1,376.3	2,052.2	1,561.5
Bills Rediscounting	141.9	107.2	240.0	178.6
Short Term Bills	-	-	415.0	415.0
III) Equity Support	**6.6**	**5.5**	**7.1**	**5.5**
Seed Capital	0.4	0.6	0.3	0.2
Special Capital	-	-	-	-
National Equity Fund (NEF)	1.2	1.0	1.6	1.3
Special Scheme for Ex-serviceman (SEMFEX)	4.6	3.9	4.3	3.6
Mahila Udayam Nidhi Scheme (MUN)	0.4	*	0.9	0.4
IV) Resources Support	**93.3**	**81.9**	**75.0**	**72.1**
National Small Industries Corporation (NSIC)	12.0	15.7	22.0	20.6
State Small Industries Development Corporation (SSIDC)	20.2	15.5	14.5	18.0
New Debt Instrument (NDI)	61.1	50.7	38.5	33.5
Total	**2,086.1**	**1,570.9**	**2,823.8**	**2,253.5**

* Rs. 2 lakh only.

@ SIDBI commenced operations from April 2, 1990. Data for 1989-90 pertain to Small Industries Development Fund and National Equity Fund Schemes which have been taken over by SIDBI from IDBI.

Note : Data are provisional.

Source : Small Industries Development Bank of India.

-Rs.240 crore accounting for 8.5 per cent of total sanctions. In respect of the disbursements also, refinance assistance at Rs.1,561.5 crore accounted for 69.3 per cent followed by short-term bills Rs.415 crore (18.4 per cent), bills rediscounted Rs.178.6 crore (7.9 per cent) and others Rs.98.4 crore (4.4 per cent).

During the year, SIDBI has evolved new schemes of assistance as well as liberalised the existing schemes of assistance. The ceiling on term loans eligible for refinance under Automatic Refinance Scheme (ARS) has been raised from Rs.7.5 lakh to Rs.10 lakh and the extent of refinance to banks raised from 75 per cent to 100 per cent in respect of all their loans upto Rs.5 lakh to small scale units. The Single Window Scheme (SWS) was also liberalised by raising the limit on project cost and working capital from Rs.5 lakh and Rs.2.5 lakh to Rs.10 lakh and Rs.5 lakh respectively. To ensure that more number of small scale units could be covered by the banks and other institutions, the scope of the National Equity Fund Scheme (NEF) was enlarged to cover service activities and projects assisted under SWS. NEF Scheme which was operated through public sector banks and certain designated institutions, has been extended to all SFCs/SIDCs, private sector banks and selected urban co-operative banks. To encourage exports by small scale units, scheme of interest rebate of 20 per cent for Export-Oriented Units was extended till March 31, 1991. New schemes of assistance for creating and strengthening marketing infrastructure in villages, small towns, semi-urban and metropolitan areas were introduced. While projects costing upto Rs.25 lakh and set up by individual, partnership and small companies are assisted under the refinance scheme, projects costing above Rs.25 lakh and upto Rs.3 crore set up by corporate bodies/co-operative societies are provided assistance directly by SIDBI. The other Schemes introduced by SIDBI are (i) a scheme for direct discounting of bills to assist small scale units manufacturing capital goods and (ii) a scheme of direct assistance for infrastructural development of industrial areas. SIDBI has also started extending refinance assistance to eligible institutions to encourage setting up of small hotels, other tourism related projects and nursing homes.

In order to mitigate the difficulties faced by SSI units on account of delayed payments, SIDBI has decided to join the nodal banks identified by RBI in promoting separate factoring companies. It has the equity participation in SBI Factors and Commercial Services Private Ltd. set up by State Bank of India (SBI). In addition, SIDBI has introduced the scheme for financing establishment of marketing channels for the sale of SSI products for minimising delays in realisation of sales proceeds of their products.

v) Shipping Credit and Investment Company of India Limited (SCICI)

The Shipping Credit and Investment Company of India Limited (SCICI) is a specialised development financial institution, set up in 1986 by ICICI, to encourage and assist development of shipping, fishing and related industries in India as a sequel to the decision of the Government of India to abolish the Government owned Shipping Development Fund Committee. The primary function of this institution is to act as a channel for providing development finance to shipping, deep-sea fishing and related industries which *inter alia* include road and air transportation, aquaculture, feed-mill, hatchery, fish processing, on-shore and off-shore oil survey, exploration and production, food processing and associated infrastructure facilities.

SCICI provided financial assistance to enterprises in various forms such as rupee loans, foreign currency loans, guarantees, underwriting of public and private issues and offer for sale of securities, ordinary shares, preference shares, bonds, direct subscription to such securities, credit facilities to indigenous manufacturers/users, and foreign currency/rupee leasing of ships, fishing vessels and allied equipment including containers, aircraft and transportation equipment. SCICI also offers corporate financial advisory services covering merchant banking, acquisition/mergers, project consultancy, foreign exchange liabilities managements, etc.

During 1990-91 (April-March), SCICI sanctioned financial assistance aggregating Rs.331.6 crore showing a rise of Rs.10.4 crore or 3.2 per cent over the previous year (Table IX-13). The assistance sanctioned during 1990-91 comprised foreign currency loans of the equivalent of Rs.187.3 crore, rupee loans of Rs.136.8 crore and underwriting/investment assistance of Rs.7.5 crore. During 1989-90, SCICI had sanctioned Rs.321.2 crore (foreign currency loans of equivalent of Rs.160.8 crore, rupee loans Rs.133.9 crore, underwriting/investment assistance Rs.0.4 crore, leasing Rs.21 crore and deferred credit Rs.5.1 crore). Disbursements during the year 1990-91 at Rs.167.0 crore were Rs.58.7 crore or 26 per cent lower than that in the previous year. The outstanding portfolio, net of repayment by borrowers, was Rs.517.6 crore as on March 31, 1991.

Table IX - 13 : Assistance Sanctioned and Disbursed by SCICI

(Year : April-March) (Rs. crore)

Type of Assistance	1987-88*		1988-89		1989-90		1990-91	
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5	6	7	8	9
1. Rupee loans	84.4	42.4	129.8	74.9	133.9	79.9	136.8	57.3
2. Foreign currency loans	48.2	18.1	131.1	50.3	160.8	119.9	187.3	99.1
3. Underwriting/Investment	2.5	-	14.3	0.2	0.4	4.1	7.5	10.0
4. Leasing	-	-	35.2	12.5	21.0	21.0	-	-
5. Deferred credit	-	-	-	-	5.1	0.5	-	0.1
6. Guarantees	2.7	-	1.6	-	-	0.3	-	0.5
7. Suppliers' credit	6.0	-	-	-	-	-	-	-
Total	**143.8**	**60.5**	**312.0**	**137.9**	**321.2**	**225.7**	**331.6**	**167.0**

* SCICI was incorporated on December 8, 1986 and commenced operations from December 16, 1986. Data for 1987-88 therefore covers the fifteen months ended March 1988.

Source : Shipping Credit and Investment Company of India Ltd.

SCICI's initial share capital of Rs.50 crore had been subscribed by all-India financial institutions and major commercial banks. SCICI offered additional equity capital of Rs.25 crore for public subscription in February 1991. The share capital of SCICI stands at Rs.75 crore at the end of March 1991.

vi) Tourism Finance Corporation of India Ltd. (TFCI)

The Tourism Finance Corporation of India Ltd. (TFCI) commenced its business from February 1, 1989. During the financial year 1990-91, the second year of its operations, assistance sanctioned by the Corporation aggregated Rs.85 crore which was higher by Rs.32.2 crore or 61 per cent than that of the previous year (Table IX-14). The total sanctions comprised rupee loans (Rs.80.7 crore), leasing assistance (Rs.2.2 crore) and direct subscriptions to equity shares (Rs.2.1 crore). Disbursements during the year at Rs.39.2 crore were a little more than three times the total disbursements during 1989-90. As on March 31, 1991, cumulative sanctions were Rs.137.8 crore

Table IX-14 : Financial Assistance Sanctioned and Disbursed by TFCI

(Year : April-March) (Rs.crore)

Type of Assistance	Feb 1989-March 1990		1990-91		Cumulative as on March 31, 1991	
	Sanctions	Disbursements	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5	6	7
1. Rupee loans	51.5	12.8	80.7	38.7	132.1	51.4
2. Direct subscription to equity	1.3	-	2.1	0.2	3.5	0.2
3. Leasing	-	-	2.2	0.3	2.2	0.4
Total	**52.8**	**12.8**	**85.0**	**39.2**	**137.8**	**52.0**

Source : Tourism Finance Corporation of India Ltd.

comprising rupee loans (Rs.132.1 crore), leasing (Rs.2.2 crore) and direct subscriptions to equity (Rs.3.5 crore). Cumulative disbursements were Rs.52 crore as on March 31, 1991 comprising rupee loans Rs.51.4 crore, leasing Rs.0.4 crore and direct subscription to equity Rs.0.2 crore. Of the total cumulative assistance mentioned above, assistance sanctioned to backward areas was of the order of Rs.20.8 crore covering 15 projects (of which Rs.11.0 crore to 8 projects was during the year 1990-91).

2. Investment Institutions

Institution-wise operations of 'Investment Institutions' during 1990-91 are set out in the following paragraphs.

i) Unit Trust of India (UTI)

Financial assistance sanctioned and disbursed by UTI during the year under review i.e. 1990-91 (April-March) by way of direct subscription to shares and debentures, privately placed debentures, underwriting, special deposits and loans at Rs.2,077.2 crore and Rs.1,532.7 crore registered increases of 58.9 per cent and 41.8 per cent, respectively, over those of 1989-90 (Table IX-15).

The total investible funds of UTI increased by 21.2 per cent to Rs.21,376.5 crore as on June 30, 1991 from Rs.17,650.9 crore as on June 30, 1990 (Table IX–16). UTI investments show that as at the end of June 1990 about Rs. 6,990.6 crore or 39.6 per cent of the total investments were in the corporate sector, Rs.6,088 crore or 34.5 per cent in government securities and Rs.4,572.3 crore or 25.9 per cent in deposits and other investments with banks. Out of the total amount of Rs. 6,990.6 crore of investments in the corporate sector, UTI had invested Rs.3,494.5 crore in equity shares, Rs.14.3 crore in preference shares and Rs.2,384.1 crore in debentures. Thus the investment in the three capital market instruments accounted for Rs.5,892.9 crore or 84.3 per cent of the investments in the corporate sector or 33.4 per cent of the total investments. The balance amount of Rs.1,097.7 crore were in the form of advance deposits against investment commitment, unsecured short-term deposits, bridge finance, advance calls, application money, term loans and special deposits.

At the end of June 1991, the total investible funds of the UTI were Rs. 21,376.5 crore out of which investments in three capital market instruments viz., equities, preference shares and debentures aggregated Rs. 8,684.0 crore or 40.6 per cent of the total investible funds (as against 33.4 per cent in the previous year). UTI's investments in equities at Rs.4,234.0 crore were higher by Rs.739.5 crore or 21.2 per cent than

Table IX-15 : Financial Assistance Sanctioned and Disbursed by Unit Trust of India

(Year : April-March) (Rs. crore)

Sr. No.	Type of Assistance	1989-90		1990-91*	
		Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5	6
1.	Subscriptions to privately placed debentures/loans/ special deposits	555.5	528.7	1,233.0	1,045.1
2.	Underwriting and Direct subscription (a+b)	751.7	551.9	844.2	487.6
	a) Equity and Preference shares	58.8	51.7	61.9	31.2
	b) Debentures/Bonds	692.9	500.2	782.3	456.4
	Total	**1,307.2**	**1,080.6**	**2,077.2**	**1,532.7**

* Provisional.

Source : Unit Trust of India.

Table IX-16 : Investments by Unit Trust of India

(Rs. crore)

Type of Investment	As on June 30, 1990	As on June 30, 1991*
1	2	3
A. Total investments in Corporate Sector (1 to 10)	**6,990.6**	**14,299.9**
	(39.6)	**(66.9)**
Of which		
1. Equity shares	3,494.5	4,234.0
	(19.8)	(19.8)
2. Preference shares	14.3	19.1
	(0.1)	(0.1)
3. Debentures	2,384.1	4,430.9
	(13.5)	(20.7)
4. Advance deposits against investment commitments	48.0	99.5
	(0.3)	(0.5)
5. Unsecured short-term deposits	233.1	472.3
	(1.3)	(2.2)
6. Bridge finance	18.7	112.8
	(0.1)	(0.5)
7. Application money	12.9	2.5
	(0.1)	(-)
8. Advance call	0.1	0.1
	(-)	(-)
9. Term loan	764.4	1,756.9
	(4.3)	(8.2)
10. Special deposits	20.5	3,171.8
	(0.1)	(14.9)
B. Other investments (11 and 12)	**10,660.3**	**7,076.6**
Of which	**(60.4)**	**(33.1)**
11. Deposits and other investment with banks	4,572.3	3,515.0
	(25.9)	(16.4)
12. Government securities	6,088.0	3,561.6
	(34.5)	(16.7)
C. Total investible funds (A+B)	**17,650.9**	**21,376.5**
	(100.0)	**(100.0)**

* Provisional
Note : Figures in brackets indicate percentage to total.
Source : Unit Trust of India.

those of the previous year (Rs 3,494.5 crore). However, the share of the equities in total investments was at the same level i.e., 19.8 per cent as in the previous year. Investments in debentures showed a substantial increase of Rs.2,046.8 crore or 85.9 per cent to Rs.4,430.9 crore and their share in the total investible funds increased from 13.5 per cent to 20.7 per cent.

During 1990-91 (July -June), the gross sales of units by UTI under all the schemes aggregated Rs. 4,122.1 crore registering a decline of 26.2 per cent as compared with the total sales of Rs.5,583.6 crore in 1989-90 (Table IX-17). As against this, during 1989-90 gross sales showed an increase of 44.8 per cent. The decline during 1990-91 was mainly due to fall in the sale of units under Unit Scheme 1964 which declined from Rs.3,201.0 crore in 1989-90 to Rs.699.8 crore in 1990-91 due to a steep decline in the sale of units to corporate sector from Rs. 2,813.0 crore in 1989-90 to Rs.353 crore in 1990-91. This decline was attributable to amendment of section 80M of the Income-tax Act and dual sale price for the month of July introduced by the UTI from 1990-91.

Table IX-17 : Scheme-wise Sales and Repurchases by Unit Trust of India

(Year: July-June) (Rs. crore)

Sr. No.	Schemes	Sales		Repurchases		Outstanding (as on June 30)		Dividend Rate (Per cent)	
		1989-90	1990-91	1989-90	1990-91	1990	1991	1989-90	1990-91
1		2	3	4	5	6	7	8	9
1.	Unit Scheme 1964	3,201.0	699.8	650.5	460.8	7,024.7(a)	7,263.7	18.00	19.50
2.	Unit Scheme 1971 (ULIP)	198.4	283.1	48.9	50.5	495.6	728.1	14.00	14.50
3.	Scheme for Charitable and Religious Trusts and Registered Societies 1981 (CRTS)	38.2	54.8	0.9	1.4	134.2	187.6	15.25	15.75
4.	Monthly Income Unit Scheme with Growth (g)	318.7	0.2	25.7	121.5	1,972.2	1,850.4	12.00	12.00(h)
5.	Growing Income Unit Scheme (i)	373.1(k)	100.0 (l)	8.0	177.5	1,046.1	966.2	(o)	(j)
6.	Capital Gains Unit Scheme 1983	333.8	390.5	293.9	264.1	938.9	1,065.3	9.90	10.25
7.	Income Unit Scheme 1985	4.4(b)	-	27.8	-	-	-	13.00	-
8.	Children's Gift Growth Fund Unit Scheme 1986	119.9	168.0	0.1	0.3	332.7	500.4	12.50	12.50
9.	India Fund Unit Scheme 1986	29.1	2.1	-	-	168.6	170.6	7.19	9.19
10.	Mutual Fund (Subsidiary) Unit Scheme 1986	(c)	-	-	-	233.3	233.3	18.00	18.00
11.	Parents Gift and Growth Fund Unit Scheme 1987	4.3	3.5	0.1	0.1	20.8	23.9	12.50	12.50
12.	India Growth Fund 1988	1.4(n)	-	-	-	43.3	43.3		US$1.50
13.	Venture Capital Unit Scheme (I) 1989	-	-	-	-	20.0(d)	20.0(d)		
14.	Growing Income Unit Scheme 1990	41.2	4.3(b)	-	0.1	41.2	45.5	12.50	12.50
15.	New 7 - Year Monthly Income Unit Scheme with Yearly Bonus and Growth 1990	904.7	103.4(p)	-	1.8	904.7	1,006.3	12.00	13.00(f)
16.	Venture Capital Unit Scheme (II) 1990	15.4(e)	1.7	-	-	15.4(e)	17.1	-	-
17.	Deferred Income Unit Scheme - 1990	-	105.3	-	-	-	105.3	-	(m)
18.	Unit Growth Scheme - 2000	-	193.7	-	-	-	193.7	-	(m)
19.	7 Year Monthly Income Scheme with Bonuses and Growth (II) 1990	-	1,186.0(q)	-	23.1	-	1,162.9	-	13.00
20.	Master Equity Plan - 1991	-	285.6	-	-	-	285.6	-	(m)
21.	7 - Monthly Income Scheme with Bonuses and Growth 1991	-	504.9	-	-	-	504.9	-	13.00
22.	Capital Growth Unit Scheme 1991 (Master gain)	-	35.2	-	-	-	35.2	-	(m)
	Total	**5,583.6**	**4,122.1**	**1,055.9**	**1,101.2**	**13,391.7**	**16,409.3**		

(a) Includes adjustments to the extent of Rs.14.46 lakh arising out of reconciliation of unit capital and inter- plan transactions.
(b) Reinvestment of dividend.
(c) Sales of Rs. 1 lakh to renouncees effected in 1989-90.
(d) Represents contributions made by UTI and ICICI of Rs. 10 crore each.
(e) Represents contributions from ICICI, other financial institutions, companies and bodies corporate.
(f) 12 per cent yearly dividend plus one per cent bonus dividend paid at the end of the year.
(g) Includes Monthly Income Schemes with Growth (3) 1984, (4) 1985, (5) 1985, 6 (1986), 7 (1986), 8 (1987), 9 (1987), 10 (1988), 11 (1988), 12 (1989) and 13 (1989).
(h) No dividend declared for MISG - 3 (1984), 4 and 5 (1985).
(i) Includes Growing Income Unit Scheme 1986, 1987 (II) 1987 (III), 1989, 1989 (II).
(j) Dividend for GIUS - 86 is 13.50 per cent, for GIUS - 87 and 87 (II) it is 13.00 per cent, for GIUS - 87 (III) it is 12.25 per cent and GIUS 89 and 89 (II) it is 12.50 per cent.
(k) Includes reinvestment of dividend of Rs. 42.3 crore and sales on clearance of objections Rs. 15.9 crore.
(l) Includes reinvestment of dividend of Rs. 68.4 crore.
(m) No dividend declared as per the provisions of scheme.
(n) Received on subsequent transfer of funds to the scheme.
(o) 13.00 per cent each for GIUS-86 and GIUS -87; 12.50 per cent each for GIUS-89 and GIUS (II) -89 and GIUS - 90; 12.00 per cent for GIUS (III) 87 and 12.50 per cent (July-December 1989) and 13.00 per cent (January-June 1990) for GIUS (II) - 87.
(p) Includes reinvestment of dividend and sales on clearance of objections.
(q) Includes reinvestment of dividend

Source : Unit Trust of India.

During the year under review UTI introduced six new schemes which were individual oriented and close ended schemes; viz., Deferred Income Unit Scheme-90 (DIUS-90), Unit Growth Scheme - 2000 (UGS-2000), 7 Year Monthly Income Scheme with Bonus and Growth-90(II)-MISG-90(II), Master Equity Plan-91 (MEP-91), 7 Year Monthly Income Scheme with Bonuses and Growth-91 (MISG-91), and Capital Growth Unit Scheme-91 (Master Growth-91). Sales under these six schemes aggregated Rs.2,310.7 crore during the year. Of the six new schemes mentioned above, three schemes viz., UGS-2000, MEP-91 and Master Gain were growth-oriented equity-based schemes.

Total repurchases under all the schemes during the year amounted to Rs.1,101.2 crore as compared with Rs.1,055.9 crore in the previous year. In addition to the six new schemes the Unit Trust of India also launched on October 1, 1990 the "Odd-lot Unit Scheme - 1990" to unitise the odd-lot shares/debentures of selected companies into units of different Schemes. Dividends under all the on-going schemes were raised during the year details of which are set out in Table IX-17. During the year UTI added 3.5 million unit holding accounts taking the total number to 10 million unit-holding accounts. UTI appointed 11,249 agents during the year taking the total number of agents to 65,506. The Unit Capital under all the Schemes as on June 30, 1991 amounted to Rs.16,409.3 crore as compared to Rs.13,391.7 crore on June 30, 1990.

ii) Life Insurance Corporation of India (LIC)

During 1990-91 (April-March), financial assistance sanctioned by the LIC at Rs.688.1 crore in 1990-91 showed a rise of 19.0 per cent compared to the assistance sanctioned in 1989-90 (Table IX-18). However, disbursements during the year 1990-91 at Rs.427.4 crore showed a decline of 6.1 per cent, compared with those in 1989-90. Item-wise, assistance sanctioned by way of term loans rose from Rs.146.8 crore in 1989-90 to Rs.234.4 crore in 1990-91. Disbursements of term loans also rose from Rs.100.7 crore in 1989-90 to Rs.170.3 crore in 1990-91. While sanctions for underwriting of and direct subscriptions to shares and debentures rose from Rs. 431.4 crore in 1989-90 to Rs.453.7 crore in 1990-91, disbursements declined from Rs.354.5 crore to Rs.257.1 crore in 1990-91.

Table IX-18 : Assistance Sanctioned and Disbursed by Life Insurance Corporation of India (LIC)

(Year : April-March) (Rs. crore)

Sr. No.	Type of Assistance	1989-90		1990-91*		Amount Outstanding as on March 31, 1991
		Sanctions	Disbursements	Sanctions	Disbursements	
1	2	3	4	5	6	7
1.	Term loans** (a+b+c)	146.8	100.7	234.4	170.3	843.2 @
	a. Public Sector	16.4	5.1	75.1	30.8	
	b. Private Sector (including Joint Sector)	128.4	94.6	149.4	138.6	
	c. Co-operative Sector	2.0	1.0	9.9	0.9	
2.	Underwriting and direct subscriptions (i+ii)	431.4	354.5	453.7	257.1	2,830.9 @@
	i. Equity and Preference Shares	24.6	21.2	20.3	5.2	747.7
	ii. Debentures	406.8	333.3	433.4	251.9	2,083.2
	Total (1 + 2)	578.2	455.2	688.1	427.4	3,674.1

* Provisional

** Relates to term loans (excluding short and medium term loans) to companies, industrial co-operatives and sugar co-operatives.

@ Sector-wise break-up is not available.

@@ Includes market purchases.

Source: Life Insurance Corporation of India.

Investments by LIC

Investments by Life Insurance Corporation of India (LIC) as on March 31, 1991 at Rs.24,899. 7 crore recorded a rise of 21.4 per cent over those at the end of March 1990 – Rs.20,503.7 crore (Table IX-19).

Sector-wise data on investments shows that investments in public sector at Rs.19,980.2 crore constituted 80.2 per cent of total investments, followed by private sector (Rs.3,310.0 crore or 13.3 per cent), co-operative sector (Rs.1,444.3 crore or 5.8 per cent) and joint sector (Rs.165.2 crore or 0.7 per cent).

Of the outstanding investments at Rs.24,899.7 crore as on March 31, 1991, Stock Exchange Securities accounted for Rs.15,842.2 crore (63.6 per cent), loans Rs.7,416.6 crore (29.8 per cent) and others Rs.1,640.8 crore (6.6 per cent). As on March 31, 1990, out of the outstanding investment of Rs.20,503.7 crore, 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).

The rates of interest charged by LIC, for consortium, non-consortium and Group gratuity were changed during the year.

The lending rates of different classes of companies and industrial co-operatives during the year 1990-91 were as under:

Term loans	Net rate of interest charged by LIC
1) Consortium	i) 14 per cent per annum for a period of 2 years from the date of execution of the loan agreement or till the completion of the project whichever is earlier.
	ii) 15 per cent per annum thereafter.
2) Non-consortium	i) 16 per cent per annum for a period of 2 years from the date of execution of the loan agreement or till the completion of the project whichever is earlier.
	ii) 17 per cent per annum thereafter.
3) Group Gratuity	16 per cent per annum.

iii) General Insurance Corporation of India and its subsidiaries (GIC)

General Insurance Corporation of India and its subsidiaries@sanctioned financial assistance of Rs.312.9 crore during 1990-91 (April-March) recording a rise of 48.2 per cent over that of 1989-90 (Rs.211.2 crore)-(Table IX-20). Disbursements by GIC during the year declined by 18.5 per cent from Rs.179.6 crore in 1989-90 to

@ National Insurance Company Ltd., The New India Assurance Co. Ltd., The Oriental Insurance Co. Ltd., and United India Insurance Co. Ltd.

Table IX - 19 : Investments by LIC

(Rs. crore)

Sector	As at the end of March		Net change during April-March	
	1990	1991	1989-90	1990-91
1.	2.	3.	4.	5.
1. Public Sector	16,404.3	19,980.2	2,372.0	3,575.9
2. Private Sector	2,640.7	3,310.0	667.6	669.3
3. Joint Sector	125.5	165.2	28.3	39.7
4. Co-operative Sector	1,333.2	1,444.3	93.1	111.0
TOTAL (1 to 4)	**20,503.7**	**24,899.7**	**3,161.0**	**4,395.9**
Of which :				
a) Stock Exchange Securities	12,918.6	15,842.2	1,986.3	2,923.6
b) Loans	6,142.4	7,416.6	1,086.9	1,274.3
c) Others*	1,442.8	1,640.8	87.8	198.0

* Others include special deposits with Central Government, contribution to the initial capital of the Unit Trust of India, LIC Housing Finance, LIC Mutual Fund, LIC International, loans on bills rediscounting.

Source :- Life Insurance Corporation of India.

Table IX-20 : Financial Assistance Sanctioned and Disbursed by GIC and its Subsidiaries

(Year : April-March) (Rs. crore)

	1989-90		1990-91	
	Sanctions	Disbursements	Sanctions	Disbursements
1	2	3	4	5
A. Type of Assistance				
1. Loans	49.0	42.9	71.2	49.4
2. Underwriting and direct subscriptions (a+b)	162.2	136.7	241.7	97.0
a) Equity and Preference shares	16.2	16.1	4.9	9.1
b) Debentures	146.0	120.6	236.8	87.9
Total	211.2	179.6	312.9	146.4
B. Sector-wise Assistance				
1. Public sector	15.0	-	30.8	1.6
2. Private sector	187.9	172.3	273.6	139.0
3. Co-operative sector	-	-	3.0	-
4. Joint sector	8.3	7.3	5.5	5.8
Total	**211.2**	**179.6**	**312.9**	**146.4**

Source : General Insurance Corporation of India.

Rs.146.4 crore in 1990-91.

Sanctions by way of loans rose by 45.3 per cent from Rs.49.0 crore in 1989-90 to Rs.71.2 crore in 1990-91. Disbursements of loans rose by 15.2 per cent from Rs.42.9 crore in 1989-90 to Rs.49.4 crore in 1990-91.

While sanctions by way of underwriting and direct subscriptions rose from Rs. 162.2 crore to Rs. 241.7 crore, disbursements under this head declined from Rs.136.7 crore to Rs.97.0 crore.

Sector-wise, during 1990-91, private sector accounted for a major share of assistance sanctioned (Rs.273.5 crore or 87.6 per cent) and disbursed, (Rs.139.0 crore or 94.9 per cent). During 1989-90, private sector accounted for 89.0 per cent of sanctions and 94.9 per cent of disbursements. GIC's assistance to projects in areas classified as backward increased substantially from Rs.3.7 crore in 1989-90 to Rs.27.2 crore in 1990-91.

3. Other Institutions

Industrial Reconstruction Bank of India (IRBI)

During 1990-91 (April-March), assistance sanctioned by IRBI at Rs.234.7 crore recorded a rise of 60.1 per cent as compared with sanctions of Rs.146.6 crore during 1989-90 (Table IX-21). As against this, during 1989-90 sanctions showed a decline of 30.9 per cent over those in 1988-89. Component-wise break-up of the sanctions reveals that direct loans (term loans) sanctioned during the year under review at Rs.215.5 crore were higher by 51.1 per cent than those in 1989-90 (Rs.142.6 crore). It may be mentioned that in 1989-90, term loans sanctioned at Rs.142.6 crore, were lower by Rs.66.8 crore or 31.9 per cent than those in 1988-89. Term loans sanctioned during 1990-91 constituted 91.8 per cent of total sanctions as against 97.3 per cent during 1989-90. Cumulative term loans assistance sanctioned (effective i.e., net of cancellations), stood at Rs.1,191.1 crore as at the end of March 1991 to 950 units. Sanctions under equipment leasing and equipment finance schemes rose significantly from Rs.0.1 crore and Rs.2.9 crore, respectively, in 1989-90 to Rs.10.4 crore and Rs.8.7 crore, respectively, in 1990-91.

Disbursements of assistance during 1990-91 by IRBI at Rs.153.9 crore showed an increase of 9.1 per cent over those in 1989-90 (Rs.141.1 crore). As against this during 1989-90, disbursements rose by 21.1 per cent as compared with those in 1988-89. Disbursements of term loans at

Table IX-21 : Financial Assistance Sanctioned and Disbursed by IRBI

(Year : April-March) (Rs. crore)

Type of Assistance	1989-90		1990-91*		Cumulative Assistance as at the end of March 1991	
	Sanctions (Gross)	Disbursements	Sanctions (Gross)	Disbursements	Sanctions (Effective)@	Disbursements
1	2	3	4	5	6	7
1. Term loan	142.6 (87)	139.3	215.5 (121)	144.3	1,191.1	887.8
Of which :						
a) Projects located in areas classified as backward	43.7	52.4	65.8	56.4	358.3	266.2
b) Projects in small-scale industries sector	2.5	1.3	0.9	1.0	N.A.	N.A.
2. Textile Processing Corporation of India Ltd (T.P.C.I.)	–	0.2	–	–	4.4	4.4
3. Equipment leasing scheme	0.1	–	10.4	0.9	15.5	5.7
4. Hire purchase	0.5	0.1	–	0.5	6.8	5.8
5. Lines of credit scheme for assisting sick small-scale units through various state-level agencies	0.5	0.4	–	0.2	14.5	6.1
6. Equipment finance scheme	2.9	1.1	8.8	8.0	11.6	9.3
Total (1 to 6)	**146.6**	**141.1**	**234.7**	**153.9**	**1,243.9**	**919.1**

* Provisional
N.A. : Not available
@ Effective i.e., net of cancellations.
Note : Figures within brackets indicate number of fresh cases sanctioned during the year.
Source : Industrial Reconstruction Bank of India.

Rs.144.3 crore during the year recorded a rise of 3.6 per cent over those in 1989-90 (Rs.139.3 crore). Term loan disbursements during 1990-91 constituted 93.8 per cent of total disbursements as compared with 98.7 per cent in 1989-90. Cumulative term loan assistance disbursed by IRBI stood at Rs.887.7 crore as at the end of March 1991. Disbursements under equipment leasing and equipment finance were Rs.0.9 crore and Rs.8 crore, respectively, in 1990-91 as compared with nil and Rs.1.1 crore in 1989-90.

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.168.0 crore (about 78 per cent of term loan assistance sanctioned) during the year followed by public sector units (inclusive of units since nationalised) accounting for sanctions of Rs.33.6 crore (about 16 per cent) and the remaining was shared between joint sector and co-operative sector units.

During the year, IRBI sanctioned to various industrial units located in notified backward areas term loan assistance of Rs.65.8 crore (30.5 per cent of term loans) and disbursed Rs.56.4 crore (39.1 per cent). As on March 31, 1991, the cumulative term loan assistance sanctioned aggregated Rs.358.3 crore or 30.1 per cent of the total to 311 units and disbursements aggregated Rs.266.2 crore or 30 per cent of the total to 271 units in backward areas.

Industry-wise, of the total cumulative term loan assistance sanctioned by IRBI, the major industries viz., textile-cotton and jute accounted for 30 per cent, followed by food products (10 per cent), basic metals (8 per cent), chemicals (7 per cent), machinery (6 per cent) and cement (5 per cent).

4. State-level Institutions

i) State Financial Corporations (SFCs)

Total assistance sanctioned by eighteen State Financial Corporations during 1990-91 (April-March) aggregated Rs.1,870.1 crore, recording a rise of 21.2 per cent over those of Rs.1,543.6 crore during 1989-90 (Table IX-22). Sanctions had increased by 10.9 per cent during 1989-90 over those in the preceding year. Disbursements by these SFCs during the year at Rs.1,260.1 crore showed a rise of 5.9 per cent over those of Rs.1,190.2 crore in 1989-90. During the year 1989-90 the disbursements had registered a higher growth rate of 12.8 per cent. Cumulative sanctions and disbursements by these SFCs as at the end of March 1991 aggregated Rs.11,944.4 crore and Rs.8,810.4 crore, respectively.

Table IX-22 : Operations of State Financial Corporations

(Year : April – March) (Rs. crore)

	1989-90@	1990-91*	Cumulative Sanctions/ Disbursements up-to end of March 1991*
1	2	3	4
Assistance sanctioned	1,543.6	1,870.1	11,944.4
Assistance disbursed	1,190.2	1,260.1	8,810.4

@ Provisional.
* Estimated.
Source : Industrial Development Bank of India.

ii) State Industrial Development Corporations (SIDCs)

Total assistance sanctioned by twenty six State Industrial Development Corporations (SIDCs) during 1990-91 (April-March), aggregated Rs.698.8 crore, recording a marginal rise of 1.2 per cent over those of Rs.690.3 crore during 1989-90 (Table IX-23). Sanctions during 1989-90 had declined by 6.0 per cent over those in 1988-89. Disbursements by these SIDCs during the year at Rs.518.8 crore, showed a decline of 5.6 per cent over those of Rs. 549.5 crore in 1989-90. During 1989-90, disbursements had risen by 7.1 per cent as compared with those in 1988-89. Cumulative sanctions and disbursements by the SIDCs as at the end of March 1991, aggregated Rs.5,669.6 crore and Rs.4,206.5 crore, respectively.

Table IX-23 : Operations of State Industrial Development Corporations

(Year : April – March) (Rs. crore)

	1989-90@	1990-91*	Cumulative Sanctions/ Disbursements upto end of March 1991*
1	2	3	4
Assistance Sanctioned	690.3	698.8	5,669.6
Assistance Disbursed	549.5	518.8	4,206.5

@ Provisional.
* Estimated.
Source : Industrial Development Bank of India.

5. Others

Export-Import Bank of India

During the year 1990-91 (April-March), the Exim Bank's sanctions of funded assistance under various programmes aggregated Rs.1,043.3 crore, registering an increase of Rs.88.3 crore or 9.2 per cent over the previous year (Table IX-24). Disbursements, however, at Rs.858.2 crore showed a decline of 3.3 per cent over those of the previous year. Sanctions for non-funded assistance in the form of guarantees at Rs.106.9 crore was 114.6 per cent higher than that in the previous year (Rs.49.8 crore). Non-funded assistance utilised i.e., guarantees issued at Rs.33.6 crore was, however, 14.7 per cent lower than that in the previous year.

During the year 1990-91, the Exim Bank made commitments-in-principle amounting to Rs.1,060 crore of funded assistance and Rs.470 crore of non-funded assistance as compared with Rs.390 crore of funded assistance and Rs.360 crore of non-funded assistance in 1989-90. Exim Bank under its policy makes commitments-in-principle at the export tender submission stage for exports bids and for enlarged scope of work in respect of on-going export contracts. These commitments convert into sanctions when bids materialise as contracts. In 1990-91, 95 contracts

Table IX-24 : Operations of Export-Import Bank of India

(Year : April-March) (Rs. crore)

Financing Programmes	1989-90			1990-91		
	Sanctions	Utilisations	Outstandings	Sanctions	Utilisations	Outstandings
1	2	3	4	5	6	7
A. Funded Assistance	**955.0**	**887.8**	**1,117.8**	**1,043.3**	**858.2**	**1,315.4**
1. Direct Financial Assistance	155.3	123.5	355.4	185.0	124.8	412.1
2. Export Credit Refinance	65.4	62.3	116.1	68.9	55.1	144.7
3. Buyer's Credit	4.5	17.4	87.1	3.0	10.2	94.8
4. Lines of Credit	88.0	46.6	185.1	134.5	38.5	220.1
5. Overseas Investment Finance	2.6	0.6	3.0	4.5	3.2	5.9
6. Finance for Export Oriented Units	30.7	37.4	62.8	33.4	28.9	75.3
7. Finance for Computer Software Exports	14.6	5.6	9.3	5.9	11.1	16.7
8. Agency Credit Line	2.2	4.4	8.0	19.2	3.0	9.8
9. Pre-shipment Credit	23.7	24.3	89.7	52.6	56.4	107.7
10. Export Bills Rediscounting	217.3	217.3	50.0	220.0	220.0	70.0
11. Small-Scale Industry Export Bills Redisounting	201.7	201.7	50.0	200.0	200.0	50.0
12. Bulk Import Finance	146.3	146.3	100.0	100.0	100.0	100.0
13. Export Marketing Fund II	2.7	-	-	16.3	6.8	6.8
14. Other Funded Assistance	-	0.4	1.3	-	0.2	1.5
B. Total Non-Funded Assistance*	**49.8**	**39.4****	**596.9@**	**106.9**	**33.6****	**618.3@**

* Non-funded assistance is given in form of guarantees.

** Guarantees issued.

@ This amount represents the contingent liabilities of Exim Bank in respect of acceptances, guarantees, endorsements and other obligations issued by the Exim Bank.

Note : All sanctions, utilisations and outstanding amounts in foreign currencies have been converted into rupees using exchange rate prevailing at the time of sanctions or utilisations or at the end of the year (for outstandings).

Source : Export-Import Bank of India.

worth Rs.900 crore were secured by Indian exporters during the year as against 28 contracts worth Rs.430 crore, during 1989-90.

The region-wise analysis indicates that, of the financial assistance sanctioned under the funded programmes (comprising Direct Financial Assistance, Export Credit Refinance, Buyers' Credit, Lines of Credit and Overseas Investment Finance), the largest share was for exports to West Asia (24 per cent), followed by South Asia (23.8 per cent), Africa (22.5 per cent) and South East Asia/Far East and Pacific (15.9 per cent). The largest share of utilisation was for West Asia at Rs.122.4 crore (52.8 per cent), followed by Africa, (20.4 per cent) and South Asia (11.9 per cent) (Table IX-25).

Industry-wise, exports of power generation and distribution equipment were sanctioned an amount of Rs.128.9 crore out of a total assistance of Rs.320.0 crore (towards Direct Finance Assistance, Export Credit Refinance, Finance for EOU, Finance for Computer Software Exports, Overseas Investment Finance, Buyers' Credit, Agency Credit Line and other lines of Credit) accounting for 40.3 per cent of the total sanctions. Construction goods and services, power generation and distribution and diesel engines and pumps put together accounted for 68.3 per cent of the total sanctions, whereas utilisations by above industries was 38.3 per cent of the total of Rs.274.8 crore (Table - IX-26).

In addition to the above financial support, Exim Bank has an Export Marketing Fund (EMF), which is a component of World Bank loan and is managed by the Bank as an agent of Government of India.

EMF programme aims to catalyse exports of manufactures to developed country markets by providing grants and loans. Over a four year period so far, additional export of Rs.400 crore to developed countries have been catalysed so far.

Table IX-25 : Operations of Export-Import Bank of India - Region-wise*
April 1990 - March 1991

(Rs. crore)

Region	West Asia		Africa@		Americas		South East Asia/Far East and Pacific		South Asia		Europe		Total	
	S	U	S	U	S	U	S	U	S	U	S	U	S	U
Funded Programmes	**94.9** (24.0)	**122.4** (52.8)	**88.9** (22.5)	**47.2** (20.4)	**8.3** (2.1)	**8.3** (3.6)	**63.2** (15.9)	**24.1** (10.4)	**94.2** (23.8)	**27.5** (11.9)	**46.5** (11.7)	**2.3** (0.9)	**396.0** (100.0)	**231.8** (100.0)
1. Direct Financial Assistance	28.3	59.8	1.0	33.3	8.3	2.2	8.3	3.7	93.9	25.7	45.2	-	185.0	124.8
2. Export Credit Refinance	63.6	32.0	2.9	9.2	-	2.8	2.1	7.1	0.3	1.8	-	2.3	69.0	55.1
3. Buyer's Credit	3.0	8.8	-	-	-	1.4	-	-	-	-	-	-	3.0	10.2
4. Lines of Credit	-	21.8	85.0	4.7	-	-	49.5	12.0	-	-	-	-	134.5	38.5
5. Overseas Investment Finance	-	-	-	-	-	1.9	3.2	1.3	-	-	1.3	-	4.5	3.2

@ Includes North Africa and Sub-Saharan Africa. S : Sanctions. U : Utilisations.

* Because of conceptual and data-related reasons this table excludes export bills rediscounting, small-scale industry exports 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.

Note : Figures in brackets indicate percentage to total.

Source : Export-Import Bank of India.

The three new Export Promotion Programmes, launched in 1989-90, gathered momentum during 1990-91. Africa Project Development Facility (APDF), a programme that extends financial support for consultancy studies, began to avail of the services of Indian consultants. APDF seeks to promote private sector investment in Africa. Indian consultants completed three assignments which included a machine tools project in Zambia, multi-sector project in Kenya and stone crushing

(Year : April - March)

Table IX-26 : Operations of Exim Bank - Industry-wise

(Rs. crore)

Lending Programmes	Power generation and distribution equipment		Construction goods and services		Diesel engines and pumps		Granite Stones		Sugar Industries		Transmission Line Towers		Others*		Total	
	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U
Funded Programmes																
Direct Financial Assistance	128.2	40.1	23.4	36.1	-	-	-	-	11.4	1.9	8.7	9.3	13.3	37.4	185.0	124.8
Export Credit Refinance	-	0.5	20.0	19.8	43.3	0.6	-	-	-	-	-	-	5.6	34.2	68.9	55.1
Finance for Export Oriented units	0.7	-	-	-	-	-	9.6	2.6	-	-	-	-	23.2	26.3	33.5	28.9
Finance for Computer Software Exports	-	-	-	-	-	-	-	-	-	-	-	-	5.9	11.1	5.9	11.1
Overseas Investment Finance	-	-	-	-	-	-	-	-	-	-	-	-	4.5	3.2	4.5	3.2
Buyer's Credit	-	-	3.0	8.2	-	-	-	-	-	-	-	-	-	2.0	3.0	10.2
Agency Credit Line	-	-	-	-	-	-	7.5	0.7	-	-	-	-	11.7	2.3	19.2	3.0
Lines of Credit	-	-	-	-	-	-	-	-	-	-	-	-	-	38.5	-	38.5
Total	**128.9**	**40.6**	**40.4**	**64.1**	**43.3**	**0.6**	**17.1**	**3.3**	**11.4**	**1.9**	**8.7**	**9.3**	**64.2**	**155.0**	**320.0**	**274.8**

S : Sanctions. U : Utilisations.

* Others include machine tools, other engineering goods, garments, consultancy services, commercial vehicles, computer software, textile machinery, leather and leather goods, structural works, chemical plants/processing units, plastic goods, railway lines, drugs and pharmaceuticals, railway rolling stock, petroleum pipelines, water supply, bicycle and bicycle parts, rubber and rubber products and others.

Note : 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.

project in Botswana. Under Project Preparatory Services Overseas Programme, the finance was provided for three feasibility studies, out of which two were in Vietnam for transport sector rehabilitaion and one for agricultural sector in Egypt. Under the programme for financing market entry costs, six companies availed of finance in the form of grant amounting to over Rs.20 lakhs.

During the year 1990-91, export bid generated in projects, funded by multilateral agencies, exceeded Rs.888 crore. Cumulative value of contracts secured by Indian companies over the last five years amounted to Rs.420 crore, of which contracts secured by Indian companies during 1990-91 exceeded Rs.72 crore.

6. Emerging Financial Intermediaries

In recent years, particularly in mid-eighties, the financial sector in India has undergone a process of structural transformation. New institutions have been established to serve the increasing financial needs of commerce and trade in the area of venture capital, credit rating and leasing etc., Technology Development and Information Company of India Ltd. (TDICI) - a technology venture finance company has been sanctioning project finance to new technology ventures since 1989. Risk Capital and Technology Finance Corporation Ltd. (RCTC) has been providing risk capital to new entrepreneurs and technology finance for technology oriented ventures since 1988. Infrastructure Leasing and Financial Services Ltd. (IL & FS) has commenced its operations in 1988. It focuses on leasing of equipment for infrastructure developments. Institutions like Credit Rating Information Services of India Ltd. (CRISIL) - a credit rating agency and Stock Holding Corporation of India Ltd. (SHCIL) - a depository trust company commenced their operations in 1988 in the area of financial services. Keeping in view the role being played by the above-mentioned institutions in the development of capital market, their operations during the year 1990-91 are outlined below :

i) Technology Development and Information Company of India Ltd. (TDICI)

During the year ended March 31, 1991 Technology Development and Information Company of India Limited (TDICI) approved financial assistance to the extent of Rs.13.4 crore. This assistance comprised of Rs.5.0 crore to 14 companies out of ICICI loan, Rs.0.4 crore to 4 companies out of Venture Capital Unit Scheme 1989 (VECAUS-I) and Rs.8.0 crore to 22 companies out of Venture Capital Unit Scheme 1990 (VECAUS-II). Some companies have been assisted from more than one source. Cumulative assistance by TDICI (i.e. net of cancellations and reduction in assistance) as on March 31, 1991 were for 87 companies for an aggregate assistance of Rs.41.4 crore. This comprised of Rs.19.9 crore to 37 companies under VECAUS-I, Rs.13.4 crore to 33 companies under VECAUS-II and Rs.8.1 crore to 27 companies under ICICI loan. So far, only 63 companies have utilised these funds and the cumulative disbursements till March 31, 1991 was Rs.24.6 crore. Details of industry-wise distribution of cumulative assistance sanctioned till March 31, 1991 are given in Table IX-27.

Table IX-27 : TDICI - Industry-wise Distribution of Cumulative Assistance Sanctioned till March 31, 1991

Industry	No. of Companies	Amount (Rs.crore)	Percentage
1	2	3	4
1. Computer HW/SW/CAM	24	10.3	24.8
2. Chemicals/Polymers/Spl Mtls.	15	5.5	13.2
3. Drugs/Diagnostics/Vaccines	7	5.1	12.3
4. Services/Consumer Products	8	4.4	10.7
5. Food Feed/Fisheries	5	4.2	10.2
6. Bio-technology	7	4.0	9.8
7. Electrical/Electronics/ Telecom	9	4.0	9.5
8. Envir.Engg./Non Conv. Energy	4	2.0	4.9
9. Mechanical Eqpt./Systems	8	1.9	4.6
Total	87	41.4	100.0

Source : Technology Development and Information Company of India Ltd.

During the year, the first tranche of Rs.30 crore under the second venture capital fund of Rs.100 crore was mobilised. ICICI has also sanctioned a further loan of Rs.2.5 crore to TDICI and this loan is likely to be drawn during the current year.

ii) Risk Capital and Technology Finance Corporation Ltd. (RCTC)

Risk Capital and Technology Finance Corporation Ltd. (RCTC) - a successor to the erstwhile Risk Capital Foundation (RCF) sponsored by IFCI 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, since inception of RCF in 1976 and upto March 31, 1991, RCTC had sanctioned assistance of Rs.29.1 crore to 362 first generation entrepreneurs for their 229 medium and large sized industrial projects and the disbursements against these sanctions aggregated Rs.24.4 crore.

Under its Technology and Development Scheme cumulatively upto March 31, 1991, RCTC had sanctioned assistance of the order of Rs.18.8 crore to 32 technology oriented projects. The disbursements against these sanctions had been of the order of Rs.5.4 crore.

IFCI had disbursed a sum of Rs.19.6 crore to RCTC upto March 31, 1991. IFCI had also subscribed to RCTC's share capital to the extent of Rs.5 crore.

A venture capital fund to be floated as a scheme of Unit Trust of India under the name and style of VECAUS-III is to be set up, with contributions of Rs.10 crore each (agreed-in-principle) from UTI and IFCI towards this fund. Negotiations are on with the World Bank for a contribution of Rs.10 crore. The fund will be managed by RCTC. The fund will be used to provide venture capital for potentially high profitable ventures, involving innovative products/technology/services, aimed at futuristic or new markets. The proposals to be considered under the Scheme are to include technological innovations leading to quality upgradation, reduced energy consumption, cost reduction, increased competitiveness, enhanced exports of existing products/processes and adaptations/ modifications of imported technology/processes/products to suit conditions and/or from indigenous sources.

iii) Infrastructure Leasing and Financial Services Limited (IL & FS)

Infrastructure Leasing and Financial Services Limited (IL & FS) was provided mandate for three infrastructure projects during the year 1989-90. A significant progress has been made during the year under review, in all areas of its operations. The company has identified several infrastructure projects in association with State Governments and Central Government agencies. The company has been provided a mandate for structuring the finances of major projects in the power and transportation sectors.

In the field of leasing, the company has continued to focus on capital assets relating to infrastructural requirements and large projects.

In the area of investment banking, the company continued to undertake merchant banking activity, and has played a major role in structuring the sale of marketable securities to meet project finance requirements of its corporate clients. The company was actively engaged in the money and gilt-edged markets for trading in government securities, bonds of public sector undertakings, corporate debentures and units.

The Housing Development Finance Corporation Ltd. (HDFC) has mandated to IL & FS the task of securitising its individual housing loan portfolio to the extent of Rs.100 crore and to create a secondary market for housing loan mortgages. The two companies signed a memorandum of understanding to this effect on January 15, 1991.

The company has reclassified its authorised share capital during the year. The share capital of Rs.25 crore has been classified into equity capital of Rs.17 crore, redeemable cumulative preference shares of Rs.5 crore and cumulative convertible preference shares of Rs.3 crore. Following the receipt of consent from Controller of Capital Issues, 3,80,000 - 12 per cent Redeemable Cumulative Preference Shares of Rs.100 each at par amounting to Rs.3.8 crore have been allotted to 19 corporate investors. 2,12,000 - 10 per cent Cumulative Convertible Preference Shares of Rs.10 each at a pre-

mium of Rs.65 have been privately placed with International Finance Corporation. The subscription amount of Rs.3,498 crore has been received during the year ending March 31, 1991.

iv) The Credit Rating Information Services of India Limited (CRISIL)

During the year 1990-91. (April-March), CRISIL rated 77 debt instruments for 46 companies covering a debt volume of Rs.1,689.9 crore. As against this, 72 debt instruments for 49 companies covering debt volume of Rs.2,098.4 crore were rated by CRISIL in 1989-90. Cumulatively at the end of March 1991, CRISIL had rated 176 debt instruments issued by 124 companies (including 3 companies belonging to the public sector) covering a total debt volume of Rs.4,357 crore. In addition to the rating of fixed deposit programmes, convertible and non-convertible debentures, CRISIL also rated 44 commercial paper programmes covering a total volume of Rs.423 crore. CRISIL has also completed credit assessment of 44 companies.

During the year, CRISIL started a quarterly publication called CRISIL RATINGSCAN containing rating reports on companies whose instruments have been rated by CRISIL during the quarter and which are using the ratings. These rating reports contain details of rated instruments, rationale for the rating assigned, brief details of the business of the borrower and key issues involved in the rating. CRISIL RATINGSCAN also includes details of ratings in use, ratings reviewed during the quarter, the instruments which have been placed under - ratingwatch and rating symbols with definitions. 'CRISILCARD' service was developed by CRISIL, during the year to provide information to Indian companies. The service provides details about a company such as business it is engaged in, shareholding pattern, key management personnel, plant locations, equity share record, analysed profit and loss accounts and balance sheets for the past four years, accounting practices, key financial ratios, raw-material consumption, major competitors, major lenders, excerpts from the Directors' report and events after the balance sheet date.

v) Stock Holding Corporation of India Limited (SHCIL)

The Stock Holding Corporation of India Limited (SHCIL) sponsored by 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 type of securities replacing the present system that involves voluminous paper work.

SHCIL improved upon its activities by covering additional clients and introducing new products during the year. It handled market operations of Rs.1,022 crore during the year compared to Rs.349 crore in 1989-90. Its regional offices in Calcutta, Delhi, and Madras have become fully operational. Currently, the Corporation is handling market operations and providing custodial services to Unit Trust of India, LIC Mutual Fund, General Insurance Corporation of India and its subsidiaries viz., United India Insurance Co. Ltd., Oriental Insurance Co. Ltd., New India Assurance Co. Ltd., and National Insurance Co. Ltd., and LIC. The GIC, New India Assurance Co. Ltd., and National Insurance Co. Ltd., have entrusted income collection work to SHCIL during the year. The Corporation is also the trustee of LIC Mutual Fund and GIC Mutual Fund for holding and dealing in their securities. The Corporation has now in its custody more than four million scrips and is expected to have more than 10 million scrips in its depository by the end of 1991-92.

The Government of India has directed the extension of services of the Corporation to cover all public sector banks and all subsidiaries and mutual funds set up by the public financial institutions and public sector banks. SBI Mutual Fund has appointed the Corporation as trustee of the fund for the purpose of holding and dealing in their securities.

The role of SHCIL as Central Securities Depository of the country is expected to be formalised with the introduction of the legislation, viz., Stock Holding Corporation and Special Transfer Procedures Act. The Act would help Corporation to register the securities in its own name and introduce book entry transfer system.

Housing Finance *

To provide housing finance, particularly for weaker sections of the community, specialised housing financial institutions have been set up. HUDCO and HDFC have played an important role in this area over the years. The operations of these institutions during 1990-91 are given below :

vi) **Housing and Urban Development Corporation Ltd., (HUDCO)**

During the year 1990-91 (April-March), the sanctions and disbursements of financial assistance by HUDCO at Rs.1,385.9 crore and Rs.735.0 crore recorded a higher increase of 52.8 per cent and 40.9 per cent, respectively, compared to the corresponding increases of 39.2 per cent and 25.8 per cent during the year 1989-90. Cumulatively, till March 31, 1991 HUDCO has (partly) financed 7,839 projects entailing a total project cost of Rs.8,896 crore. The aggregate sanctions and disbursements of HUDCO in respect of these projects amounted to Rs.5,533 crore and Rs.3,524 crore, respectively. The assistance sanctioned by HUDCO so far has enabled the sanction of 45.86 lakh houses, out of which 46.8 per cent are in rural areas.

During the Eighth Plan period,HUDCO intends to support housing and urban development projects valued over Rs.8,000 crore. In accordance with the role assigned to HUDCO in the National Housing Policy adopted by the Parliament, the major thrust of HUDCO's operations, in coming years, will continue to be the finance of shelter and shelter related facilities for the poorer sections of the society.

Under the 'Integrated Programme for Low Cost Sanitation And Scavenger Rehabilitation Schemes', the target of 300 towns set earlier during 1989-90 has been extended to 500 towns for the year 1990-91. The sanctions by HUDCO for this programme during 1990-91 amounted to Rs.103.6 crore.

HUDCO has launched a scheme for urban employment through housing and shelter upgradation in all cities and towns with population of one lakh to 20 lakhs for beneficiaries belonging to EWS families (economically weaker sections). The outlay for 1990-91 of Rs.150 crore (institutional finance) would be supplemented by subsidy from Central Government and State Governments to the extent of Rs.1,000 per family. The scheme will involve shelter upgradation and marginal additions to existing dwelling units for identified families in declared slum areas where the beneficiaries have been granted a security of tenure. The scheme aims at generating employment by encouraging works like marginal house additions/shelter upgradation by family labour. The loans are to be availed by urban local bodies, housing boards, slum boards and similarly specialised agencies nominated by State Government for shelter upgradation schemes.

During the year under review, HUDCO also undertook construction of 'Night Shelter' for the rehabilitation of footpath dwellers in the cities with over 10 lakh population, with Central assistance and suitable contribution by Civic bodies/ State Governments. "Shelter" will be provided in exclusive lots to single men, women and children living on pavements depending on the characteristic needs of urban centre. Till March 31, 1991, 5,426 Night Shelter seats have been sanctioned for constructions with HUDCO's loan commitment of Rs.1.4 crore.

In the National Housing Policy, HUDCO has been advised to give up the role of long term housing finance i.e. providing plots/houses on hire purchase basis. The houses built are to be sold to the beneficiaries on outright sale basis so that the resources of the borrowing agencies as well as HUDCO are not tied up for a long time. In line with the above, HUDCO for its Middle Income Group (MIG)/High Income Group (HIG) component, will encourage the housing and urban development agencies to lift only short term loans

* Reference is invited to Chapter VII of this Report (viz. Banking Development) under the head housing finance where operations of National Housing Bank are covered.

upto the construction stage and the agency should repay the loan after construction by making arrangements with the appropriate banking agency for long-term finance. The agencies will require short-term/medium-term capital for acquisition of land, laying of infrastructure and construction of houses where considered feasible.

With a view to promoting quality of construction, technologies and building systems as also improving the skills and economic conditions of building artisans, the Ministry of Urban Development and HUDCO have jointly launched a nationwide programme for setting up 250 building centres across the country. Of these, 100 centres were built during the year under review. HUDCO was initially providing a working capital loan of Rs.4 lakh for each centre. This is in addition to the grant of Rs. one lakh from Ministry of Urban Development to each of building centres for construction of sheds, procurement of equipment and training etc. as against initial commitment of Rs.2 lakh per centre. During the year 1990-91, keeping in view the inadequacy of financial assistance for building centres, HUDCO has increased the loan amount to Rs.20 lakh i.e., Rs.10 lakh for working capital and another Rs.10 lakh for the purchase of machines, depending upon the progress of work achieved.

vii) Housing Development Finance Corporation Limited (HDFC)

During 1990-91 (April-March), HDFC approved (sanctioned) housing loans of Rs.813.8 crore and disbursed Rs.668.5 crore. Loan approvals and disbursements rose by 35 per cent and 37 per cent, respectively, over those in the previous year (sanctions Rs.603 crore and disbursements Rs.489.3 crore). Loan approvals were for 1,15,906 units during 1990-91 as compared with 95,971 units in the previous year. At the end of March 1991, cumulative loan approvals and disbursements were Rs.2,903.1 crore and Rs.2,246.6 crore, respectively. Cumulative loan approvals were for nearly 5,15,000 units spread over nearly 2,300 towns and cities all over India.

Of the total gross loan approvals, individual home ownership constituted 74 per cent and the balance 26 per cent were for loans to corporate and institutional borrowers as well as to real estate developers through short-term construction finance.

During the year under review, HDFC under its Shelter Assistance Reserves spent Rs. 44.2 lakh on various projects including shelter for the homeless, donations to hospitals and health centres, homes for the destitute and for subsidising homes for economically weaker section households.

HDFC's approvals and disbursements for projects under Kreditanstalt-fur-Wiederaufbau (KFW) line of credit from West Germany amounted to Rs.13.0 crore and Rs.2.3 crore respectively. During the year under review, HDFC raised Rs.23.5 crore by way of term loans from the commercial banks (as per RBI guideline) compared to Rs.40.2 crore raised in 1989-90. In addition, there was a net increase in deposits of Rs.74.2 crore mobilised through the various deposit schemes. As on March 31,1991, the outstanding term loans and deposits stood at Rs.1,072.3 crore and Rs.603.0 crore, respectively. HDFC also availed refinance from National Housing Bank to the extent of Rs.157.7 crore during the year.

HDFC during the year completed its drawals of the US $ 250 million loan from World Bank approved to the Corporation in 1988. The rupee equivalent of this loan after full disbursements amounted to Rs.413.3 crore (of these, drawals during the year aggregated Rs.177.0 crore). HDFC has negotiated a borrowing of US $ 100 million from International Finance Corporation (IFC) in two parts - Part 'A' of loan of US $ 40 million from IFC directly and Part 'B', a loan of US $ 60 million to be syndicated by IFC with various international commercial banks. Under this arrangement, Part 'A', US $ 40 million has already been disbursed by the IFC and the HDFC has entered into a swap arrangement with Industrial Finance Corporation of India (IFCI) under which the US dollars have been swapped for Indian Rupees. HDFC received Rs.72.5 crore under this arrangement.

In order to enhance resources for a constantly

growing loan portfolio, HDFC has attempted to develop an instrument that will permit it to raise resources *by Securitisation* of its own holding of assets in the form of secured housing loans. This would be achieved by selling part of its loan portfolio through the creation of a transferable and marketable instrument backed by these loans and placed initially with financial institutions and other long term lenders. HDFC has entered into a Memorandum of Understanding with Infrastructure Leasing and Financial Services Limited to create and market the necessary securities.

CHAPTER X

Developments in Foreign Trade

I. FOREIGN TRADE DURING 1990-91

Overall Trends

Indian economy experienced a further deterioration in international trade balance in the fiscal year 1990-91 due to a sharp deceleration in export growth in the face of sizeable rise in imports resulting from increase in volume and prices of POL imports. According to the provisional trade data released by the Directorate General of Commercial Intelligence and Statistics (DGCI&S), the trade deficit widened by 37.7 per cent (Rs.2,913 crore) to Rs.10,644 crore in 1990-91 from Rs.7,731 crore in 1989-90. On a payment basis (balance of payments data-quick estimates), trade deficit during 1990-91 was still higher at Rs.15,142 crore. In 1990-91, exports at Rs.32,527 crore increased at a lower pace of 17.5 per cent as compared with the high growth of 36.5 per cent in 1989-90 and annual average growth rate of 19.8 per cent recorded during the Seventh Five Year Plan. Imports, on the other hand, recorded a rise of 21.9 per cent to Rs.43,171 crore in 1990-91 as compared with a growth of 27.9 per cent in 1989-90. The rise in imports exceeded the average annual growth of 16.0 per cent during the Seventh Plan period. The expansion in imports would have been still higher but for import compression measures taken by the Reserve Bank during the second half of 1990-91. The break-up of trade balance into 'oil balance' and `non-oil balance' indicates that the deficit on account of oil accounted for 91.8 per cent of total trade deficit during 1990-91 as against 71.1 per cent in 1989-90 and 49.6 per cent in 1988-89. Exclusive of petroleum, oil and lubricant (POL) imports and exports of petroleum products, the trade deficit declined by about 61.0 per cent during the financial year 1990-91 as compared with that in the previous year.

In terms of US dollar too, exports expanded at a lower rate of 9.0 per cent during 1990-91 than that of the 18.7 per cent recorded in the previous year. In contrast, import growth rate moved to 13.1 per cent during the year from 11.2 per cent in the preceding year. As a result, the trade deficit increased by US $ 1,289 million over 1989-90 to US $ 5,932 million in 1990-91 (Table X-1). The lower growth rates in dollar terms when seen in comparison with those in rupee terms, partly reflect the depreciation in the exchange value of the rupee.

In SDR terms, exports recorded only a marginal rise of 1.0 per cent during the year under review as compared with a substantial rise of 23.0 per cent during 1989-90. Similarly, imports also registered a smaller rise of 4.8 per cent as compared with 15.3 per cent increase in the previous year. The trade deficit, however, widened by SDR 665million to SDR 4,283 million during 1990-91 due to higher increase in imports than exports.

The steep fall in the growth of exports may be attributed to a variety of factors, both external and internal. The external factors include, *inter alia*, changing international economic environment, recession in the USA and the UK, the Gulf crisis and decelerated rate of growth of exports to Rupee Payment countries. The erosion in the international competitiveness of exports emanating from an appreciation in the real exchange rate of the rupee resulting from the rising inflation in the Indian economy and slower rate of depreciation in the nominal exchange also contributed to a contraction in export growth.

Impact of Gulf Crisis

The Gulf crisis had a severe adverse impact on merchandise trade which was reflected perceptibly in the balance of trade situation. The balance of trade situation was accentuated further by the outbreak of Gulf crisis through a contraction in exports and enhanced POL import

Table X-1: India's Foreign Trade

Year	Rs. crore			U.S. $ 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
1988-89 (P)	20,281	27,693	-7,412	14,005	19,123	-5,118	10,529	14,377	-3,848
	(+29.0)	(+23.9)		(+15.5)	(+11.0)		(+14.7)	(+10.2)	
1989-90 (P)	27,681	35,412	-7,731	16,626	21,269	-4,643	12,954	16,572	-3,618
	(+36.5)	(+27.9)		(+18.7)	(+11.2)		(+23.0)	(+15.3)	
1990-91 (P)	32,527	43,171	-10,644	18,128	24,060	-5,932	13,090	17,373	-4,283
	(+17.5)	(+21.9)		(+9.0)	(+13.1)		(+1.0)	(+4.8)	
1987-88	15,674	22,244	-6,570	12,089	17,156	-5,067	9,155	12,992	-3,837
	(+25.9)	(+10.7)		(+24.0)	(+9.1)		(+13.6)	(-0.1)	
1988-89	20,232	28,235	-8,003	13,971	19,497	-5,526	10,504	14,658	-4,154
	(+29.1)	(+26.9)		(+15.6)	(+13.6)		(+14.7)	(+12.8)	
1989-90(PR)	27,681	35,416	-7,735	16,626	21,272	-4,646	12,954	16,574	-3,620
	(+36.8)	(+25.4)		(+19.0)	(+9.1)		(+23.3)	(+13.1)	

P : Provisional
PR : Partially revised
Note : Figures in brackets relate to percentage variations over the previous year.
Source : D.G.C.I. & S.

Table X-2: Foreign Trade Performance during Sixth and Seventh Plans

Item	Sixth Plan Average	Seventh Plan Average	1990-91 (P)
1	2	3	4
1 Growth rates (per cent)			
a) in rupee terms			
1) Exports	13.0	19.8	17.5
2) Imports	13.9	16.0	21.9
b) in US dollar terms			
1) Exports	4.5	11.6	9.0
2) Imports	6.2	8.2	13.1
2 Trade Balance			
a) Rs. crore	-5,716.0	-7,743.0	-10,644.0
b) US dollar million	-5,985.0	-5,677.0	-5,932.2
3 Export-Import Ratio (per cent)	**60.5**	**67.6**	**75.3**

Seventh Plan averages are based on finally revised data for 1985-86 to 1988-89 and partially revised data for 1989-90.
P : Provisional.
Source : D.G.C.I. & S.

bill. The imposition of trade embargo on Iraq and disruption of trade with other countries of West Asia in the wake of the Gulf war, resulted in a loss of India's exports to these countries. India's exports to Iraq and Kuwait declined from Rs.126 crore and Rs.198 crore in 1989-90 to Rs.43 crore and Rs.74 crore, respectively, in 1990-91. The other Gulf country to which India's export declined from Rs.87 crore to Rs.65 crore is Bahrain. Thus, the combined loss of merchandise exports to Bahrain, Iraq and Kuwait was Rs.229 crore in 1990-91 over the level of 1989-90. As regards total exports to Gulf countries (Iran, Iraq, Kuwait, Saudi Arabia, UAE, Qatar, Oman, Bahrain and Jordan), there was an increase of 5.3 per cent in 1990-91 as compared with a rise of 6.6 per cent during 1989-90. According to the Economic Survey, 1990-91, Government of India, the total loss inclusive of the loss of Rs.270 crore of exports to Kuwait and Iraq to the Gulf region, is estimated at Rs.500 crore.

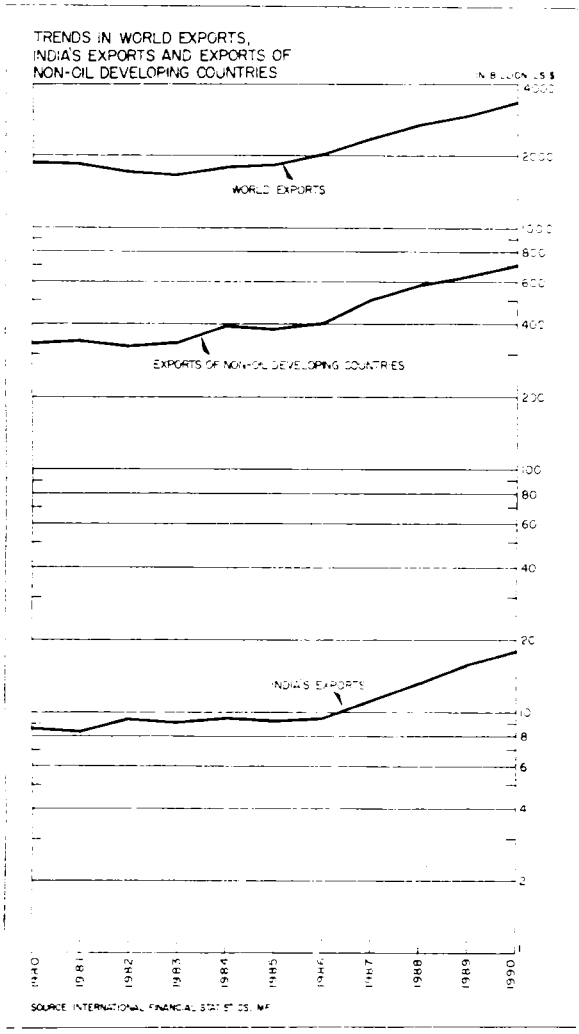
The sharp spurt in the price of crude oil and petroleum products emanating from the Gulf crisis resulted in a massive bulge in import bills. Barring exports of petroleum products, the additional POL burden resulting from a spurt in prices of crude oil and petroleum products during 1990-91 would have been around Rs.3,625 crore. Besides, India could not receive payments on account of dues from Kuwait and Iraq to the extent of US $ 64 million under deferred payments arrangement and $50 million under the projects outside deferred payment arrangement during 1990-91.

Exports

The momentum of export growth witnessed during 1986-87 to 1989-90 could not be sustained during 1990-91. According to the provisional data of the DGCI & S, exports during 1990-91 at Rs.32,527 crore recorded a rise of 17.5 per cent in contrast to a sharp rise of 36.5 per cent in 1989-90. In terms of US dollar and SDRs too, the increase in exports at 9.0 per cent and 1.0 per cent, respectively, was considerably lower compared with those in the previous year. The deceleration in the growth of exports is reflected in a sizeable decline in the export-import ratio from 78.2 per cent in 1989-90 to 75.3 per cent in 1990-91 (Table X-2). The fall in export-import ratio would have been still higher but for improvement in the contribution of exports of primary products to incremental exports which almost doubled from 18.7 per cent in 1989-90 to 36.3 per cent in 1990-91.

Data on the volume growth of exports are not available beyond 1988-89. Volume growth in exports averaged 6.3 per cent per annum during the first four years of the Seventh Five Year Plan as against the Plan target of 7.0 per cent. However, this growth was much higher than that achieved during the Sixth Plan. The buoyancy in exports is, however, not reflected in the movement in share of exports in GDP during the Seventh Plan. Exports as a percentage of GDP averaged 5.0 per cent during the Seventh Plan which is fractionally higher than that (4.9 per cent) in the Sixth Plan.

The deceleration in export growth has to be viewed in the context of a slow-down in growth of world trade. Reflecting declining global economic activity, the volume of world trade is estimated to have declined to 4.2 per cent in 1990 from 7.3 per cent in 1989 and is projected to decline further to 0.9 per cent in 1991, the lowest rate of expansion since 1985. According to the World Economic Outlook of IMF (September 1989), the world economic growth is estimated to have declined from 3.3 per cent in 1989 to 2.2 per cent in 1990. In US dollar terms, world trade increased by about 14.6 per cent in 1990 as compared with 8.1 per cent in 1989 and 14.9 per cent in 1988. In 1990, industrial countries' exports grew by about 15.3 per cent while those of developing countries increased by 13.0 per cent. The basket of India's exports has undergone a significant change since the mid-1960s. Manufacturing sector has continued to impart buoyancy to the export performance (Table X-3). The contribution of manufactured goods to the incremental exports, however, declined from 69.6 per cent in 1989-90 to 63.5 per cent in 1990-91. The absolute increase in exports of manufactures declined to Rs.3,077 crore in 1990-91 from Rs.5,182 crore in 1989-90 and the share of



primary exports in absolute terms rose from Rs.1,391 crore in 1989-90 to Rs.1,757 crore in 1990-91. Amongst the manufactured products, the growth in exports has been concentrated in five non-traditional goods, viz., engineering goods, readymade garments, leather manufactures, cotton yarn fabrics, made-ups and chemical and allied products. The decline in the contribution of manufactured goods exports to incremental exports can be traced to the setback suffered by the exports of gems and jewellery, jute manufactures, carpets etc. A noteworthy structural change in the pattern of exports in 1990-91 was that net additions to exports showed considerable increase in the case of cotton raw (including waste) from Rs.107 crore in 1989-90 to Rs.727 crore in 1990-91, tobacco from Rs.49 crore to Rs.88 crore and marine products from Rs.58 crore to Rs.273 crore. (Table X-4).

Commodity-wise review

Manufactured Goods

Exports of manufactured goods, which imparted thrust to India's exports since 1986-87, recorded a decelerated growth during 1990-91. These exports at Rs.23,387 crore represented a lower rise of 15.2 per cent in contrast to a growth of 34.3 per cent during 1989-90 and an annual average growth rate of 33.1 per cent recorded during the last four years of the Seventh Plan period. The decline in the growth was reflected in the fall in the share of manufactured exports in India's total exports to 71.9 per cent in 1990-91 from 73.4 per cent in 1989-90. Alternatively, the contribution of *manufactured* goods to total incremental exports declined to 63.5 per cent in 1990-91 from 69.6 per cent in the previous year. Thus, the contribution of manufactures in export which has been consistently rising throughout the Seventh Plan period, improving from 58.5 per cent in 1985-86 to 73.4 per cent during the terminal year, i.e., 1989-90, showed some deceleration. Amongst the exports of manufactures, the highest increase in 1990-91, in absolute terms, was recorded by *readymade garments* (Rs.818 crore) followed by *engineering goods* (Rs.676 crore), *leather and manufactures* (Rs.603 crore), *cotton yarn, fabrics, made-ups* (Rs.585 crore) and *chemical and allied products* (Rs.333 crore). These commodities together accounted for 64.1 per cent of aggregate exports and 98.0 per cent of the incremental exports of manufactures during 1990-91. *Handicraft* exports which accounted for 26.7 per cent of total exports, of manufactures during 1990-91, declined by 0.6 per cent as against a rise of 21.1 per cent during 1989-90. Within the category of handicrafts, gems and jewellery exports declined marginally by 1.6 per cent during the year under review as against a significant rise of 20.6 per cent during 1989-90 due to recessionary trends and the change in consumer preference in the USA. Exports of handmade carpets at Rs.608 crore increased marginally by 3.8 per cent in sharp contrast to a rise of 23.6 per cent in 1989-90, whereas those of *other handicrafts* (i.e. work of art) at Rs.429 crore rose

Table X-3: India's Exports by Main Sub-Groups

(Rs.crore)

Commodity Group	1970-71	1980-81	1984-85	1989-90(P)	1990-91(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	Percentage change of (6)over(5)
1	2	3	4	5	6	7	8	9	10	11
1. Agricultural and allied products	539.6	2,248.2	2,996.5	4,571.0	6,013.0	16.3	7.9	6.9	8.8	31.5
	(35.1)	(33.5)	(25.2)	(16.5)	(18.4)					
of which:										
i) Agro-based products	506.0	1,980.0	2,518.0	3,770.0	4,912.0	15.4	7.4	6.3	8.4	30.1
ii) Fish and fish preparations	30.5	212.9	396.0	687.0	960.0	23.3	10.7	9.7	11.6	40.0
iii) Meat and meat preparations	3.1	55.5	82.5	114.0	141.0	40.3	10.7	14.8	6.7	23.7
2. Ores and minerals	164.4	412.6	642.0	1,380.0	1,695.0	10.9	13.4	10.3	16.5	22.8
	(10.7)	(6.1)	(5.5)	(5.0)	(5.2)					
3. Petroleum and petroleum products	8.6	24.9	1,818.2	697.0	938.0	9.8	43.5	149.5	-17.4	34.6
	(0.6)	(0.4)	(15.5)	(2.5)	(2.9)					
4. Manufactures	811.8	3,952.0	6,210.1	20,310.0	23,387.0	17.3	18.2	10.2	26.7	15.2
	(52.9)	(58.9)	(52.9)	(73.4)	(72.0)					
5. Others	10.8	72.8	76.9	723.0	494.0	10.0	44.2	32.8	56.5	-31.7
	(0.7)	(1.1)	(0.6)	(2.6)	(1.5)					
Total	**1,535.2**	**6,710.7**	**11,743.7**	**27,681.0**	**32,527.0**	**16.3**	**15.8**	**12.9**	**18.7**	**17.5**

P : Provisional.
Note : Figures in brackets represent percentages to total.
Source : D.G.C.I & S.

by 6.5 per cent as compared with an increase of 24.8 per cent during the preceding year (Table X-4).

Exports of *leather and leather manufactures* continued to show a rising trend as witnessed during the Seventh Plan period. During 1990-91, leather exports at Rs.2,554 crore increased by 30.9 per cent on top of a rise of 28.2 per cent during the preceding year. Composition of exports of the leather sector has undergone a sea change with the exports of finished leather and value added leather products going up significantly in the face of gradual decline in the exports of semi-processed leather. With the phasing out of exports of semi-finished leather and withdrawal of export incentives for finished leather, the share of value-added leather manufactures in total leather exports has been increasing and stood at about 64.8 per cent in 1990-91 as compared with 56.8 per cent in 1989-90. In terms of important markets, the Federal Republic of Germany was the largest importer of leather goods with exports rising to Rs.631 crore in 1990-91 from Rs.356 crore in 1989-90. Other important markets for leather exports include the USSR, the UK, the USA, Italy and France. In order to further widen the acceptability of Indian leather products, various measures have been undertaken in the sphere of export policy. These measures include revision of norms/guidelines for exports of finished leather so as to discourage exports of semi-processed leather in the guise of finished leather and exemption of Star Trading Houses, Trading and Export Houses recognised by the Government from the purview of compulsory pre-shipment inspection for export of their own footwear and footwear components. Moreover, technically competent inspection agencies in the country nominated by foreign buyers were given recognition as inspection agencies for footwear and footwear component exports and the Footwear Design and Development Institute was set up at NOIDA to provide necessary infrastructure for attaining international standards in footwear design and development.

Exports of *chemicals and allied products* at Rs.2,330 crore recorded a rise of 16.7 per cent during 1990-91 on top of an accelerated growth rate of 58.6 per cent during the preceding year. These exports have consistently performed well. However, the deceleration in growth rate witnessed during 1990-91 was largely due to demand constraints in the US and the UK and the Gulf crisis which resulted in direct and indirect cost escalation resulting in lower demand. Subdued growth of India's exports to the East European countries also contributed to the deceleration in the exports of chemicals and allied products. Intra-year variations indicate that exports which recorded a sharp rise of 27.5 per cent during April-September 1990 decelerated to 9.0 per cent during October 1990 to March 1991 over the preceding corresponding periods.

Amongst the *chemicals and allied products*, pharmaceutical exports have consistently performed well with bulk drugs far outpacing the growth of formulation exports. Drugs and pharmaceutical exports accounted for 35.6 per cent of India's total basic chemicals and allied products exports. While the major markets for bulk drugs are the USSR, the USA, the UK, France, Japan and Italy, those for finished formulations are the developing countries of the South-East Asia, Africa, Middle-East and the USSR. Destination-wise, though our exports improved in almost all markets, the increase was marginal in most of them. The USSR continued to be the largest market with a share of 35.1 per cent of total exports.

During the year, several important export promotion measures were implemented. Many items of raw materials were brought under the scheme for supply of raw materials at international price through public sector manufacturing units for export production of chemicals and allied products. In view of the export potential, free exports of veneer up to maximum thickness of 6 mm was allowed. Other measures to promote exports included, among others, permission to import specified machinery and equipments at reduced customs tariff rate under OGL, removal of ceiling on exports of staple fibre and elimination of restriction on the supply of petroleum products imposed in the wake of the

Table X-4: India's Exports of Principal Commodities

(Rs. crore)

Commodity Group	Unit of Quantity	1986-87		1987-88		1988-89		1989-90(P)		Absolute variation (10) over (8)	1990-91(P)		Absolute variation (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			**4,145**		**4,086**		**4,560**		**5,951**	**1,391**		**7,708**	**1,757**	**29.5**
A. Agriculture & Allied Products			**3,422**		**3,312**		**3,544**		**4,571**	**1,027**		**6,013**	**1,442**	**31.5**
Of which:														
Tea	Mill. Kgs.	192.4	577	205.2	594	193.0	603	209.3	905	302	202.0	1075	170	18.8
Coffee	Mill. Kgs.	73.4	297	89.3	251	83.1	279	115.1	343	64	86.0	253	-90	-26.2
Rice	Thou. Tons	248.3	197	388.8	339	349.6	331	421.7	427	96	527.5	440	13	3.0
Cotton raw (incl. waste)	Thou. Tons	202.3	205		110	7.2	21	53.1	128	107	497.1	855	727	568.0
Tobacco	Mill. Kgs.	89.3	185	72.2	135	54.6	126	70.7	175	49	85.2	263	88	50.3
Cashew kernels	Thou.Tons	43.0	328	35.9	311	34.0	276	47.9	368	92	55.3	447	79	21.5
Spices	Thou.Tons	97.0	279	85.9	313	92.9	250	96.7	247	-3	100.4	233	-14	-5.7
Oil meal	Thou.Tons	1,044.6	190	752.8	182	1,253.1	374	2,204.8	546	172	2,411.2	625	79	14.5
Fruits and Vegetables			156		132		177		208	31		217	9	4.3
Processed fruits, juices & misc. processed items			76		92		121		160	39		213	53	33.1
Marine Products	Thou.Tons	113.4	538	104.9	533	115.4	629	124.6	687	58	158.4	960	273	39.7
Sugar & mollases	Thou.Tons	3.6	2	19.1	12	102.8	10	158.8	32	22	200.8	37	5	15.6
Meat & preparations			76		88		94		114	20		141	27	23.7
B. Ores & Minerals			**723**		**774**		**1,016**		**1,380**	**364**		**1,695**	**315**	**22.8**
Of which:														
iron ore	Mill.Tons	28.7	547	29.4	554	33.0	673	35.6	928	255	31.9	1,050	122	13.1
Mica, coal and other ores & minerals			176		220		343		452	109		645	193	42.7

Table X-4: India's Exports of Principal Commodities *(Concld.)*

(Rs. crore)

Commodity Group	Unit of Quantity	1986-87		1987-88		1988-89		1989-90(P)		Absolute variation (10) over (8)	1990-91(P)		Absolute variation (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. Manufactured Goods			**7,808**		**10,900**		**15,128**		**20,310**	**5,182**		**23,387**	**3,077**	**15.2**
Of which														
Leather & manufactures			922		1,252		1,522		1,951	429		2,554	603	30.9
Chemicals & allied products			583		839		1,259		1,997	738		2,330	333	16.7
Engineering goods			1,133		1,492		2,321		3,321	1,000		3,997	676	20.4
Readymade garments			1,331		1,823		2,118		3,224	1,106		4,042	818	25.4
Cotton yarn, fabrics, made-ups			637		1,131		1,134		1,480	346		2,065	585	39.5
Natural silk yarn, fabrics, made-ups			85		138		185		205	20		219	14	6.8
Jute manufactures	Lakh Tons	2.9	244	2.6	241	2.1	235	2.8	298	63	3.3	300	2	0.7
Coir & manufactures			34		30		32		41	9		48	7	17.1
Handicrafts			2,548		3,245		5,188		6,285	1,097		6,247	-38	-0.6
Of which:														
Gems & Jewellery			2,074		2,612		4,391		5,296	905		5,210	-86	-1.6
Carpets (Handmade)			283		383		474		586	112		608	22	3.8
Works of art			191		250		323		403	80		429	26	6.5
III. Petroleum Products			**411**		**649**		**505**		**697**	**192**		**938**	**241**	**34.6**
IV. Others			**88**		**39**		**39**		**723**	**684**		**494**	**-229**	**-31.7**
Total Exports			**12,452**		**15,674**		**20,232**		**27,681**	**7,449**		**32,527**	**4,846**	**17.5**

P : Provisional.
Source : D.G.C.I. & S.

Gulf crisis for export production under the system of certification by export promotion councils.

Exports of *engineering goods* which grew at an annual average rate of 37.3 per cent during the last four years of the Seventh Plan period recorded a lower growth rate of 20.4 per cent during 1990-91. This contrasts with the spurt of 43.1 per cent in 1989-90, the terminal year of the Seventh Plan. The deceleration in growth rate of exports in 1990-91 could largely be attributed to the Gulf crisis and the imposition of wide-ranging import compression measures taken by the Government and the Reserve Bank during the second half of 1990-91. Exports of engineering goods, which grew by 43.6 per cent during the first six months of 1990-91 (April-September) as against 36.8 per cent in the corresponding period of the previous year, rose by a miniscule 4.7 per cent during the second half of 1990-91 as against a rise of 43.5 per cent during October-March 1989-90. During 1990-91, exports of engineering goods excluding those of electronic goods, computer software and project goods, increased by 20.4 per cent to Rs.3,448 crore. These engineering goods comprise capital goods, iron and steel-based items, non-ferrous products and consumer durables. Capital goods and consumer durables among them accounted for nearly three-fourths of their total exports. Exports of project goods at Rs.157 crore increased by more than fourfold during 1990-91 in contrast to a decline of 41.1 per cent recorded during 1989-90. Exports of electronic goods and computer software, on the other hand, declined by 16.4 per cent to Rs.352 crore from Rs.421 crore during the preceding year. Destination-wise, the USSR continued to be our major market which accounted for a share of about 25.0 per cent in 1990-91. The other important markets are the USA (9.5 per cent), Singapore (7.1 per cent), the UK (4.8 per cent) and Bangladesh (4.0 per cent).

The Government undertook a number of measures to promote the exports of engineering goods. The important measures implemented during the year 1990-91 include: simplification and rationalisation of REP scheme to provide flexibility and transferabiliy which has since been changed to Exim Scrip with a flat rate of 30 per cent for most categories and 40 per cent for value-added items; permission to import capital goods by registered exporters pending the formal licensing approval; granting of REP licences to software exporters; facility of imports of capital goods at the concessional duty of 25 per cent with export obligation of 300 per cent; streamlining the procedure for software exports through telematic link and also facility of warehousing for stocking the engineering goods at Rotterdam.

Exports of *readymade garments* at Rs.4,042 crore, increased by 25.4 per cent as against a sharp rise of 52.2 per cent in 1989-90. Readymade garments are the second largest foreign exchange earner in India's export basket. The major categories of readymade garment exports include those of cotton (Rs.2,655 crore), manmade fibres (Rs.799 crore), silk (Rs.152 crore), wool (Rs.146 crore) and other textile material (Rs.290 crore). Exports of readymade garments during the first half of the year 1990-91 rose by 36.9 per cent as against a rise of 48.9 per cent during the corresponding half of the previous year. However, during the second half of 1990-91, exports increased by 17.5 per cent as against a growth of 57.3 per cent during the comparable period of the previous year. This deceleration in the second half could be attributed to the disruption in markets and hike in cost of transportation and insurance in the wake of Gulf crisis and also partly due to recessionary trends in some of the developed market economies. The bulk of readymade garments is exported to those countries with which India has entered into the bilateral agreements under the Multifibre Arrangement (MFA). Destination-wise, the USA continued to be the most important market at Rs.944 crore with a share of 23.4 per cent, followed by Germany (15.8 per cent), the UK (11.4 per cent), the USSR (9.7 per cent) and France (6.3 per cent).

The Government implemented several promotional measures during the year to boost exports of readymade garments. It introduced concessional import duties for the import of capital goods having export obligation and made available 'Deemed Exports' benefits to all

indigenous suppliers of textiles against duty-free licences. The Government also announced the three-year (1991-93) export entitlement distribution policy (quota policy) for garments and textiles. The quota policy endeavours to provide the necessary impetus for growth and direction to the domestic industry. It also intends to promote the involvement of manufacturer-exporters as evident from the hike in their quota from 8 per cent to 18 per cent. Besides, there is an added feature of minimum export performance along with weightage for the use of modern machinery in allocation of quota to manufacturer-exporters. In order to promote non-quota exports, the quota of this category of exporters has been raised from 3 per cent to 10 per cent, whereas the restrictive clauses in First Come-First Serve Scheme (FCFS) have been dropped and the FCFS quota has been reduced to 10 per cent from 15 per cent due to operational problems.

Exports of cotton yarn, fabrics, made ups which are important items in manufactures exports rose by 39.5 per cent from Rs.1,480 crore in 1989-90 to Rs.2,065 crore in 1990-91. As a result, their share in total manufacture exports improved from 7.3 per cent in 1989-90 to 8.8 per cent in 1990-91. This is another major category after readymade garments with high net foreign exchange earnings on account of low import-intensity. The Multifibre Arrangement (MFA) has constrained the growth of these exports. The MFA which control the trade in these items with the EEC, the USA, Canada, Norway, Austria, Finland and Sweden has been further extended up to December 30, 1992. Some quota countries have already begun opting out of MFA recently as it has been agreed that MFA would be phased out over the period of 10 years. In order to overcome the constraint placed on India's exports of cotton textiles by MFA provision, Government of India has framed a marketing strategy for promoting the non-quota items in quota countries and exports of quota items in non-quota countries. Presently, more than 50.0 per cent of textile exports are made to quota countries and the other half to non-quota countries. Destination-wise, the UK, the USA, the USSR, Bangladesh and Germany are our major markets accounting for 51.8 per cent of our textile exports, the shares of each country has improved during the current year.

With a view to promoting exports of cotton textiles several promotional measures were taken during the year. These measures included: reservation of 12 per cent of the total textile exports quota for manufacturer-exporters undertaking modernisation and upgradation of technology; fixation of floor price for shipment; raising the ceiling for exports of cotton yarn from 40 million kgs. to 90 million kgs. for 1990; addition of a number of textile machinery items to OGL list at a concessional duty; and provision of 'Deemed Exports' benefits for indigenous suppliers of all types of textiles against duty-free licences.

Gems and jewellery exports, the single largest foreign exchange earner, declined during the year by 1.6 per cent against a rise of 20.6 per cent in 1989-90. During the Seventh Plan Period, these exports rose at an annual average rate of 34.8 per cent. As described earlier, the decline in the exports of gems and jewellery may be attributed to the recessionary trends and the change in consumer preference in the USA. Indian gems and jewellery exports are facing competition from countries like Thailand, China, Hong Kong, Malaysia and Taiwan. Gems and jewellery is highly import-intensive sector with a net foreign exchange earning ranging between 20.0 per cent and 30.0 per cent. The net foreign exchange earnings improved from 19.7 per cent in 1989-90 to 27.4 per cent during the year under review. Several measures were taken during 1990-91 to promote the exports of gems and jewellery. During the year under review, Gold Control Act, 1968 was abolished to boost exports of gold jewellery; REP rates were revised; permission was granted to set up retail outlets at the international airports; wastage norms were revised; 100 per cent EOUs were allowed to set up units in Domestic Tariff Area; exports of gold and silver ornaments were allowed by air freight under Custom House at Bangalore/Cochin; the time limit for the fulfilment of export obligation for gold supplied by MMTC was enhanced from 90 days to 120 days; and exports of gold jewellery of 8 carat and above was also allowed.

Agricultural Products

During 1990-91, exports of *agricultural and allied products* at Rs.6,013 crore recorded a rise of 31.5 per cent on top of an increase of 29.0 per cent in the previous year and 8.8 per cent during the Seventh Plan period. The share of agricultural and allied products in the total exports increased to 18.5 per cent from that of 16.5 per cent during 1989-90 largely due to sharp fall in the growth of manufactures' exports to 15.2 per cent from that of 34.3 per cent in 1989-90. As a result, the contribution of agriculture and allied products to incremental total exports also increased sharply to 29.8 per cent in 1990-91 from about 13.8 per cent in the previous year. In volume terms, all the principal commodities, except tea and coffee, recorded increases during the year under review. In value terms, the commodities which contributed most to the increase in exports were: raw cotton including waste (Rs.727 crore), marine products (Rs.273 crore), tea (Rs.170 crore), tobacco (Rs.88 crore), and cashew kernels (Rs.79 crore). While exports of processed items and meat and meat preparations maintained their steady pace of rise, those of coffee and spices declined. Exports of tea declined in quantity terms but increased in value terms. Exports of spices declined in value terms, though there was a modest rise in volume terms.

Exports of *tea* recorded a steep decline in the growth rate at 18.8 per cent in 1990-91 in sharp contrast to a rise of 50.1 per cent in the previous year. In absolute terms, they rose by Rs.170 crore to Rs.1,075 crore in 1990-91. In volume terms they fell by 3.5 per cent to 202 million kgs reflecting thereby an increase in unit value from Rs.43.3 per kg. in 1989-90 to Rs.53.2 per kg. in 1990-91. As regards the direction of tea exports, the USSR accounted for 55.0 per cent of the total earnings and the U.K. for 10.0 per cent. Other major markets for tea included Iran (5.7 per cent), Germany (4.0 per cent) and Poland (3.8 per cent). The continuing increase in demand for tea coupled with rise in the price in the domestic market vis-a-vis international prices, has been constraining the tea exports. The difficult law and order situation in Assam also adversely affected tea production as well as exports. A number of steps were taken to encourage tea exports. The Tea Board which had launched a series of campaigns to promote value-added tea conducted a bench-mark study, retail audit and ad-track study in the U.A.E. and Saudi Arabia. These studies have shown that Indian value-added items have gained popularity not only in the Gulf but also in the North African countries. A scheme of Promotional Incentives for Exports of South Indian Tea has been introduced whereby incentives are allowed on incremental exports over and above the prescribed base level fixed for different countries. For promoting exports of tea and value-added tea full rebate of excise duty has been announced. Sanction has been granted to the 'Assam Logo' for promoting high quality Assam tea, in the U.K. market, under a scheme known as the Brand Promotion Scheme; exporters of Packet tea were provided 50.0 per cent as interest free loans for a three years' promotion programme. Pursuant to the recommendation of IIM Consultancy team, several campaigns to promote value-added tea were launched in many countries.

Exports of *coffee* declined in value terms by 26.2 per cent to Rs.253 crore in 1990-91 in sharp contrast to a rise of 23.0 per cent in the previous year. In quantity terms too, exports decreased from 115.1 million kgs. in 1989-90 to 86.0 million kgs. in 1990-91. As a result, unit value realisation also fell, albeit fractionally, from Rs.29.80 per kg. in 1989-90 to Rs.29.40 per kg in 1990-91 reflecting the decline in international coffee prices consequent to the suspension of export quotas under the International Coffee Agreement, which had been extended up to the end of September 1991.

The country-wise analysis of export data shows that exports of coffee to almost all the countries except USSR declined. With a view to increasing the exports of coffee, the excise duty was reduced to a uniform level of Rs.50 per quintal and export duty was abolished.

Exports of *rice* registered a rise of 3.0 per cent to Rs.440 crore as compared with a 29.0 per cent increase during 1989-90. Despite a substantial increase in volume by over 25 per cent,

the marginal increase in export receipts from rice may be attributed to a sharp fall of about 18 per cent in unit value realisation. While non-Basmati rice is exported to countries in the Gulf region, Basmati rice is exported to the USSR and the U.K.

Encouraged by the acceleration in production, exports of *raw cotton* rose sharply by 568.0 per cent to reach a level of Rs.855 crore in 1990-91 from Rs.128 crore during 1989-90. This phenomenal increase was on top of a rise of 509.5 per cent achieved in the preceding year. In terms of quantity, the rise was by as much as 836.2 per cent to 497.1 thousand tonnes during the year from 53.1 thousand tonnes recorded during 1989-90. The rise in exports in value terms would have been much higher but for a fall in the unit value realisation from Rs.24.1 per kg. in 1989-90 to Rs.17.2 per kg. in 1990-91 reflecting a decline of 28.6 per cent over the year.

The uptrend in exports of *tobacco (manufactured and unmanufactured)* witnessed since 1987-88 continued in 1990-91 as well. The exports of tobacco rose by 50.3 per cent to Rs.263 crore, due to both the increase in volume of exports and improvement in the unit value realisation from Rs.24.8 per kg. in 1989-90 to Rs.31.0 per kg. in 1990-91. This impressive performance is partly the result of the drive by the Tobacco Board to explore new outlets for non-virginia tobacco, as the countries like the USSR and Indonesia are switching over from the sub-cured tobacco to flu-cured virginia (FCV). The shrinkage in the acreage under the tobacco cultivation in countries like South Korea and Thailand and crop failure in European countries due to drought conditions also added to the better export performance. With a view to promoting exports of tobacco and tobacco products, export duty on FCV tobacco has been abolished. The CCS and REP continued to be available on exports of cigarettes and cigarette product.

Exports of *cashew kernels* rose by 21.5 per cent to Rs.447 crore, aided by the volume growth of 15.4 per cent to 55.3 thousand tonnes, and an improvement in the unit value realisation from Rs.76.8 per kg. in 1989-90 to Rs.80.8 per kg. in 1990-91. The net foreign exchange earnings (excess of exports over imports) rose to Rs.315 crore in 1990-91 from Rs.291 crore in 1989-90. Important markets for Indian cashew include the USA, EEC and the USSR. Other important markets are Singapore, Czechoslovakia, Australia, Japan and Korea. Of late, exports of cashew have been facing stiff competition from other suppliers such as Indonesia and China.

The declining trend in the exports of *spices* witnessed since 1988-89 continued during1990-91 also, despite an increase in the quantity exported by 3.7 thousand tonnes to 100.4 thousand tonnes. During 1990-91, export receipts of spices at Rs.233 crore showed a fall of 5.7 per cent, which is attributable to a deterioration in the unit value realisation to Rs.23.2 per kg. from Rs.25.5 per kg. in 1989-90. The major factor contributing to the decline was a dramatic fall in earnings in the case of pepper. The Gulf war also had an adverse impact on the exports of black pepper. With a view to promoting exports of black pepper, Government abolished export duty on it. Destination-wise, exports of black pepper to the U.S.A. and the U.K. recorded increases of 41.0 per cent and 26.3 per cent, respectively, and almost doubled in respect of Japan; however, exports to the U.S.S.R. and Czechoslovakia declined. The World Spices Congress was convened jointly by the Spices Board and All India Spices Exporters Forum in Bangalore during November 1990. The Congress provided a good forum for exchange of valuable information on the spice trade between Indian exporters and importers from all over the world.

Exports of *oilcakes*, which exhibited robust performance during the last three years, could not sustain their pace of growth during the year under review. Thus, the export growth of oilcakes declined from 46.0 per cent in 1989-90 to 14.5 per cent in 1990-91. The rise in oilcake exports by 14.5 per cent to Rs.625 crore in 1990-91 was mainly due to increase in quantity of exports by 9.4 per cent reaching 2411.2 thousand tonnes. The unit value realisation rose marginally from Rs.2.5 per kg. in 1989-90 to Rs.2.6 per kg. in 1990-91. The deceleration in export growth may

be attributed to the failure of groundnut crop and decline in the international prices of soyabean extraction. As regards direction of trade, Thailand and the U.S.S.R. are the two major markets for oilcakes accounting together for 48.8 per cent of total exports. Other important countries to which India exports oilscakes are Poland, Saudi Arabia and Czechoslovakia.

The uptrend in the exports of *fruits and vegetables* witnessed since 1988-89 continued in 1990-91 though at a decelerated rate. Thus the exports of fruits and vegetables grew by 4.3 per cent to Rs.217 crore in 1990-91 as compared with a rise of 17.5 per cent in the previous year. Exports of processed items such as preserved fruits and vegetables, processed fruits and juices, also showed an increase of 33.1 per cent to Rs.213 crore as compared with a rise of 32.2 per cent in the previous year. The major markets for fresh fruits and vegetables are the Gulf countries and the Western Europe.

Exports of *marine products* grew at a robust pace of 39.7 per cent to Rs.960 crore and crossed the target of Rs.850 crore set for the year 1990-91 as compared with a moderate rise of 9.2 per cent registered in 1989-90. In volume terms, exports of marine products increased by 27.1 per cent to 158.4 thousand tonnes in 1990-91 from 124.6 thousand tonnes in 1989-90. This rise was aided by increased unit value realisation from Rs.55.1 per kg. in 1989-90 to Rs.60.6 per kg. in 1990-91. As a result, the share of marine products in the exports of agricultural and allied products increased by one percentage point to 16.0 per cent in 1990-91. Japan and the U.S.A. are the two prominent markets accounting for 50.0 per cent and 12.0 per cent share in total marine products exports, respectively. This impressive performance would have been still better but for tough competition mainly from China, Taiwan, Korea, Indonesia and the Philippines. With a view to promoting the exports of marine products, the Government extended the Advance Licensing Scheme for imports of raw fish on duty free basis and also introduced over 50 to 60 deep sea trawlers for exploitation of fishery resources within the country's exclusive economic zone. The placement of sea-food processing machinery under OGL and reduction of duty thereon are expected to result in further growth of exports of marine products. The Government has set up a High-powered Committee to accord single window clearance for deep-sea fishing proposals.

Exports of *sugar and mollases* recorded a rise of 15.6 per cent to Rs.37 crore as against a rise of 220.0 per cent registered in the previous year. In volume terms, exports grew by 26.4 per cent to 200.8 thousand tonnes on top of an increase of 54.5 per cent during 1989-90. These exports were mainly against the preferential quotas allotted by the USA and EEC to India, besides some quantities of exports to neighbouring regions.

Exports of *meat and meat preparations* showed an increase of 23.7 per cent to Rs.141 crore as compared with a rise of 21.3 per cent in the preceding year.

Ores and Minerals

Exports of *ores and minerals* grew from Rs.1,380 crore in 1989-90 to Rs.1,695 crore in 1990-91. In terms of growth, exports expanded at a lower rate of 22.8 per cent than 35.8 per cent in 1989-90. As a result, share of these exports in the total showed an improvement from 5.0 per cent in 1989-90 to 5.2 per cent in 1990-91. Exports of iron ore, which accounted for 62.0 per cent of total ores and minerals exports in 1990-91 showed a sharp deceleration in growth from 37.9 per cent in 1989-90 to 13.1 per cent in 1990-91 owing to a fall of 10.4 per cent in the volume of exports. One of the factors responsible for decline in the quantity of exports was the disruption in railway transport caused by cyclone in Andhra Pradesh. However, there was an improvement in the unit value realisation from Rs.260.7 per tonnes in 1989-90 to Rs.329.2 per tonne in 1990-91. The direction of exports exhibited a decline to Australia and Romania but there was a rise in the case of other countries. Japan and Korean Republic are the two prominent markets for Indian iron ore, accounting for more than 75.0 per cent of total export earnings in 1990-91. With a view to promoting the exports

of iron-ore, measures taken by the Government included abolition of export duty on iron ore, market diversification, improvement in infrastructural facilities and long-term agreements with major foreign importers.

Imports

According to the provisional data of DGCI&S, imports at Rs.43,171 crore recorded a growth of 21.9 per cent in 1990-91 on top of a rise of 27.9 per cent in the previous year. In terms of US dollar, the rate of growth was marginally higher at 13.1 per cent in 1990-91 as against 11.2 per cent during 1989-90. In terms of SDRs, imports recorded a growth rate of 4.8 per cent as compared with 15.3 per cent in the previous year. The POL imports accounted for the bulk of the increase in import bill during the year under review reversing the trend discernible during the Seventh Plan period. On the other hand, non-oil imports at Rs.32,351crore recorded a rise of 11.0 per cent during 1990-91 as against a rise of 22.1 per cent in 1989-90. As a result, the contribution of non-oil imports to incremental imports declined to 41.4 per cent in 1990-91 from 73.3 per cent in the previous year. The contribution of imports of petroleum oil and lubricants (POL) to incremental imports during the year rose to 58.6 per cent as against 26.7 per cent in 1989-90 and just 5.3 per cent in 1988-89.

In value terms, bulk imports increased by 34.4 per cent in 1990-91 over a rise of 25.8 per cent in 1989-90. As a result, the share of bulk imports which accounted for about 40 per cent of total imports both in 1988-89 and 1989-90 increased to 44.3 per cent in 1990-91 due to larger imports of pulses, vegetable oils and POL imports to augment the domestic supplies. Non-bulk imports accounted for 59.8 per cent in 1989-90 and for a lower share at 55.7 per cent in 1990-91 (Table X-5).

The rapid rise in the imports of capital goods is justified as it facilitates the modernisation of production structure and upgradation of the technology. The rapid rise in imports of capital goods is the result of the intensification of trade liberalisation following the implementation of Import- Export Policy for 1985-88 announced in 1985.

During the period 1986-87 to 1989-90, imports of capital goods rose at the rate of 11.3 per cent per annum. However, the imports of capital goods recorded a lower rise of 15.5 per cent during the second half of the fiscal year, 1990-91 as compared with marked rise of 39.0 per cent during the comparable half of the previous year. The imports of machinery and parts which witnessed an average annual growth rate of 17.6 per cent during 1980-81 to 1984-85, recorded an average annual growth rate of 21.8 per cent during 1985-86 to 1990-91. Imports of export-related items increased sharply from Rs.2,366 crore in 1985-86 to Rs.6,785 crore in 1990-91, probably due to liberalisation of import policy by way of introduction of import replenishment scheme.

The most disquieting feature has been the increase in dependence of economy on imports as reflected in import - GDP ratio which increased from about 7 per cent in 1986-87 to about 8 per cent in 1989-90. However, the average ratio of imports to GDP declined to 7.3 per cent during the Seventh Plan from that of 8.1 per cent in the Sixth Plan.

Commodity-wise Review

The spurt in imports witnessed during the last two years of the Seventh Plan period continued for the third consecutive year in 1990-91, mainly because of shooting up of bulk imports. Table X-6 gives the data on imports of principal commodities. Bulk imports during 1990-91 at Rs.19,143 crore rose by 34.4 per cent (Rs.4,904 crore) as against an increase of 25.8 per cent (Rs.2,923 crore) during 1989-90 and accounted for 63.2 per cent of the incremental imports of Rs.7,755 crore. In absolute terms also, share of bulk imports in total imports which hovered around 40 per cent during 1988-89 and 1989-90 increased to 44.3 per cent during 1990-91. The acceleration in bulk imports was mainly because of sharp increase in oil prices following the Gulf

Table X-5 : India's Imports by Main Sub-Groups

(Rs. crore)

Commodity Groups	1970-71	1980-81	1984-85	1989-90(P)	1990-91(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	Percentage change in (6) over (5)
1	2	3	4	5	6	7	8	9	10	11
1. Bulk items	**825**	**8,739**	**10,039**	**14,239**	**19,143**	**23.2**	**8.9**	**10.7**	**7.2**	**34.4**
	50.5	69.6	58.6	40.2	44.3					10.3
i) POL	137	5,267	5,409	6,274	10,820	37.5	6.5	10.2	3.0	72.5
ii) Non-POL bulk items	688	3,472	4,630	7,965	8,323	16.1	11.4	11.3	11.5	4.5
a) Consumtion goods	326	901	1,389	914	955	5.0	4.8	19.4	-8.0	4.5
b) Fertilisers	100	818	1,346	1,776	1,697	16.0	13.1	21.1	5.7	-4.4
c) Iron and steel	147	852	941	2,019	2,210	26.6	8.8	8.3	16.5	9.5
2. Non-bulk items	**809**	**3,810**	**7,095**	**21,177**	**24,028**	**14.0**	**21.2**	**18.1**	**24.4**	**13.5**
	49.5	30.4	41.4	59.8	55.7					-6.9
i) Capital goods	404	1,910	3,168	8,831	10,416	13.7	19.7	16.8	22.8	17.9
a) Electrical machinery	70	260	663	1,922	1,741	14.0	23.3	22.8	23.7	-9.4
b) Non-electrical machinery	258	1,089	1,995	3,532	4,324	11.2	15.9	19.8	12.1	22.4
ii) Pearls, Precious, semi-precious stones	25	417	1,0	4,242	3,732	31.2	28.4	24.4	32.7	-12.0
iii) Ohers	380	1,483	2,895	8,104	9,880	12.2	20.0	17.6	22.8	21.9
Total	**1,634**	**12,549**	**17,134**	**35,416 ***	**43,171**	**19.2**	**14.5**	**13.4**	**15.6**	**22.0**

Note : Figures in brackets represents percentages to total.
P : Provisional.
* : Total for 1989-90 is partially revised.
Source : D.G.C.I. & S.

crisis and rise in volume of POL imports due to a fall in domestic production of crude oil.

The average price paid by India for crude oil in the world market rose to Rs.3,300 per tonne during August-November 1990 from an average of about Rs.1,637 per tonne during April-July 1990 but subsequently declined to an average of Rs.2,124 per tonne during the remaining period of 1990-91. Price of petroleum products too followed the similar pattern. The average price of petroleum products rose to Rs.6,196 per tonne from about Rs.3,160 per tonne during April-July 1990 although it subsequently declined to Rs.5,568 per tonne during the same period.

The estimated average rise of about 40 per cent in the cost of POL imports and an increase of about 12 per cent in the quantity imported finally led to a 72.5 per cent (Rs.4,546 crore) rise in POL imports in value terms in 1990-91 and contributed 92.7 per cent of the increase in bulk imports and 58.6 per cent to the total incremental imports. Thus the worsening oil price and a decline in domestic production pushed the share of oil imports as a percentage of the total imports beyond 25 per cent as against less than 20 per cent in the eighties. This share is, however, still less than that in 1979-80, the period of second oil shock, when it was 35 per cent of the total import bill.

The imports of bulk consumption goods which consist of *cereal and cereal preparations, edible oils, pulses* and *sugar* rose moderately by 4.5 per cent (Rs.41 crore) to Rs.955 crore during 1990-91. The noteworthy development was the import saving on account of a substantial reduction in imports of cereal and cereal preparations, showing a decline of 66.8 per cent to 252.5 thousand tonnes in 1990-91 from 761.2 thousand tonnes during the preceding year. As a result, in value terms, these imports declined by 60.1 per cent to Rs.151 crore. However, imports of pulses and edible oils at Rs.473 crore and Rs.322 crore were higher by 107.5 per cent and 52.6 per cent, respectively over those in the preceding year. The substantial step-up in these imports was mainly because of increase in import volume by 84.5 per cent and 65.8 per cent to 791.9 thousand tonnes and 484.6 thousand tonnes during 1990-91 as compared with 429.1 and 292.2 thousand tonnes during 1989-90, respectively. As regards the sources of imports, bulk of pulses during 1990-91 was imported from Australia (Rs.114 crore), Myanmar (Rs.80 crore), Taiwan (Rs.61 crore) and Turkey (Rs.60 crore), whereas Malaysia (Rs.214 crore) and Indonesia (Rs.67 crore) were the main suppliers of edible oils.

Fertiliser imports consist of crude fertilisers, sulphur and unroasted iron pyrites and manufactured fertilisers. During 1990-91, the imports of fertilisers registered a decline from Rs.1,776 crore to Rs.1,697 crore or by 4.4 per cent in sharp contrast to an increase of 90.1 per cent in the previous year. In quantum terms, the imports of fertilisers during 1989-90 and 1990-91 were by and large at the same level. The imports of manufactured fertilisers which increased by 149.1 per cent to Rs.1,228 crore during 1989-90 declined by 11.2 per cent to Rs.1,091 crore reflecting the impact of import compression measures taken by the Government and the Reserve Bank of India as well as improvement in the level of domestic production which had declined in absolute terms in 1989-90. Manufactured fertilisers were mainly imported from the USA (Rs.440 crore), Germany (Rs.186 crore), Jordan (Rs.171 crore) and the USSR (Rs.97 crore). The imports of non-ferrous metals and iron and steel also registered declines of 11.5 per cent and 4.1 per cent, respectively. Imports of iron and steel were of the order of 2798.1 thousand tonnes valued at Rs.2,210 crore as against 3,600.9 thousand tonnes valued at Rs.2,305 crore in 1989-90, thus registering a decline of 22.3 per cent in quantity terms but, owing to the firming up of unit value by 23.4 per cent, the imports in value terms declined only by 4.1 per cent.

Imports of *paper, paperboard and manufactures* rose by 29.3 per cent to Rs.463 crore during 1990-91 on top of an increase of 18.2 per cent in 1989-90 mainly on account of rise at 18.0 per cent in volume terms and 9.5 per cent in unit value.

Table X-6 : India's Imports of Principal Commodities

(Rs. crore)

Commodity Group	Unit of Quantity	1986-87		1987-88		1988-89		1989-90(P)		Absolute variation (10) over (8)	Percentage variation (10) over (8)	1990-91(P)		Absolute variation (14) over (10)	Percentage variation (14) 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	16
I. BULK IMPORTS			**8024**		**9084**		**11316**		**14239**	**2923**	**25.8**		**19143**	**4904**	**34.4**
i) Cereals & cereal preparation	'000 tonne	212.3	87	143.6	66	2750.6	774	761.2	378	-396	-51.2	252.5	151	-227	-60.1
of which															
a) Wheat	-do-	114.7	44	21.5	9	1792.4	434	39.6	21	-413	-95.2	65.9	24	3	14.3
b) Rice	-do-	6.9	2	5.4	2	705.9	231	544.5	283	52	22.5	66.1	39	-244	-86.2
ii) Pulses	-do-	624.8	234	731.7	275	858.4	385	429.1	228	-157	-40.8	791.9	473	245	107.5
iii) Fertilizers															
a) Crude	-do-	2123.3	145	1822.5	139	2017.4	190	2059.8	253	63	33.2	2480.1	339	86	34.0
b) Sulphur & unroasted iron pyrites	-do-	1067.1	200	1148.8	181	211.5	251	1181.0	295	44	17.5	1117.8	267	-28	-9.5
c) Manufactured	-do-	3768.4	576	1403.7	188	2099.7	493	3840.9	1228	735	149.1	3543.9	1091	-137	-11.2
iv) Vegetable oils, fixed (edible)	-do-	1483.1	634	1944.9	969	1083.1	730	292.2	211	-519	-71.1	484.6	322	111	52.6
v) Paper, paper boards & manufactures thereof	-do-	270.6	217	282.8	270	255.3	303	260.2	358	55	18.2	307.1	463	105	29.3
vi) Metalliferrous ores, metal scrap, etc.	Value	-	472	-	442	-	690	-	883	193	28.0	-	1209	326	36.9
vii) Petroleum, petroleum products & related materials	Million tonnes	18.5	2811	21.9	4043	24.0	4358	-	6274	1916	44.0	-	10820	4546	72.5
viii) Pulp & waste paper	'000 tonnes	569.7	244	473.7	239	410.1	260	450.6	304	44	16.9	652.7	454	150	49.3
ix) Iron & Steel	-do-	3136.5	1556	2298.6	1320	2208.1	1933	3600.9	2305	372	19.2	2798.1	2210	-95	-4.1
x) Sugar	-do-	814.1	224	738.3	193	-	-	134.3	97	97	-	12.1	9	-88	-90.7
xi) Non ferrous metals	Value	-	517	-	639	-	776	-	1253	477	61.5	-	1109	-144	-11.5
xii) Crude rubber (including synthetic & reclaimed)	'000 tonnes	80.2	107	78.5	120	91.4	173	83.0	172	-1	-0.6	103.9	226	54	31.4

Table X-6 : India's Imports of Principal Commodities *(Concld.)*

(Rs. crore)

Commodity Group	Unit of Quantity	1986-87		1987-88		1988-89		1989-90(P)		Absolute variation (10) over (8)	Percentage variation (10) over (8)	1990-91(P)		Absolute variation (14) over (10)	Percentage variation (14) 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	16
II. CAPITAL GOODS			**6488**		**6566**		**6956**		**8831**	**1875**	**27.0**		**10416**	**1585**	**17.9**
i) Machinery other than electrical	Value	-	2849	-	2826	-	2872	-	3532	660	23.0	-	4324	792	22.4
ii) Electrical machinery	-do-	-	1212	-	1093	-	1563	-	1922	359	23.0	-	1741	-181	-9.4
iii) Transport equipment	-do-	-	804	-	760	-	753	-	1526	773	102.7	-	1638	112	7.3
iv) Manufactures of metals	-do-	-	209	-	161	-	193	-	271	78	40.4	-	371	100	36.9
v) Project goods	-do-	-	1414	-	1726	-	1575	-	1580	5	0.3	-	2342	762	48.2
III.PEARLS, PRECIOUS AND SEMI-PRECIOUS STONES	**-do-**	**-**	**1489**	**-**	**2018**	**-**	**3176**	**-**	**4242**	**1066**	**33.6**	**-**	**3732**	**-510**	**-120**
IV.OTHERS (Specified)			**2796**		**2833**		**4275**		**5097**	**822**	**19.2**		**5973**	**876**	**17.2**
i) Organic & inorganic chemicals	-do-	-	1145	-	1082	-	1894	-	2135	241	12.7	-	2472	337	15.8
ii) Professional, scientific controlling instruments, photographic optical goods	-do-	-	512	-	500	-	679	-	886	207	30.5	-	1082	196	22.1
iii) Artificial resins & plastic materials etc.	-do-	-	434	-	567	-	809	-	996	187	23.1	-	1096	100	10.0
iv) Textile yarn, fabrics, made-ups, etc.	-do-	-	151	-	187	-	269	-	349	80	29.7	-	449	100	28.7
v) Medicinal and pharmaceutical products	-do-	-	214	-	168	-	236	-	272	36	15.3	-	325	53	19.5
vi) Non-metallic mineral manufactures	-do-	-	129	-	105	-	164	-	168	4	2.4	-	211	43	25.6
vii) Chemical materials & products	-do-	-	152	-	191	-	187	-	222	35	18.7	-	279	57	25.7
viii) Synthetic & regenerated fibre	'000 tonnes	37.8	59	20.5	33	20.5	37	30.0	69	32	86.5	27.4	59	-10	-14.5
ix) Cashew nuts	Value	-	71	-	64	-	61	-	77	16	26.2	-	132	55	71.4
TOTAL OF THE ABOVE			**18797**		**20501**		**25723**		**32409**	**6686**	**26.0**		**39264**	**6855**	**21.2**
OTHERS (not included above)			**1299**		**1743**		**2512**		**3007**	**495**	**19.7**		**3907**	**900**	**29.9**
GRAND TOTAL			**20096**		**22244**		**28235**		**35416***	**7181**	**25.4**		**43171**	**7755**	**21.9**

P : Provisional.
* : Total for 1989-90 is partially revised.
Source : D.G.C.I & S.

Imports of *metalliferrous ores and metal scrap* which expanded by 28.0 per cent in 1989-90 increased further by 36.9 per cent to Rs.1,209 crore in 1990-91. *Pulp and waste paper* imports increased at an accelerated rate of 49.3 per cent to Rs.454 crore during 1990-91 as compared with 16.9 per cent rise in 1989-90 mainly because of increase in import volume by 44.9 per cent to 652.7 thousand tonnes from 450.6 thousand tonnes during the same period. Imports of *crude rubber* which declined marginally during 1989-90 increased by 31.4 per cent to Rs.226 crore during 1990-91 mainly because of higher volume of imports.

Non-bulk items

The category of non-bulk imports experienced a lower rate of growth of 13.5 per cent during 1990-91 as compared with that of 25.2 per cent in the preceding year and 24.4 per cent annual compound growth rate during the Seventh Plan which reflected the impact of import compression measures initiated by the Reserve Bank and the Government in the second half of 1990-91. The other important factor was the higher increase in domestic production of a number of goods in 1990-91. As a result, the share of non-bulk imports in total imports declined to 55.7 per cent in 1990-91 from that of 59.8 per cent in 1989-90. The main items within this category are capital goods and export-related items consisting of *pearls, precious and semi-precious stones, organic and inorganic chemicals, textile yarn, fabrics, made-ups etc., and cashew nuts*. There was a fractional decline of 0.3 per cent in the imports of export-related items during 1990-91 in contrast to a rise of 26.0 per cent in the preceding year, mainly due to a decline of 12.0 per cent to Rs.3,732 crore in the imports of pearls, precious and semi-precious stones. This deceleration perhaps reflects the fall in demand for Indian diamonds abroad due to a shift in the pattern of preferences away from small diamonds in which India specialises and the recession in the United States and other industrial countries. In general, there was recession in the global diamond trade, particularly in small and medium diamonds. The bulk of these imports came from Belgium (Rs.2,283 crore) and the UK (Rs.1,122 crore) during 1990-91. Other export-related items like organic and inorganic chemicals, textile yarn, fabrics, made-ups etc. and cashew nuts registered the increases of 15.8 per cent, 28.7 per cent and 71.4 per cent during 1990-91, as against a rise of 12.7 per cent, 29.7 per cent and 26.2 per cent, respectively in the preceding year. Imports of above mentioned items amounted to Rs.2,472 crore, Rs.449 crore and Rs.132 crore, respectively during 1990-91.

The imports of capital goods are governed by the pattern of industrial activity as well as the stance of commercial policy. These imports consist of *machinery-electrical and non-electrical, transport equipment, manufactures of metals and project goods*. The restrictions that these items can only be imported under foreign currency lines of credit available with the financial institutions, imposed in September 1990, compressed the imports of capital goods. The imports of capital goods expanded at a lower rate at 17.9 per cent to Rs.10,416 crore during 1990-91 as compared with a rise of 27.0 per cent in the previous year. Amongst the capital goods, imports of electrical machinery recorded a decline of 9.4 per cent to Rs.1,741 crore as against an increase of 23.0 per cent in the preceding year, while that of non-electrical machinery rose by 22.4 per cent to Rs.4,324 crore. Imports of electrical and non-electrical machinery together accounted for 58.2 per cent of capital goods imports as against 82.0 per cent in 1985-86 and 61.8 per cent in 1989-90. Imports of project goods rose rapidly by Rs.762 crore (48.2 per cent) to Rs.2,342 crore, thereby increasing their share to 22.5 per cent of capital goods imports in 1990-91 as compared with that of 17.9 per cent in the preceding year. Transport equipment imports was restricted to Rs.1,638 crore during 1990-91 representing a modest increase of only 7.3 per cent in sharp contrast to a marked rise of 102.7 per cent in the preceding year. Imports of manufactures of metals showed an increase of 36.9 per cent to Rs.371 crore in 1990-91 compared with that of 40.4 per cent in 1989-90.

The category of others is a group of heterogeneous items. In this group, *professional,*

scientific controlling instruments and photographic optical goods with a growth of 30.5 per cent in 1989-90 recorded a further rise of 22.1 per cent in 1990-91. Other major items of import under this category are *artificial resins and plastic materials etc.*, the import of which recorded a lower rise of 10.0 per cent to Rs.1,096 crore in 1990-91 than that of 23.1 per cent in the previous year. Imports of *medicinal and pharmaceutical products* and *chemical material products* increased by 19.5 per cent and 25.7 per cent to Rs.325 crore and Rs.279 crore, respectively, during 1990-91 as against the increases of 15.3 per cent and 18.7 per cent, respectively, in the preceding year.

Direction of Foreign Trade

The geographical pattern of India's foreign trade remained broadly unchanged during 1990-91. By and large, the industrial market economies served both as markets for India's exports as well as sources of imports. India's trading partners are classified into four broad categories: (a) Organisation for Economic Co-operation and Development (OECD); (b) Organisation of Petroleum Exporting Countries (OPEC); (c) Eastern Europe; and (d) Developing* countries. During 1990-91, the OECD countries accounted for about 57 per cent of the total trade (imports plus exports) followed by developing countries (17.7 per cent), Eastern Europe (12.2 per cent) and OPEC countries (11.7 per cent) (Table X-7).

During the year under review, the OECD countries continued to be the India's largest trading partner accounting for 56.5 per cent of her exports and 57.2 per cent of her imports as against 55.9 per cent and 60.0 per cent, respectively in 1989-90. Exports to and imports from these countries grew at the rate of 18.7 per cent and 16.2 per cent, respectively. However, the trade deficit widened by 9.5 per cent to Rs.6,333 crore and accounted for 59.5 per cent of India's global trade deficit in 1990-91. The trade deficit with the OECD would have been still larger but for the fact that the trade deficit with the EEC, which has been on the rise since the Seventh Plan except in 1987-88, declined by 21.6 per cent to Rs.3,788 crore in 1990-91. Among the EEC countries Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain and the U.K. accounted for 27.5 per cent of India's exports in 1990-91. While the exports to EEC countries expanded by 29.3 per cent to Rs.8,931 crore, imports increased by 8.4 per cent to Rs.12,719 crore. Within the EEC, Germany continues to rank first followed by the UK, Belgium, Italy, France and Netherlands so far as India's exports are concerned. The trade deficit with France declined by Rs.434 crore to Rs.540 crore in 1990-91 and that with the U.K. by Rs.575 crore to Rs.797 crore. The increase in the trade deficit with the OECD countries was primarily due to the fact that the trade balance with the North America worsened from a surplus of Rs.25 crore in 1989-90 to a huge deficit of Rs.719 crore during 1990-91. This reversal of trend is attributable to a sharp slowdown in the growth of exports due to recessionary trend in the USA and its restrictive trade policy, while import growth continued to be high. The trade policies of the USA which constrained India's exports include export quota arrangement under MFA, anti-dumping and countervailing duty imposed on goods, stringent health and sanitary regulations affecting exports of marine products, brassware, basmati rice, and spices and the threat of action under Section 301 of US Trade Act, 1974.

The trade deficit with the Asia and Oceania countries rose sharply by as much as 112.6 per cent to Rs.1,446 crore in 1990-91, due to a striking acceleration in import growth and a sharp deceleration in export growth to Australia. The trade deficit with Australia, the largest trading partner within the group, increased by 105.7 per cent to Rs.1,146 crore in 1990-91 from Rs.557 crore in the previous year. Similarly, the trade deficit with Japan also increased from Rs.93 crore to Rs.221 crore during the same period. Australia is an important source for supplies of coking coal, pulses, wool and non-ferrous metals. Therefore, India has a substantial trade deficit with Australia.

* Developing countries exclude OPEC and East European countries.

Table X-7 : Direction of Trade

(Rs.crore)

Region	1980-81			1986-87			1987-88		
	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**	**7004**	**12903**	**-5899**	**9234**	**13310**	**-4076**
	46.6	**45.8**		**56.2**	**64.2**		**58.9**	**59.8**	
a) EEC	1447	2639	-1192	2736	6549	-3813	3934	7400	-3466
	21.6	21.0		22.0	32.6		25.1	33.3	
b) North America	806	1851	-1045	2468	2258	210	3086	2301	785
	12.0	14.8		19.8	11.2		19.7	10.3	
c) Asia & Oceania	708	932	-224	1501	3041	-1540	1819	2679	-860
	10.5	7.4		12.1	15.1		11.6	12.0	
d) Other OECD Countries	165	325	-160	299	1055	-756	395	930	-535
	2.5	2.6		2.4	5.2		2.5	4.2	
II. OPEC Countries	**745**	**3490**	**-2745**	**774**	**1958**	**-1184**	**962**	**2953**	**-1991**
	11.1	**27.8**		**6.2**	**9.7**		**6.1**	**13.3**	
III. Eastern Europe	**1521**	**1341**	**180**	**2,390**	**1537**	**853**	**2594**	**2126**	**468**
	22.7	**10.7**		**19.2**	**7.6**		**16.5**	**9.6**	
IV.Developing Countries	**1266**	**1971**	**-705**	**1869**	**3698**	**-1829**	**2228**	**3849**	**-1621**
	18.9	**15.7**		**15.0**	**18.4**		**14.2**	**17.3**	
a) Asia	880	1428	-548	1561	2409	-848	1871	2693	-822
	13.1	11.4		12.5	12.0		11.9	12.1	
i) SAARC Countries	236	140	96	371	113	258	406	98	308
	3.5	1.1		3.0	0.6		2.6	0.4	
ii) Others	644	1288	-644	1190	2296	-1106	1465	2595	-1130
	9.6	10.3		9.6	11.4		9.3	11.7	
b) Africa	345	204	141	275	881	-606	315	654	-339
	5.1	1.6		2.2	4.4		2.0	2.9	
c) Latin American Countries	32	303	-271	27	406	-379	42	502	-460
	0.5	2.4		0.2	2.0		0.3	2.3	
d) Other Developing Countries	9	36	-27	6	2	4	-	-	-
	0.1	0.3		0.0	0.0		-	-	
V. Others	**53**	**-**	**53**	**415**	**-**	**415**	**656**	**6**	**650**
	0.8	**-**		**3.3**	**-**		**4.2**	**0.0**	
TOTAL	**6711**	**12549**	**-5838**	**12452**	**20096**	**-7644**	**15674**	**22244**	**-6570**

Table X-7 : Direction of Trade *(Concld.)*

(Rs.crore)

Region	1988-89			1989-90 (P)			1990-91 (P)		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1	11	12	13	14	15	16	17	18	19
I. OECD Countries	**11774**	**17137**	**-5363**	**15477**	**21260**	**-5783**	**18376**	**24709**	**-6333**
	58.2	**60.7**		**55.9**	**60.0**		**56.5**	**57.2**	
a) EEC	4924	9006	-4082	6906	11736	-4830	8931	12719	-3788
	24.3	31.9		24.9	33.1		27.5	29.5	
b) North America	3925	3667	258	4738	4713	25	5077	5796	-719
	19.4	13.0		17.1	13.3		15.6	13.4	
c) Asia & Oceania	2450	3386	-936	3099	3779	-680	3386	4832	-1446
	12.1	12.0		11.2	10.7		10.4	11.2	
d) Other OECD Countries	475	1078	-603	734	1032	-298	982	1362	-380
	2.3	3.8		2.7	2.9		3.0	3.2	
II. OPEC Countries	**1192**	**3777**	**-2585**	**1841**	**5074**	**-3233**	**1823**	**7039**	**-5216**
	5.9	**13.4**		**6.7**	**14.3**		**5.6**	**16.3**	
III. Eastern Europe	**3356**	**1951**	**1405**	**5336**	**2990**	**2346**	**5836**	**3380**	**2456**
	16.6	**6.9**		**19.3**	**8.4**		**17.9**	**7.8**	
IV.Developing Countries	**3391**	**5357**	**-1966**	**4309**	**6077**	**-1768**	**5538**	**7886**	**-2348**
	16.8	**19.0**		**15.6**	**17.2**		**17.0**	**18.3**	
a) Asia	2827	3775	-948	3653	4462	-809	4662	5858	-1196
	14.0	13.4		13.2	12.6		14.3	13.6	
i) SAARC Countries	562	148	414	697	97	600	950	232	718
	2.8	0.5		2.5	0.3		2.9	0.5	
ii) Others	2265	3627	-1362	2956	4365	-1409	3712	5626	-1914
	11.2	12.8		10.7	12.3		11.4	13.0	
b) Africa	400	988	-588	538	886	-348	704	1035	-331
	2.0	3.5		1.9	2.5		2.2	2.4	
c) Latin American Countries	164	594	-430	118	729	-611	172	993	-821
	0.8	2.1		0.4	2.1		0.5	2.3	
d) Other Developing Countries	-	-	-	-	-	-	-	-	-
	-	-		-	-		-	-	
V. Others	**518**	**13**	**505**	**718**	**15**	**703**	**954**	**157**	**797**
	2.6	**0.0**		**2.6**	**0.0**		**2.9**	**0.4**	
TOTAL	**20231**	**28235**	**-8004**	**27681**	**35416** *	**-7735**	**32527**	**43171**	**-10644**

Notes : a) Exports of Petroleum Products amounting to Rs.411 crore in 1986-87, Rs.649 crore in 1987-88, Rs.505 crore in 1988-89, Rs. 697 crore in 1989-90 and Rs.938 crore in 1990-91 are taken into account in total and others but these are not included in countrywise details.

b) Figures in decimal indicate percentages to total.

P : Provisional.

* : Partially revised.

Source : D.G.C.I. & S.

The deterioration in trade balance with Japan has been accentuated further as the basket of our exports has not been diversified. The exports of only three items, viz., diamonds, iron ore and marine products account for two-thirds of total India's exports to Japan.

The OPEC group of countries continued to show a decline in their share in India's foreign trade over the years. Their share in India's exports declined gradually from 11.1 per cent in 1980-81 to 6.7 per cent in 1989-90 and further to 5.6 per cent in 1990-91. The decline in exports in 1990-91 reflects by and large the loss of markets in West Asia in general and in Kuwait and Iraq in particular following the Gulf crisis. India's continued reliance on imports of POL is the most important determinant of volume of trade with the OPEC countries. This is evident from the fact that their share in India's imports, which was as high as 27.8 per cent in 1980-81 gradually declined to 17.4 per cent in 1985-86 and further to 16.3 per cent in 1990-91. While during 1980-81 to 1985-86 the decline was due to increase in domestic production of crude oil, the decline in 1990-91 may be attributed to the Gulf crisis. During 1990-91, the immediate impact of the Gulf crisis arising out of trade embargo on Iraq and the dislocation of trade to other countries in West Asia led to significant loss of exports. During the year under review, the trade deficit with OPEC countries which widened by 25.1 per cent in 1989-90 increased further by 61.2 per cent to Rs.5,216 crore in 1990-91. The trade deficit with Saudi Arabia showed a substantial rise by as much as 143.4 per cent to Rs.2,480 crore brought about by a massive increase in the rate of import growth. The decelerated rate of growth of exports coupled with an acceleration in imports resulted in a substantial widening of trade deficit with Iran (Rs.619 crore) and U.A.E. (Rs.382 crore).

The uptrend in the trade surplus with the East European countries witnessed since 1988-89 continued in 1990-91, *albeit*, at a lower rate. During 1990-91, the trade surplus recorded a decelerated growth of 4.7 per cent reaching Rs.2,456 crore in sharp contrast to an increase of 67.0 per cent during 1989-90. This shrinkage in trade surplus was attributable to the deceleration in export growth rate (9.4 per cent). The trade surplus with the U.S.S.R., which accounts for the bulk of India's trade with the region, rose by 12.0 per cent to Rs.2,714 crore, as against a sharp rise of 80.0 per cent in 1989-90. The trade deficit with the developing countries, which has been declining since 1985-86 except in 1988-89, increased by 32.8 per cent to Rs.2,348 crore in 1990-91. The trade deficit with the developing countries of Asia (including SAARC) increased despite a rise in trade surplus with SAARC countries by Rs.718 crore during the year. A deeper analysis shows that India achieved a surplus position with South Asian countries at Rs.718 crore in 1990-91 as compared with Rs.600 crore in 1989-90. However, with East Asian countries like South Korea, Singapore and Malaysia, India incurred a combined deficit of the order of Rs.1,804 crore in 1990-91 as compared with that of Rs.1,196 crore in 1989-90.

The flow of India's trade demonstrates a directional change reflecting thereby her efforts to diversify the sources of imports and exports. As such, the share of developing countries in India's exports rose from 14.2 per cent in 1987-88 to 17.0 per cent in 1990-91 and that of OECD has fallen from 59.0 per cent to 56.5 per cent during the same period. Within the OECD group, while the share of the U.K. increased from 5.8 per cent in 1989-90 to 6.5 per cent in 1990-91 and that of Germany from 7.2 per cent to 7.8 per cent, that of the USA and Japan declined from 16.2 per cent and 9.9 per cent to 14.7 per cent and 9.3 per cent, respectively. Similarly, while share of OPEC countries showed marginal fall from 6.1 per cent to 5.6 per cent, that of Eastern Europe went up from 16.5 per cent to 18.0 per cent. As regards imports, OPEC and developing countries were acquiring more importance. In 1987-88, India imported 60 per cent and 9.6 per cent of her imports from OECD and Eastern European countries, respectively. During 1990-91, the respective shares declined to 57.2 per cent and 7.8 per cent. On the other hand, India's imports from OPEC and developing countries rose from 13.3 per cent to 16.3 per cent and from 17.3 per

cent to 18.3 per cent, respectively, during the same period.

Import Licences

Category-wise data on import licences issued during 1989-90 and 1990-91 are presented in Table X-8. However, these data are 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.

Thus, the data on import licences issued during a given period are not strictly comparable with those of actual imports. The trend in the issue of import licences, however, would indicate the broad direction in import policy changes.

As mentioned earlier, several import compression measures were taken by the Government and the Reserve Bank of India during the second half of 1990-91 in view of the foreign exchange constraints. The perceptible impact of the aforesaid measures is reflected in the trends in the growth of import licences issued during 1990-91. The analysis of the data reveals that the import licences issued during the Seventh Plan period increased at a compound rate of 17.7 per cent. The growth rate during 1989-90 was as high as 35.1 per cent which declined sharply to 3 per cent during 1990-91. As regards actual imports, the growth at 25.5 per cent during 1989-90 was lower than that of the import licences issued. However, the trend was reversed during 1990-91. The growth rate of actual imports improved to 21.9 per cent whereas that of import licences issued declined to 3 per cent during 1990-91. The ratio of the value of import licences issued to total imports declined from 52.6 per cent during 1989-90 to 44.5 per cent during 1990-91.

Categorywise, the value of import licences issued during 1990-91 showed a fall in respect of all categories except Actual Users and Capital Goods/Heavy Electrical Plants. The decline was the highest for the State Trading Agencies (63.3 per cent) followed by Small Scale Industries (48.9 per cent). However, in absolute terms, raw materials for Scheduled Industries (DGTD Units) recorded the highest decline of Rs.695 crore.

Percentage growth at 191.4 per cent in the value of import licences issued was the highest in the category of Actual Users (Industrial). The share of this category in 1990-91 stood at 0.5 per cent as compared with 0.2 per cent in 1989-90. The Capital Goods/Heavy Electrical Plants recorded an increase of about 64 per cent to Rs.4,332 crore in 1990-91 from Rs.2,642 crore in the previous year. The share of this category in the total licences issued increased from 14.2 per cent in 1989-90 to 22.6 per cent in 1990-91.

Sectoral classification of the data shows that import licences issued to the Government Sector increased by 4.9 per cent to Rs.5,807 crore in 1990-91 from Rs.5,534 crore in the previous year. The share of this sector rose fractionally from 29.7 per cent to 30.2 per cent during the same period. Licences issued to the Private Sector increased by 2.2 per cent to Rs.13,394 crore in 1990-91 from Rs.13,100 crore in the previous year. The share of this sector came down to 69.8 per cent in 1990-91 from 70.3 per cent in the previous year.

Actual Users (Industrial) licences had the highest growth rate during 1990-91. Under this category, the Government Sector recorded higher growth (286.4 per cent) in comparison with the Private Sector (30.8 per cent). But licences issued to the Private Sector under Actual User (Non-Industrial) category increased by 42.1 per cent in sharp contrast to a 55.6 per cent decline in those issued to the Government Sector. Licences in the category of Raw Materials for Scheduled Industries recorded a larger decline (27 per cent) for the Private Sector in comparison with that of the Government Sector (23.9 per cent). While the Government Sector had an increase of 7.4 per cent in Registered Exporter's Licences, the Private

Table X-8 : Value of Import Licences Issued: Classified by Major Categories and Sectors 1989-90 and 1990-91

(Rs.crore)

Category	Government Sector		Percentage	Private Sector		Percentage	Total		Percentage
	1989-90	1990-91	change	1989-90	1990-91	change	1989-90	1990-91	change
1	2	3	4	5	6	7	8	9	10
1. Actual User (Industrial)	22	85	286.4	13	17	30.8	35	102	191.4
	(0.4)	(1.5)		(0.1)	(0.1)		(0.2)	(0.5)	
2. Actual User (Non-Industrial)	9	4	-55.6	19	27	42.1	28	31	10.7
	(0.2)	(0.1)		(0.1)	(0.2)		(0.2)	(0.2)	
3. Raw Materials for Scheduled Industries (DGTD Units)	1160	883	-23.9	1546	1128	-27.0	2706	2011	-25.7
	(21.0)	(15.2)		(11.8)	(8.4)		(14.5)	(10.5)	
4. Small Scale Industries	-	-		141	72	-48.9	141	72	-48.9
				(1.1)	(0.5)		(0.8)	(0.4)	
5. Registered Exporters	691	742	7.4	9844	9653	-1.9	10535	10395	-1.3
	(12.5)	(12.8)		(75.1)	(72.1)		(56.5)	(54.1)	
6. Capital Goods/Heavy Electrical Plants	1492	2413	61.7	1150	1919	66.9	2642	4332	64.0
	(27.0)	(41.6)		(8.8)	(14.3)		(14.2)	(22.6)	
7. State Trading Agencies	60	22	-63.3	-	-	-	60	22	-63.3
	(1.1)	(0.4)					(0.3)	(0.1)	
8. Others*	2100	1658	-21.0	387	578	49.4	2487	2236	-10.1
	(37.9)	(28.6)		(3.0)	(4.3)		(13.3)	(11.6)	
Total	**5534**	**5807**	**4.9**	**13100**	**13394**	**2.2**	**18634**	**19201**	**3.0**
	(100.0)	**(100.0)**		**(100.0)**	**(100.0)**		**(100.0)**	**(100.0)**	

* Include the categories 'Ad-hoc Licences', 'Customs Clearance Permits', 'Director General of supplies and Disposals Contracts', 'Government and against Government Contracts', 'Replacement Licences' 'Co-operative Societies', and 'Railway Contracts'.

Note : Figures in parenthesis are percentages to the value of total licences issued to each category in the sector during the years.

Source : Chief Controller of Imports and Exports.

Sector experienced a decline of 1.9 per cent in this category. Import licences issued in respect of Capital Goods/Heavy Electrical Plants increased almost uniformly both in the Private Sector and Government Sector. Import licences classified in the 'Others' category declined by 21 per cent in the Government Sector, but increased by 49.4 per cent in the private sector.

II. DEVELOPMENTS IN FOREIGN TRADE POLICY

Export Promotion Measures

The buoyancy in exports witnessed during the last four years of the Seventh Plan period could not be sustained during 1990-91. During the year, a new three-year Import-Export Policy for 1990-93 was announced terminating the earlier policy for 1988-91, a year in advance. The endeavour of the Government has been to frame a policy conducive for export promotion, especially because of the significant changes taking place in global trading in terms of both, commodity-mix and direction of trade. The new Import-Export Policy was discussed in the previous year's Report. However, various measures were subsequently taken during the year in order to further boost exports. Some of the important measures taken during 1990-91 are briefly spelt out below:

1. In tune with the Government's drive to ensure more realistic and expeditious payments of Duty Drawback, the All Industry Rates of Drawback were reviewed and considerably improved in the new schedule effective June 20, 1990. Also, Customs and Central Excise Duties Drawback Rules, 1971 was amended whereby the limit of 2 per cent of f.o.b. value was changed in as much as that drawback, even if it is less than 2 per cent of f.o.b. value, would be admissible provided the total amount per shipment exceeds Rupees ten thousand;

2. In order to reduce delay in disbursement of duty drawback amount, a new system of handing over cheques across the counter to parties or their authorised representatives was introduced for those who opt for it;

3. Star trading houses, trading houses and export houses have been exempted from the purview of compulsory pre-shipment inspection of engineeering products and footwear and footwear components. All industrial units set up in EPZ, FTZ and 100 per cent EOUs have also been exempted from such inspection;

4. On account of the high cost of imported capital goods and equipments, a scheme was evolved to provide registered manufacturer-exporters, the facility of imports of capital goods at a concessionary rate of duty against suitable export obligation;

5. For the purpose of issue of licences under Duty Exemption Scheme, value addition is calculated taking into the account the c.i.f. value of all imported inputs taken together, whether imported directly by the applicant under this Scheme or imported/procured otherwise for the manufacture of the resultant products for export;

6. Imports of project used machinery has been allowed and also, the import duty on these equipments/machinery has been reduced from 90 per cent to 25 per cent;

7. The Gold Control act, 1968 was repealed and exports of gold and silver ornaments were allowed to be exported by air freight from Customs House at Bangalore and Cochin also. Export of gold jewellery of 8 carat and above was allowed;

8. Long-term Garment Export Quota Policy and Textile Export Quota Policy for 1991-92 was announced with the objective of full utilisation of quotas, maximum realisation of foreign exchange from available quotas and orderly development of export trade;

9. A number of garment, textile and woollen machineries have been added to the OGL list and are also allowed to be imported at a concessional duty; and

10. Simplified Payment Scheme under the International Price Reimbursement Scheme (IPRS) was announced under which specified exporters would be disbursed 75 per cent of their claims within 7 working days of the submission of their claims. IPRS has been modified from March 1, 1990 to encourage high value added product exports.

In addition to the aforesaid export promotion measures, the Government also took various export control measures which were in the nature of imposing minimum export prices,quality control, canalisation, restriction, banning, etc. The details of these control measures are presented in Appendix-I(A).

Import Policy changes

In view of deteriorating trade balance position in 1990-91 due to deceleration in the export growth in the face of sizeable import growth, a number of measures were initiated by the Government and the Reserve Bank of India in order to conserve scarce foreign exchange reserves. The focus of the import management measures initiated by the Government and the Reserve Bank has been on curtailment of non-essential and low priority imports. The application of monetary and fiscal regulations was intended to discourage speculative inventory build up of imported inputs in the context of strains imposed on the economy by the Gulf crisis.

Measures to restrict imports

The Government shifted 34 categories of capital goods in July, 1990 from OGL to the licensing category. Industrial units were advised by the Government to import raw materials and components against replenishment licence/ additional licences. The imports of raw materials, components and consumables under the OGL by actual users engaged in the manufacture of automobiles, electronic items and consumer durables were subject to a cut of 15 per cent of the value of actual OGL imports during the preceding licensing year, a measure which was subsequently extended to all actual users against their supplementary licences for import of the aforesaid items. An additional cut of 10 per cent was also effected for passenger vehicles and consumer durable sector. Effective November 6, 1990, the residual category of imports comprising unlisted items of raw materials, components, spares etc. under OGL were shifted to the limited permissible list. Restrictions were also imposed on canalised imports requiring clearance by the Finance Ministry on a case-by-case basis.

To curb petroleum imports in the light of the sharp increase in international POL prices, a "Gulf Surcharge" of 25 per cent was imposed on all petroleum products, except domestic LPG cyclinders. Further, a cut of 25 per cent in petroleum consumption by Central Government and public sector undertakings was imposed and several other measures to conserve the use of POL were introduced. The Government of India in July 1991 announced major trade reforms to impart flexibility to restrictive provisions contained in the foreign trade policy. Please refer to Reserve Bank of India Bulletin, September 1991, for details.

Trade Reform Measures

As part of structural reforms, the Government reviewed the Import-Export Policy 1990-93 and introduced major reforms on July 4, 1991 and August 13, 1991, the accent of which is to move gradually towards market mechanism by the removal of bureaucratic control so that the exporters can respond with speed and flexibility to changing international conditions. The objective is to create an environment that will provide strong impetus to exports and render export activity more profitable. The salient features of the package are as follows:

1. Following the downward adjustment in Rupee exchange rate, Cash Compensatory Support (CCS) was suspended with effect from July 3, 1991.

2. The Replenishment Licence System (REP) has been enlarged and restructured to make it the principal instrument for all categories of exports.

It will, henceforth, be called Eximscrips and can be freely traded. A uniform REP rate of 30 per cent of FOB value will apply to all exports with some exceptions. This represents a substantial improvement over the previous rate which ranged between 5 per cent and 20 per cent barring a few items which have higher rates. Exports to hard currency areas will be eligible for Eximscrips valid for hard currency imports while exports to rupee payment areas will be issued Eximscrips valid for imports from those areas only. However, till December 31, 1991, exports to rupee payment areas may continue to avail REP licences valid for hard currency imports at the rate prevailing prior to July 4, 1991. Exports of gems and jewellery, handicrafts, newspapers, journals and periodicals and cinematographic films, will continue to receive special rates of REP. The new scheme with a uniform rate of 30 per cent entitlement offers maximum encouragement to exports with low import-intensity. Eximscrips at 30 per cent of net foreign exchange earning (NFE) will also be available for all EOUs, EPZs and service exports including software exports. For certain value added agricultural products, electronics, bulk drugs and marine products, formulations and certain categories of advanced engineering goods, the basic REP rate of 30 per cent is inadequate and hence they are eligible for an additional Eximscrip entitlement of 10 percentage points taking the total rate to 40 per cent of FOB value. Eximscrip issued to exporters can be used to import any item in the limited permissible list, non-sensitive canalised list, all OGL items for actual users and non-OGL capital goods other than those in the restricted list. Finally, Eximscrips will be issued only after export proceeds have been realised and Government will ensure that they are issued within 48 hours of the receipt of the application.

3. Later, in pursuance of the Government's goal of reducing quantitative licensing and shifting progressively to non-discretionary system of control, 58 important items of raw materials and components were shifted from the Restricted List (Appendix 2-B) to the list of Limited Permissible Items (Appendix-3), so that they can now be imported against Eximscrips. However, small scale industrial units and manufacturers of life saving drugs and equipments need not go through the Eximscrip route and will be able to apply for import licences on merit.

4. All Supplementary Licences for raw materials and components in Appendix-3 have been abolished except for small scale industries and for manufacturers of specified life-saving drugs and equipments. Such imports will be made through Eximscrips.

5. With a view to compressing imports and strengthening the linkage between capability of exports and imports the category of unlisted OGL has been abolished and all items falling under this category have to be imported only through the REP Scheme.

6. Advance Licence as an instrument of export promotion has been strengthened. The procedural delays have been shortened; it will be issued within 15 days of application and the number of accompanying documents has been reduced from 9 to 3 in cases where input-output norms have been fixed and 45 days and 4 documents where norms have not been fixed. Substantial manufacturing activity as a necessary condition under the Advance Licence scheme will no longer be applicable for exports to General Currency Area (GCA). However, the value addition norm will remain in force. A new Scheme of Transferable Advance Licence has been introduced for GCA exports whereby exporters can undertake exports based on duty paid inputs obtained from the market and subsequently obtain Advance Licence for replenishment of these inputs by duty-free imports in respect of certain thrust sectors; viz., textile, leather and engineering items. Advance Licences will specify values in free foreign exchange both for imports and exports and will be freely transferable. Exporters would be allowed to dispose of materials imported against Advance Licences by way of replenishment without seeking prior permission of the licensing authority in cases where no MODVAT facility has been availed of on the domestic material used in exports. The existing procedure for obtaining Bank Guarantee (BG) and

Legal Undertaking (LUT) from different categories of exports is being streamlined and liberalised. Adjustment needed on account of fluctuation of prices of imported individual items would be permitted within the overall CIF value of Advance Licence. Exporters can obtain Advance Release Orders for domestic supply against Advance Licence under which the domestic supplier gets the benefit of deemed exports. Finally, in cases where Advance Licences are turned down, the exporters will be permitted to convert to the Duty Drawback regime by the Collectors of Customs so that shipments made in advance can be imported on payment of duty for subsequent claims of duty drawback.

7. Extensive changes have been made in the working of Export Oriented Units (EOUs) and Export Processing Zones (EPZs). As stated earlier, they will avail Eximscrips at the basic rate of 30 per cent of net foreign exchange earning (NFE). The duty applicable on Domestic Tariff Area (DTA) sales from EOUs/EPZs units has been reduced to 50 per cent of the normal customs duty subject to the duty payable not being less than the excise duty on the same product. DTA sales have been permitted in the ratio of 25:75 in relation to export sales in case of units whose use of indigenous raw material is more than 30 per cent of production. In all other cases, the ratio of permissible DTA sales to export sales will be 15:85. With a view to encouraging exporters to set up EOUs or units in EPZ the net foreign exchange earned by EOUs or EPZ can be clubbed with the earnings of their parent/associated companies in the DTA for the purpose of according Export House, Trading House or Star Trading House status for the latter. The International Price Reimbursement (IPRS) scheme for supply of steel to exporters has also been extended to EOUs and EPZ units. A system of automatic approvals is being established for all proposals which fall within certain parameters and they will be cleared within two weeks. Capital goods imports will be allowed under the automatic approval procedure if they are fully covered by foreign equity or if they do not exceed 50 per cent of the value of plant and equipments subject to a ceiling of Rs.3 crore. Powers are being delegated to Development Commissioners so that the approvals can be given on a decentralised basis. Several specific concessions extended to EOUs/EPZ units include permission of entry of imported raw material on "Provisional assessment" basis to expedite customs clearance, supply/transfer of finished goods among themselves, replacement of multiple bonds by a single bond for obtaining import clearance, increasing the list of items under the "Special Imprest Licence Scheme" on selective basis, expediting supplies from the DTA without payment of excise duty. Finally, private parties can establish bonded warehouses within EPZ for stocking and sale of duty free raw materials, components, consumables and spares to EPZ units and EOUs.

8. The procedure of capital goods imports has been simplified. New units and units undergoing substantial expansion will automatically be granted licences for import of capital goods, other than those in the restricted list, without any clearance from the indigenous availability angle provided the import of capital goods is fully covered by foreign equity or the import requirement is up to 25 per cent of the value of plant and machinery subject to a maximum of Rs.2 crore.

9. As part of supplementary trade package announced on August 13, 1991, a number of items were decanalised. In the case of exports, 16 items have been decanalised. Further, in the case of imports, 6 items were decanalised and placed on OGL list, while 14 items were decanalised to be put under limited permissible list where they can be imported against Eximscrips.

10. Functioning of the public sector trading organisations like the STC and MMTC were to be geared to achieve the objectives of emerging as international Trading Houses operating in a competitive global environment, of serving as effective instruments of public policy and of providing adequate support services to the small scale cottage sectors.

11. The range of items which can be imported against additional licences by the export houses,

trading houses and the star trading houses has been widened in line with the Eximscrips. Effective April 1, 1992, additional licences will stand abolished and these houses will receive additional Eximscrips at the rate of 5 per cent of the FOB value of exports. Permission was also granted for setting up Trading Houses with 51 per cent foreign equity for the purpose of promoting exports.

12. With a view to expediting payments for their essential imports, exporters will be allowed to open foreign currency accounts in approved banks and allow them to raise external credits to pay for export-related imports from such accounts and credit export proceeds to such accounts.

13. The Board of Trade has been reconstituted to enable it to function as an apex forum to facilitate close and frequent interaction between industry and trade, on the one hand, and Government on the other. Again, the Office of the Chief Controller of Imports and Exports has been redesignated as the Directorate General of International Trade, the principal function of which will be promotion of exports and facilitation of imports to promote export trade. State Governments have been requested to exempt exports from all fiscal levies in order to ensure that our exporters are able to compete effectively in world markets. The State's Cell in the Ministry of Commerce is to be strengthened and separate Export Promotion Cell for a Directorate of Export Promotion will be set up in each State Secretariat.

Other Measures

1. To expedite faster remittances of foreign exchange against all exports, the Government decided that the Regional Licensing Authority will issue import replenishment licences only after realisation of export proceeds. The exporters have to obtain the necessary certificate from the bankers.

2. The import of gold for use by jewellery exporters by the State Bank of India has been stopped and such gold imports are sought to be substituted by confiscated gold lying idle with the mints.

3. The Government raised auxiliary duty of customs on all items, except crude oil and basic duty on a number of items in December, 1990.

4. There were two major downward adjustments in exchange value of rupee on July 1 and July 3, 1991 to bring the external value of rupee at an appropriate level consistent with the need to maintain the competitiveness of the country's exports. The Reserve Bank effected downward adjustment in the value of rupee by 8.7 to 9.7 per cent in relation to four major currencies, viz. Pound Sterling, U.S. dollar, Deutsche Mark and Japanese Yen on July 1, 1991 and further by 10 to 11 per cent in relation to five major currencies (Sterling, Dollar, DM, Yen and French Franc) resulting in an overall appreciation of these currencies in relation to rupee by about 21 to 23.1 per cent.

5. Import of components by the manufacturing units which do not sufficiently contribute to exports are being constantly monitored by the Government. The Phased Manufacturing Programme (PMP) wherever prescribed by the Ministry of Industry, is required to be adhered to by the concerned manufacturing units.

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 1990-91, exports by the Corporation declined sharply by 50.0 per cent to Rs. 369 crore from Rs. 738 crore in 1989-90 in sharp contrast to an impressive increase of 41.9 per cent during1989-90. Imports, on the other hand, rose by 24.5 per cent to Rs. 1,332 crore, as against a decline of 47.7 per cent recorded during the previous year (Table X-9).

Exports: During 1990-91, canalised exports declined by 16.3 per cent to Rs. 113 crore from Rs. 135 crore in the previous year.

Table X-9 : Exports and Imports by STC-Major Items

(Rs. crore)

Items	1989-90	1990-91
1	2	3
A. Exports (I+II)	**738**	**369**
I. Canalised	**135**	**113**
Of which :		
Sugar	16	52
Castor oil	-	4
Alcohol	21	22
Molasses	12	25
Jute goods	-	-
Opium	9	10
II. Non-Canalised	**603**	**256**
Of which :		
Coffee and instant coffee	11	9
Tobacco	12	2
Tea	5	2
Foodgrains (Excluding rice)	-	11
Rice	82	7
Footwear components	43	17
Leather goods and garments	12	6
Finished goods and garments	9	11
Semi-processed leather	4	-
Engineering products and construction material	2	16
Drugs and chemicals	70	60
Fresh and processed food	3	28
Meat and marine products (including dry and frozen fish)	4	-
Extractions	38	21
Castor oil	-	6
Jute goods	-	25
Consumer products	18	9
Others	290	26
Special Trading arrangements (Off-shore Trading)	14	-
B. Imports (Sales Value) (I+II)	**1,070**	**1,332**
I. Canalised	**1,045**	**1,309**
Of which :		
Edible oils	200	836
Sugar	-	-
Natural rubber	45	72
Newsprints	259	292
Fatty acids	11	95
Chemicals	12	13
Drugs and pharmaceuticals	1	1
Others	517	-
II. Non-Canalised	**25**	**23**

Substantial increases were recorded in the exports of sugar and molasses. During the year under review, the share of canalised exports in total exports improved to 30.6 per cent from 18.0 per cent in the previous year. Non-canalised exports, on the other hand, at 256 crore declined rather sharply by 57.5 per cent from Rs. 603 crore in the previous year. Items contributing to decline in non-canalised exports were rice, footwear components, leather goods, garments, drugs and chemicals, extractions and consumer products. The share of non-canalised exports in total exports declined to 69.4 per cent in 1990-91 from 80.2 per cent in 1989-90.

Imports: During 1990-91, canalised imports rose by 25.3 per cent to Rs. 1,309 crore from Rs.1,045 crore in 1989-90. Items contributing to increase included edible oils, fatty acids, natural rubber etc. In fact, imports of fatty acids and edible oils increased by as much as 763.6 per cent and 318.0 per cent, respectively, over the levels in the previous year. Sizeable quantity of edible oils had to be imported to augment the domestic supplies and check the price rise. Non-canalised imports, declined by Rs.2 crore to Rs.23 crore during 1990-91.

Minerals and Metals Trading Corporation (MMTC)

The Minerals and Metals Trading Corporation (MMTC), the main canalising agency for export of major minerals and imports of critical raw materials like non-ferrous metals, fertilisers and steel recorded a decelerated rate of growth in its turnover during 1990-91. Total turnover of the Corporation increased by 10.4 per cent to Rs.5,591 crore from Rs.5,063 crore in 1989-90 (Table X-10).

During 1990-91, exports of the Corporation at Rs.1,325 crore registered a lower growth of 15.4 per cent in contrast with an accelerated rise of 31.5 per cent during 1989-90. Canalised exports which accounted for 47.5 per cent of Corporation's total exports during 1990-91, rose marginally to reach Rs.630 crore and contributed 4.0 per cent to total incremental exports. Iron ore continued to be the principal item of canalised exports

Table X-10 : Exports and Imports by MMTC-Major Items.

(Rs.crore)

Items	1989-90 (Actuals)	1990-91 (Actuals)
1	2	3
A. Exports		
I. Canalised		
Iron ore	496	525
Manganese ore	38	41
Chrome ore	67	43
Coal	14	11
Others	8	10
Total-I	623	630
II. Non-Canalised		
Iron ore concentrates	61	6
Diamonds, gem stones and gold jewellery	128	169
Off-shore trade	14	21
Counter trade	190	372
Project exports	75	58
Others	57	69
Total-II	525	695
Total (I+II)	**1148**	**1325**
B. Imports		
I. Canalised		
Non-ferrous metals	999	639
Steel	699	508
IRM	91	87
Fertilisers	2026	2836
Total-I	**3815**	**4070**
II. Non-canalised		
Diamonds	37	56
Non-ferrous metal	29	138
Others	34	2
Total-II	100	196
Total (I+II)	**3915**	**4266**

accounting for 83.3 per cent of total canalised exports. Japan continued to be the largest market for iron ore exports by MMTC. The manganese ore, manganese dioxide, chrome ore, coal and bauxite were other items under canalisation, combined exports of which declined by 17.3 per cent to Rs.105 crore. Non-canalised exports, on the other hand, rose by 32.4 per cent to Rs.695 crore from Rs.525 crore in 1989-90. Within the non-canalised exports, exports of diamonds, gems, stones and jewellery at Rs.169 crore rose by 32.0 per cent and accounted for a share of 24.3 per cent of exports of Corporation. Exports through counter trade at Rs.372 crore rose significantly by

95.8 per cent and accounted for 53.5 per cent of total non-canalised exports.

Imports made by MMTC were, by and large, restricted to canalised items which amounted to Rs.4,070 crore during 1990-91 and accounted for a share of 95.4 per cent in total imports of the Corporation. Within this category of imports, fertilisers at Rs.2,836 crore registered a sharp rise of 40.0 per cent and accounted for 69.7 per cent of total canalised imports during the year. Imports of non-ferrous metals and steel at Rs.639 crore and Rs.508 crore, respectively, declined by 36.0 per cent and 27.3 per cent, respectively, during the year under review. Non-canalised imports, on the other hand, with a share of 4.6 per cent rose by 96.0 per cent to Rs.196 crore from that of Rs.100.0 crore during 1989-90. Non-ferrous metals at Rs.138 crore formed the principal non-canalised import item quadrupling during the year.

Trade Development Authority

The Trade Development Authority (TDA) was established in 1970 as a multi-product export promotion institution under the Ministry of Commerce. The important objectives of TDA are to identify and nurture specific products with long range export growth prospects; locate and cultivate specific buyers in select overseas markets which have increasing trade potential; bring about durable merchandising contacts between select Indian suppliers and overseas buyers; provide package of services to execute such contracts; organise trade intelligence on modern lines; and to promote the creation of additional capacities in sectors which have export potential. Being a promotional institution, TDA acts mainly as a catalyst and strives to concentrate on specific products, specific exporters, specific markets/ buyers without entering into direct commercial transactions. The important export/promootion activities undertaken by TDA during 1990-91 are given below:

(A) India Promotion Proogramme in Department Stores Abroad

The TDA has developed the technique of promoting Indian goods through leading Department Stores. Such promotions not only generate export orders but also create awareness among the overseas consumers about India as a potential supply source.

During the year under review, the TDA organised four India promotion programmes in association with Kaufhof Department Stores (FRG), Galeries Lafeyette (France), Harrods Department Store (UK) and El Corte Ingles (Spain). Indian merchandise worth Rs.43.27 crore were purchased by these stores. These programmes gave the much needed publicity to Indian merchandise and created awareness abroad about India as a major supply source. Repeat Orders were also received.

(B) Buyer-Seller Meets (BSMs)

The TDA organised buyer-seller meets in the different countries to optimise our exports through intensive marketing efforts. In the BSMs, our exporters meet the buyers of the target market at one place for negotiation.

The TDA organised Buyer-Seller Meets for fashion garments and accessories in Osaka for winter garments in Tokyo and for textiles/fabrics in Seoul. These Meets resulted in orders worth Rs.21.14 crore and serious enquiries for Rs.24.24 crore worth of goods were generated during the event.

(C) Trade Fairs and Exhibitions

The TDA continued to assist a large number of Indian manufacturers and exporters in publicising their products through specialised overseas trade fairs and exhibitions. During 1990-91, it participated in Electro 90 (USA); Auto Mechanics 90 (FRG); Sapparo Intl. Fair—Sapparo (Japan); Kobe Import Fair 90 (Japan); Singapore Informatics 90 and International Gift Show (Japan).

(D) Contact Promotion Programmes (CPP)

Contact Promotion Programme (CPP) is an intensive marketing technique

whereby a sales delegation is sent to the target market(s) for marketing select products. With a view to promoting specific products in markets which offer export potential, the TDA organised three contact promotion programmes in which delegations consisting of exporters and TDA officers were sponsored.

(E) Integrated Marketing Programmes

These programmes are implemented in distinct four phases—(i) visit of product specialist to India, (ii) short-listing of Indian companies interested in product adaptation, (iii) market survey in target countries including procurement of samples for counter development and (iv) product development and visit of product and marketing specialist of consultancy firms to India. During 1990-91, the two integrated marketing programmes undertaken were integrated Marketing Programmes for Women Entrepreneurs in FRG, the UK and France and Integrated Marketing Prgorammes for Women Entrepreneurs in FRG, the UK and France and Integrated Marketing Programme for Electro Mechanical Components in the UK, FRG and France.

(F) Supply Study/Incountry Studies

The TDA carries out supply/incountry studies on select products to assess the supply base, production patterns, problems of export production, marketing etc. These reports also contain suggestions for improving India's market share in the world markets as well as profiles of leading manufacturers/exporters.

(G) Inter-firm Comparison Study (IFC)

Inter-firm comparison studies were undertaken on select industries for helping the Indian firms in improving their business. During the year under review the TDA has completed inter-firm comparison study on machine tools. Another inter-firm comparison study on Paints and Varnishes industry has also been initiated.

(H) Consultancy Projects

One of the important assignments entrusted to TDA is preparation of Action Plan for exports from States. Accordingly, plans for promoting exports from the States of Madhya Pradesh, Tamil Nadu and Andhra Pradesh were prepared.

(I) Short Term Forecasts on India's Exports

The TDA prepared short term forecast on India's exports on the advice of Ministry of Commerce. The main objective of the project is to give advance projections on India's exports commodity/product group-wise on quarterly basis.

(J) Work shops and Seminars

Three programmes on "Export Marketing Information" were organised during the year. These programmes covered various aspects of international marketing, export finance, documentation, procedure, etc.

(K) Display of Foreign Product Catalogues

The TDA organised displays of foreign product catalogues at 8 business centres in different parts of the country with a view to acquainting the trade and industry about the types of products in demand abroad and to help them in product adaption.

Handicrafts and Handlooms Export Corporation (HHEC)

The Handicrafts and Handlooms Export Corporation (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 development 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 fiscal year 1990-91, exports from the Corporation declined by 38.1 per cent to Rs.48.5 crore from Rs.78.4 crore during the preceding year. The decline has been in consonance with the demand recession witnessed by our total exports of handicrafts during the current year. Exports of gold jewellery with a share of 50.8 per cent in the Corporation's total exports, declined by 49.3 per cent to Rs.24.6 crore from Rs.48.6 crore during 1989-90 and accounted for

80.2 per cent of the total decline during 1990-91. Other important items in the basket of HHEC's exports which declined during the year included carpets (Rs.3.5 crore), readymade garments (Rs.1.5 crore), handlooms (Rs.0.2 crore) and handicrafts (Rs.0.8 crore). Silver jewellery/articles with a negligible share in HHEC's total exports recorded a fractional rise. However, for the year 1991-92, the Corporation has set an export target of Rs.70.9 crore.

The Cashew Corporation of India (CCI)

The Cashew Corporation of India (CCI), a fully-owned subsidiary of the State Trading Corporation of India was set up in 1970 as a canalising agency for import of raw cashew nuts for supply to the export-oriented sector of cashew industry. With the decanalisation of raw cashew nuts in 1981, the Corporation concentrated its activities on exports of cashew nuts.

During 1990-91, exports of cashew nuts by the Corporation rose by 21.5 per cent to 9.6 crore as against a decline of 7.1 per cent to Rs.7.9 crore during 1989-90. In terms of volume, quantity of exports rose by 14.3 per cent during the year in contrast to a decline of 9.1 per cent during 1989-90. Unit value realisation during 1990-91 improved to Rs.93.60 per kg. from Rs.87.90 per kg. in the preceding year and was significantly higher than that of Rs.81.30 per kg. and Rs.76.70 per kg. respectively, obtained for India's total exports of cashew nuts. Destination-wise, the USA and Australia together accounted for 62.8 per cent of the total exports made by the Corporation during the year. Other important markets were Japan and Hong Kong, together accounting for a share of 30.7 per cent. The Corporation has set an export target of Rs.20.0 crore for 1991-92.

Tea Trading Corporation of India (TTCI)

The Tea Trading Corporation of India (TTCI), a subsidiary of State Trading Corporation of India since 1986, was established in 1971 to create a stable export market for Indian tea, particularly in the value added forms, viz. packed tea, tea bags, instant tea etc. Besides, the Corporation also caters to activities like marketing of tea for domestic consumption, management of tea gardens, warehousing of tea and establishment of other facilities beneficial to the Industry.

Exports by TTCI have displayed a decelerating trend in the recent past. During 1990-91, exports of tea by TTCI declined by 26.9 per cent to Rs.17.4 crore on top of a decline of 8.9 per cent during 1989-90. However, the deceleration in volume of exports during 1989-90 and 1990-91 was larger at 20.9 per cent and 36.4 per cent, respectively, reflecting an increase in the unit value realisation which rose from Rs.46.1 per kg. in 1989-90 to Rs.53.0 per kg. in 1990-91. Destination-wise, the USSR continues to be the major market accounting for a share of 45.9 per cent of which two-third is accounted for by bulk tea, and packet tea accounts for the remaining one third. Exports to Morocco amounted to Rs.7.8 crore which constituted 44.8 per cent of TTCI's total exports and was restricted to Green tea only. Other important markets for TTCI's tea exports are Japan, Germany and Egypt. TTCI has fixed an export target of Rs.36.2 crore for 1991-92.

Mica Trading Corporation of India Ltd. (MITCO)

The Mica Trading Corporation of India was established in 1974 as a canalising agency of the Government for exports of processed mica and mica scrap. However, with effect from October 1990, exports of processed mica were decanalised and those of mica scrap was canalised through MITCO.

During the year 1990-91, exports by the Corporation declined significantly by 41.9 per cent to Rs.18 crore from Rs.31 crore during the preceding year. The decline in exports can be attributed mainly to decanalisation of exports of processed mica since October, 1990 and also to lower off-take by the East European countries. Exports of processed mica accounted for 61.1 per cent of its total exports. Destination-wise, the Corporation exported to more than 25 countries

with the USSR, Japan and the USA being the major markets. While the Rupee Payment Area accounted for 44.4 per cent of its total exports, the share of General Currency Area was 55.6 per cent. During 1990-91, the Corporation undertook various promotional measures, viz., assessment of the problems faced by the foreign buyers through regular interaction and explaining the various policy measures pertaining to exports of processed mica and mica scrap.

Free Trade Zones

Reflecting the deterioration in the performance of exports during the year under review, exports from the six Export Processing Zones (EPZs) showed a lower rate of increase in 1990-91 than that in 1989-90. During 1990-91, exports from all the six zones at Rs.982.0 crore rose by 33.1 per cent as compared with a growth rate of 43.0 per cent in 1989-90 and 55.6 per cent in 1988-89. The share of exports from the EPZs in India's total exports improved marginally from 2.7 per cent in 1989-90 to 3.0 per cent during 1990-91 due to larger fall in the growth of total exports than those for EPZs.

Exports from the four new zones viz., Madras, Falta, Noida and Cochin established in 1984 rose by 25.3 per cent to Rs.136.4 crore from Rs.108.9 crore in 1989-90 and accounted for only 11.3 per cent of the total incremental exports from all the EPZs, thereby, reflecting the slow progress made by the new zones. A seventh zone at Vishakhapatnam was sanctioned in March 1989 and is under implementation. The number of units operating in the zones declined from 369 in 1989-90 to 339 in 1990-91 (Table X-11).

Table X-11 : Performance of Free Trade Zones

(Rs. crore)

Zone	Exports			No of Units as on March 31, 1991
	1988-89	1989-90	1990-91	
1	2	3	4	5
1. Kandla FTZ	271.0	338.3	456.6	101
	(52.5)	(45.9)	(46.5)	(29.8)
2. SEEPZ	185.2	290.4	389.0	101
	(35.9)	(39.4)	(39.6)	(29.8)
3. Madras EPZ	24.0	29.6	61.3	50
	(4.7)	(4.0)	(6.2)	(14.7)
4. Noida EPZ	21.3	51.9	44.7	55
	(4.1)	(7.0)	(4.6)	(16.2)
5. Falta EPZ	8.1	16.4	25.0	9
	(1.6)	(2.2)	(2.6)	(2.7)
6. Cochin EPZ	6.2	11.0	5.4	23
	(1.2)	(1.5)	(0.5)	(6.8)
Total	**515.8**	**737.6**	**982.0**	**339**
	(100)	**(100)**	**(100)**	**(100)**
Percentage variation over previous year	**+55.6**	**+43.0**	**+33.1**	**-8.1**

Note: Figures in brackets represent percentage share in total.

Source: Office of the respective Development Commissioner.

Kandla Free Trade Zone (KAFTZ)

Kandla Free Trade Zone, a premier multi-product zone was established in 1965. Exports from KAFTZ continued to maintain the pace of accelerated export growth witnessed since 1987-88 which recorded a growth rate of 35.0 per cent in 1990-91 on top of a rise of 24.8 per cent in 1989-90. The exports at Rs.456.6 crore accounted for a higher share of 46.5 per cent of the total exports in 1990-91 originating from all the zones compared to that of 45.9 per cent in 1989-90.

The Kandla Free Trade Zone exports a wide range of products such as garments, knitwears and toileteries, engineering items like compressors and high pressure hydraulic jetting equipments, etc. The Zone, although makes export to a large number of countries, the Soviet Union continues to be the major buyer with a share of 89.0 per cent in KAFTZ total exports. Inclusive of subsidiary units of 5 multinational companies and 12 units financed by NRI/foreign investment, there were 101 operating units in the zone during 1990-91. In order to promote exports and new units, the zone undertook measures like publishing newspapers and journals, both within the country and abroad, and circulation of promotional literature among entrepreneurs in India and abroad. Periodic promotional meetings were also held with prospective entrepreneurs at Bombay, Ahmedabad, Delhi, etc.

Santacruz Electronic Export Processing Zone (SEEPZ)

The Santacruz Electronic Export Processing Zone 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. Exports from the zone rose substantially by 34.0 per cent to Rs.389.0 crore in 1990-91 from Rs.290.4 crore in the preceding year. However, against a growth rate of 56.8 per cent in 1989-90, the rise during the year under review was subdued. As a result, the share of electronics exports in total exports from the zone declined to 66.6 per cent in 1990-91 from that of 68.0 per cent in 1989-90. Exports of gems and jewellery items during 1990-91 increased sharply by 48.4 per cent to Rs.129.8 crore from Rs.87.5 crore in the previous year. Among the total 101 operating units, 89 units were electronic units and remaining units fell under the gems and jewellery sector. Expansion work of second gems and jewellery complex comprising 16 units is currently in progress.

Madras Export Processing Zone (MEPZ)

Madras Export Processing Zone established in 1984 is a multi-product zone exporting engineering goods, garments, perfumery, electronic goods, leather products, plastic and rubber toys, musical instruments, etc. During 1990-91, exports from the zone rose markedly by 107.1 per cent to Rs.61.3 crore from Rs.29.6 crore during the preceding year. Among the zones which came up in 1984, MEPZ has performed consistently well with the highest level of exports among them. The number of units operating in the zone stood at 50 out of 153 units approved by the Board of Approvals as on end March 1991.

NOIDA Export Processing Zone (NEPZ)

NOIDA Export Processing Zone established in 1984 has attained the status of the second largest export processing zone among the new EPZs in terms of value of exports. Though exports from NEPZ during 1990-91 declined by 13.9 per cent to Rs.44.7 crore from that of Rs.51.9 crore in the preceding year, it has exported goods worth Rs.140.7 crore so far since its inception. The zone exports diverse items like, computer-cum-electronics, readymade garments, light engineering goods, etc. A total of 152 projects have been cleared by the Board of Approvals, of which only 55 units have commenced production and exports. The developmental work relating to the second phase is now in progress.

Falta Export Processing Zone (FEPZ)

Falta Export Processing Zone was established in 1984 at Falta near Calcutta. During the year 1990-91, however, exports from the zone at Rs.25.0 crore rose at a lower rate of 52.4 per cent as against a rise of 102.5 per cent in 1989-90. The zone has been exporting commodities like computer peripherals, sports goods, perfume fumigants, gold and diamond jewellery and latex hand gloves. Most of the exports from the zone are destined to East European countries. The number of units operating in the zone has gone up to 9. The zone became functional in 1986 and 69 projects have so far been approved.

Cochin Export Processing Zone (CEPZ)

Cochin Export Processing Zone (CEPZ) is a multi-product zone established in 1984. During the year 1990-91, exports from the zone declined substantially by 50.9 per cent to Rs.5.4 crore from Rs.11.0 crore in 1989-90 due mainly to the Gulf crisis and the glut in international market etc. The exports from the zone commenced in 1986 and goods worth Rs.32.0 crore have been exported so far. Destination-wise, more than 85 per cent of the exports were made to the General Currency Area (GCA) during 1990-91 as against only 44.0 per cent in the preceding year. However, both markets recorded a decline with the GCA market declining marginally by less than 1.0 per cent and the Rupee Payment Area market declining substantially by 89.3 per cent. The number of units operating in CEPZ went up from 16 to 23 during the current year. The zone has larger concentration of investments in units producing latex gloves followed by electronics and essential oils.

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 an appropriate policy framework, flexibility of operation and incentives. In order to make these units competitive in the international market, they are allowed to import machinery, raw materials, components and consumables free of customs duties. These units operate under custom bond and have to achieve the level of value addition imposed by the Board of Approval.

By end-March 1990, 170 units were reported to have been operationalised and the cumulative exports from 100 per cent EOUs aggregated Rs.2,262 crore during 1985-86 to 1990-91. Exports during 1990-91 increased by 7.5 per cent to Rs.591 crore from Rs.550 crore in the previous year.

With a view to boosting exports from the units some important changes were effected during 1990-91. The important changes introduced include: allowing 100 per cent of the admissible CCS on physical exports by units using 75 per cent or more of indigenous raw material for its export production; exemption from excise duty for items which are allowed to be imported duty free under the Duty Exemption Scheme but are procured locally; permitting 100 per cent EOU subcontracting of job-work in the DTA provided the DTA unit is registered with the Central Excise and the 100 per cent EOU furnishes indemnity bonds and revolving bank guarantees and delegation of power to Development Commissioner of EPZs for grant of permission for domestic sale by 100 per cent EOUs against 25 per cent DTA sale facility or against valid import licences.

IV. TRADE AGREEMENTS AND ECONOMIC AND TECHNICAL COOPERATION AGREEMENTS

The Government of India enters into Economic and Technical Cooperation Agreement with different countries periodically. These agreements which are valid for a stipulated period are meant to promote bilateral trade and technical cooperation. While some agreements stipulate in detail commodities of imports and exports to be transacted during a given period along with value stipulations for both sides, other agreements indicate only broad guidelines for promotion of trade and technical cooperation. In the case of those agreements which indicate only broad guidelines, annual protocols are signed after considering the present needs of both the countries and international economic environment. The commodities to be covered for both imports and exports along with value stipulations are also detailed. These agreements facilitate smooth business transactions between the two countries and both exporters and importers in both the countries find these arrangements very convenient. During the year 1990-91, such trade protocols/agreements were signed by India with many countries and these details are given in Appendix III.

V. INTERNATIONAL TRADE NEGOTIATIONS

Generalised System of Preferences

Generalised System of Preferences (GSP) which was launched in 1971 with a view to helping developing countries to expand and diversify their non-traditional exports moved into its twenty-first year. Over the years, there has been an increasing use of the GSP as evident from the continuous efforts by preference giving countries to improve the product coverage of their GSP schemes. Between 1976 and 1990, developing country products exported under GSP schemes of OECD countries increased from $ 12 billion to over $ 60 billion, showing an annual average increase of 16 per cent, a rate almost twice as fast as that of OECD imports from all sources and also of total imports from GSP beneficiary countries.

However, there are problems of providing a more comprehensive product coverage by preference giving countries. Another issue relates to the harmonization, simplification and improvement of the various rules of origin under the GSP. While

there have been some improvements, e.g. the introduction of the Harmonized Commodity Description and Coding System and some limited liberalization of the rules of origin, the complexities of the GSP schemes continue to pose an important problem for the effective utilisation of the schemes as do the frequent changes which are made thereto and to other trade laws and regulations which affect GSP exports. There is also need to provide technical support as a complement to the efforts of developing countries to utilise the GSP optimally and to adapt the programme to the changing needs of developing countries at various levels of development.

Common Fund for Commodities

At the 209th meeting on November 12, 1990, the Managing Director of the Common Fund for Commodities stated that the primary task has been to adopt the necessary regulatory mechanism provided for in the Agreement of the Fund. In accordance with the objectives laid down, nine international commodity organisations have been accorded International Commodity Body (ICB) status for the purposes of Second Account operations. The products covered by these ICBs are cocoa, cotton, jute, lead and zinc, olive oil, natural rubber, sugar and tropical timber. The Second Account of the Common Fund for Commodities would become operational in the second half of 1991.

The functioning of the Common Fund for Commodities would help producers and consumers to join together in their efforts to improve structural conditions in commodity markets and to enhance long term competitiveness. However, problems of declining value of capital subscriptions and voluntary contributions to the Fund in real terms and that of inadequacy of capital resources in relation to resource needs remain.

GATT

With the joining of Tunisia, Venezuela, Bolivia, Costa Rica, Macau and El Salvador total number of contracting parties in GATT increased to 102. Guatemala was about to complete its accession to the GATT before the close of 1991. Algeria, Bulgaria, Honduras, Nepal and Paraguay are at various stages of the accession process. Negotiations relating to China's status as a contracting party continued. The USSR was granted observer status in the GATT last year, and more recently in the Committee on Import Licensing. Vietnam and Mongolia are exploring the possibility of joining the GATT. The new members continued the pattern of agreeing to reduce most tariffs and in several cases to take other significant steps to liberalize non-tariff restrictions.

Uruguay Round of Multilateral Trade Negotiations

The Uruguay Round of Trade Negotiations, launched in September 1986 was suspended without agreement on the substantive issues in December 1990. Its suspension was mainly because of irreconcilable differences on liberalisation of trade in agriculture. The US wanted the EC to improve its offer on agriculture sufficiently for them to consider it worthy of negotiation. There also remained fundamental differences among the principal participants on certain other issues such as trade in services, trade related aspects of intellectual property rights and investment measures and textiles and clothing. Negotiations under the Round were resumed in February 1991 after an understanding was reached that participants would seek specific commitments on domestic support, market access and export subsidies.

Since the beginning of 1990, nearly 50 participating countries made proposals offering tariff reductions. While tariffs were one of the items considered in an enlarged market access group, non-tariff measures were another item on which negotiations were conducted in the market access group. Negotiations centred on pre-shipment inspection and rules of origin. There remained significant differences between the US and the EC on the rules of origin. The EC wanted such rules on preferential trade excluded from the agreement, while the US had difficulty with the uniform application of a single rule.

At the time of the Trade Negotiations Committees (TNC) meeting in Brussels during December 1990, both the US and the EC sought a 10-15 year transition period for phasing out the multi-fibre arrangements (MFA), while major developing countries exporters advocated a transition of six and a half years. In subsequent meetings, the European textile industry leaders agreed that an international agreement limiting trade in textiles should be extended without changing its terms when it expired at the end of July 1991. International negotiators representing the 52 member nations in the MFA agreed on July 31, 1991 to extend for 17 months the current MFA that governs most of the world's textile trade.

India has protested strongly against the extension of MFA by the developed countries without accepting the conditions sought by India and other garment exporting nations. These conditions included (i) an assurance by importing countries not to impose fresh quotas; (ii) abolition of existing group limits on garment exports; and (iii) non-imposition of regional quotas.

The reform of agricultural trade remained a central point in the Uruguay Round. The negotiations on agriculture collapsed in Brussels in December 1990 when the European Community, supported by Japan and Korea, refused to accept a reduction of 30 per cent in internal support over a five year period from January 1, 1991; a commitment on market access, including a reduction of border protection for all agricultural products by 30 per cent from their level in 1990; and specific commitments to reduce progressively aggregate budgetary outlays on export assistance. While the EC continued to demand that developing countries should further liberalise their trade, the Latin American countries remained unimpressed by the EC offer on agriculture.

At the Brussels meeting of the TNC on December 3, 1990 the EC proposed improvements to its offer on tropical products of particular interest to developing countries (including coffee, cocoa, tea, tropical fruits, spices, essential oils, rubber and wood articles). The EC proposed to eliminate tariffs on raw materials; to reduce duties on semi-processed goods by 35 per cent; and to cut duties on processed products by 50 per cent.

The outstanding substantive issues on trade-related aspects of intellectual property rights (TRIPs) include copyright and related rights including patents, trademarks, geographical indications, industrial designs, trade secrets, anti-competitive practices, transitional arrangements, dispute settlement system, etc. Developing countries expressed their concern to ensure flexible application of any agreement, so as to consider their developmental objectives and less developed status. They also expressed concern at the tendency to treat intellectual property as a purely commercial issue without taking into account the aspects relating to transfer of technology, insufficient attention paid to the national policy objectives of developing countries and the widening of the mandate to commercial secrets. It was also suggested that developing countries should not be required to make concessions that would be inconsistent with their development needs.

On the issue of Intellectual Property Rights (IPRs), India has underlined the need for considering the technological and developmental objectives of developing countries, while framing the norms and standards in the area of trade related aspects of IPRs. India has expressed concern that there could be severe adverse implications for property of indigenous industry as well as research and development efforts as a result of unduly raising the levels of patent protection. India is in favour of an international agreement on standards for protection of intellectual property rights if it provides adequate flexibility to developing countries. However, India is opposed to any linking of agreements on TRIPs and trade in services to GATT through the concept of single undertaking or mechanism of a common dispute settlement machinery. India emphasised that attempts to frame international rules should also address to the problems of the developing countries. In the area of market access, there is an urgent need for equity, particularly in respect of textiles, labour services and agriculture, in

which the industrialised countries have maintained a highly restrictive and discriminatory regime.

Important measures aimed at improving the functioning of the GATT system included the establishment of the Trade Policy Review Mechanism, the institution of annual reviews of developments in the international trading system, promotion of greater transparency of government decision making on trade policy issues, improvements to GATT's notification procedures and holding sessions of the Contracting Parties at Ministerial level every two years.

International Agreements in respect of selected commodities

At its 14th Session (12 - 20,November 1990), the UNCTAD Committee on Commodities noted that price levels for many commodities of importance to developing countries remained depressed and that a large number of these countries continued to experience shortfalls in their export earnings. Developments like gulf crisis, completion of a single European market in 1992, developments in Eastern Europe and uncertainty about the outcome of the Uruguay Round have further complicated the commodity situation and made the primary commodity price prospects very uncertain. In order to solve the problem of declining long-term trends in commodity prices, the Committee suggested that UNCTAD-VIII should consider measures to bring about a better balance between supply and demand. This could be pursued through, *inter alia,* action to improve demand; an examination of market access conditions following the Uruguay Round of multilateral trade negotiations, by improving commodity stability, improved market transparency and better functioning of commodity exchanges; and increasing international flow of investment for commodity development.

Since December 1988, the commodity markets have witnessed less than satisfying developments in the area of commodity agreements. After the suspension of the export quota system of the International Coffee Agreement and the economic provisions of the International Cocoa Agreement, the International Rubber Agreement is the only agreement left which still has operational price stabilisation mechanisms.

Foodgrains

In its April 1991 report, FAO foresees a tightening of the global cereal supplies in 1991-92. It forecasts a 6 per cent reduction in the output of wheat and only a small increase in coarse grains. The report noted serious regional food problems and the threat of famine in Angola, Ethiopia, Liberia, Mozambique, Somalia and Sudan.

The thirty-fourth session of the FAO Inter-Governmental Group (IGG) on Rice (25 - 28, March 1991, Rome) reviewing the world rice situation noted that import demand in 1991 was expected to increase in major consuming countries but that export availabilities were not likely to expand commensurately. Reviewing rice policies, it stressed the need for giving attention to productivity.

Cocoa

The International Cocoa Council, which met in London during March 18-22, 1991, was unable to agree on a time-table to begin negotiations for a new Agreement. The old buffer stocking arrangements ended in February 1988 and there is a demand by both the producers and the consumers for a new agreement. However, the Council reaffirmed its decision "to continue the search for adequate solutions to the problems of the world cocoa economy in the framework of a new international cocoa agreement".

Jute

The twenty-sixth session of the FAO Inter-Governmental Group (IGG) on Jute and Allied Fibres (Rome, 22-24 October 1990) agreed to raise the indicative price of raw jute by US $ 15 per tonne but left that of Kenaf unchanged. The increase for jute was to maintain incentives in the face of the considerable decline in the U.S. dollar exchange rate and rising production and freight

costs. The meeting recognised that the long term competitiveness of jute is largely determined by technical performance and relative costs in agricultural production, manufacturing and marketing. In general, it was noted that jute's environmentally friendly attribute, its significant implication for employment and high value added to many diversifed products, could be expected to increase its share in the fibre market.

At the fourteenth session of the International Jute Council (Dhaka, 29 November - 1 December 1990), it was noted that the ratification process of the 1989 International Agreement on Jute and Jute products had not been completed. Though the required condition had been met by the exporters, only eight importing members had ratified it.

Tea

The FAO Inter-Government Group on Tea at its second session (Rome, 16-19 December 1990) reviewed developments in the world tea economy in 1989 and 1990. While noting the higher world production in 1990 as compared with 1989, the group emphasised that demand for tea needed to be stimulated to help raise prices. Generic promotion in markets of substantial consumption and removal of sub-standard tea from the international and domestic markets were given high priority.

Bananas

The Ministers of the Seven member countries[1] of the Union de Paises Exportadores de Banano at a meeting on 15th February 1991 in San Andrea, Colombia agreed to revitalise the organisation for the purpose of integrating their banana exporting policies. These countries representing nearly 70 per cent of World banana production, want the European Community to liberalise its market completely with the creation of the Single Market in 1992.

[1] Colombia, Costa Rica, Ecuador, Honduras, Guatemala, Panama and El Salvador.

This would be detrimental to the high cost ACP producers who account for over 40 per cent of the Community market and depend on it for most of their foreign exchange earnings. The European Commission has yet to take a decision on the matter, which explains the absence of bananas in its tropical products offer under the Uruguay Round.

Iron Ore

The UNCTAD Inter-Government Group of experts on Iron Ore, at its third session (Geneva, 16-19 October 1990) noted record levels in world production and consumption in 1988 and again in 1989. Several experts explained that although the recovery of steel production had imparted strength to the iron ore market, the current improvement in the balance between supply and demand was also due to a reduction in ore capacity during the last few years. Many representatives emphasised that depressed ore prices during 1982-88 had prevented the industry making the necessary investments to maintain long term production targets. Most recent investments were intended to modernize installation and improve product quality rather than to expand output.

Implementation of the European Community (EC) 1992 Programme

During the current year, the EC 1992 Programme aims at securing the EC Council's agreement on proposals in the key areas of taxation, transport, services and animal and plant health. In the area of taxation, the European Commission's emphasis would be on the Council's adopting the final details of the transitional VAT system, and a step-by-step removal of restrictions on duty-free allowances for travellers. Steps were to be initiated to promote more environment friendly modes of transport and transport technologies. In the area of energy, the programme will focus on proposals concerning transparency of gas and electricity costs, the opening-up of these sectors to greater competition and the harmonization of technical standards and energy product quality. In the area of banking, the

aim of the programme will be to secure agreement on the draft legislation relating to investment services. Further, the programme will aim at creation of a core of social rights applicable throughout the Community and provide practical substance to the Community Charter of fundamental social rights of workers.

Special 301

Under the Super 301 provisions of the U.S. Trade Act, India was one of the three countries - the other two being Japan and Brazil, - listed by the U.S. under Super 301 in May 1989 for possible retaliatory actions for discriminatory practices against foreign investment and insurance business.

Failure to negotiate on the issues with the U.S. could have invited retaliation by the U.S. by imposition of 100 per cent duty on selected items of India's exports to the U.S.

Unfair trade practices identified by the U.S. trade representative included governmental approval for foreign investment, limit on equity participation, use of locally produced material, and requirements regarding export commitment. About barriers on trade in services, it said private insurance companies were not permitted to sell insurance in India. However, India refused to negotiate under threat and it lapsed in December 1990.

U.S.A. placed India again on its Special 301 trade hit list along with China and Thailand, in April, 1991 for its failure to protect U.S. intellectual property such as patents, copyrights and trade marks. India is reported to be providing an inadequate level of patent protection and overly broad compulsory licensing provisions. Further, over-protective nature of India's market also violates the provisions of the U.S. Trade Act. The placement of India under Special 301 could lead to imposition of punitive tariffs against violations of intellectual property rights up to 100 per cent on some of India's exports to the United States.

CHAPTER XI

Balance of Payments and International Monetary Developments

I. Balance of Payments

The balance of payments position worsened further during 1990-91. While the symptoms of the emerging crisis were evident even in the Seventh Plan period, global developments aggravated the problem thereafter. There was also a conscious attempt on the part of international banks to reduce exposures in order to meet capital adequacy norms. The access to short-term credit, particularly Bankers' Acceptance Facility, was becoming restricted; international rating agencies lowered the credit ratings of India/Indian entities which made it difficult to raise funds in the commercial markets. Under these circumstances, the country had to approach multilateral agencies and donor countries for balance of payments support. In addition to the drawdown of India's Reserve Tranche position of SDR 487 million ($ 665 million) in the Fund, the country also purchased SDR 1.27 billion under the IMF's financing facilities. A number of measures were also taken by the Government and the Reserve Bank of India to control imports and expedite the repatriation of export proceeds.

With a view to ensuring that external payment obligations are met and that the foreign reserves remain at a reasonable level, certain exceptional steps were taken during the recent period including transactions relating to gold.

In view of the tight foreign exchange reserves position, a number of measures were undertaken by the Government of India and the Reserve Bank of India to conserve and shore up scarce foreign exchange. (Details of the Trade Policy measures are covered in Chapter X). In response to the rapidly declining foreign exchange reserves and as part of short-term economic management, the Government leased 20 tonnes out of confiscated gold to State Bank of India (SBI) for a period of six months which, in turn, entered into a sale with a repurchase option in the international market. The foreign exchange available through this transaction amounted to $ 200 million equivalent to Rs. 400 crore. According to the lease agreement, the SBI was under a contractual obligation to return the gold to the Government of India on the expiry of the lease period. Accordingly, on the due dates, the SBI exercised the repurchase option by paying off the amount raised, and by the first week of December 1991, the entire quantity of gold was repurchased by the SBI. Secondly, the Reserve Bank, both as part of its reserve management policy and as a means of raising resources temporarily, took a decision to keep its gold abroad up to the limit permitted by the Reserve Bank of India Act, 1934. Thus the Reserve Bank of India sent gold in four instalments, to the vaults of the Bank of England to the extent of a total quantity of 46.9 tonnes which is close to the permissible limit. The Reserve Bank of India Act, 1934 authorises the Bank to keep 15 per cent of its gold holdings outside India. The Act also authorises the Reserve Bank to borrow from any monetary authority for a period of one month and provide the necessary security for that purpose. A total amount of $ 405 million(equivalent to Rs. 1,037.73 crore) was raised from the Bank of England and the Bank of Japan in July 1991 against the gold deposited with the former. The Reserve Bank of India also repaid in three instalments the sum of $ 405 million raised from the Bank of England and the Bank of Japan, by November 1, 1991.

A development of great significance has been the structural reforms relating to India's trade policy effected in association with the exchange

rate adjustments. Two sharp downward adjustments in the external value of the rupee were effected on July 1 and July 3, 1991 with a view to placing it at an appropriate level consistent with the need to maintain the competitiveness of our exports. Secondly, major reforms in trade policy were announced by the government on July 4, 1991 to liberalise the system from administrative controls and licences, to boost exports, and to generally encourage competitiveness and enterprise in the economy. While protecting essential imports like POL, fertilisers and edible oils the new trade policy regime seeks to link other imports to exports. This is sought to be achieved by enlarging and liberalising the Replenishment Licensing System (REP) under which exporters will enjoy a uniform REP rate of 30 per cent of the FOB value as against varying rates prevailing earlier. The REP licence, which is called Exim-scrip, is freely tradeable. With the substantial liberalisation of trade policy regime and also the downward adjustments in the exchange rate, the Cash Compensatory Scheme (CCS) has been suspended effective from July 3, 1991. The new trade policy regime was further reinforced on August 13, 1991 by providing inter alia higher rates of Exim-scrips and decanalisation of certain import and export items.

There were major international developments during 1990-91 which resulted in a payments bind for the country. First, the global slowdown in world trade following recessionary conditions in industrialised countries and the economic disruption in Eastern Europe including the USSR, had already begun to affect India's exports during the initial months of 1990-91, and had, in the face of rising imports, contributed to a widening of the merchandise deficit. Secondly, on top of this, the Gulf crisis, which set in in August 1990, resulted in a wide-ranging disruption in the external payments situation: sharp increases in the petroleum oil and lubricant (POL) import bill, due to a steep rise in prices and also volume growth, in the wake of relative stagnation in domestic output of crude petroleum, partial loss of the export markets in West Asia and some foreign exchange expenditure on repatriation of Indians from the affected countries in the Middle East. Thirdly, there occurred, during the period, due to certain social and political instability in certain parts of the country, a precipitous fall in invisible receipts in the form of private remittances, travel and tourism earnings, etc. Fourthly, as a result of the temporary loss of confidence arising from the above mentioned factors, net accruals under non-resident deposits, which financed nearly one-fourth of the current account deficit in recent years, suffered an unprecedented setback, during 1990-91 and more significantly in the first quarter of 1991-92. Fifthly, the erosion in the country's credit rating, combined with the general shortage of liquidity in the international financial markets, tended to dry up commercial borrowings both as long-term and short-term sources of finance. Despite the larger aid utilisation and also borrowings from the IMF during 1990-91, the stresses and strains on the external payments situation became acute towards the end of the year in the absence of a medium-term stabilisation programme.

As a result of the factors cited above, the estimated current account deficit during 1990-91 would be much higher than that in 1989-90. According to balance of payments data for 1989-90, current account deficit at Rs. 9,824 crore ($ 5,900 million) was lower by Rs. 586 crore ($ 1,288 million) than the level during 1988-89. For 1990-91, the Reserve Bank of India has for the first time prepared Quick Estimates for balance of payments statistics based on data available with the Reserve Bank of India and other sources of information. Table XI-1 presents a summary of the balance of payments transactions for the period 1986-87 to 1990-91. The current account deficit during 1990-91 is estimated to be around Rs. 13,088 crore ($ 7,295 million), higher by Rs. 3,264 crore ($ 1,394 million) over the year. As a percentage of GDP (at current market prices), the current account deficit is estimated to have gone up to 2.5 per cent in 1990-91 from 2.2 per cent in 1989-90.

These data show that the trade deficit during 1990-91 stood at Rs. 15,142 crore ($ 8,439 million), higher by Rs. 2,729 crore ($ 983 million) over the previous year. Estimates of other net invisible receipts during 1990-91 showed a decline of Rs. 486 crore ($ 344 million) from Rs. 1,686 crore ($ 1,013 million) a year earlier. In the capital

account, larger net drawals under external assistance and larger receipts under 'other capital', over the year, were offset by a steep decline under net commercial borrowings and net non-resident deposits. There was, however, a net drawal of Rs. 2,178 crore ($ 1,214 million) from the IMF as against repayment of Rs. 1,460 crore ($ 877 million) during 1989-90. The drawdown on reserves was almost double than during the preceding year.

Based on quick estimates, net receipts from invisibles during 1990-91 declined substantially both in terms of rupees and US dollars, over the previous year. A major factor contributing to the decline in net invisible receipts during 1990-91 was the reduced inflow under private transfers, partly due to a decline in receipts from the Gulf region. Travel receipts also declined, as a consequence of decline in tourist traffic by 8.8 per cent as against a rise of 7.5 per cent in the preceding year. Investment income payments continued to rise. Other components of invisibles showed a significant variation over the year.

During April-September 1991, the net invisible receipts are expected to have deteriorated further as the tourist arrivals showed a decline of 4.8 per cent and investment income payments continued to rise.

Under Non-Resident (External) Rupee Accounts (NR(E)RA) Scheme, data for 1990-91 indicate an inflow of Rs. 156 crore ($ 87 million) as against Rs. 277 crore ($ 166 million) in 1989-90. The net inflow under the Foreign Currency Non-Resident Accounts (FCNRA) Scheme during 1990-91 was substantially lower at Rs. 255 crore ($ 142 million) as compared with Rs. 2,165 crore ($ 1,309 million) in 1989-90.

During April-November 1991, under FCNR accounts there was an outflow of Rs. 3,235 crore ($ 1,447 million) as against an inflow of Rs. 772 crore ($ 451 million) in the corresponding period of last year.

To mobilise foreign exchange resources, effective October 1, 1991, the State Bank of India has launched India Development Bonds (IDBs) with full repatriation benefits (for both interest earned and principal) to NRIs/Overseas Corporate Bodies (OCBs).

In terms of Section 3 (i)a of "The Remittances of Foreign Exchange and Investment in Foreign Exchange Bonds (Immunities and Exemptions) Act, 1991" the RBI has formulated a scheme for receiving remittances entitled "The Remittances in Foreign Exchange (Immunities) Scheme, 1991". In respect of remittances made under the scheme, the sources of funds out of which remittances are made, purpose and nature of remittance would not be subjected to scrutiny under the exchange control regulations and direct tax laws and immunity would be provided for such remittances under these laws.

Developments in Reserves

The foreign currency assets of the Reserve Bank of India declined by Rs. 1,399 crore during 1990-91 (April-March) as against a fall of Rs. 817 crore in 1989-90.

The SDR holdings declined by SDR 6.0 million to SDR 75.9 million during 1990-91 as against an increase of SDR 2.4 million in 1989-90. During 1990-91, repurchases from the IMF including Trust Fund Repurchases amounted to SDR 524.9 million; payment of charges on the use of Fund resources and interest on SDR allocation aggregated SDR 158.6 million. Sale of SDRs during the year amounted to SDR 540.0 million. Acquisition of SDRs was worth SDR 634.3 million. IMF drawals amounted to SDR 557.4 million. Receipts from the Fund on account of remuneration, interest on SDR holdings and interest subsidy amounted to SDR 10.1 million, SDR 15.0 million and SDR 0.7 million, respectively. During 1989-90, repurchases from the IMF had amounted to SDR 681.3 million. Charges paid to IMF were SDR 198.6 million. Acquisition of SDRs during 1989-90 amounted to SDR 845.0 million. Receipts by way of remuneration, interest on SDR holdings and interest subsidy were SDR 19.0 million, SDR 8.1 million and SDR 10.2 million, respectively.

Gold holdings of the Reserve Bank at Rs. 6,828 crore at the end of March 1991 were higher by Rs. 6,547 crore than those of Rs. 281 crore at end-March 1990, reflecting the revaluation of gold

Table XI-1 : India's Overall Balance of Payments

(Rs. crore)

Item	1990-91 (Q.E)	1989-90	1988-89	1987-88	1986-87 (P. R.)
1	2	3	4	5	6
A. Current Account					
1. Exports, f.o.b.	33,178.0	28,229.0	20,646.7	16,396.4	13,315.0
2. Imports, c.i.f.	48,320.0	40,642.4	34,202.3	25,692.5	22,668.9
3. Trade Balance	-15,142.0	-12,413.4	-13,555.6	-9,296.1	-9,353.9
4. Non-Monetary Gold Movement	—	6.4	—	—	—
5. Official Transfers, net	854.0	896.8	724.2	532.4	525.3
6. Other Invisibles, net	1,200.0	1,686.4	2,421.4	2,471.1	2,998.6
7. Current Account Balance	-13,088.0	-9,823.8	-10,410.0	-6,292.6	-5,830.0
B. Capital Account					
1. External Assistance, net	3,241.0	3,089.9	3,209.7	2,944.8	1,807.6
Disbursements	5,528.0	4,998.4	4,859.6	4,453.9	3,056.2
Amortisation	-2,287.0	-1,908.5	-1,649.9	-1,509.1	-1,248.6
2. Commercial Borrowings*	1,244.0	2,903.9	2,742.9	1,266.0	2,513.2
Disbursements	3,507.0	4,823.3	4,265.0	1,945.7	3,115.6
Amortisation	-2,263.0	-1,919.4	-1,522.1	-679.7	-602.4
3. NRI Deposits, net	209.0	2,441.8	2,465.4	1,840.1	1,650.0
4. Other Capital (net)	3,923.0	2,335.4	1,886.6	1,442.2	-71.4
5. Total Capital Account	8,617.0	10,771.0	10,304.6	7,493.1	5,899.4
C. IMF, (Net)	**2,178.0**	**-1,459.6**	**-1,547.3**	**-1,209.0**	**-672.3**
D. SDR Allocation	—	—	—	—	—
E. Total Capital Account, I.M.F. and SDR Allocation	**10,795.0**	**9,311.4**	**8,757.3**	**6,284.1**	**5,227.1**
F. Total Current Account, Capital Account, I.M.F. and SDR Allocation	**-2,293.0**	**-512.4**	**-1,652.7**	**-8.5**	**-602.9**
G. Errors and Omissions	—	**-720.0**	**203.4**	**-947.7**	**-129.3**
H. Reserves and Monetary Gold (Increase -, Decrease +)	**2,293.0**	**1,232.4**	**1,449.3**	**956.2**	**732.2**

* Excluding refinancing credits

P. R. Partially revised

Q. E. Quick estimaties

Table XI-1A : India's Overall Balance of Payments

(In US $ million)

Item	1990-91 (Q. E.)	1989-90	1988-89	1987-88	1986-87 (P. R.)
1	2	3	4	5	6
A.Current Account					
1. Exports, f.o.b.	18,490.9	16,955.2	14,257.1	12,645.9	10,420.1
2. Imports, c.i.f.	26,930.0	24,411.0	23,617.6	19,815.6	17,740.3
3. Trade Balance	-8,439.1	-7,455.8	-9,360.5	-7,169.7	-7,320.2
4. Non-Monetary Gold Movement	—	3.8	—	—	—
5. Official Transfers, net	476.0	538.6	500.1	410.6	411.1
6. Other Invisibles, net	668.8	1,012.9	1,672.0	1,905.9	2,346.7
7. Current Account Balance	-7,294.3	-5,900.5	-7,188.4	-4,853.2	-4,562.4
B. Capital Account					
1. External Assistance, net	1,806.3	1,855.9	2,216.4	2,271.2	1,414.6
Disbursements	3,080.9	3,002.2	3,355.7	3,435.1	2,391.7
Amortisation	-1,274.6	-1,146.3	-1,139.3	-1,163.9	-977.1
2. Commercial Borrowings*	693.3	1,744.2	1,894.1	976.4	1,966.8
Disbursements	1,954.5	2,897.0	2,945.1	1,500.6	2,438.2
Amortisation	-1,261.2	-1,152.8	-1,051.0	-524.2	-471.4
3. NRI Deposits, net	116.5	1,466.6	1,702.4	1,419.2	1,291.3
4. Other Capital (net)	2,186.4	1,402.7	1,302.7	1,112.3	-55.9
5. Total Capital Account	4,802.5	6,469.4	7,115.6	5,779.1	4,616.8
C. IMF, (Net)	**1,213.9**	**-876.7**	**-1,068.5**	**-932.4**	**-526.2**
D. SDR Allocation	—	—	—	—	—
E. Total Capital Account, I.M.F. and SDR Allocation	**6,016.4**	**5,592.7**	**6,047.1**	**4,846.7**	**4,090.6**
F. Total Current Account, Capital Account, I.M.F. and SDR Allocation	**-1,277.9**	**-307.8**	**-1,141.3**	**-6.5**	**-471.8**
G. Errors and Omissions	—	**-432.4**	**140.5**	**-730.9**	**-101.2**
H. Reserves and Monetary Gold (Increase -, Decrease +)	**1,277.9**	**740.2**	**1,000.8**	**737.4**	**573.0**

* Excluding refinancing credits

close to international market price effective October 17, 1990.

During the first quarter of 1991-92 (i.e., April-June 1991), the foreign currency assets of the Reserve Bank fell by Rs. 2,006 crore ($ 1,112 million) as against a decline of Rs. 431 crore ($ 296 million) in the corresponding quarter of 1990. SDR holdings declined by SDR 28.2 million to SDR 47.7 million. Repurchases under the EFF amounted to SDR 79.2 million and charges on the use of Fund resources and interest on SDR holdings totalled SDR 50.9 million. Acquisition of SDRs during the quarter amounted to SDR 100 million. Receipts by way of interest on SDR holdings amounted to SDR 1.9 million. During the corresponding period of the preceding year, the SDR holdings had increased by SDR 7.2 million. Gold holdings of the Reserve Bank increased by Rs. 583 crore during April-June 1991 to Rs. 7,411 crore. In dollar terms the value of gold at end-June 1991 stood at $ 3,524 million. On the whole, foreign exchange reserves (foreign currency assets of RBI, gold and SDR holdings) fell by Rs. 1,490 crore ($ 1,123 million) as compared with a fall of Rs. 408 crore ($ 277 million) during the corresponding period of 1990. In SDR terms, the foreign exchange reserves declined by SDR 765 million in April-June 1991 as against a fall of SDR 261 million during April-June 1990.

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 which provided support to India's external payments requirements till 1989-90 showed a steep decline during 1990-91. The interest rates on deposits under FCNRA Scheme were revised relatively less frequently during the period under review than in 1989-90, given the trend in interest rate movements in the international markets. A single interest rate was made applicable in the case of Japanese Yen since December 4, 1990 and in the case of Pound Sterling since February 8, 1991 irrespective of the maturity period (Table XI-3A). In respect of Non-Resident (External) Rupee NR(E)R deposits, interest rates on longer maturities, viz., three years and above but less than five years, and five years and above, were revised upwards on April 13, 1991 by one percentage point from 12 to 13 per cent and from 13 to 14 per cent, respectively (Table XI-3B).

The substantial inflows into the NR(E)RA and FCNRA Schemes which provided support to the

Table XI-2 : Current Account Transactions as Proportion of GDP at Current Market Prices

(In percentage)

	1980-85 Period annual average	1985-86	1986-87	1987-88	1988-89	1989-90	1985-90 Period annual average	1990-91 (Quick Estimate)
1	2	3	4	5	6	7	8	9
1. Exports	5.0	4.4	4.5	4.9	5.2	6.4	5.1	6.4
2. Imports	8.4	8.1	7.7	7.7	8.7	9.2	8.3	9.3
3. Trade deficit	3.4	3.7	3.2	2.8	3.4	2.8	3.2	2.9
4. Invisible Receipts (Including official grant assistance)	3.6	3.0	2.8	2.8	2.9	2.8	2.9	2.7
5. Invisible Payments	1.5	1.6	1.6	1.9	2.0	2.2	1.9	2.3
6. Invisible (net) (4-5)	2.1	1.4	1.2	0.9	0.8	0.6	0.9	0.4
7. Current Account Deficit (3-6)	1.3	2.3	2.0	1.9	2.6	2.2	2.2	2.5

Table X1.3A : Interest Rates on Foreign Currency Non-Resident (FCNR) Deposits

(Per cent per annum)

	US $				Pound Sterling				DM				Yen			
Effective Dates	6 months and above to less than 1 year	1 year and above to less than 2 years	2 years and above to less than 3 years	3 years only	6 months and above to less than 1 year	1 years and above to less than 2 years	2 year and above to less than 3 years	2 years only	6 months and above to less than 1 year	1 year and above to less than 2 years	2 years and above to less than 3 years	3 years only	6 months and above to less than 1 year	1 year and above to less than 2 years	2 years and above to less than 3 years	3 years only
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
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
August 13, 1990	9.00	9.25	9.75	10.00	11.50	11.75	12.00	12.00	9.00	9.50	9.75	9.75	8.50	8.50	8.50	8.50
September 3, 1990	9.00	9.25	9.75	10.00	11.50	11.75	12.00	12.00	9.00	9.50	9.75	9.75	9.00	9.25	9.25	9.25
September 25, 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	9.25	9.50	9.75	9.75
December 4, 1990	8.75	9.00	9.50	9.75	11.50	11.75	12.00	12.00	9.50	9.75	10.00	10.00	9.00	9.00	9.00	9.00
January 14, 1991	8.25	8.50	9.00	9.25	11.50	11.75	12.00	12.00	10.00	10.25	10.50	10.50	8.50	8.50	8.50	8.50
February 8, 1991	7.50	8.00	8.50	9.00	13.25	13.25	13.25	13.25	10.00	10.25	10.50	10.50	8.50	8.50	8.50	8.50
December 12, 1991	6.50	6.75	7.25	8.00	12.00	12.00	12.00	12.00	10.00	10.25	10.50	10.50	7.50	7.50	7.50	7.50

TABLE XI-3B : Interest Rates on Non-Resident (External) [NR(E)R] Deposits

(Per cent per annum)

Maturity period	Effective April 16, 1990	Effective April 13, 1991
1	2	3
I Savings Accounts	5.0	5.0
II Term Deposits		
a) 46 days and above but less than 1 year	8.5	8.5
b) 1 year and above but less than 2 years	10.5	10.5
c) 2 years and above but less than 3 years	11.0	11.0
d) 3 years and above but less than 5 years	12.0	13.0
e) 5 years and above	13.0	14.0

balance of payments up to 1989-90, fell sharply during 1990-91. During the year, the net inflow into the two schemes taken together amounted to Rs. 411 crore ($ 229 million) as against Rs. 2,442 crore ($ 1,466 million) recorded in the preceding year (Table XI-4).

The outstanding liability under NRI deposits (both NR(E)RA and FCNRA Schemes) at Rs. 20,754 crore as at end-March 1991 was higher by Rs. 2,923 crore (16.4 per cent) as compared with Rs. 17,831 crore during the previous year. (Table XI-5). In US dollar terms, the aggregate NRI deposits stood at $ 10,584 million and were higher by $ 221 million or 2.1 per cent than in the preceding year. The 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 1990-91. During 1990 (calendar year), the amount approved for direct investment by non-resident Indians with full repatriation rights declined to Rs. 203 crore from Rs. 337 crore in 1989. As in the past, approvals granted under 40 per cent scheme during 1990 at Rs. 194 crore accounted for bulk (96 per cent) of the investment approved; such approvals granted during 1989 were higher at Rs. 328 crore and formed 97 per cent of total investment approved. During 1990, approvals under the 74 per cent scheme at Rs. 9 crore were around the same level as in the previous year. The proposals approved under direct investment on a non-repatriation basis declined significantly to Rs. 17 crore from Rs. 65 crore in 1989 recording a decline of 74 per cent. The amount invested by banks on behalf of their non-resident constituents through stock exchanges under portfolio investment increased to Rs. 6 crore from Rs. 3 crore in 1989 (Table XI-6).

Table XI-4 : Inflows under NR (E) R and FCNR Schemes

(Rupees crore)

Fiscal Year	Non-Resident (External) Rupee Account@	Foreign Currency (Non-Resident) Account	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	235	2,230	2,465
1989-90	-4	2,179	2,175
1990-91	156	255	411

@ Excluding the estimated accrued interest.

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					Grand Total
		US$	Pound Sterling	DM@	Yen@	Total	
1	2	3	4	5	6	7	8
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)**
1991	7,349	11,270	305	1005	825	**13,405**	**20,754**
	(3,746)	(5,754)	(154)	(509)	(421)	**(6,838)**	**(10,584)**

* Figures include accrued interest
@ With effect from August 1, 1988
Note : Figures in brackets indicate US dollar million.

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**
1990	193.93	9.15	203.08	17.24	220.32	2.41	3.77	6.18	**226.50**

B. Foreign Collaboration

In regard to foreign collaboration approvals in Indian industry, the number of approvals granted for foreign collaboration rose in 1990. However, the amount of foreign investment approved showed a considerable decline during the same period. The total number of proposals approved was 666 in 1990 as against 605 in 1989. Of the approvals granted during 1990, 472 approvals or 71 per cent (68 per cent in 1989) were for pure technical collaboration, drawings and designs while the balance 194 or 29 per cent (32 per cent last year) were for technical-cum-financial collaboration. The continued emphasis on technical collaboration was 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 (Table XI-7). Country-wise, of the total number of proposals approved in 1990, the USA accounted for 133 (127 in 1989) and West Germany 128 (112 in 1989). Other countries, which were significant from the point of view of

Table XI-7 : Foreign Collaborations Approved

Country	Total No. of proposals approved					Amount of foreign investment approved (Rs. crore)				
	1986	1987	1988	1989	1990	1986	1987	1988	1989	1990
1	2	3	4	5	6	7	8	9	10	11
1. U.S.A.	189	196	191	127	133	29.37	29.52	97.14	62.16	34.48
	(71)	(57)	(71)	(34)	(42)					
2. U.K.	130	122	134	66	101	7.72	8.45	13.91	33.46	9.07
	(23)	(27)	(36)	(21)	(21)					
3. West Germany	183	149	178	112	128	20.16	9.87	31.00	120.33	19.51
	(40)	(39)	(47)	(38)	(40)					
4. France	39	44	42	23	38	2.05	5.35	11.78	8.45	8.88
	(9)	(10)	(13)	(3)	(12)					
5. Japan	111	71	96	62	46	5.62	6.91	17.43	8.78	5.00
	(15)	(15)	(16)	(11)	(9)					
6. Italy	58	50	53	37	40	2.33	2.97	27.87	6.90	6.83
	(8)	(10)	(18)	(14)	(15)					
7. Switzerland	32	31	41	22	35	3.25	8.85	2.74	7.74	13.51
	(8)	(11)	(8)	(9)	(6)					
8. Singapore	3	5	11	11	—	0.25	0.85	4.63	3.49	—
	(1)	(2)	(5)	(4)	(—)					
9. Others	212	184	180	145	145	36.20	34.94	33.26	65.36	31.04
	(65)	(71)	(68)	(59)	(49)					
10. Total	**957**	**853**	**926**	**605**	**666**	**106.95**	**107.71**	**239.76**	**316.67**	**128.32**
	(240)	**(242)**	**(282)**	**(194)**	**(194)**					

Note: 1. Figures in brackets indicate number of collaboration approvals with financial participation.
2. Amount approved correspond to proposals with technical-cum-financial participation.

such approvals were, the U.K., Japan, Italy, France and Switzerland. The U.K., France and Switzerland recorded more than fifty per cent increase in the number of proposals approved for those countries. The U.S.A. had the largest share in financial collaborations (22 per cent) followed by West Germany (21 per cent) and the U.K. (11 per cent).

The amount of foreign investment approved declined to Rs. 128 crore in 1990 from Rs. 317 crore in 1989. Country-wise, the amount of investment approved for the U.S.A. was Rs.34 crore or 27 per cent of the total followed by West Germany at Rs. 20 crore (15 per cent) and Switzerland at Rs. 14 crore (11 per cent). The largest decline was in respect of West Germany (Rs. 100.8 crore or by 84 per cent) followed by the U.K. (Rs. 24.4 crore or 73 per cent) and the U.S.A. (Rs. 27.7 crore or 45 per cent). Investment approved for the rest of the countries, however, showed a decline in the range of 25-75 per cent.

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 were issued to 389 companies. Of these, 372 companies complied with the FERA directives and the remaining 17 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 the end of March 1991, there were 214 Indian joint ventures abroad out of which 158 were in operation and 56 were at different stages of implementation. Equity participation (including bonus shares) by Indian companies in the joint ventures which were in operation abroad as at the end of December 1990 stood at Rs. 108.24 crore as against Rs. 98.84 crore at end-December 1989. The approved Indian participation in the equity of the joint ventures under implementation stood at Rs. 107.65 crore at end-December 1990. Of the 158 joint ventures in operation, 91 (58 per cent) were in the manufacturing sector.

Region-wise, the South East Asia Region accounted for 35.4 per cent (56) of operating joint ventures followed by Africa and Europe-America

regions 17.7 per cent (28), South Asia 15.1 per cent (24), West Asia 10.7 per cent (17) and Oceania 2.5 per cent (4).

The dividend remittances received from abroad from the joint ventures in operation at Rs. 29.7 crore as at end-December 1990 were marginally lower than those of Rs. 30.7 crore at the end of December 1989. The amount received by way of fees for technical know-how, engineering services and consultancy fees, etc., from such joint ventures increased from Rs. 60.1 crore as at the end of December 1989 to Rs. 64.6 crore as at end-December 1990. 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
1990	29.7	64.6

* Includes fees for technical know-how, engineering services, management fee, royalty, etc.

Source : Ministry of Commerce, Government of India, New Delhi.

Of the total number of 214 joint ventures abroad, 54 were 'wholly owned subsidiaries' (owned wholly by one or more Indian corporate bodies) as at end-March 1991. Of these, 42 were in operation and the remaining 12 were under various stages of implementation. The UK (12) and the USA (11) accounted for 56 per cent of the subsidiaries under operation. The value of the total equity of the 54 subsidiaries as at end-March 1991 amounted to Rs. 52.79 crore, of which Rs. 40.95 crore was in the subsidiaries which were in operation.

Export of projects (broadly, construction contracts, turnkey contracts and engineering consultancy contracts) and services identified as thrust sectors performed well during the year 1990-91. Contracts for turnkey and civil construction works amounting to Rs. 803 crore were secured during 1990-91 as compared with contracts worth Rs. 341 crore secured during the previous year.

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 consented to Indian joint stock companies.

The value of consents for capital issues granted to Indian joint stock companies by the Controller of Capital Issues increased marginally by 5 per cent (against an increase of 48 per cent in the preceding year) to Rs. 12,783 crore in 1990-91 from Rs. 12,216 crore in 1989-90@. Value of consents granted for issue of equity capital (excluding bonus issues) showed a little more than fifty per cent increase. Consents for bonus issues also were higher by 20 per cent. On the other hand, consents for debenture issues, which form more than 74 per cent of total consents declined by Rs. 376 crore (3.8 per cent). Consequently, while the share of initial and further issues increased from 14.3 per cent in 1989-90 to 20.4 per cent in 1990-91, that of debenture issues declined from 81.5 per cent to 74.9 per cent during the same period. The value of consents issued to these joint stock companies for raising capital from non-residents showed a marginal increase of 2 per cent in 1990-91, as against a sharp increase of 140 per cent in the previous year. Consequently, the share of non-residents in the total value of consents in 1990-91 stayed at the same level of 3 per cent as in 1989-90 (Table XI-8). The number of consents involved in respect of non-residents was 195 in 1990-91 as against 190 in 1989-90.

During 1990-91, the value of consents granted to non-residents in respect of 'further issues' nearly doubled from Rs. 34 crore in 1989-90 to Rs. 67 crore in 1990-91. This rise, however, was largely offset by declines in bonus and debenture issues.

@ These figures include data relating to Government companies also, hence they would not agree with the data on consents/acknowledgement, etc., presented in Table IX-1 of the Chapter on Capital Market.

Table XI-8 : Consents for Capital Issues* — Aggregate and by Non-residents (NR) 1987-88 to 1990-91

(Rupees crore)

Year	INITIAL ISSUES			FURTHER ISSUES			BONUS ISSUES			DEBENTURE ISSUES			LOANS			GRAND TOTAL		
April to March	Total	NR	2as% of1	Total**	NR	5as% of4	Total	NR	8as% of7	Total	NR	11as% of10	Total	NR	14as% of13	**Total (1+4+7 +10+13)**	**NR (2+5+ 8+11+14)**	**17as% of 16**
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1987-88	613	66	10.8	928	26	2.8	297	72	24.2	3,738	9	0.2	681	30	4.4	**6,257**	**203**	**3.2**
1988-89	862	58	6.7	625	22	3.5	195	50	25.6	6,585	17	0.3	9	9	100.0	**8,276**	**157**	**1.9**
1989-90	906	69	7.6	842	34	4.0	374	65	17.4	9,953	74	0.7	141	137	97.2	**12,216**	**379**	**3.1**
1990-91	1,282	68	5.3	1,331	67**	5.0	441	56	12.7	9,577	58	0.6	152	139	91.4	**12,783**	**388**	**3.0**

* By Indian Joint Stock Companies.

** Includes premium allowed.

Net of bonus issues, the total amount for fresh investment consented to be granted increased to Rs. 12,342 crore in 1990-91 from Rs. 11,842 crore in 1989-90 (an increase of 4 per cent vis-a-vis an increase of 47 per cent registered in the preceding year). Consents for fresh investment (net of bonus issues) for all categories of non-resident investors at Rs. 332 crore in 1990-91 also showed an increase of 3 per cent as compared with that of 191 per cent recorded during 1989-90.

C. Policy and Developments

In pursuit of policy of liberalisation, the Government have recently taken a series of measures relating to areas of trade, industry and foreign investment. Keeping in view the advantages attendant with foreign investment such as technology transfer, marketing expertise, introduction of modern managerial techniques and new possibilities for promotion of exports, the Government have made significant changes in foreign investment policy allowing foreign investment to play a wider role in industrial development of India. Salient features of the new policy are set out below:

I. In order to invite foreign investment in high priority industries, requiring large investments and advanced technology, it has been decided to provide for automatic permission for direct foreign investment up to 51 per cent foreign equity in high priority industries (Annex III). Such clearances will also be available where foreign equity covers the foreign exchange requirement for import of capital goods. Foreign equity proposals need not necessarily be accompanied by foreign technology agreements.

II. To provide access to international markets, majority foreign equity holding up to 51 per cent of equity would be allowed for trading companies primarily engaged in export activities. Such trading houses shall be at a par with domestic trading and export houses in accordance with the Import-Export Policy.

III. Automatic permission will be given for foreign technology agreements in high priority industries (Annex III) under the following terms:

i) Lump sum payment not to exceed Rs. 1 crore.

ii) Royalty on domestic sales—up to 5 per cent.

iii) Royalty on exports—up to 8 per cent, subject to a total payment of 8 per cent of sales over a 10 year period from date of agreement or 7 years from commencement of production. The prescribed royalty rates are net of taxes and will be calculated according to standard procedure. In respect of industries other than those in Annex III also, automatic permission will be given subject to the same guidelines as above if no free foreign exchange is required for any payments. Such payments can be made through EXIM Scrips. No permission would be necessary for hiring foreign technicians, foreign testing of indigenously developed technologies.

Cases covered in items (I) to (III) would be approved by the Reserve Bank of India.

IV. A special Empowered Board would be constituted to negotiate with a large number of international firms and approve direct foreign investment in select areas. This would be a special programme to attract substantial investment that would provide access to high technology and world markets.

V. While import of components, raw materials and intermediate goods and payment of know-how fees and royalties will be governed by the general policy applicable to other domestic units, payment of dividends would be monitored through the Reserve Bank of India. The dividend remittances of a company receiving approval of foreign equity up to 51 per cent should be covered by its export earnings either recorded in the years prior to the payment of dividend or in the year of payment of dividend, over a period of 7 years.

Proposals for foreign financial and technical collaboration not covered by the above will need prior approval of the Secretariat for Industrial Approvals under the general procedures in force.

With a view to further streamlining and simplifying the procedure relating to grant of approvals for financial and technical collaborations, the Central Office of Exchange Control Department of the Reserve Bank of India, Bombay, would extend a single window clearance facility to the Indian entities for :

a) The foreign investment proposed;
b) Inward remittance of foreign equity;
c) Authorisation for issue of shares under Section 19 of Foreign Exchange Regulation Act (FERA) 1973;
d) Exemption from the operations of Sections 26(7), 28, 29 and 31 of the FERA as may be applicable;
e) Confirmation, where necessary, that the import of capital goods is covered by the foreign equity.

This change in policy is aimed at bringing about distinct improvement in the procedure and cutting down the time taken for giving clearances for such approvals.

Under the new policy existing companies in India, which already have some foreign equity holdings, and wish to increase the foreign equity up to 51 per cent will receive automatic approvals of the Reserve Bank of India, subject to fulfilling certain stipulations by them. Companies wishing to raise their foreign equity from existing levels to 51 per cent are classified into two categories, a) companies having an expansion programme and b) companies without an expansion programme. In the case of (a) category companies, the expansion programme has to be exclusively in the high priority industries shown in Annex III. The additional equity should be part of the financing of the expansion programme and the funds should be remitted in foreign exchange. For companies in category (b) the increase in equity level must result from expansion of the equity base of the existing company. The additional foreign equity must be from remittance of foreign exchange.

Policy relating to investment by Non-Resident Indians (NRIs)/Overseas Corporate Bodies (OCBs) has also undergone a revision. NRIs/ OCBs will be permitted to invest with full repatriation benefits in the equity issue of a private/public limited company engaged in Annex III industries. Automatic approval by the Reserve Bank of India would be granted to proposals provided i) the NRI equity covers the foreign exchange requirement for the import of capital goods, if any, and the plant and machinery proposed to be imported is new and not a second hand and ii) outflow on account of dividend payments is balanced by export earnings of items covered under Annex III over a period of 7 years from the commencement of commercial production. NRI proposals not covered above will require clearance of Secretariat for Industrial Approvals in the Ministry of Industry. As regards technology transfer agreements by the NRIs, automatic approval by the Reserve Bank of India would be given if the terms of payment are within the prescribed limits and the items of manufacture are covered under Annex III to the Statement on Industrial Policy. Other foreign investment and foreign technology agreement proposals shall be considered by SAC(NRI) on a case-by-case basis.

III. External Assistance

The decline in fresh authorisations of loans and grants to India, which set in during 1989-90, was exacerbated during 1990-91. Fresh authorisations during 1990-91 at Rs. 6,252 crore (provisional) were lower by Rs. 3,668 crore (37.0 per cent) than those of Rs. 9,920 crore in the preceding year, the absolute decline being larger than that of Rs. 3,150 crore recorded during 1989-90. In US dollar terms, the authorisations during 1990-91 at $ 3,485 million were lower than those of $ 5,958 million in the preceding year. Almost the entire (96.3 per cent) decline in authorisations was under loans (Table XI-9).

The pace of utilisation of aid on account of loans and grants has been rising in recent years. The utilisation of external assistance comprising loans and grants at Rs. 6,660 crore (provisional) during 1990-91 was higher by Rs. 857 crore (14.8 per cent) as compared with an increase of Rs. 498

Table XI-9 : External Assistance
(Fiscal Years)

(Rupees crore)

Item	Loans	Grants	Total (2+3)
1	2	3	4
1. Authorisations during			
a) 1980-81	3,237@	76	3,313
	(4093)	(96)	(4189)
b) 1981-82	2,767	207	2,974
	(3,085)	(231)	(3,316)
c) 1982-83	2,550	423	2,973
	(2,638)	(438)	(3,076)
d) 1983-84	1,701	387	2,088
	(1,645)	(374)	(2,019)
e) 1984-85	4,409	471	4,880
	(3,709)	(396)	(4,105)
f) 1985-86	5,337	313	5,650
	(4,362)	(256)	(4,618)
g) 1986-87	5,730	430	6,160
	(4,484)	(337)	(4,821)
h) 1987-88	8,203	1,062	9,265
	(6,327)	(819)	(7,146)
i) 1988-89	12,856	214	13,070
	(8,877)	(148)	(9,025)
j) 1989-90 R	9,200	720	9,920
	(5,526)	(432)	(5,958)
k) 1990-91 P	5,666	586	6,252
	(3,158)	(327)	(3485)
2. Utilisation during			
a) 1980-81	1,228@	397	1,625
	(1,553)	(502)	(2,055)
b) 1981-82	1,519	346	1,865
	(1,694)	(386)	(2,080)
c) 1982-83	1,909	343	2,252
	(1,975)	(355)	(2330)
d) 1983-84	1,963	303	2,266
	(1,898)	(293)	(2,191)
e) 1984-85	1,962	397	2,359
	(1,650)	(334)	(1,984)
f) 1985-86	2,493	443	2,936
	(2,038)	(362)	(2,400)
g) 1986-87	3,176	429	3,605
	(2,485)	(336)	(2,821)
h) 1987-88	4,574	478	5,052
	(3,528)	(369)	(3,897)
i) 1988-89	4,739	566	5,305
	(3,272)	(391)	(3663)
j) 1989-90 R	5,138	665	5,803
	(3,086)	(399)	(3,485)
k) 1990-91 P	6,089	571	6,660
	(3,394)	(318)	(3,712)
3. Amount undisbursed as at the end of March 1991 P	**52,650**	**3,115**	**55,765**
	(26,803)	**(1,586)**	**(28,389)**

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. Amount undisbursed as at the end of March 1991 represent rupee values calculated at the rates prevalent at end-March 1991.
4. Figures in brackets represent amounts in millions of U.S. dollars. These are converted at annual average rates for the respective years and amount undisbursed are converted at end-March 1991 rates.

@ Excludes IMF Trust Fund.
R : Revised.
P : Provisional.

crore (or by 9.4 per cent) during 1989-90. Component wise, the utilisation of assistance under loans was higher by Rs. 951 crore which was partly offset by a decline of Rs. 94 crore under grants. In US dollar terms, utilisation of assistance at $ 3,712 million during 1990-91 was higher by 6.5 per cent as compared with a decline of 4.9 per cent to $ 3, 485 million in the preceding year. The utilization of assistance during 1990-91 formed 106.5 per cent of the fresh authorisations during the year as compared with the utilization-authorisations proportion at 58.5 per cent during 1989-90 and 40.6 per cent during 1988-89.

Authorisations

The fall in authorisations of loan assistance during 1990-91 was brought about by a decline in fresh authorisations by the IBRD (Rs. 2,381 crore), France (Rs. 367 crore) and the ADB (Rs. 187 crore); contrary to the previous year, there were no fresh authorisations during the year under review by the USSR, Hungary, Sweden, Belgium and IFAD. Fresh authorisations from these five lending agencies during 1989-90 amounted to Rs. 2,484 crore. The overall fall in loan authorisations, however, was partly offset by higher authorisations by Japan (Rs. 1,256 crore), West Germany (Rs. 456 crore) and the IDA (Rs. 89 crore). As in the previous year, there were no fresh authorisations from other major donor countries, notably the USA, Switzerland and Denmark. Consequent to the steep decline in fresh authorisations during 1990-91 by the IBRD, its share in the total authorisations fell to 20.4 per cent from 38.4 per cent in 1989-90. Like-wise, as a result of a sharp rise in fresh authorisations, the share of Japan increased from 4.2 per cent in 1989-90 to 29.0 per cent in 1990-91 (Table XI-10).

Authorisations of grants during 1990-91 at Rs. 586 crore were lower than those of Rs. 720 crore in the previous year. While there were no fresh authorisations from some donor countries like the E.E.C., Canada, France and Denmark, fresh grants authorised by Sweden and the USA showed a fall. Notable among those who showed larger authorisations were the U.K., Japan and Norway. Netherlands and Switzerland started fresh authorisations in 1990-91 as against no authorisations in the preceding year (Table XI-11).

Utilisation

The increases in the utilisation of loans were largely in respect of the IDA (Rs. 440 crore) and Japan (Rs. 439 crore). The other countries/ institutions in respect of which utilisation of credit was higher were ADB (Rs. 262 crore), West Germany (Rs. 121 crore), the USSR (Rs. 77 crore), Netherlands (Rs. 73 crore), and Sweden (Rs. 24 crore). The overall increase in the utilisation of credit, however, was partly offset by declines in utilisation of loan assistance registered under the IBRD (Rs. 353 crore) and Italy (Rs. 94 crore).

The lower utilisation of grants during the year was mainly accounted for by a fall in utilisation of grants from Sweden (Rs. 128 crore), and the E.E.C. (Rs. 21 crore). Other countries in respect of which lower utilisations were recorded were Canada and Japan. Increases in utilisation of grants were recorded mainly under the U.K. (Rs. 69 crore) and Denmark (Rs. 44 crore).

Cumulative Assistance

The cumulative external assistance on account of loans, grants and other assistance authorised to India upto end-March 1991 aggregated Rs. 91,244 crore. Of this, loans accounted for Rs. 80,550 crore or 88.3 per cent, grants Rs. 7,920 crore or 8.7 per cent and P.L. 480/665 assistance accounted for the balance of Rs. 2,774 crore or 3.0 per cent. The cumulative assistance utilised upto end-March 1991 amounted to Rs. 60,267 crore and formed 66.1 per cent of the total authorisations. Of the total assistance utilised, loans accounted for Rs. 50,336 crore (83.5 per cent), grants Rs. 7,112 crore (11.8 per cent) and P.L. 480/665 assistance Rs. 2,819 crore (4.7 per cent) (Table XI-12).

As at end-March 1991, the share of the World Bank group at 43.0 per cent in total authorisations remained more or less stagnant at the level at end-March 1990 (43.6 per cent). The utilisation of loan assistance extended by these institutions constituted 45.1 per cent of the total aid utilised at end-March 1991 and was marginally higher than in the preceding year (44.0 per cent). Among individual countries, the major donors were the U.S.A., Japan, West Germany, the U.K., the

Table XI-10 : Loans Authorised and Utilised during 1989-90 and 1990-91 (Fiscal Years)

(Rupees crore)

Country/ Institution	Authorisations		Utilisation		Aid Undisbursed as at the end of	
	1989-90 R	1990-91	1989-90 R	1990-91 P	March 1990 R	March 1991 P
1	2	3	4	5	6	7
1. IBRD	3,536	1,155	2,543	2,190	13,673	13,463
	(2,124)	(644)	(1,527)	(1,221)	(7,892)	(6,853)
2. IDA	1,456	1,545	949	1,389	7,252	8,554
	(875)	(861)	(571)	(774)	(4,186)	(4,355)
3. IFAD	28	—	18	8	87	86
	(17)		(11)	(5)	(50)	(44)
4. ADB	632	445	108	370	1,827	2,961
	(380)	(248)	(65)	(206)	(1055)	(1,507)
5. Austria	—	—	7	19	6	6
			(4)	(11)	(4)	(3)
6. Belgium	11	—	1	—	12	14
	(7)		(—)		(7)	(7)
7. Bulgaria	—	—	—	—	—	3
						(2)
8. Denmark	—	—	7	—	18	20
			(4)		(10)	(10)
9. France	369	2	162	153	754	693
	(222)	(1)	(97)	(85)	(435)	(352)
10. West Germany	252	708	286	407	1,130	1,587
	(151)	(395)	(172)	(227)	(652)	(808)
11. Italy	—	57	105	11	49	106
		(32)	(63)	(6)	(28)	(54)
12. Japan	385	1,641	421	860	2,416	4,442
	(231)	(914)	(253)	(479)	(1,395)	(2,261)
13. Netherlands	85	101	53	126	64	53
	(51)	(56)	(32)	(70)	(37)	(27)
14. Sweden	232	—	90	114	298	225
	(139)		(54)	(64)	(172)	(115)
15. Switzerland	—	—	18	19	72	65
			(11)	(11)	(42)	(33)
16. Spain	1	—	39	33	49	7
	(—)		(23)	(18)	(28)	(4)
17. U.S.A.	—	—	40	36	368	273
			(24)	(20)	(212)	(139)
18. Czechoslovakia	—	—	22	18	37	19
			(13)	(10)	(21)	(10)
19. Hungary	333	—	—	—	347	393
	(200)				(200)	(200)
20. OPEC*	—	12	51	41	1,121	1,228
		(7)	(31)	(23)	(647)	(625)
21. U.S.S.R.	1,880	—	218	295	15,976	18,452
	(1,129)		(131)	(164)	(9,222)	(9,394)
Total	**9,200**	**5,666**	**5,138**	**6,089**	**45,556**	**52,650**
	(5,526)	**(3,158)**	**(3,086)**	**(3,394)**	**(26,295)**	**(26,803)**

* Comprises Iran, Iraq, Kuwait, Abu Dhabi, Saudi Arabia and OPEC Special Fund.

R : Revised.

P : Provisional.

Note: 1. Figures in brackets represent millions of U.S. Dollars.

2. Amount undisbursed is converted at end-March rates for respective years.

Table XI-11 : Grants@—Authorised and utilised during 1989-90 and 1990-91 (Fiscal Years)

(Rupees crore)

Country/ Institution	Authorisations		Utilisation		Aid undisbursed as at the end of	
	1989-90 R	1990-91 P	1989-90 R	1990-91 P	March 1990 R	March 1991 P
1	2	3	4	5	6	7
1. Australia	—	—	—	—	46	53
					(27)	(27)
2. Canada	85	—	24	13	627	686
	(51)		(14)	(7)	(362)	(349)
3. Denmark	47	—	13	57	108	333
	(28)		(8)	(32)	(62)	(169)
4. France	51	—	51	—	—	—
	(30)		(31)			
5. West Germany	—	—	1	1	13	20
			(—)	(—)	(7)	(10)
6. Japan	33	62	47	35	43	86
	(20)	(34)	(28)	(20)	(25)	(44)
7. Netherlands	—	150	69	61	33	118
		(84)	(41)	(34)	(19)	(60)
8. Sweden	180	55	162	34	178	234
	(108)	(30)	(97)	(19)	(103)	(119)
9. Norway	4	12	20	20	19	78
	(2)	(7)	(12)	(11)	(11)	(40)
10. Switzerland	—	39	1	2	62	63
		(22)	(—)	(1)	(36)	(32)
11. U.K.	81	231	126	195	578	644
	(49)	(129)	(77)	(109)	(333)	(328)
12. U.S.A. other than PL. 480/PL. 665	68	37	15	26	369	412
	(41)	(21)	(9)	(14)	(213)	(210)
13. E.E.C.	171	—	111	90	475	388
	(103)		(67)	(50)	(274)	(198)
14. Other International Institutions	—	—	25	37	—	—
			(15)	(21)		
Total	**720**	**586**	**665**	**571**	**2,551**	**3,115**
	(432)	**(327)**	**(399)**	**(318)**	**(1,472)**	**(1,586)**

Notes : Figures in brackets represent millions of U.S. Dollars.
R : Revised.
P : Provisional.
@ : Including debt relief as under.

(Rupees crore)

Country	Authorisations		Utilisation	
	1989-90	1990-91	1989-90	1990-91
1	2	3	4	5
By way of Grants				
Japan	11.4	10.7	36.0	13.7
	(6.8)	(6.0)	(21.6)	(7.6)

Table XI-12 : Aggregate External Assistance
(Fiscal Years)

(Rupees crore)

Period	Loans	Grants	PL 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	2,767	207	—	2,974
	(3085)	(231)		(3316)
c) 1982-83	2,550	423	—	2,973
	(2638)	(438)		(3076)
d) 1983-84	1,701	387	—	2,088
	(1645)	(374)		(2019)
e) 1984-85	4,409	471	—	4,880
	(3709)	(396)		(4105)
f) 1985-86	5,337	313	—	5,650
	(4362)	(256)		(4618)
g) 1986-87	5,730	430	—	6160
	(4484)	(337)		(4821)
h) 1987-88	8,203	1,062	—	9,265
	(6327)	(819)		(7146)
i) 1988-89	12,856	214	—	13,070
	(8877)	(148)		(9025)
j) 1989-90 R	9,200	720	—	9,920
	(5526)	(432)		(5958)
k) 1990-91 P	5,666	586	—	6,252
	(3158)	(327)		(3485)
3. Total upto March 1991	**80,550**	**7,920**	**2,774**	**91,244**
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@	397	—	1,625
	(1553)	(502)		(2055)
b) 1981-82	1,519	346	—	1,865
	(1694)	(386)		(2080)
c) 1982-83	1,909	343	—	2,252
	(1975)	(355)		(2330)
d) 1983-84	1,963	303	—	2,266
	(1898)	(293)		(2191)
e) 1984-85	1,962	397	—	2,359
	(1650)	(334)		(1984)
f) 1985-86	2,493	443	—	2,936
	(2038)	(362)		(2400)
g) 1986-87	3,176	429	—	3,605
	(2485)	(336)		(2821)
h) 1987-88	4,574	478	—	5,052
	(3528)	(369)		(3897)
i) 1988-89	4,739	566	—	5,305
	(3272)	(391)		(3663)
j) 1989-90 R	5,138	665	—	5,803
	(3086)	(399)		(3485)
k) 1990-91 P	6,089	571	—	6,660
	(3394)	(318)		(3712)
6. Total upto March 1991	**50,336**	**7,112**	**2,819**	**60,267**

R : Revised. P : Provisional.

Notes: 1. Refer to notes to table XI-9.

2. Figures in brackets represent millions of US Dollars.

U.S.S.R. and France which together accounted for 42.9 per cent of the total authorisations and 38.7 per cent of total utilisation as at end-March 1991. At end-March 1990, the share of this group of donors was 40.0 per cent of authorisations and 37.0 per cent of utilisation (Table XI-13).

Debt service payments at Rs. 4,350 crore (provisional) during 1990-91 were higher by Rs. 664 crore (18 per cent) than those of Rs. 3,686 crore in the preceding year. As gross utilisation was higher, net inflow of external assistance at Rs. 2,310 crore was higher by Rs. 193 crore than Rs. 2,117 crore in the preceding year (Table XI-14). Ratio of debt service payments to gross utilisation at 65.3 at end-March 1991 rose modestly from the earlier ratio of 63.5 at end-March 1990. The ratio of net inflow of external assistance to gross drawals, however, fell by almost two percentage points to 34.7 per cent. In US dollar terms, the net inflow of external assistance at $ 1,288 million was almost the same as in the preceding year. The share of amortisation in total debt service payments was 55.1 per cent, nearly the same as that in the preceding year (53.9 per cent).

Purpose-wise authorisations, utilisation and undisbursed balances as at end-March 1990 are given in the Table XI-15. Of the total loans authorised during 1989-90, the share of Power Projects was highest at 50.0 per cent (Rs. 4,651 crore), followed by Industrial Development at 28.5 per cent (Rs. 2,649 crore), Agricultural Development at 13.0 per cent (Rs. 1,206 crore) and Miscellaneous group at 8.1 per cent (Rs. 755 crore). There were no fresh authorisations in respect of the other purpose groups, namely, steel and steel projects, iron ore projects, food aid and oil and petroleum projects.

The utilisation of loan assistance was highest for Industrial Development (Rs. 1,436 crore or 28.6 per cent), followed by Power Project (Rs. 1,185 crore or 23.6 per cent) and Transport and Communication (Rs. 745 crore or 14.9 per cent).

Aid in the Pipeline

Total aid comprising loans and grants in the pipeline at current exchange rate till end-March 1991 amounted to Rs. 55,765 crore which was higher by Rs. 7,658 crore than the corresponding amount of Rs. 48,107 crore at end-March 1990. Out of the total aid in the pipeline, loans constituted Rs. 52,650 crore (94.4 per cent) and grants Rs. 3,115 crore (5.6 per cent). In dollar terms, the aid in the pipeline stood at $ 28,389 million, higher by $ 622 million than the level a year ago. The World Bank group accounted for the largest share of assistance in the pipeline, at 41.8 per cent, followed by the ADB at 5.6 per cent and OPEC at 2.3 per cent. Country-wise, unutilised aid in respect of the U.S.S.R. stood the highest at 35.0 per cent, followed by Japan (8.4 per cent) and West Germany at 3.0 per cent. Aid in pipeline in respect of other countries/institutions remained negligible.

Purpose-wise Distribution of Undisbursed Loans

At the beginning of 1990-91, undisbursed loans stood at Rs. 45,037 crore which was higher by Rs. 7,296 crore than that of Rs. 37,741 crore at the beginning of the preceding year. Table XI-16 presents data on purpose-wise classification of undisbursed loans. These data would show that the largest proportion of undisbursed loans was under Power Projects (42.4 per cent), in particular, from the USSR, followed by Industrial Development (25.7 per cent), in particular, from the USSR, Agricultural Development (13.2 per cent) and Miscellaneous Group (9.2 per cent). On the whole, covering all purpose groups, the World Bank group dominated, accounting for about 44.3 per cent of aid undisbursed.

Aid Pledges for 1991-92

At the Aid-India Consortium meeting held in Paris in September 1991, members pledged $ 6.7 billion of assistance to India for 1991-92 (July-June). The total assistance pledged was marginally higher ($ 0.4 billion) than in the previous year. Of the total commitment, $ 4.5 billion came from multilateral sources and $ 2.2 billion from bilateral countries. The total amount of aid included $2.3 billion ($ 0.7 billion from bilateral and $ 1.6 billion from multilateral) in the nature of fast disbursing assistance, mainly on concessional terms or in the form of grants as an immediate measure of balance of payments support. Japan continued to be the largest bilateral donor during

Table XI-13 : Aggregate External Assistance—Source-wise (upto end-March 1991) $$

(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	21,791	—	—	21,791 (23.9)	12,757	—	—	12,757 (21.2)
IDA	17,424	—	—	17,424 (19.1)	14,396	—	—	14,396 (23.9)
EEC	41$	983	—	1,024 (1.1)	42$	1,116	—	1,158 (1.9)
IFAD	200	—	—	200 (0.2)	196	—	—	196 (0.3)
ADB	2,882	—	—	2,882 (3.2)	603	—	—	603 (1.0)
Canada	889	1,074	—	1,963 (2.1)	716	623	—	1,339 (2.2)
France	2,177	56	—	2,233 (2.4)	1,921	55	—	1,976 (3.3)
Netherlands	1,040	429	—	1,469 (1.6)	1,075	533	—	1,608 (2.7)
West Germany	4,859	56	—	4,915 (5.4)	3,859	54	—	3,913 (6.5)
Japan	6,838	335	—	7,173 (7.9)	4,210	310	—	4,520 (7.5)
Sweden	347	985	—	1,332 (1.5)	310	652	—	962 (1.6)
USA	3,251	535	2,774	6,560 (7.2)	3,341	311	2,819	6,471 (10.7)
USSR	14,021	9	—	14,030 (15.4)	2,537	8	—	2,545 (4.2)
UK	1,223	2,989	—	4,212 (4.6)	1,258	2,640	—	3,898 (6.5)
OPEC*	2,008	12	—	2,020 (2.2)	1,717	7	—	1,724 (2.9)
Others	1,559	457	—	2,016 (2.2)	1,398	803	—	2,201 (3.6)
Total	**80,550**	**7,920**	**2,774**	**91,244 (100.0)**	**50,336**	**7,112**	**2,819**	**60,267 (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-14 : Inflow of Foreign Assistance—Gross and Net (Fiscal Years)

(Rupees crore)

Year	Gross Utilisation	Amortisation Payments	Interest Payments	Total Debt Service Payments (3+4)	Net Inflow of Aid (2—5)
1	2	3	4	5	6
1980-81	1,625	518	286	804	821
	(2055)	(655)	(362)	(1017)	(1038)
1981-82	1,865	538	311	849	1,016
	(2080)	(600)	(347)	(947)	(1133)
1982-83	2,252	587	360	947	1,305
	(2,330)	(607)	(372)	(979)	(1351)
1983-84	2,266	616	417	1,033	1,233
	(2191)	(596)	(403)	(999)	(1192)
1984-85	2,359	647	529	1,176	1,183
	(1984)	(544)	(445)	(989)	(995)
1985-86	2,936	776	591	1,367	1,569
	(2400)	(634)	(483)	(1117)	(1283)
1986-87	3,605	1,176	853	2,029	1,576
	(2821)	(920)	(668)	(1588)	(1233)
1987-88	5,052	1,581	1,043	2,624	2,428
	(3897)	(1219)	(804)	(2023)	(1874)
1988-89	5,305	1,646	1,300	2,946	2,359
	(3663)	(1136)	(898)	(2034)	(1629)
1989-90 R	5,803	1,987	1,699	3,686	2,117
	(3485)	(1193)	(1020)	(2213)	(1272)
1990-91 P	6,660	2,395	1,955	4,350	2,310
	(3712)	(1335)	(1089)	(2424)	(1288)

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 millions of US Dollars.

Table XI-15 : Statement Showing Purpose-wise Distribution of Loans

(Rupees lakh)

Purpose	Authorisations						Utilisation						Aid Undisbursed as at end-March 1990
	1980-85	1985-86	1986-87	1987-88	1988-89	1989-90	1980-85	1985-86	1986-87	1987-88	1988-89	1989-90	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
I. Transport and Communication	1768,65	380,17	142,01	1073,29	1598,79	47,74	702,10	188,73	365,30	469,91	673,39	744,93	3376,20
II. Power Projects	3845,55	1599,67	1028,71	2179,75	7653,63	4651,15	1684,07	594,60	957,29	866,16	1177,82	1184,65	19226,58
III. Steel and Steel Projects	116,66	—	—	—	—	—	192,10	26,26	13,57	72,04	29,24	27,22	273,68
IV. Iron Ore Projects	—	—	—	—	138,76	—	—	—	—	—	—	25	175,76
V. Industrial Development	3270,49	1471,62	2981,60	2212,11	1360,16	2649,13	2312,05	623,15	758,67	848,60	1204,81	1435,67	11655,94
VI. Agricultural Development	3898,33	928,18	1354,28	700,49	594,63	1206,46	3106,88	736,83	830,49	1118,07	903,09	606,18	5700,04
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	169,04	452,58
IX. Miscellaneous	1414,14	937,84	79,22	1478,48	1603,91	755,49	546,31	259,28	284,96	945,18	748,85	844,47	4175,81
Total	**14514,73**	**5684,46**	**5837,89**	**7990,90**	**12949,88**	**9309,97**	**8564,58**	**2529,79**	**3314,82**	**4540,40**	**4949,19**	**5012,41**	**45036,59**

Notes : 1. Authorisations and Utilisation figures are given at the current rate of exchange (i.e. annual average rates of the respective financial years) and hence are not strictly comparable with those appearing in Table XI—9.

2. Aid undisbursed is given at end March 1990 rate of exchange.

Table XI-16 : Purpose-wise Distribution of Aid Undisbursed*

(Rupees crore)

Purpose and Country/ Institution		Aid undisbursed as at the end of March 1989R	Aid undisbursed as at the end of March 1990P
1		2	3
I. Transport and Communication			
i) IBRD		2029.86	1386.34
ii) IDA		291.62	309.12
iii) ADB		1139.50	1236.55
iv) France		14.52	1.14
v) West Germany		34.25	77.35
vi) Japan		325.80	266.73
vii) U.S.A.		3.88	0.85
viii) Others		126.94	98.12
Total I		**3966.37**	**3376.20**
II. Power Projects			
i) IBRD		4725.78	7132.15
ii) IDA		179.92	322.20
iii) ADB		462.38	897.39
iv) West Germany		266.80	241.37
v) Japan		1268.88	1373.05
vi) USSR		6477.66	9141.85
vii) Italy		76.26	5.22
viii) Others		133.97	113.35
Total II		**13591.65**	**19226.58**
III. Steel and Steel Projects			
USSR		274.88	273.68
Total III		**274.88**	**273.68**
IV. Iron Ore Projects			
i) Iran		587.09	The balance in the pipeline is cancelled in terms of MOU of 3/8/89
ii) West Germany		142.68	175.76
Total IV		**729.77**	**175.76**
V. Industrial Development			
i) IBRD	Public	1108.89	1913.80
	Private	208.36	180.83
ii) IDA		—	99.05
iii) Austria	Public	11.60	23.75
	Private	—	—
iv) Belgium	Public	—	—
	Private	1.59	0.22
v) Denmark	Public	20.94	17.94
vi)France	Public	385.75	340.03
	Private	0.96	308.79
vii) West Germany	Public	330.37	337.38
	Private	157.12	172.52
viii) Japan	Public	644.25	460.68
ix) USSR	Public	6148.95	6560.19
x) Others	Public	392.19	1240.76
Total V		**9410.97**	**11655.94**
VI. Agricultural Development			
i) IBRD		1060.97	1162.87
ii) IDA		2931.83	3529.16
iii) West Germany		12.42	14.55
iv) Japan		634.59	581.49
v) Others		335.54	411.97
Total VI		**4975.35**	**5700.04**
VII. Oil and Petroleum Products			
i) France		73.68	74.97
ii) IBRD		319.08	197.15
iii) Iran		163.15	180.46
iv) Others		0.04	—
Total VIII		**555.95**	**452.58**
VIII. Miscellaneous			
i) IBRD		1343.74	892.85
ii) IDA		2554.30	2968.66
iii) West Germany		41.43	103.76
iv) Others		296.30	210.54
Total IX		**4235.77**	**4175.81**
Grand Total (I to IX)		**37740.71**	**45036.59**

R — Revised
P — Provisional.
* Loan wise undisbursed balances are converted at end March rate of the respective year and hence are not strictly comparable with those appearing in table XI-9.

the year pledging $ 823 million, while the share of the World Bank group with their total commitments at $ 3,000 million stood at 44.6 per cent.

IV. India's Financial Assistance to Other Countries

Authorisations

During 1990-91, the authorisations of total external assistance extended by India at Rs. 163 crore were marginally higher than those during 1989-90 (Table XI-17). Grants formed more than 70 per cent of total assistance during both 1989-90 and 1990-91. The total amount of grants authorised during 1990-91 aggregated Rs. 117 crore, marginally lower than in the preceding year. Utilisation of loans was marginally higher. Bhutan continued to be the biggest beneficiary, accounting for nearly 50 per cent of total authorisation of grants, followed by Nepal at Rs. 23 crore and ITEC at Rs. 35 crore. During 1990-91, loans were authorised only to two countries, Nepal and Vietnam, the former accounting for as much as 75 per cent of the total.

Utilization

The utilization of aid, comprising loans and grants, extended by India during 1990-91 at Rs. 112 crore was higher by Rs.7 crore over the year. Utilisation of grants was higher while that of loans marginally lower. Under grants, while Bhutan utilised the grants fully, there was a shortfall in the case of Nepal and under ITEC Programme. In respect of loans, while most countries had utilised the loans fully, there was

Table XI-17 : Assistance Extended by India to Other Countries (Fiscal Years)

(Rupees crore)

Country/ Programme	Authorisations						Utilisation					
	1989-90			1990-91 P			1989-90			1990-91 P		
	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	—	1.5	1.5	—	0.6	0.6	—	1.3	1.3	—	0.3	0.3
2. Bhutan	0.9	54.7	55.6	—	58.2	58.2	0.9	54.7	55.6	—	58.2	58.2
3. Mauritius	—	—	—	—	—	—	0.7	—	0.7	1.7	—	1.7
4. Mozambique	—	—	—	—	—	—	0.2	—	0.2	0.1	—	0.1
5. Nepal	25.0	16.0	41.0	35.0	22.8	57.8	—	11.9	11.9	—	16.5	16.5
6. Nicaragua	—	—	—	—	—	—	1.8	—	1.8	2.2	—	2.2
7. Sri Lanka	—	—	—	—	—	—	0.1	—	0.1	—	—	—
8. Uganda	—	—	—	—	—	—	4.0	—	4.0	—	—	—
9. Vietnam	5.4	—	5.4	11.8	—	11.8	7.4	—	7.4	7.4	—	7.4
10. Guyana	10.0	—	10.0	—	—	—	—	—	—	0.4	—	0.4
11. ITEC	—	47.0	47.0	—	35.0	35.0	—	22.4	22.4	—	25.7	25.7
Total	**41.3**	**119.2**	**160.5**	**46.8**	**116.6**	**163.4**	**15.1**	**90.3**	**105.4**	**11.8**	**100.7**	**112.5**

P: Provisional.

* Includes Grants provided under SCAAP (Special Commonwealth African Countries, Assistance Plan).

Notes : 1. Aid to Nepal excludes grant expenditure on Kosi and 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.

shortfall in the case of Nepal and Vietnam. The overall ratio of utilization to authorisation showed improvement and increased from 65.7 per cent during 1989-90 to 68.8 per cent during 1990-91. Component-wise, while utilisation ratio for grants showed a rise from 75.8 per cent in 1989-90 to 86.4 per cent in 1990-91, that for loans showed a decline from 36.6 per cent to 25.2 per cent during the same period.

Cumulative Assistance Extended by India

Total aid authorised by India, comprising loans and grants, up to end-March 1991 amounted to Rs. 2, 286 crore, of which 63.0 per cent was by way of grants and the balance 37 per cent by way of loans (Table XI-18). The principal beneficiaries, on aggregate basis, were Bhutan (39.7 per cent), Nepal (21.9 per cent), Bangladesh (12.8 per cent) and Vietnam (7.3 per cent). Assistance under ITEC accounted for 8.1 per cent of the total. The group of five countries together with the ITEC accounted for 89.7 per cent of the total authorization of grants and loans. Utilisation against total aid extended by India as at end-March 1991 amounted to Rs. 2,030 crore or 89 per cent of aid authorisations. Bhutan, Nepal, Bangladesh and Vietnam together accounted for 88.8 per cent of the total utilization.

As the utilization of aid comprising loans and grants during the year under review was lower than the fresh authorisations, undisbursed aid increased further and stood at Rs. 256 crore by end-March 1991. Of this, Nepal, Bangladesh and Sri Lanka accounted for 68.2 per cent of the undisbursed balances. Bhutan, among the major beneficiaries, could utilise almost all assistance extended to it till end-March 1991.

V. India's External Debt

India's external liabilities consisting of multilateral and bilateral assistance, commercial borrowings and non-resident deposits have been growing in magnitude over the past few years. This resulted from growing need for financing the persistently widening current account deficits that have been witnessed throughout the eighties. India's medium and long-term external debt (other than non-resident deposits), i.e., a debt having an original or extended maturity of more than one year, which was Rs. 35,800 crore ($ 28.8 billion) at end-March 1985, the end of the Sixth Plan period, rose steadily to Rs. 81,168 crore ($ 47.1 billion) at end-March 1990, the end of the Seventh Plan period showing an increase of 127 per cent (64 per cent in dollar terms). This is estimated to have increased further to Rs. 1,00,197 crore ($ 51.0 billion) at end-March, 1991 (Table XI-19). Including NRI deposits, India's external liabilities (other than short-term debt) would amount to Rs. 1,20,951 crore ($ 61.6

Table XI-18 : Aggregate Assistance Extended by India to Other Countries (Up to end-March 1991)

(Rupees crore)

Country/Programme	Authorisations			Utilisation			Amount undisbursed as at the end of March 1991(P)		
	Loans	Grants	Total	Loans	Grants	Total	Loans	Grants	Total
1	2	3	4	5	6	7	8	9	10
1. Afghanistan	6.4	—	6.4	6.4	—	6.4	—	—	—
2. Bangladesh	135.4	157.0	292.4	111.5	140.2	251.7	23.9	16.8	40.7
3. Bhutan	156.3	750.3	906.6	156.3	750.0	906.3	—	0.3	0.3
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	26.4	—	26.4	3.1	—	3.1
9. Mozambique	8.1	—	8.1	7.9	—	7.9	0.2	—	0.2
10. Nepal	151.9	347.9	499.8	84.9	305.4	390.3	67.0	42.5	109.5
11. Nicaragua	12.5	—	12.5	11.3	—	11.3	1.2	—	1.2
12. People's 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	167.5	—	167.5	153.9	—	153.9	13.6	—	13.6
18. Zambia	5.8	—	5.8	5.8	—	5.8	—	—	—
19. Zimbabwe	4.8	—	4.8	4.8	—	4.8	—	—	—
20. Assistance under ITEC*	—	184.4	184.4	—	131.0	131.0	—	53.4	53.4
21. Guyana	10.0	—	10.0	0.4	—	0.4	9.6	—	9.6
Total	**846.1**	**1439.6**	**2285.7**	**703.4**	**1326.6**	**2030.0**	**142.7**	**113.0**	**255.7**

P : Provisional.

* Includes Grants 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 relief goods of the value of Rs. 17 crore supplied to that country in 1971-72.

Table XI-19 : India's External Debt (Long and Medium term)

(Rupees crore)

	As at end-March							
	1980**	1985	1986	1987	1988	1989	1990(P)	1991(P)
1	2	3	4	5	6	7	8	9
1. External Assistance	12,178	24,004	26,638	32,312	36,578	46,838	54,095	65,694
2. IMF		4,888	5,271	5,548	4,732	3,696	2,573	5,133
3. External Commercial Borrowings*	1,252	6,908	8,075	11,243	13,543	19,147	24,500	29,370
4.1 **Total (1+2+3)**	**13,430**	**35,800**	**39,984**	**49,103**	**54,853**	**69,681**	**81,168**	**1,00,197**
Memorandum Item								
4.2 U.S. dollars in million	16,392	28,801	32,391	37,699	42,993	44,485	47,109	51,009

* 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, RBI Bulletin, April 1985.

P Provisional.

billion) as at end-March 1991. Besides long and medium-term debt, there exists also short-term debt usually associated with imports. This short-term debt comprises trade credits, suppliers' credits (with less than one year's maturity), Bankers' Acceptance and other facilities. These latter facilities, which were contracted for public sector undertakings, account for major portion of short-term debt. The outstandings under such Bankers' Acceptances and other facilities amounted to Rs. 6,975 crore ($ 3,551 million) at end-March 1991.

As a percentage of GDP at current market prices, India's external debt which stood at 18.3 per cent at end-March 1990, is estimated to have risen to 19.3 per cent at end-March 1991. The debt (long and medium-term) to export ratio, which was 202 per cent at end-March 1990, rose to 216 per cent by end-March 1991. The debt-service ratio (i.e., ratio of debt-service payments, exclusive of interest on non-resident deposits, to export of goods and invisibles excluding official transfer receipts) is estimated to have increased marginally to 21.3 per cent during 1990-91 from 21.0 per cent during 1989-90 (Table XI-20).

Table XI-20 : Debt Service Ratio

Year	Debt Service Ratio
1985-86	16.1
1986-87	19.3
1987-88	21.3
1988-89	23.6
1989-90	21.0[P]
1990-91	21.3[@]

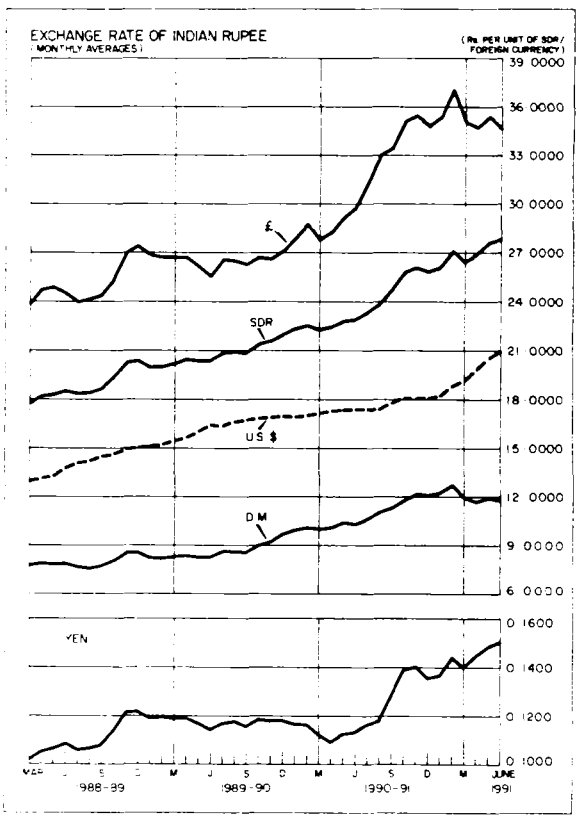
* Debt Service payments, excluding interest on NRI Deposits, as per cent of export of goods and invisibles other than official transfer receipts.

P: Provisional.

@ Estimate.

VI. Exchange Rate Developments

The rupee-sterling intervention rate was changed on 282 occasions during 1990-91 as compared with 252 occasions in the preceding year. The number of adjustments during the first quarter of 1991-92 were 91. During the corresponding quarter of the previous year the number of such adjustments stood at 55. The data on annual averages of the rupee exchange rate vis-a-vis the SDR and currencies of India's important trading partners for the years 1986-87 to 1990-91 are given in Table XI-21. With the exception of the Bangladesh Taka, the rupee depreciated against the SDR and all other currencies.



Measured by annual averages, the depreciation of the rupee during 1990-91 with respect to the selected currencies was higher than in the previous year in respect of the currencies of developed countries with the exception of the US dollar and the Canadian dollar. These currencies, in the order of magnitude of depreciation, were: Swiss Franc, French Franc, Netherlands Guilder, Deutsche mark, Italian Lira and Pound Sterling. Against the US dollar and the Canadian dollar, the rate of depreciation of the rupee was lower than that in the preceding year.

As regards the currencies of major developing countries in Asia which are considered to be our competitors in external trade, the rate of depreciation of rupee during 1990-91 was lower generally than in the preceding year, in respect of all the currencies under reference with the

Table XI-21 : Exchange Rate of the Indian Rupee
(Annual Averages*) (April-March)

(Rupees per unit of SDR/Foreign Currency)

Currency	1986-87	1987-88	1988-89	1989-90	1990-91
1	2	3	4	5	6
SDR	15.4472	17.1208	19.2619	21.3684	24.8491
		(-9.8)	(-11.1)	(-9.9)	(-14.0)
U.S. Dollar	12.78	12.97	14.48	16.65	17.94
		(-1.5)	(-10.4)	(-13.0)	(-7.2)
Pound Sterling	19.07	22.09	25.60	26.92	33.19
		(-13.7)	(-13.7)	(-4.9)	(-18.9)
Deutsche Mark	6.30	7.40	8.05	9.09	11.44
		(-14.9)	(-8.1)	(-11.4)	(-20.5)
Japanese Yen	0.0802	0.0941	0.1130	0.1166	0.1279
		(-14.8)	(-16.7)	(-3.1)	(-8.8)
French Franc	1.9290	2.2035	2.3703	2.6802	3.3871
		(-12.5)	(-7.0)	(-11.6)	(-20.9)
Canadian Dollar	9.3095	9.9139	11.9597	14.0931	15.4787
		(-6.1)	(-17.1)	(-15.1)	(-9.0)
Swiss Franc	7.6068	8.9791	9.5672	10.3368	13.4493
		(-15.3)	(-6.1)	(-7.4)	(-23.1)
Italian Lira	0.0091	0.0102	0.0109	0.0124	0.0154
		(-10.8)	(-6.4)	(-12.1)	(-19.5)
Netherlands Guilder	5.1506	6.5760	7.1438	8.0641	10.1775
		(-21.7)	(-7.9)	(-11.4)	(-20.8)
Bangladesh Taka	0.4282	0.4242	0.4636	0.5308	0.5234
		(+0.9)	(-8.5)	(-12.7)	(+1.4)
Thailand Bah.	0.4941	0.5146	0.5750	0.6514	0.7101
		(-4.0)	(-10.5)	(-11.7)	(-8.3)
Indonesian Rupiah	0.0093	0.0078	0.0085	0.0093	0.0096
		(+19.2)	(-8.2)	(-8.6)	(-3.1)
South Korean Won	0.0147	0.0162	0.0205	0.0247	0.0251
		(-9.3)	(-21.0)	(-17.0)	(-1.6)
Sri Lankan Rupee	0.4562	0.4352	0.4487	0.4456	0.4509
		(+4.8)	(-3.0)	(+0.7)	(-1.2)
Pakistan Rupee	0.7641	0.7517	0.7907	0.8002	0.8274
		(+1.6)	(-4.9)	(-1.2)	(-3.3)
Singapore Dollar	5.8807	6.2583	7.2868	8.6239	10.1189
		(-6.0)	(-14.1)	(-15.5)	(-14.8)
Hongkong Dollar	1.6413	1.6615	1.8558	2.1368	2.3072
		(-1.2)	(-10.5)	(-13.2)	(-7.4)
Malaysian Ringgit	4.9327	5.1469	5.4534	6.1751	6.6368
		(-4.2)	(-5.6)	(-11.7)	(-7.0)

* 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 average rates on the London Market as crossed with the R.B.I. 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.

exception of Pakistani rupee where depreciation during 1990-91 was higher. As against Sri Lankan Rupee, the Indian rupee depreciated during 1990-91 in contrast to a marginal appreciation during 1989-90 while it appreciated somewhat against Bangladesh Taka.

Monthly averages of rupee exchange rates against the four major currencies and the SDR for the period March 1989 to June 1991 are set out in Table XI-22. In relation to SDR, barring December 1990 and March 1991, the rupee ruled easy in all other months of the financial year 1990-91. Between March 1990 and March 1991, the rupee eased against the SDR by 16.3 per cent as compared with its softening by 9.4 per cent during the corresponding period of the preceding year. The rupee continued to depreciate against the SDR during the first quarter of 1991-92, depreciating by 4.1 per cent as compared with that of 2.7 per cent during the corresponding quarter of 1990-91.

In relation to the US dollar, the rupee generally weakened during 1990-91, barring July and November 1990. Between March 1990 to March 1991, the rupee depreciated by 10.8 per cent as compared with 9.4 per cent in the preceding financial year. During the first quarter of 1991-92, the rupee was further weakened by 8.6 per cent as against 1.7 per cent in the corresponding quarter in the preceding year.

The rupee depreciated against Pound Sterling by 20.7 per cent during 1990-91 as compared with its weakening by 4.4 per cent during the preceding year. Barring December 1990 and March 1991, the rupee ruled easy throughout 1990-91. During the first quarter of 1991-92, however, the rupee appreciated marginally by 1.2 per cent as against a depreciation by 6.6 per cent in the corresponding quarter of the preceding year.

In relation to the DM, the rupee depreciated by 16.1 per cent during 1990-91 as compared with a depreciation of 17.3 per cent in the preceding year. Barring June and December 1990 and March 1991, the rupee softened against the DM throughout the year. During the first quarter of 1991-92, the rupee appreciated marginally by 1.5 per cent as compared with its weakening by 2.9 per cent during the corresponding quarter of the preceding year.

In respect of yen, the rupee depreciated by 20.1 per cent during 1990-91 as against appreciation by 6.4 per cent during the preceding year. During the year, the rupee appreciated during April and December 1990 and March 1991. Barring these three months, the rupee deteriorated against yen throughout the year. During the first quarter of 1991-92, the rupee weakened further by 6.9 per cent, as against its weakening by 1.3 per cent in the corresponding quarter of the preceding year.

With a view to restoring the competitiveness of our exports, to make the non-essential imports more expensive and to quell the market expectations, two sharp downward adjustments in the exchange value of the rupee were carried out on July 1 and July 3, 1991. Between end-June and July 3, 1991, the depreciation ranged between 18 and 19 per cent.

During 1990-91, the Rupee-Rouble rate was revised seven times i.e., on May 10, August 3, September 3 and 24, 1990 and January 25, February 11 and March 22, 1991. It varied from Rs. 19.92 per Rouble at end-March 1990 to Rs. 23.40 per Rouble at end-March 1991, resulting in depreciation of the rupee by 14.9 per cent as compared to its depreciation by 9.1 per cent during 1989-90. During the first quarter of 1991-92, the Rupee-Rouble rate was further revised on April 20 and June 1, 1991 to Rs. 24.13 and Rs. 24.87 per Rouble, respectively, showing depreciation of the rupee by 3.0 per cent each time. Subsequent to the sharp adjustments in the rupee exchange rate vis-a-vis major currencies in July 1991, the Rupee-Rouble rate was also adjusted to Rs. 26.73 per Rouble on July 4, 1991 and to Rs. 29.94 per Rouble on July 6, 1991. The rate was revised further to Rs. 30.84 per Rouble with effect from August 17, 1991 implying a rupee depreciation vis-a-vis the Rouble of 24.1 per cent since end-March 1991.

Table XI-22 : Exchange Rate of the Indian Rupee
(Monthly Averages) *(Contd.)*

(Rupees per unit of SDR/foreign currency)

Month/Year	SDR	U.S. Dollar	Pound Sterling	Deutsche Mark	Japanese Yen
1	2	3	4	5	6
March 1989	20.1989	15.5137	26.5858	8.3083	0.1190
1989-90					
April	20.4582	15.7115	26.7237	8.4063	0.1190
May	20.4155	16.0957	26.2151	8.2690	0.1167
June	20.4079	16.4349	25.5284	8.3079	0.1141
July	20.9180	16.3889	26.6304	8.6637	0.1167
August	20.9775	16.6404	26.5548	8.6433	0.1178
September	20.9027	16.7464	26.3019	8.5856	0.1155
October	21.4516	16.8563	26.7594	9.0327	0.1186
November	21.6229	16.9212	26.6120	9.2554	0.1179
December	22.0424	16.9621	27.0614	9.7515	0.1180
January	22.3702	16.9227	27.9885	10.0098	0.1168
February	22.5575	16.9830	28.8168	10.1361	0.1166
March	22.2961	17.1274	27.8218	10.0454	0.1118
	[-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)

Table XI-22 : Exchange Rate of the Indian Rupee
(Monthly Averages) *(Concld.)*

(Rupees per unit of SDR/foreign currency)

Month/Year	SDR	U.S. Dollar	Pound Sterling	Deutsche Mark	Japanese Yen
1	2	3	4	5	6
July	23.4243	17.3807	31.4278	10.6136	0.1166
	(-2.14)	(+0.23)	(-5.22)	(-2.50)	(-2.83)
August	23.9396	17.4029	33.0655	11.0861	0.1181
	(-2.15)	(-0.13)	(-4.95)	(-4.26)	(-1.27)
September	24.8615	17.8385	33.5132	11.3604	0.1287
	(-3.71)	(-2.44)	(-1.34)	(-2.41)	(-8.24)
October	25.8186	18.0946	35.1939	11.8610	0.1393
	(-3.71)	(-1.42)	(-4.78)	(-4.22)	(-7.61)
November	26.1205	18.0725	35.5088	12.1760	0.1401
	(-1.16)	(+0.12)	(-0.89)	(-2.59)	(-0.57)
December	25.8590	18.1042	34.8578	12.1080	0.1355
	(+1.01)	(-0.18)	(+1.87)	(+0.56)	(+3.39)
January	26.1074	18.2895	35.3957	12.2629	0.1369
	(-0.95)	(-1.01)	(-1.52)	(-1.26)	(-1.02)
February	27.1633	18.8659	37.0714	12.7507	0.1447
	(-3.89)	(-3.06)	(-4.52)	(-3.83)	(-5.39)
March	26.6358	19.2009	35.0742	11.9658	0.1400
	(+1.98)	(-1.74)	(+5.69)	(+6.56)	(+3.36)
	[-16.29]	[-10.80]	[-20.68]	[-16.05]	[-20.14]
1991-92					
April	26.9490	19.8373	34.7331	11.6621	0.1450
	(-1.16)	(-3.21)	(+0.98)	(+2.60)	(-3.45)
May	27.6335	20.5374	35.4271	11.9545	0.1487
	(-2.48)	(-3.41)	(-1.96)	(-2.45)	(-2.49)
June	27.7722	21.0053	34.6572	11.7874	0.1504
	(-0.50)	(-2.23)	(+2.22)	(+1.42)	(-1.13)
July 1	30.3402	23.1215	37.48	12.7613	0.1678
July 3	33.8930	25.9532	41.59	14.1569	0.1871

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.

VII. International Monetary Developments

Over the past year, the world economy has been buffeted by a series of shocks: the conflict in the Middle East which brought about a sharp rise, and then an equally sharp drop in the price of oil and the difficulties associated with the early stages of restructuring in Eastern Europe and unification in Germany as also the prevailing uncertainty regarding the future course of economic policies in the U.S.S.R. The combination of these developments only served to weaken further the world economy at a time when growth was already slowing in many industrial countries.

According to the "World Economic Outlook" of IMF (September 1991) world economic growth is estimated to have declined from 3.3 per cent in 1989 to 2.2 per cent in 1990, reflecting a slowdown in the industrial countries (ICs) and a fall in economic activity in the developing countries (DCs), in Eastern Europe, the Middle East and to a lesser extent, the Western Hemisphere. Output growth is expected to decline further in 1991 to 0.9 per cent owing to the weakness of some industrial economies, further declines in output in the Middle East and in Eastern Europe, and downturn in the U.S.S.R. Consumer price inflation in the industrial countries is projected at 4.6 per cent in 1991, as against 4.9 per cent in 1990 and 4.4 per cent in 1989. The inflation rate in DCs is projected at 58.9 per cent in 1991 as against 90.9 per cent in 1990 and 79.9 per cent in 1989. Inflation in the ICs would decelerate in 1991 due to moderate growth and decline in non-fuel commodity prices. The volume of world trade is projected to grow by 0.9 per cent in 1991 as against 4.2 per cent in 1990 and 7.3 per cent in 1989 mainly due to a decline in output growth and particularly the weakening growth of fixed investment, a component of demand which is relatively trade intensive. While the total debt stock increased by about 7 per cent to $ 1,460 billion in 1990, the debt-exports ratio continued to decline to 120.8 per cent in 1990 from 122.4 per cent in 1989. Similarly, the debt-service ratio also improved, albeit modestly, from 15.3 per cent in 1989 to 14.3 per cent in 1990.

Domestic Activity
Industrial Countries

Industrial countries' growth of output declined to 2.5 per cent in 1990 from 3.3 per cent in 1989. The slowdown in growth reflects in part the recession in North America and the United Kingdom, and the effects of higher real interest rates in Germany and Japan where demand pressures on productive capacity have been strong and monetary policy had been tightened. Output growth is projected to slowdown further in 1991 in the majority of industrial countries including Japan and West Germany. Growth in the industrial countries is projected to rebound from 1.3 per cent in 1991 to 2.9 per cent in 1992, reflecting mainly the recovery in the U.S.A. and the U.K.

The slowdown that had started in mid-1989 in the United States became more pronounced in the second half of 1990. Sharp declines in residential construction, business investment, and consumer expenditures on durables and non-durables resulted in a 2 per cent decline (at an annual rate) in GNP in the last quarter of 1990 and a further decline of 2.75 per cent in the first quarter of 1991. In Japan and West Germany, growth is projected to slow down in 1991-92 from its unusually rapid pace in 1990 to rates more in line with the estimated rate of increase in potential output. In West Germany, GNP is expected to expand by 3.0 per cent in 1991 and by 2.0 per cent in 1992, down from 4.5 per cent in 1990, reflecting supply constraints, a diminishing stimulus from the process of unification, and the lagged effects of high interest rates. In Japan, domestic demand growth is expected to be slower in 1991 as investment spending moderates from the very rapid pace recorded since 1987 and as growth of consumption declines. The foreign sector is expected to make a further small negative contribution to the growth in output in Japan, which would slow down from 5.6 per cent in 1990 to 4.2 per cent in 1991. Growth in France is expected to decelerate in 1991 to 1.3 per cent from 2.8 per cent in 1990 while output is expected to decline in U.K. and Canada from 0.6 per cent and 1.0 per cent respectively in 1990 to 1.7 per cent and 1.1 per cent respectively in 1991.

The average short-term interest rate in the seven major industrial countries worked out to 9.1 per cent in 1990 as against 8.7 per cent in 1989 and 7.2 per cent in 1988. Except Italy and US, other countries witnessed increase in the short-term interest rate in 1990. However, average short-term interest rate in these seven industrial countries declined to 7.9 per cent by July 1991. Similar trends were witnessed in the long-term interest rates in the seven countries, which after increasing from 8.1 per cent to 9.0 per cent in 1990 declined to 8.6 per cent by July 1991. Consumer price inflation in the industrial countries is estimated at 4.9 per cent in 1990 as against 4.4 per cent in 1989 reflecting in part the impact of higher oil prices in the second half of 1990. The IMF staff projects that inflation will decline slightly to 4.6 per cent in 1991 and then to 3.8 per cent in 1992, reflecting moderate growth and declines in fuel and non-fuel commodity prices. In the USA there was an acceleration in consumer price inflation at 5.4 per cent in 1990 compared with 4.8 per cent in 1989. The inflation rate is projected at 4.6 per cent in 1991 mainly due to domestic factors such as the slowing down of growth and an increase in unemployment. In Japan, although inflationary pressures were reduced by the appreciation of the Yen in the second half of 1990, consumer price inflation accelerated at an annual rate of 3.1 per cent during 1990 compared with 2.3 per cent in 1989, owing in part to higher wages associated with tight labour market conditions. Inflation in Japan is projected to average 3.5 per cent in 1991.

The volume of exports in the industrial countries is projected to grow at 2.5 per cent in 1991, down from 5.9 per cent in 1990 (6.0 per cent in 1989) and the volume of imports at 2.1 per cent in 1991 as against 5.3 per cent in 1990 (7.9 per cent in 1989). Thus the deceleration is projected to be more pronounced in imports than that in exports during 1991.

The current account imbalances of three largest industrial countries narrowed down during 1990, reflecting exchange rate movements, growth differentials and in the case of Japan and Germany, higher oil prices. During 1991, a further decline of $ 14 billion in the current account deficit of US and a $ 53 billion drop in the surplus of Germany is expected. The current account deficit of the industrial countries as a group, is expected to contract from $ 97 billion in 1990 to $ 37 billion in 1991. In relation to GNP, the current account surplus of Japan declined from 2.0 per cent in 1989 to 1.2 per cent in 1990 and in the case of USA, the deficit fell from 2.0 per cent in 1989 to 1.7 per cent in 1990. In Germany too, the current account surplus declined from 4.8 per cent of GNP in 1989 to 2.9 per cent of GNP in 1990.

Developing Countries

Output growth in developing countries is estimated to have declined sharply from 3.3 per cent during 1989 to 1.1 per cent during 1990 mainly reflecting declining output in Eastern Europe and the Middle East. Economic activity in Eastern Europe and the U.S.S.R. declined sharply by around 3.6 per cent in 1990 and is expected to fall further in 1991 by 10.1 per cent and in 1992 by 3.9 per cent. With the end of conflict in the Middle East and assuming successful implementation of stabilization policy and structural reforms in a number of countries, economic growth in the developing countries as a group is projected to increase to 2.9 per cent during 1992 after a decline of 0.4 per cent in 1991.

Consumer price inflation accelerated to 90.9 per cent in 1990 from 79.9 per cent in 1989 on account of widespread indexation practices, excess liquidity and delays and slippages in policy implementation, particularly in some countries in the Western Hemisphere. It is projected to moderate and subside in 1991 (58.9 per cent) and 1992 (22.7 per cent) on the premise of successful implementation of stabilization programmes.

The pace of growth in Africa slowed during 1990 to 2.3 per cent (3.6 per cent in 1989) as a result of the rise in oil prices and a drop in the prices of non-oil primary commodities. Sluggish growth in Africa has been accompanied by average inflation in the range of 15-20 per cent. GDP growth is projected to recover to 3.1 per cent in 1991 and further to 3.4 per cent in 1992. The performance of Asia has been impressive as real GDP growth increased marginally to 5.6 per cent in 1990 from 5.5 per cent in 1989. Inflation fell from about 12.0 per cent during 1989 to 8.0 per

cent during 1990. Projections for 1991-92 indicate an average growth rate of 5.5 per cent in Asia while inflation is expected to increase to an average of 8.8 per cent during the same period, largely reflecting the easing of financial policies in China during the second half of 1990. Decline in GDP growth rate by 0.5 per cent in 1990 and unprecedented high level of inflation (768 per cent) in the Western Hemisphere primarily reflected the combination of severe recession and hyper-inflation in Argentina, Brazil and Peru. Assuming that significant delays or slippages could be avoided in policy implementation, GDP growth is estimated to increase to 1.1 per cent in 1991 and 2.3 per cent in 1992 and average inflation rate to fall to 154.8 per cent and 54.9 per cent in 1991 and 1992, respectively. Inspite of an unfavourable environment and the short-run costs of adjustment and reform, all Eastern European countries have introduced sweeping price liberalizations and have taken significant steps towards currency convertibility and trade liberalization and made considerable progress with the implementation of essential legal and institutional reforms. The average rate of inflation in Eastern Europe and the U.S.S.R. rose in 1990 to 34.4 per cent and is estimated to increase further to 115.2 per cent in 1991.

The volume growth in the exports of developing countries is estimated at -3.5 per cent in 1991 as compared to -1.0 per cent in 1990 and 7.1 per cent in 1989. Growth in volume imports is placed at 2.9 per cent in 1990 as compared with 8.3 per cent in 1989 and is projected to decline by 2.1 per cent in 1991. The decline in the growth of trade of developing countries is essentially a reflection of slowdown of economic activity in the industrial countries.

The combined current account deficit of developing countries is estimated to have increased to $45.2 billion in 1990 from $34.4 billion in 1989. The current account of non-fuel exporters which showed a deficit of $ 32.1 billion in 1989 due to unfavourable terms of trade worsened in 1990 to $60.1 billion. The same is projected to further widen to $ 73.4 billion in 1991.

Gulf Crisis and its Impact on the Developing Countries

The level and volatility of oil prices increased sharply after the invasion of Kuwait by Iraq on August 2, 1990. From an average of about $ 16 per barrel in July, the average petroleum price rose to nearly $ 40 per barrel for a brief period in September and then declined during the remainder of the year.

A large number of oil importing countries have been affected by the Gulf crisis. Even though the Gulf crisis was resolved, the lagged effects of the crisis have put an intolerable burden on a number of developing countries. During 1990, the rise in oil prices, together with continued decline in non-fuel commodity prices, resulted in a sharp deterioration in the terms of trade for a vast majority of the oil importing developing countries. Moreover, a number of countries in the Middle East and Asia have been affected by the disruption of trade and tourism, the loss of workers' remittances, the costs of repatriating workers and supporting refugees, and the destruction resulting from war. According to the IMF staff, the developments in the Middle East are estimated to have reduced real GNP in net debtor countries by one-half of one per cent in 1990 and further by one per cent in 1991. The real GNP in the indebted fuel exporting countries other than Iraq is estimated to have increased by 3.0 per cent in 1990 as this group of countries includes several large oil exporters such as Nigeria, Mexico and Indonesia. In contrast, real GNP in net debtor oil importing countries is estimated to have been lowered by one-half of one per cent in 1990 and three-fourth of one per cent in 1991. This reduction reflects deterioration in terms of trade, the detrimental effects on exports consequent to reduced demand for imports in the industrial countries and the rise in debt-service obligations resulting from higher world interest rates. According to the IMF staff, notwithstanding the sharp rise in prices for imported oil in 1990, the current account balance of oil importing countries is estimated to have been affected by small amounts as they feel that most of these countries have limited access to external finance and hence

any incipient deterioration in the current account would largely by offset by cutting back imports.

International Trade and Payments

The volume of world trade is estimated to have grown by 4.2 per cent in 1990 in contrast to an increase of 7.3 per cent in 1989, mainly due to a decline in output growth and, in particular, the weak growth of fixed investment, a component of demand which is relatively trade intensive. The growth in export volume of industrial countries declined from 6.6 per cent in 1989 to 5.9 per cent in 1990 and in import volume from 7.9 per cent to 5.3 per cent. The volume growth in the exports of developing countries is estimated to have declined by 1.0 per cent in 1990 from 5.9 per cent in 1989, while the growth in import volume was 3.0 per cent in 1990 as compared with 8.3 per cent in 1989.

Among the developing countries, fuel exporters experienced lower growth rate in their volume of exports at 2.6 per cent in 1990 against 8.5 per cent in 1989 and 11.9 per cent in 1988. This was accompanied by a decline in export volume growth of non-fuel developing countries at 2.1 per cent in 1990 as against 5.2 per cent in 1989.

Similar trends were reflected in the volume imports of both these groups. The fuel exporting countries experienced a decline in their import volume from 6.7 per cent in 1989 to 4.6 per cent in 1990 and non-fuel developing countries had higher decline in their import growth rate to 2.8 per cent in 1990 as compared to 8.6 per cent in 1989. There was a deceleration in the growth rates of export and import volumes in the newly industrializing Asian economies at 5.6 per cent and 6.8 per cent respectively in 1990 as compared with 8.2 per cent and 14.3 per cent respectively, in 1989. Sub-Saharan Africa's export growth rate increased for the second consecutive year at 3.0 per cent but there was a decline in the import growth rate at 0.3 per cent as compared with an increase of 0.5 per cent in 1989.

According to the IMF staff, the growth in world trade is expected to decelerate further to 0.9 per cent in 1991. Volume of exports and imports in industrial countries is also expected to decelerate further in the year. Both exports and imports volume growth rates of developing countries are projected to decline to 3.5 per cent and 2.1 per cent respectively.

The slowdown in growth in the industrial countries has contributed to the recent decline in non-fuel commodity prices (2.2 per cent in 1989 and 7.4 per cent in 1990). In 1991 and 1992, prices for metals and minerals are projected to decline further in real terms, while the real prices of food, beverages and agricultural raw materials are expected to remain broadly stable.

The terms of trade of developing countries improved during 1990 (3.1 per cent). The terms of trade for the non-fuel exporting developing countries, which improved by an estimated 0.6 per cent in 1990, are expected to fall by 1.6 per cent in 1991 before rising by 1.3 per cent in 1992.

The current account imbalances of the three largest countries narrowed again in 1990, reflecting previous exchange rate movements, growth differentials, and in the case of Japan and Germany, higher oil prices. In 1991, the lagged effects of exchange rate changes together with divergent cyclical positions are expected to contribute to a further $ 14 billion decline in the current account deficit of USA, and to a $ 53 billion drop in the surplus of Germany. For the industrial countries as a group, the current account deficit widened from $81 billion in 1989 to $ 97 billion in 1990. The same is expected to contract to $ 38 billion in 1991. The current account deficit of the developing countries declined from $ 34.4 billion in 1989 to $ 45.2 billion in 1990, or 2.3 per cent of the exports of goods and services. It is expected to widen to $ 95.3 billion in 1991 and further to $ 86.7 billion in 1992, or 5.3 per cent of exports of goods and services. The current account balances of industrial countries, developing countries and East European countries taken together clearly show large discrepancies due to errors and omissions and asymetries reported in balance of payments statistics on current account. The Report of the IMF's Working Party on World Current Account Discrepancy (September 1987) has identified the main factors, responsible for the discrepancy and efforts are being made to reduce the discrepancy.

Long-term external borrowings from official creditors which continued to be the major source of financing the current account deficits of developing countries increased to $ 48 billion in 1990 from $ 30.2 billion in 1989. Net borrowing from commercial banks increased to $ 8.1 billion in 1990 from $ 0.2 billion in 1989. The net use of IMF credit continued to be negative at $ 1.8 billion in 1990, as compared with a negative flow of $ 2.4 billion in 1989. The non-debt creating flows (net) comprising mainly of official transfers and direct investment increased to $ 42.4 billion in 1990 from $ 32.8 billion in 1989.

Resource Flows

The recovery in total net resource flows to developing countries initiated in recent years was confirmed in 1990. Total flows increased in nominal terms by 16.95 per cent to $ 144.2 billion. The increase resulted from both higher official and private disbursements, in contrast to 1989 when it was due mainly to higher private flows and export credits. Private flows are estimated to have increased by 25.9 per cent to $ 60.8 billion and official flows by 20 per cent to $ 79.0 billion.

However, in real terms total resource flows increased by only 4.5 per cent to $ 128.9 billion in 1990, as compared with $ 123.3 billion in 1989. Net official development finance (ODF) which includes ODA and less-concessional multilateral/ certain bilateral flows rose by 7 per cent in real terms in 1990 to $ 79 billion or 55 per cent of total net flows. Significant aspect of ODF in 1990 include:

- a 1.8 per cent increase in DAC bilateral ODA;
- an increase of 5.2 per cent in real terms of total net disbursments by multilateral development agencies;
- a massive increase in Arab donors in the wake of the Gulf war;
- a sharp drop in aid from Central and Eastern Europe.

Net ODA disbursements in relation to GNP showed a rise for USA, from 0.15 in 1989 to 0.21 in 1990, while Italy showed a decline from 0.42 to 0.32 in the same period.

Among the DAC countries whose ODA/GNP ratios are above the UN target of 0.7 per cent are

Countries	Year 1990
Denmark	0.93
France (including flows to overseas department and territories)	0.79
Netherlands	0.94
Sweden	0.90
Norway	1.17

Net foreign direct investment in 1990 rose and exceeded $ 30 billion, a historical peak. International bank lending which had increased by $ 2.7 billion in 1989 increased further by $ 8 billion in 1990. Grants by private voluntary organisations were an important resource flow to poorer countries amounting to $ 4.5 million in 1990.

Policy on Enlarged Access to Fund Resources

As a follow-up to the supplementary financing facility, the Fund established in 1981 a policy of "enlarged access" to its resources which provides additional resources to a member whose balance of payments needs are large relative to its quota and when it needs more financing from the Fund than is available to it in the four credit tranches or under the extended fund facility, and when its problems require a relatively long period of adjustment and a longer repurchase period. The enlarged access policy is financed by resources borrowed for this purpose, in conjunction with ordinary resources.

The current access limits on stand-by or extended arrangements individually or combined 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 repurchases). During 1991, the lower annual, triennial and cumulative access limits under the enlarged access policy would remain suspended and access by members under stand-by or extended arrangements would therefore be subject

Table XI-23 : Total Net Resource Flows to Developing Countries

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1982	1985	1990
	Current $ billion											Per cent of total		
I. OFFICIAL DEVELOPMENT FINANCE (ODF)	45.6	45.5	44.1	42.4	47.5	48.6	55.8	61.5	65.5	65.5	78.8	38.0	58.5	54.6
1. Official development assistance (ODA)	37.8	36.8	33.8	33.9	34.8	37.0	43.9	48.2	51.4	52.9	62.6	29.1	44.5	43.4
Of which: Bilateral disbursements	30.0	28.9	26.3	26.3	27.2	28.8	35.0	38.3	40.2	40.7	49.4	22.7	34.7	34.3
Multilateral disbursements	7.8	7.9	7.5	7.6	7.6	8.2	8.9	9.9	11.2	12.2	13.2	6.5	9.9	9.2
2. Other ODF	7.8	8.7	10.3	8.5	12.7	11.6	11.9	13.3	14.1	12.6	16.2	8.9	14.0	11.2
Of which: Bilateral	3.0	3.0	3.7	1.3	4.5	3.7	4.1	6.6	7.6	5.6	6.0	3.2	4.5	4.2
Multilateral	4.8	5.7	6.6	7.2	8.2	7.9	7.8	6.7	6.5	7.0	10.2	5.7	9.5	7.1
II. TOTAL EXPORT CREDITS	16.5	17.6	13.7	4.6	6.2	4.0	-0.7	-2.6	-2.1	9.5	4.6	11.8	4.8	3.2
1. DAC countries	15.4	16.2	12.7	3.9	5.2	3.4	-0.9	-2.9	-2.1	9.6	4.5	10.9	4.1	3.1
Of which: Short-term	1.8	2.9	3.0	-3.5	0.3	3.2	3.0	4.1	2.0	4.8	3.0			
2. Other countries	1.1	1.4	1.0	0.7	1.0	0.6	0.2	0.3	x	-0.1	0.1	0.9	0.7	0.1
III. PRIVATE FLOWS	66.2	74.3	58.2	47.8	31.7	30.5	26.7	33.7	43.8	48.3	60.8	50.2	36.7	42.2
1. Direct investment (OECD)	11.2	17.2	12.8	9.3	11.3	6.6	11.3	21.1	25.3	30.4	32.0	11.0	7.9	22.2
Of which: Offshore centres	3.0	4.1	4.1	3.7	3.8	3.7	6.2	12.6	11.4	8.0	—			
2. International bank lending [a]	49.0	52.3	37.9	35.0	17.2	15.2	7.0	7.0	7.8	10.5	18.5	32.7	18.3	12.8
Of which: Short-term	26.0	22.0	15.0	-25.0	-6.0	12.0	-4.0	5.0	4.0	8.0	9.0			
3. Total bond lending [b]	1.6	1.3	4.8	1.0	0.3	4.5	1.2	-0.4	1.3	-0.3	0.8	4.1	5.4	0.6
4. Other private	2.0	1.5	0.4	0.2	0.3	1.3	3.9	2.5	5.2	3.7	5.0	0.3	1.6	3.5
5. Grants by non-governmental organisations	2.4	2.0	2.3	2.3	2.6	2.9	3.3	3.5	4.2	4.0	4.5	2.0	3.5	3.1
TOTAL NET RESOURCE FLOWS (I+II+III)	128.3	137.4	116.0	94.8	85.4	83.1	81.8	92.6	107.2	123.3	144.2	100.0	100.0	100.0
Memorandum items:														
Total net credits from IMF	4.2	6.5	6.3	12.4	5.3	0.5	-2.0	-4.9	-4.4	-2.1	-2.2			
Recorded asset transaction, net [c]	-37.8	-26.6	-27.6	-8.1	-19.5	-9.2	-12.8	-11.1	-21.4	-19.4	-25.0			
Interest and dividends paid by LDCs gross	63.5	86.3	95.3	92.4	91.3	94.8	82.3	74.9	94.5	96.2	96.0			
Total net resource flows (included in I.1)	23.2	22.1	21.0	21.7	23.8	25.9	30.1	32.3	35.3	36.0	43.0			
	At 1989 prices and exchange rates													
Total net resource flows	179.4	201.5	175.6	144.4	133.7	128.9	100.6	98.2	105.8	123.3	128.9			
Total official development finance	63.8	66.7	66.8	64.6	74.4	75.4	68.7	65.2	64.7	65.5	70.4			
Total ODA receipts from all sources	52.9	54.0	51.2	51.7	54.5	57.4	54.0	51.1	50.8	52.9	55.9			
Total DAC ODA (bilateral and multilateral)	38.2	37.5	42.1	42.1	44.9	45.6	45.2	44.1	47.4	46.7	48.6			

a) Includes changes in interest arrears. Excludes Taiwan.
b) Accounting entries related to bonds for bank debt exchanges under the Mexican debt restructuring of February 1990 are not reflected in this table.
c) Excludes Taiwan and offshore centres and, as regards transactions, changes in official reserves.

to an annual limit of 110 per cent of quota, a three year limit of 330 per cent of quota and cumulative limit of 440 per cent of quota. However, in exceptional circumstances, the Fund can approve stand-by or extended arrangements that provide for amounts in excess of these access limits. Revisions in the access limits under this policy are expected once the Ninth General Quota Review becomes effective. Another decision taken by the Executive Board on September 17, 1990 provides for substitution of ordinary resources, for borrowed resources, once borrowed resources have been fully drawn down. Such substitution will apply only until the quota increase under the Ninth General Review becomes effective, or the end of 1991, whichever is earlier.

SDR Allocation and SDR Interest Rate

As mentioned in the last year's Report, broad support necessary for the allocations of SDRs during the fifth basic period has not yet emerged.

The composition of financial instruments included in the SDR interest rate basket has undergone change with effect from January 1, 1991. In the case of Japanese yen, three-month certificate of deposit replaces two month private bill included earlier, while the rate of interest on three-month interbank deposits has been replaced by the interest rate on three-month treasury bills in the case of French franc.

The rate of remuneration to be paid by the Fund on a member's remunerated position with the Fund continues to be at 100 per cent of the SDR interest rate.+ 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 9.06 per cent for the quarter ended June 1990 increased to 9.15 per cent in the subsequent quarter and declined thereafter to 7.73 per cent for the quarter ended June 1991.

IMF Quota — Ninth General Review

Each member has a quota, expressed in SDRs, that is equal to its subscription to the Fund and determines its voting power which is based on one vote for each SDR 100,000 of its quota plus 250 basic votes to which each member is entitled. It also determines a member's access to the financial resources of the Fund and its share in the allocation of the SDRs.

Under the Ninth General Review of Quotas, a resolution proposing increase in members' quotas was adopted by the Board of Governors of the IMF on June 28, 1990. The total Fund quotas would increase by 51.7 per cent from SDR 90.1 billion to SDR 136.7 billion. The increase will come into effect after the acceptance of the Third Amendment to the Articles of Agreement by three-fifths of the Fund's members having 85 per cent of the total voting power in the Fund. The Third Amendment provides for suspension of voting and other related rights of members that do not fulfil their obligations under the Articles. As of Dec. 2, 1991, 92 members accounting for 61.93 per cent of quotas on that date had consented to their increases in quotas and 58 members accounting for 51.78 per cent of the total voting power had accepted the proposed Third Amendment.

Table XI-24—SDR Interest and Remuneration Rates@

(Per cent per annum)

For the quarter ended	SDR Interet Rate/Rate of Remuneration@
June 1990	9.06
September 1990	9.15
December 1990	9.00
March 1991	8.28
June 1991	7.73

@ Figures related to average of weekly rates.

Bulgaria and Mongolia who became members after May 30, 1991 have also consented to an increase in their quotas.

India's quota would increase from SDR 2,207.7 million to SDR 3,055.5 million, that is by 38.4 per cent which is somewhat higher than the rise in the Eighth Quota Review (28.5 per cent). Nevertheless, India's share in the total quota

+ This rate was first set at 100 per cent of the SDR interest rate effective February 1, 1987.

would decline from 2.45 per cent to 2.23 per cent under the Ninth Review. In terms of voting power, the decline is from 2.38 per cent to 2.22 per cent.

Rate of Charge, Overdue Obligations and Burden Sharing

The basic rate of charge on the use of ordinary resources has been set as a proportion of the weekly SDR interest rate in order to avoid sharp step-like increases or decreases in the rate of charge that in the past had been necessary to achieve the target amount of net income. The Board set the proportion at 91.3 per cent at the beginning of 1990-91 and, upon review at mid-year, reduced the proportion to 87.8 per cent for the remainder of the year in view of the favourable developments in the Fund's income position. This proportion was further reduced retroactively for the year as a whole to 87.2 per cent, resulting in an average rate of charge of 7.66 per cent before adjustments under the burden sharing mechanism. The Board has decided to continue in 1991-92 the proportional relationship between the basic rate of charge and the SDR interest rate and set the proportion at 97.2 per cent so as to achieve a target amount of net income of 5 per cent of reserves which will be reviewed at mid-year.

Overdue Financial Obligations

Overdue obligations remained a serious problem in 1990-91, although the absolute increase and the rate of growth of overdue obligations over the financial year were the lowest since 1983. The total amount of overdue obligations of members in arrears to the Fund by six months or more increased to SDR 3.4 billion, from SDR 3.3 billion at the end of 1989-90. In 1990-91, no member was declared ineligible to use the general resources of the Fund pursuant to Article XXVI, Section 2(A), and declarations of ineligibility previously in effect with respect to Guyana and Honduras were lifted following full settlement of those members' arrears. At the end of the financial year 1990-91, declarations of ineligibility with respect to Vietnam, Liberia, Sudan, Peru, Zambia, Sierra Leone, Somalia and Panama remained in effect. These eight countries accounted for 97.8 per cent of total overdue obligations to the Fund as of April 30, 1991. There were no further marked changes in the Fund's provisions regarding burden sharing other than the features already mentioned in the previous year's Report.

The rates of charge and of remuneration together with adjustment to them for the four quarters of the Fund's financial year 1991 are summarised in Table XI-25.

Use of International Monetary Fund (Fund) Resources

During 1990, the use of Fund's resources by member countries increased as compared with the earlier years. Purchases (drawings) under the Fund's facilities excluding reserve tranche purchases rose steadily to SDR 4.3 billion in 1990 from SDR 3.5 billion in 1989 and SDR 2.7 billion in 1988. Repurchases (repayments) which had declined from SDR 6.7 billion in 1988 to SDR 5.9 billion in 1989 remained almost unchanged at their previous year's level in 1990. Since repurchases by members exceeded their purchases in 1990, the Fund received more than it provided to its member countries. However, there was an improvement in the Fund lending in 1990 as the net negative purchases by members amounted to SDR 1.6 billion as against SDR 2.4 billion in 1989 and SDR 4.0 billion in 1988 (Table XI-26).

During the first quarter (January-March) of 1991, total purchases and repurchases amounted to SDR 2.9 billion and SDR 1.2 billion, respectively. In the corresponding quarter of 1990, total purchases were SDR 1.4 billion, while repurchases amounted to SDR 1.6 billion, and hence, there was a net flow of Fund credit to members to the extent of SDR 1.7 billion in the first quarter of 1991 as compared with a negative flow of SDR 0.2 billion in the same quarter of 1990. This has happened after a lapse of about 7 years (Table XI-27).

The outstanding Fund credit under General Resources Account declined by SDR 1.6 billion to SDR 20.7 billion at the end of 1990 as compared with SDR 22.3 billion and SDR 24.8 billion at the end of 1989 and 1988, respectively.

During 1990, net loans disbursed under Structural Adjustment Facility (SAF) and

Table XI-25 : Rates of Charge and Remuneration

(In per cent)

For quarter ended	Rate of Charge			Rate of Remuneration		
	Basic Rate*	Adjustment+	Adjusted Rate	Unadjusted Average Rate@	Adjustment+	Adjusted Average Rate
1	2	3	4	5	6	7
July 31, 1990	8.28	1.10	9.38	9.07	1.25	7.82
October 31, 1990	8.32	1.45	9.77	9.12	1.82	7.30
January 31, 1991	7.79	1.34	9.13	8.87	1.77	7.10
April 30, 1991	7.08	1.14	8.22	8.07	1.61	6.46

* This is determined by assuming that all charges due and accrued would be paid.

\+ This is on account of burden-sharing of overdue charges and the amounts to be placed in Special Contingent Account-I

@ This is equivalent to the average SDR rate of interest for the quarter concerned.

Table XI-26 : Fund Purchases and Repurchases

(Billion SDRs)

				January — March	
	1988	1989	1990	1990	1991
1	2	3	4	5	6
1. Total Purchases@	2.7	3.5	4.3	1.4	2.9
2. Total Repurchases	6.7	5.9	5.9	1.6	1.2
3. Net Purchases	(—) 4.0*	(—) 2.4*	(—) 1.6*	(—) 0.2*	1.7

@ Excludes purchases under the reserve tranche and disbursement under SAF and ESAF.

* Repurchases exceed total purchases

Source : International Financial Statistics—Various issues.

Table XI-27 : International Reserves

(Million SDRs)

Country Groups	Total reserves (Excluding Gold)		SDRs		Reserve Position in the Fund		Foreign Exchange Reserves	
	1989	1990	1989	1990	1989	1990	1989	1990
1	2	3	4	5	6	7	8	9
All Countries	590,986	635,998	20,485	20,354	25,471	23,749	545,030	591,895
Industrial Countries	382,223	414,101	17,663	17,615	19,554	19,977	345,006	376,509
Developing Countries	208,763	221,897	2,821	2,739	5,917	3,772	200,024	215,386

Source : IFS — June 1991.

Enhanced Structural Adjustment Facility (ESAF) amounted to SDR 96.5 million, and SDR 339.2 million, respectively, totalling to SDR 435.7 million as against SDR 961.1 million in 1989. The loans outstanding under the facilities were SDR 2.3 billion as at the end of 1990 as against SDR 1.9 billion as at the end of 1989.

During the first quarter (January-March) of 1991, net purchases amounted to SDR 168.2 million as against SDR 77.5 million during first quarter of 1990. The loans outstanding at the end of March 1991 amounted to SDR 2.5 billion as against SDR 1.9 billion at the end of March 1990.

The number of Fund arrangements with member countries as of March 1991 totalled 40. This included 14 stand-by arrangements (commitments - SDR 3.0 billion and drawn by members SDR 1.2 billion), 4 extended fund facility (EFF) arrangements (commitments - SDR 8.4 billion and drawn SDR 4.0 billion), 8 structural adjustment facility (SAF) arrangements (commitments - SDR 0.5 billion and drawn - SDR 0.3 billion) and 14 enhanced structural adjustments (ESAF) arrangements (commitments - SDR 1.8 billion and drawn - SDR 1.1 billion). During the year 1990, balances outstanding in the Trust Fund loans declined by SDR 0.3 billion and were at SDR 0.2 billion as at end-December 1990 as against SDR 0.5 billion at the end of December 1989, indicating the continuing repayment of loans made in earlier years. Total Fund credit and loans outstanding increased to SDR 25.0 billion (about 27 per cent of quota) at end-March 1991 as compared to SDR 24.4 billion a year earlier.

Membership

Fund membership increased by four during 1990-91, raising the total number of members to 155. The countries which were admitted are: the Czech and Slovak Federal Republic (with a quota of SDR 590 million), the People's Republic of Bulgaria (quota of SDR 310 million), the Republic of Namibia (quota of SDR 70 million) and the Mongolian People's Republic (quota of SDR 25 million). All four members are availing themselves of the transitional arrangements under Article VIII. Switzerland applied for Fund membership on May 31, 1990. Although the Resolution was adopted, Switzerland's membership will become effective when it completes the legislative steps necessary to enable it to sign the original copy of the Articles of Agreement. Albania applied for membership on January 12, 1991.

+ SDR 1 = $ 1.42 on December 31, 1990.

International Reserves

The following paragraphs review recent developments in international reserves and liquidity as represented by (1) the holdings of official assets, (2) the currency composition and distribution of foreign exchange reserves, and (3) the placement of official holdings of foreign exchange reserves.

Global reserves, excluding gold, measured in terms of the SDR+ rose for the fifth consecutive year in 1990 (non-gold reserves are - foreign exchange, SDRs and reserve position in the Fund). Reserves increased by 7.6 per cent to SDR 636.0 billion during the year as against 8.8 per cent (SDR 591.0 billion) in 1989 and 6.9 per cent (SDR 543.0 billion) in 1988. The rising trend in non-gold reserves is evident since 1986.

Aggregate reserves of industrial countries increased for the eighth consecutive year, rising by 8.3 per cent to a level of SDR 414.1 billion at the end of 1990 from SDR 382.2 billion in 1989. The share of industrial countries reserves in the global reserves increased marginally to 65.1 per cent in 1990 as compared with 64.7 per cent in 1989.

The largest gains in reserves were registered by Italy (by SDR 8.7 billion to SDR 44.2 billion), France (by SDR 7.1 billion to SDR 25.8 billion) and the People's Republic of China (by SDR 7.1 billion to SDR 20.8 billion). The sharpest declines were registered by Japan (by SDR 8.7 billion to SDR 55.2 billion), Taiwan, Province of China (by SDR 4.8 billion to SDR 50.9 billion) and Saudi Arabia (by SDR 4.5 billion to SDR 8.2 billion).

Despite the fact that Japan's reserves declined sharply for the second consecutive year to SDR

55.2 billion in 1990, it remained the world's largest holder of reserves. Among the industrial countries, the United States was the second largest holder followed by Germany and Italy.

Aggregate reserves of developing countries increased for the fourth year in succession, rising, albeit at a slower pace of 6.3 per cent, to SDR 221.9 billion as compared with a rise of 9.9 per cent to SDR 208.8 billion in 1989. Reserves of non-oil developing countries increased by 8.1 per cent to SDR 179.3 billion and that of oil exporting countries declined by 0.6 per cent to SDR 42.6 billion at the end of December 1990. The share of developing countries in global reserves has remained almost steady. It was 35.0 per cent, 35.3 per cent and 34.9 per cent for the years 1990, 1989 and 1988, respectively.

Among the components of reserves, foreign exchange reserves increased by 8.6 per cent in 1990 to reach SDR 592 billion by the end of the year. This rise in foreign exchange reserves in 1990 continued the strong growth of the previous three years. While total holdings of foreign exchange reserves grew by SDR 47 billion, the expansion of the holdings of the industrial countries accounted for a substantial part of this increase as their holdings rose by SDR 32 billion, which represented an annual rate of growth of 9.1 per cent. Developing countries also increased their holdings of foreign exchange reserves by 7.7 per cent to SDR 215 billion by end-December 1990. This increase continued the process of accumulation of foreign exchange reserves by developing countries initiated in 1987 after successive declines in 1985 and 1986.

Capital importing developing countries, those without debt problems, increased their foreign exchange reserve holdings by 17 per cent, while the foreign exchange reserves of those countries with recent debt servicing problems grew by 27 per cent. Indeed, the foreign exchange reserves of the latter group of countries exceeded their 1985 level for the first time in 1990.

With reference to reserve position in the Fund the share of industrial countries, as a group improved from SDR 19.6 billion at end-December 1989 to SDR 19.9 billion at end-December 1990 and further to SDR 22.4 billion by the end of March 1991. Among the industrial countries, Japan and Italy had a rise in this reserve position in the Fund and the industrial countries which had a fall in the reserve position in the Fund were USA, Germany and U.K. Developing countries as a group experienced a continuous fall in their reserve position in the Fund as they fell from SDR 14.2 billion in 1984 to SDR 3.8 billion in 1990 indicating the utilization of reserves for meeting their payment obligation. Their holding of SDRs amounted to SDR 2.7 billion in 1990 as against SDR 2.0 billion in 1989.

The rising trend in the non-gold reserves of all member countries continued during the first quarter of 1991. The non-gold reserves of all countries increased by SDR 18.0 billion (2.9 per cent) to SDR 654.5 billion by end-March 1991 from that of SDR 636.0 billion at the end of 1990. During the quarter, industrial countries witnessed a fall of SDR 1.3 billion in their non-gold reserves to SDR 412.8 billion while developing countries reserves rose by SDR 19.8 billion to SDR 241.7 billion.

Gold in International Markets

The components of the international reserves of the IMF include SDRs, foreign currencies, reserve position in the Fund and gold. Though valuation of IMF's gold is presently made by the Fund, the national authorities have their own valuation of gold and decisions in this regard could be influenced by the movements in the gold prices in the international markets.

The most remarkable feature of the gold market during 1990-91 was the failure of the price of gold to move significantly upwards to the Gulf conflict, political developments in the Soviet Union and recurrent questions about the robustness of the international banking system. Although day-to-day quotations displayed somewhat greater volatility than in recent years and reacted temporarily to dramatic events, the type of unremitting upward pressure on the price, so evident in previous episodes of strife in the Middle East and spectacular increase in energy prices, was

completely absent. Gold price, which was $ 372 per oz. at end-March 1990 declined to $ 354 per oz. at the end of March 1991. While in dollar terms gold price showed on balance only a moderate decline over the period under review, it was still subject to fairly strong fluctuations. From a peak of $ 420 in early 1990 prices declined sharply in the third week of March 1990 on account of reported heavy selling by Middle Eastern holders and ranged between $ 350 - $ 380 upto mid-June. However with Iraq's invasion of Kuwait the price climbed to $ 415 by August 1990. Despite the climate of uncertainty, the temporary surge in oil prices and the threat of an acceleration in inflation, the price of gold subsequently trended downwards in a volatile market. The prospect of war in the Gulf then pushed gold prices up and by the eve of the commencement of hostilities quotations rose above $ 400 to $ 403.7 per oz. on January 16, 1991.

Over the next two weeks, however, the price fell back to below $ 370 in response to signs of a brief conflict and strengthening of the U.S. dollar in the international currency markets. The downward trend continued and gold prices (after fluctuating in a narrow range) declined to $ 354 per oz. by end-March 1991. Between April 5 and June 7, 1991 prices remained in the range of $ 354.15 to $ 365.80.

The continued expansion of the supply of gold and the growing tendency of producers and other holders to bring gold to the market whenever quotations are strong may also have contributed to the listlessness of the gold price. The supply of gold to the market continued to be strong in 1990-91 particularly on account of sales by Soviet Union and China as well as a recovery in net new gold loans. On the other hand, demand for gold was dampened by the incipient recession in several major countries. Although it appears that the Soviet Union is being overtaken by the United States as the world's second largest gold producer, it still supplies significant quantity to the world market, accounting for roughly three quarters of its non-oil export earnings.

In general it is being observed that gold has lost some of its attraction as a safe haven at least as long as a range of low-risk financial assets yielding fairly high real interest rates are readily available.

Developments in Exchange Rate of Major Currencies

The year 1990-91 was characterised by continued shifts in market sentiment and wide exchange rate fluctuations in the foreign exchange markets, not always fully in line with the underlying market fundamentals. Despite pronounced instability in the interim, however, the bilateral exchange rates of the U.S. dollar against the Deutsche Mark (DM) and the Japanese yen showed on balance little change between the beginning of 1990 and the spring of 1991—notwithstanding a major movement of interest rate differentials against the dollar.

The strength of the dollar in early 1990, against the yen gave way to a decline as the U.S. economy showed signs of weakening. From April 1990 to March 1991 the dollar depreciated by 13.42 per cent against the Yen, 10.6 per cent against the pound sterling and 5.1 per cent against DM.

Apart from the weakening of the U.S. economy, the dollar decline was contributed by prospects of further deterioration of interest rate differentials. The Iraqi invasion of Kuwait on August 2, 1990 produced only the briefest of dollar rallies on safe-haven considerations, which soon changed by November. With poor U.S. trade figures combined with slowing down of inflation and a perception of further easing of monetary policies, the dollar fell to a new low, at under DM 1.47 while the Yen's appreciation from its early April low against the dollar reached nearly 26 per cent. While the dollar shot up on outbreak of hostilities in the Gulf, it subsequently eased and fell on dramatic decline in oil prices and optimism about the prospects of a speedy end to the Gulf war.

After the middle of February 1991 the dollar began to rise sharply against both the Yen and the DM on account of successful completion of the Gulf war and expectations on the end of the U.S. recession. At the same time deepening economic crisis in eastern parts of Germany cast a shadow on DM. Signs of declining momentum

in Japanese growth also changed the interest rate differentials in favour of the United States. Nevertheless the vigour of the rise in dollar (despite co-ordinated intervention) confounded many market participants and official observers.

The Japanese yen continued its decline against the DM which had started in 1989. By early May 1990, the Yen's cross rate fell 12 per cent below its Louvre level, in spite of the earlier massive official support against the dollar. Subsequently the Yen's recovery vis-a-vis the dollar appreciably exceeded that of DM as Japanese interest rates started to rise even against German rates and as the DM was affected by domestic uncertainties. While the easing of Japanese long-term interest rates against both U.S. and Germany rates led to a downward movement in the Yen against the DM, it was soon reversed with a modest appreciation in the value of Yen in February following the Japanese authorities desire for a relatively firm Yen by not intervening heavily in the operation to support the dollar. The pound sterling showed two main features in the period since early 1990. The first was some renewed, if intermittent, strength in the currency, after weakness shown in the spring related to political uncertainties, and the second was its entry into the exchange rate mechanism of EMS in early October.

Like the Yen, the pound had also declined against the DM through 1989 taking it to its record low against DM at around 2.70. However, the downward trend got reversed in the first half of 1990 when sterling recovered as a consequence of speculation of early entry into the Exchange Rate Mechanism (ERM). Sterling also benefited from the UK's relatively favourable balance in oil trade. The recovery in pound lasted till September and thereafter it remained relatively weak. The evidence of a sharp slowdown in the UK economy affected the market sentiments. The general decline in international interest rates in early 1991 permitted the U.K. authorities also to reduce interest rates in several steps, all the while affirming a strong commitment to the discipline of the ERM as an important bulwark against inflation.

Towards the end of March 1991, as the dollar continued its rebound and the DM declined within the ERM, sterling also recovered, and moved to above DM 2.95, its central rate against the Mark.

Debt Strategy

Despite increase in total debt stock, overall the debt crisis is somewhat less severe than a couple of years ago, mainly as a result of the implementation of the Brady Plan, the easing of terms on Paris club reschedulings, the continuation of other programmes of debt relief and restructuring, and the strong export performance of some countries. The Brady initiative arose in March 1989 out of a consensus that a new debt strategy was needed to deal with the debt problems of the severely indebted middle-income countries. Following a number of other debt relief proposals, U.S. Treasury Secretary Nicholas Brady proposed that countries with sound adjustment programmes should get access to debt and debt service reduction facilities, supported by international financial institutions and official creditors. In May 1989, the World Bank and the International Monetary Fund adopted policies for lending to support debt and debt-service reduction. They agreed to set aside about US $ 20 billion for such lending. Japan also indicated that it would support the programme with upto $ 10 billion as cofinancing. In October 1990, the Board of the Inter-American Development Bank approved plans for lending in support of debt and debt service reduction. Creditor countries have also modified some of their tax, regulatory and accounting rules that might impede debt and debt service reduction.

By September 1990, the Brady Initiative operations were already concluded in three countries: Costa Rica, Mexico and the Philippines. Since then, Niger, Uruguay and Venezuela have completed debt and debt-service reduction package with commercial banks. In addition, Chile signed a multi-year rescheduling agreement and Senegal concluded an agreement to reschedule repayments of its commercial bank debt over 10 years. The agreements reached to date have been consistent with the requirements of the Fund's guidelines. The recent bank financing packages also differed from earlier ones in several respects. A larger-than-anticipated number of banks have opted for new-money; new-money commitments

in Uruguay and Venezuela exceeded expectations. The Venezuelan package offered a broader range of options, allowing for a greater accommodation of differences in banks' preferences. Niger was the first case of a debt and debt service reduction package provided to a low-income country funded from the IDA Debt Reduction Facility, established in 1989 with a transfer of US $ 100 million from IBRD and designed to help severely indebted low-income countries to reduce commercial bank debt and debt service.

The Brady Initiative deals with commercial bank debt; it does not deal with the problems of the severely indebted middle-income countries with high levels of official debt. Official creditors have contributed to relieving the debt crisis for countries undergoing strong adjustment by providing new finance. The Paris Club creditors also have contributed by rescheduling debt service falling due, and bilateral official creditors also have rescheduled and reduced the debt of some severely indebted middle-income countries on a bilateral basis. Bolivia and Senegal, the two IDA-only severely indebted middle-income countries, have been accorded rescheduling on Toronto terms under the aegis of the Paris Club. In September 1990, the Paris Club agreed on a process to extend longer maturities and grace periods on a case-by-case basis, to countries with strong adjustment programmes.

A number of new proposals for reducing the debt of severely indebted low-income countries have been made, including those by the Netherlands and UK. The Netherlands proposal suggests cancellation of all bilateral official debt of the poorest developing countries facing severe debt problems, conditional on their implementation of sound adjustment policies. The UK proposal (known as Trinidad terms) suggests that Paris Club creditors cancel two-thirds of the stock of eligible debt or debt service obligations (in net present value terms) and reschedule the remainder over 25 years with a 5-year grace period. Further, the interest due during the first five years after the rescheduling could be capitalized, providing further cash-flow relief. Later payments could be graduated and related to the debtor country's ability to pay. Paris Club creditors are discussing these and other proposals with a view to agreeing on modifications to the menu of concessional rescheduling options.

Despite these positive developments, the debt crisis is not over. Concerted international support alone can provide a basis for the resolution of the debt problem and for the renewal of confidence that is essential to promote investment, capital inflows and growth.

External Debt Situation

Total external debt (excluding debt owed to IMF) of developing countries increased by 7 per cent to $ 1,460 billion at the end of 1990 and is projected to increase to $ 1,519 billion at the end of 1992, reflecting largely a $ 53 billion increase in the external debt of Middle Eastern Countries. (Table XI-28). The external debt of Asian developing countries at $ 364 billion was about $ 25 billion above the 1989 level of $ 339 billion. In the Western Hemisphere (mostly in Latin America) total debt increased to $ 432 billion in 1990 from $ 410 billion in 1989 notwithstanding market-based debt reduction operations, such as buybacks and debt-equity swaps. Africa's debt also increased from $ 218 billion in 1989 to $ 241 billion in 1990.

After two successive years of modest reduction in indebtedness, the total stock of outstanding debt of the fifteen heavily indebted countries increased by $ 29 billion to $ 509 billion in 1990. While debt to official creditors increased by about $ 30 billion, debt to commercial banks declined by $ 5 billion. In the case of sub-Saharan countries, their debt increased to $ 130.7 billion in 1990 from $ 112.6 billion in 1989.

Debt indicators have improved recently. In 1990, external debt accounted for a little more than a quarter of the developing countries' GDP. The ratio of external debt to GDP at 26.5 per cent in 1990 was higher than the 1989 level at 25.4 per cent, showing an increase after falling for four consecutive years since 1986. The highest ratio was registered by Africa at 57.0 per cent in 1990 (55.5 per cent in 1989). The ratio for the Western Hemisphere stood at 37.1 per cent (37.8 per cent in 1989). The ratio was the lowest for Asian countries at 21.8 per cent (22.5 per cent in 1989).

Table No. XI-28 : External Debt and Debt Service of Developing Countries

	1981	1986	1989	1990
1	2	3	4	5
External Debt				
(in billions of U. S. dollars)				
All Developing Countries	731.5	1170.6	1368.1	1459.9
		(100.0)	(100.0)	(100.0)
Africa	109.8	180.2	217.8	240.5
		(15.4)	(15.9)	(16.5)
Asia	158.4	286.4	338.7	364.3
		(24.5)	(24.7)	(25.0)
Europe	82.6	157.0	196.7	218.1
		(13.4)	(14.4)	(14.9)
Middle East	91.7	165.1	204.6	204.6
		(14.1)	(15.0)	(14.0)
Western Hemisphere	288.2	381.9	410.4	432.4
		(32.6)	(30.0)	(29.6)
Sub-Saharan Africa	49.3	87.6	112.6	130.7
		(7.5)	(8.2)	(8.9)
15 Heavily indebted countries	333.8	445.7	480.4	509.2
		(38.1)	(35.1)	(34.9)
External Debt to Exports of Goods and Services (in per cent)				
All developing Countries	95.0	151.9	122.4	120.8
Africa	118.6	259.4	250.6	240.8
Asia	74.6	106.6	70.5	68.7
Europe	137.9	79.5	84.6	96.4
Middle East	34.3	137.2	124.7	111.6
Western Hemisphere	209.8	348.5	267.2	255.9
Sub-Saharan Africa	181.6	328.9	362.4	390.6
15 Heavily indebted countries	220.6	346.2	262.7	248.2
External Debt to GDP				
(in per cent)				
All Developing Countries	27.7	28.6	25.4	26.5
Africa	31.2	52.0	55.5	57.0
Asia	18.8	29.7	22.5	21.8
Europe	34.4	10.7	10.6	13.1
Middle East	19.0	37.2	37.6	34.9
Western Hemisphere	39.8	43.9	37.8	37.1
Sub-Saharan Africa	45.9	72.3	78.0	84.1
15 Heavily indebted countries	37.6	44.8	39.4	38.9
Debt Service Ratio				
(in per cent)				
All Developing Countries	16.1	19.9	15.3	14.3
Africa	17.7	30.1	25.9	25.6
Asia	9.9	15.2	10.1	8.7
Europe	21.8	14.5	13.9	13.9
Middle East	4.9	10.2	12.0	11.0
Western Hemisphere	43.9	46.1	31.4	29.3
Sub-Saharan Africa	21.4	24.0	22.0	23.1
15 Heavily indebted countries	40.9	45.3	31.0	27.9

The ratio for the fifteen heavily indebted countries in 1990 was 38.9 per cent as compared with 39.4 per cent in 1989. The ratio was as high as 84.1 per cent for sub-Saharan Africa in 1990 as compared with 78.0 per cent in 1989.

Debt-export ratio fell from 151.9 per cent in 1986 to 122.4 per cent in 1989. Despite the increase in developing countries debt, the debt-export ratio continued to decline to 120.8 per cent in 1990. For the fifteen heavily indebted countries, export volume growth at 5.3 per cent partly brought the ratio to 248.2 per cent in 1990, well below the peak of nearly 346.2 per cent in 1986 and much lower than the 262.7 per cent recorded in 1989. Unlike the heavily indebted countries, the debt-to-export ratio in the sub-Saharan Africa increased to 390.6 per cent in 1990 from 362.4 per cent in 1989.

The ratio of debt service to exports also improved between 1987 and 1990. The improvement was similar to that in the debt-export ratio and occurred despite a rise in average interest costs. Interest rates increased between 1987 and 1990, increasing the cost of floating rate debt. Also, a few countries, including India and Indonesia, continued to increase their reliance on non-concessional debt. However, these factors were largely offset by the easier terms on Paris Club reschedulings and some of the new concessional loans, as well as by the increasing importance of non-dollar loans, which carried lower interest rates, in the total debt stock. Thus, there was a decline in the aggregate debt service ratio from 15.3 per cent in 1989 to 14.3 per cent in 1990, well below the peak of 19.9 per cent in 1986.

Asian Development Bank

In 1990, the Bank's lending and investments, covering both public and private sectors, amounted to $ 4,004 million, a rise of 9 per cent from a year earlier. Of this, government and government guaranteed loans (including guaranteed sub-loan to the private sector) and direct private sector loans totalled $ 3,972 million (up by 10 per cent) while equity investments in the private sector amounted to $ 32 million, a decrease of 43 per cent. Loans in 1990 covered 57 projects compared with 60 projects a year earlier. Lending from Ordinary Capital Resources (OCR) rose by 10.2 per cent to $ 2,492 million while lending from the Asian Development Fund (ADF), the Bank's soft loan window, increased by 8.6 per cent to $ 1,480 million. Loan disbursements in 1990 reached $ 2,752 million, an increase of 23 per cent over 1989. OCR disbursements rose, by 25 per cent to $ 1,688 million while ADF disbursements jumped 20 per cent to $ 1,064 million. In 1990, the average project size was $ 78 million as compared with $ 69 million in 1989.

In all, 18 developing member countries (DMCs) received Bank loans in 1990 compared with 15 DMCs in 1989. Among these Indonesia received the largest amount ($ 923 million), followed by Pakistan ($ 705 million) and India ($ 699 million).

Lending to the agriculture and agro-industry sector received the highest share accounting for about 32 per cent of the total. This was followed by energy, 26 per cent, transport and communications, 21 per cent, social infrastructure, including water supply, urban development, education and health, 11 per cent, industry, non-fuel minerals and financial-sector, 7 per cent; and multi-sector, 3 per cent.

In 1990, lending raised the Bank's cumulative assistance during its 24 years of operation to $ 32.4 billion - $ 21.3 billion from OCR and $ 11.1 billion from ADF.

In 1990, 27 projects involved co-financing totalling $ 1,149 million compared with 26 projects co-financed in 1989. Co-financing with official sources, both bilateral and multilateral, amounted to $ 849.7 million, or about 73.9 per cent of the total. The balance of $ 299.5 million was from commercial and export credit sources.

The Bank approved seven programme loans amounting to $ 820 million in 1990 compared with five such loans totalling $ 275 million in 1989. It also approved six sector loans amounting to $ 441 million compared to seven such loans totalling $ 694 million a year earlier.

The Bank provided local cost financing (LCF) of $ 632 million in 1990, comprising $ 379 million from OCR and $ 253 million from ADF for 24 projects in 10 countries. This compares with $ 812 million in LCF for 31 projects in 10 countries in 1989.

In the private sector, the Bank approved direct and un-guaranteed loans totalling $ 79 million (down 18 per cent) covering seven projects, during the year. In addition, 14 equity investments were made amounting to $ 32 million, a decrease of 43 per cent, while one equity underwriting of $ 5.4 million was approved (down by 52 per cent).

Grant-financed technical assistance approvals (including regional activities) reached $ 95.3 million for 256 projects from $ 81 million for 235 projects in 1989. In 1990, 70 technical assistance approvals were for the preparation of projects, 128 for advisory and operational purposes and 58 for regional activities.

In 1990, the Bank undertook five borrowings amounting to $ 848.6 million compared with $ 644.5 million in 1989. The average original life of the year's borrowings weighted by amount, was 10 years, compared to 9.8 years in 1989. At the end of 1990, the remaining average life of the Bank's outstanding borrowings, weighted by the amount of each borrowing was 6.93 years.

The lending rate for ordinary operations loans was raised from 6.33 per cent to 6.36 per cent per annum to remain in effect from July 1 to December 31, 1990.

The Banks pool-based variable lending rate is adjusted on 1st January and 1st July each year, and is determined by adding a spread (currently 0.40 per cent per annum) to the average cost of a pool of outstanding Bank borrowings.

ADB donor countries have agreed on further replenishment of Asian Development Fund called ADF VI, for $ 4.2 billion. Added to an estimated $ 1.5 billion available from the current ADF V period, this would bring the total of available concessional funds for the ADF VI period, 1992-95 to approximately $ 5.7 billion.

World Bank Group

The World Bank Group's activities in fiscal 1991 (July-June) were characterised by a major break from the past with a four-pronged development strategy to achieve economic prosperity. The strategy envisages that the developing countries should foster competition in domestic markets, invest in infrastructure, liberalise trade and foreign investment, avoid excessive fiscal deficits and high inflation and invest in human resource development including education, health and population control. In fiscal 1991, the Bank adopted a comprehensive long-term strategy to address the problem of poverty. This was sought to be achieved through encouragement of economic growth by way of productive use of labour force and investment in social services. The Bank responded promptly to the Gulf crisis and provided additional assistance to the tune of $ 1.3 billion to meet the financial requirement of member countries that were most affected by the crisis. It also provided funds to meet the increased needs of the countries of Eastern and Central Europe that initiated the transition to market-oriented system. In fiscal 1991, lending to the reforming European countries increased by $ 1,098 million over the previous year's amount of $ 2,937 million. The Bank's lending policy continued to be guided by the objectives of development of sub-Saharan Africa, alleviation of the debt burden and support for the programme of debt and debt-service reduction, encouragement of private sector development and adoption of measures to check environmental degradation. Fiscal 1991 saw the establishment of the African capacity building initiative (ACBI) and the Global Environment Facility (GEF). In fiscal 1991, the Republic of Yemen, Bulgaria, Namibia, Mongolia and Czechoslovakia (which rejoined) became members of the IBRD and the Republic of Yemen, Mongolia and Czechoslovakia joined IDA, bringing total membership of IBRD to 155 and of IDA to 139.

The financial operations during the fiscal year (FY) ended June 30, 1991 were marked by an increase in the loan commitments of the World Bank Group to $ 22.7 billion as against $ 20.7 billion in FY 1990. While the commitments by IBRD

increased by 8.0 per cent, those of IDA increased by a larger percentage viz., 14.0 per cent (Table XI-29). Disbursements on the other hand, declined by $ 1.72 billion or 9.7 per cent. Disbursements by IBRD declined by 17.5 per cent in FY 1991 while those of IDA showed a rise of 18.3 per cent.

Net transfers by the World Bank to the severely indebted middle-income countries amounted to $1.38 billion in 1990. In fiscal 1991, commitments totalling $ 1.88 billion were made for twenty-two projects aimed at reducing poverty and ninety-five projects, involving $ 7.9 billion in commitments, contained poverty-reduction components.

International Bank for Reconstruction and Development (IBRD)

Commitments of the IBRD declined by $ 1.25 billion to $ 15.2 billion in FY 1990 with the number of operations at 121 showing a marginal increase over the previous year. Disbursements of IBRD increased by $2.6 billion to $ 13.9 billion in FY 1990 from $ 11.3 billion in FY 1989. While new lending commitments increased by $ 1.2 billion to $ 16.4 billion in FY 1991 from $ 15.2 billion in FY 1990, there was a decline of $ 2.4 billion (17.5 per cent) in disbursements to $ 11.4 billion in FY 1991, with the number of operations increasing to 126 in FY 1991.

Of the 121 projects approved for 38 countries which received financial support from IBRD in FY 1990, Brazil, India, Indonesia and Mexico secured loan commitments in amounts exceeding $ 1 billion each and together accounted for $ 6.9 billion or 45.4 per cent of the total amount approved for all the projects. Loan commitments made by IBRD to India totalled $ 1.1 billion for 10 projects. Mexico was the highest to receive a loan commitment of $ 2.6 billion, Indonesia received $ 1.6 billion and loan commitment to Brazil also amounted to $ 1.6 billion.

Of the 42 countries which received financial support from IBRD in fiscal year 1991, four countries, viz., India, Indonesia, Poland and Mexico, secured loan commitments in amounts exceeding $ 1 billion each and together accounted for $ 6.08 billion or 27.0 per cent of the total loan approved. Mexico was the highest to receive a commitment of $ 1.88 billion, followed by Indonesia ($1.64 billion), Poland ($ 1.44 billion) and India ($1.11 billion). The share of India in total IBRD approvals which had risen from 4 per cent in fiscal year 1989 to 11.3 per cent in fiscal year 1990 declined to 6.8 per cent in fiscal year 1991. The projects for which amounts were approved are indicated in Table XI-30.

During fiscal 1991, the IBRD strengthened its reserve position by attaining the reserves-to-loan ratio of 11.2 per cent from 10.8 per cent at the end of fiscal year 1990. The improvement in reserve position reflected the impact of allocation of $ 750 million of net income for fiscal year 1990 to the general reserves which brought reserves to $ 10.0 billion at the close of fiscal year 1991.

The IBRD's semi-annual variable lending rate was 7.72 per cent and 7.73 per cent, respectively for the first and second semesters of fiscal 1991.

Table XI-29 : Lending by World Bank

($ million)

	IBRD		IDA		World Bank	
	1989-90	1990-91	1989-90	1990-91	1989-90	1990-91
1	2	3	4	5	6	7
1. Lending Commitments	15,180	16,392	5,522	6,293	20,702	22,685
	(-7.6)	(+8.0)	(+11.9)	(+14.0)	(-3.1)	(+9.6)
2. Disbursements	13,859	11,431	3,845	4,549	17,704	15,980
	(+22.5)	(-17.5)	(+6.9)	(+18.3)	(+18.8)	(-9.7)

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

Table XI-30 : IBRD's asistance to India — Sector-wise FY 1989-1991

(In millions of U. S. dollar)

Sector	1989	1990	1991
1	2	3	4
Agro-Industry	30.0	—	40.0
Irrigation and drainage	165.0	15.0	23.0
Education	30.0	25.0	—
Area/urban development	—	20.0	20.0
Water supply and Sewerage	—	10.0	—
Development Finance Companies	295.0	—	—
Oil, Gas and Coal	340.0	—	450.0
Power	885..0	583.0	200.0
Industry	210.0	445.0	369.0
Population, Health and Nutrition	11.3	10.0	10.0
Highways	170.0	—	—
Railways	—	—	—
Total	2136.3	1108.0	1112.0
Total loans sanctioned by IBRD	16433.0	15180.0	16392.2
Percentage share of India	13%	7.3%	6.8%

The total borrowings of the IBRD, excluding refinancings of $ 5.4 billion of short-term debt, amounted to $ 10.9 billion in fiscal year 1991, at an average cost, after swaps, of 8.06 per cent and an average life of 6.7 year. The borrowing programme adopted in FY 1991 enabled the IBRD to achieve by March 1991, and thereafter to maintain the targeted loan-currency-pool ratios of 1 U. S. dollar to 125 Japanese yen to 2 deutsche mark for at least 90 per cent of the loan currency pool.

In FY 1991, the IBRD sought to reduce its cost of funding by offering bench-mark issues in U.S. dollars, Deutsche marks and Swiss francs in response to investors' preferences for enhanced liquidity. These included two U.S. dollar issues aggregating $ 3.5 billion through its global-bond issues; a D.M. 750 billion issue, providing investors liquidity and an opportunity for portfolio diversification; a Sw F 600 million issue, designed to overcome the traditional illiquidity of Swiss franc bonds through broadened trading arrangements; a $ NZ 250 million issue designed to bring both domestic and foreign interest to bear on a single instrument. Outstanding borrowings at the close of fiscal year 1991 aggregated $ 84.7 billion equivalent of medium-term and long-term borrowings and $ 5.4 billion equivalent of short-term borrowings. The average cost of borrowings outstanding, including short-term borrowings, during the fiscal ending June 30, 1991 was 7.41 per cent.

Total subscribed capital of IBRD as at the end of June 30, 1991 amounted to $ 139.1 billion or 80 per cent of authorised capital of $ 174.7 billion. During the fiscal year 1991, twenty-two countries subscribed an aggregate of $ 12.7 billion bringing the total subscribed capital to $ 43 billion out of total allocations of $ 74.8 billion general capital increase approved in April 1988.

International Development Association

The IDA credits sanctioned during fiscal year 1991 (July 1990-June 1991) totalled $ 6293 million showing a rise of $ 771 million or 14.0 per cent as compared with an increase of $ 588 million or 11.9 per cent during the previous year. Disbursements from IDA increased by 6.9 per cent to $ 3,845 million in fiscal year 1990. During the fiscal year 1991, IDA approved 103 credits amounting to $ 4,549 million which is 18.3 per cent more than its previous year level. The IDA financed these credits from 3 sources - donor contributions, reflows and transfers from the IBRD. In FY 1991, they amounted to $ 3.28 billion, $ 1.07 billion and $ 200 million, respectively. Of the 44 countries which received IDA credits during the year, China received the largest amount of credit ($ 977.8 million) followed by India ($937.4 million), Bangladesh ($ 459.7 million) and Sri Lanka ($ 358.6 million).

The projects for which amounts have been sanctioned are shown in Table XI-31.

During the fiscal year 1991, IDA commitment fee was set at zero per cent for all outstanding credits financed by IDA, the Special Fund and the Special Facility for sub-Saharan Africa. IDA's commitment fee for fiscal year 1992 continues to be set at zero.

IDA Ninth Replenishment (IDA-9)

During FY 1990, IDA donors agreed to contribute SDR 11.7 billion to IDA-9 aimed at financing commitments to IDA borrowers in the period 1991-93. The commitment period of the 9th replenishment of IDA resources began in FY 1991. The IDA-9 replenishment became effective on January 23, 1991, when instruments of commitments received from donors reached 80 per cent of the total contributions to IDA-9 from contributing members.

Multilateral Investment Guarantee Agency (MIGA)

Established in 1988, MIGA encourages the flow of foreign direct investment for productive purposes to and among developing member

Table XI-31 : IDA's assistance to India — Sector-wise, FY 1989-1991

(In millions of U. S. dollar)

Sector	1989	1990	1991
1	2	3	4
Agro-Industry	297.0	—	262.80
Irrigation and drainage	160.0	150.0	130.0
Education	250.0	235.0	307.1
Population, Health and Nutrition	113.3	182.5	96.0
Transportation — Highways	80.0	—	—
Area Development	—	130.0	—
Industry	—	55.0	31.6
Water Supply and Sewerage	—	79.9	109.9
Total	900.3	832.4	937.4
Total credits sanctioned by IDA	4933.6	5522.0	6293.3
Percentage share of India	18.2%	15.1%	14.9%

countries. This is achieved through offering of investment insurances to investors through its guarantee programme. MIGA also provides promotional and advisory services to assist members in their efforts to attract and retain foreign direct investments.

During fiscal 1991, MIGA issued eleven guarantees with the maximum contingent liability of $ 58.9 million for 10 projects representing a total of $ 922 million in direct investment. MIGA has broadened the coverage of its programmes as is evident from a rise in the number of preliminary applications for guarantees (registered and eligible for coverages) to 274 at the close of fiscal 1991 as against 116 at the close of fiscal 1990.

In fiscal 1991, MIGA carried out 21 advisory projects through the Foreign Investment Advisory Service jointly operated by MIGA and the IFC. The main objective of policy and advisory services provided by MIGA is to create attractive investment environment in developing countries and promote flow of foreign direct investments.

In fiscal 1991, 16 additional countries signed the MIGA Convention increasing the number of signatories to 101. Membership in MIGA is open to all member countries of the World Bank and Switzerland.

International Finance Corporation

Fiscal year 1991 (July-June) was one of continued growth for the International Finance Corporation (IFC). The Corporation approved financing (loans, guarantees, and equity and quasi-equity investments) of $ 1.5 billion for 152 projects (total costs of $ 10.7 billion). Projects spanned a number of industries and sectors, including tourism, banking, mining, printing and publishing, pulp and paper, petrochemicals, power, oil and gas exploration, telecommunications, and agro-industries. In addition, the IFC approved a record $ 1.3 billion in syndicated loans. It also underwrote debt and securities issues totalling $ 33 million for four companies. The Corporation executed three currency-swap intermediations, for clients in developing countries that normally do not have access to such services. Disbursements reached $ 1.2 billion.

In fiscal 1991, the IFC helped establish thirty financial institutions, many of which provide products or services that are new to the host countries. For example, the IFC helped establish Hungary's first investment bank and one of its first private insurance companies. It also helped finance a joint venture commercial bank in Poland and the first private housing finance institutions in Botswana and Pakistan. In fiscal 1991, the Corporation was involved in three new investment funds — one debt conversion fund (in Egypt); a fund that will invest in convertible-debt and equity securities in Mexico; and a fund that will invest in equities in developing Commonwealth countries. The IFC also approved investments in five venture-capital companies.

The number of member countries increased by six to 141 during the year. New members of the Corporation are Algeria, the Central African Republic, Czechoslovakia, Mongolia, Namibia, and Romania.

Late in the fiscal year, the Executive Directors of the Corporation agreed to submit a proposal to the Board of Governors calling for a $ 1 billion capital increase — from $ 1.3 billion to $ 2.3 billion. The increase, expected to be adopted by the Governors in the coming months, would provide the IFC with the capacity to meet a reasonable level of the substantial demand for finance and advisory services in Latin America and Asia, establish and maintain a strong presence in Eastern and Central Europe that would enable the Corporation to make a significant contribution

to these countries' transition to market economies; substantially expand the IFC's role in the Middle East; and make an enhanced effort in sub-Saharan Africa.

Recent Developments in Eastern Europe and in the USSR

Real GDP in Eastern Europe (excluding the USSR) is expected to fall by more than 10 per cent in 1991 on top of the decline of 7.8 per cent in 1990, implying a cumulative drop of nearly 18 per cent in 1990-91. In the USSR, social and political upheaval, the continued disintegration of supply links, and uncertainty about the future course of economic policies have led to a significant contraction of economic activity. This downturn in economic activity in Eastern Europe has been aggravated by the virtual collapse of intra-regional trade, reflecting mainly a contraction of import demand in the USSR (owing to decline of production and strengthening of foreign exchange constraints), the reorientation of import demand in East Germany, and to some extent the spillover effects of weak economic activity throughout the region.

The contraction of output in early 1991 has led to a rapid increase in unemployment in all Eastern European countries. By May 1991, the unemployment rate in Poland had reached 7.5 per cent compared with 3 per cent in June 1990. Unemployment had also risen from a negligible level to a range of 2 to 4 per cent in Bulgaria, Czechoslovakia, Hungary and Romania. Unemployment is expected to increase further in these countries.

Inflation in Eastern Europe is projected to average over 100 per cent in 1991, compared with nearly 150 per cent in 1990. This projection is based on larger-than-anticipated price increases associated with price liberalizations in late 1990 and early 1991 in Bulgaria, Czechoslovakia and Romania where excess liquidity was estimated to be substantial. Lack of competition in domestic goods markets and the lagged pass-through of the large devaluations that preceded price liberalizations also contributed to the temporary surge in inflation.

The combined current account deficit of the Eastern European countries is projected to increase by more than $ 13 billion in 1991 to $ 14.7 billion, reflecting mainly a surge of imports in Poland, and a substantial decline in exports, travel receipts and transfers in Yugoslavia. Foreign financing constraints have also led to a sharp fall in imports in the USSR which should contribute to a considerable narrowing of the current account deficit in 1991.

All the Eastern European countries, excluding Yugoslavia have persevered with their efforts to stabilize macroeconomic conditions and implement systemic reforms. According to "Financing Eastern Europe; A Study Group Report" of the Group of Thirty, a number of encouraging developments have taken place in the following areas of structural adjustment:

— most prices are free of administrative control

— plans to privatize state-owned enterprises are well advanced

— most state trading monopolies have been disbanded

— with the exception of Romania, Eastern Europe has recently adopted an exchange rate system which is supposed to provide a reasonably stable and realistic rate of exchange.

VIII. Developments Relating to Exchange Control

Financing of imports: special regulations

In view of the difficult foreign exchange reserves position, a series of instructions have been issued by the Reserve Bank of India stipulating minimum cash margins against letters of credit and generally regulating financing of imports. These instructions included the requirements of obtaining prior approval from the Reserve Bank of India's Exchange Control Department, in respect of remittances to be made against imports beyond certain limits or under certain other circumstances.

Remittance of the equivalent of above Rs. 2.5 crore

Authorised dealers were advised that effective from April 23, 1991 every transaction of sale of foreign exchange or payment to or for the credit of any person resident outside India, of the equivalent of above Rs. 2.5 crore, other than for repayment of balance in FCNR and NRE accounts and interbank transactions, should be referred to the Reserve Bank of India for clearance before effecting the transaction. This also applied to the sale of foreign exchange or making payment as the case may be pursuant to any permission already issued by the Reserve Bank of India and subsisting on the above date.

Roll-over forward cover for deferred payment exports and imports

Authorised dealers could enter into forward purchase contracts, on a roll-over basis, in cases of exports on deferred payment terms and forward sale contracts on a roll-over basis in cases of imports under import licences issued on deferred payment terms as well as for repayment of foreign currency loans. The initial contract made could be for a period of six months and thereafter as each deferred instalment is taken up, the outstanding balance of the forward contract could be extended each time for a further period of six months. It was subsequently decided to allow authorised dealers, on specific requests from the customers, to undertake roll-overs at shorter intervals with a view to reducing the costs payable by the customers concerned.

Forward sale of U.S. Dollars by Reserve Bank of India to authorised dealers

Reserve Bank was buying spot, as well as forward Pound sterling, U.S. dollar, Deutsche mark and Japanese yen and selling Pound sterling and U.S. dollar only on spot basis. On a review of the situation in the inter-bank foreign exchange market, the Reserve Bank of India decided to sell forward U.S. dollar to authorised dealers with effect from May 8, 1991 at the Bank's Bombay Office, for delivery in three months and six months basis with option of delivery in the third and sixth month, respectively, for covering their sale of U.S. dollar or other currencies for specific merchant transactions or commitments such as remittances to be made on account of imports, loan repayments, etc. No extension/cancellation of the forward purchase U.S. dollar contract booked with the Reserve Bank of India is allowed.

Permitted methods of receipts of export proceeds

Hitherto exporters were not normally permitted to receive payments for exports directly from the overseas buyers in the form of bank drafts, pay orders, bankers' cheques, personal cheques, foreign currency notes or foreign currency travellers' cheques. The Reserve Bank has now permitted authorised dealers to handle export documents in cases where their exporter customer has received payment, in the form of bank draft, pay order, banker's cheque and personal cheque drawn by overseas buyer in favour of the exporter, not exceeding US $ 7,500 per shipment, directly from the overseas buyer, subject to the certain conditions.

Applications involving amounts in excess of US $ 7,500 or its equivalent per shipment or applications for receiving payments in the form of foreign currency notes or foreign currency travellers cheques tendered by overseas buyers while on a visit to India, require a reference to the Reserve Bank for its consideration.

In addition, the Reserve Bank could also grant general permission, to receive directly from overseas buyers, such payments up to a reasonable limit beyond US $ 7,500 per shipment. For this purpose, the concerned exporter is required to designate a branch of an authorised dealer to whom

documents in respect of all shipments effected by him would be delivered and the payments instruments tendered for realisation.

Despatch of shipping documents direct to consignees/overseas agents of consignees

Exporters of precious/semi-precious stones and nongold jewellery have now been granted general permission to despatch shipping documents directly to the **consignees** in respect of consignments not exceeding US $ 25,000 or its equivalent in value as against the earlier limit of US $ 15,000.

Acceptance of foreign exchange from foreign tourists

With a view to affording greater facilities to foreign tourists for conversion of foreign currency, restricted money changers (other than hotels and other boarding and lodging establishments like **YMCA, YWCA,** etc.) have been permitted to accept foreign currency notes/coins and travellers cheques up to a limit of US$ 500 or its equivalent per person at any one time for conversion into rupees. The above permission is in addition to the one already granted to them for accepting payments in foreign currency notes/coins and/or travellers' cheques for meeting the cost of goods and/or services supplied/rendered to their customers. Hotels and boarding/lodging establishments like **YMCA, YWCA,** etc., holding money-changing licences are already holding the Bank's authorisation to accept, besides payments in foreign currency for the cost of goods and/or services rendered, foreign currency notes/coins and travellers' cheques *freely* from any person whether residing in the hotel or establishment or not for *conversion* into rupees.

Maintenance of cash-float in foreign currency

Restricted money-changers other than hotels are allowed to keep a fixed cash-float of an amount not exceeding US $ 100 or its equivalent in the aggregate for all the currencies. It has been decided to raise the quantum of the cash-float to US $ 1,000 or its equivalent in the aggregate for all the currencies.

Acquisition of foreign exchange by residents

Under the general permission granted by the Reserve Bank of India hitherto a person was permitted to acquire foreign exchange not exceeding US $ 100 or its equivalent from any person resident outside India, who is on a visit to India, for services rendered or in settlement of any lawful obligation and was required to surrender it to an authorised dealer within seven days of receipt. This limit of US $100 has since been tripled to US$ 300.

Issue of International Credit Cards (ICC) to *ad hoc* permit holders

Under the current regulations, only firms/companies holding either a Blanket Permit or a CAFEX permit are allowed to subscribe to International Credit Cards (ICC) for use of their representatives during their visits abroad. The facility is now available to those who travel abroad frequently on *ad hoc* permits such as, senior most officers of Government of India, top executives of public sector undertakings, public sector banks and financial institutions like the IDBI, the UTI, and others.

Release of exchange for visits to Bilateral Group of countries

Persons visiting the Bilateral Group of countries for business, study tour, and attendance at a conference, seminar/symposium, are now being allowed to draw their entire exchange quota in free foreign exchange even though per diem scales of exchange and the permits issued by the Reserve Bank of India would continue to be expressed in rupees. In the case of permits issued for medical treatment and higher studies, the conversion facilities on a limited scale allowed at present would be continued. Remittances for purposes such as registration, admission, examination, membership fees, etc., would continue to be allowed in rupees without any conversion facilities.

MCO facility for travellers visiting Mauritius under NTS

Indian residents visiting Mauritius under the Neighbourhood Travel Scheme (NTS) have been

permitted to avail of the facility of Miscellaneous Charges Order (MCO) to cover expenses of surface transportation. This facility can be availed of by persons travelling in a group of 15 or more, up to a limit of US $ 150 per person.

Refund of foreign exchange conservation travel (FECT) tax

In terms of sub-rule (1) of Rule 5 of FECT Tax Rules, 1987, refund of FECT tax should be claimed within a period of one month from the date of return of foreign travel, for which exchange was released. The time limit for claiming refund of FECT tax has been increased to 90 days from the date of return of foreign travel.

Exchange for higher studies: delegation of powers

With effect from June 1, 1990 powers to release exchange for higher studies abroad were delegated to designated branches of public sector banks. The total number of branches designated by these banks is 328.

Specialised training

The period up to which requests for release of exchange, for undergoing advanced training in highly specialised medical fields at reputed overseas institutions, from medical practitioners/specialists has been enhanced from six months to a maximum of twelve months.

Enhancement of RIFEE facility against repatriation of monthly pension

Indian nationals and persons of Indian origin receiving pension in foreign exchange from their erstwhile foreign employers and also regularly repatriating the entire pension amount to India are allowed to utilise up to 25 per cent in respect of pension amounts drawn from the month of *April 1990* and *onwards* and repatriated to India, for various specified purposes covered under the "Returning Indian Foreign Exchange Entitlement Scheme" (RIFEES). The percentage of entitlement for pension amounts drawn prior to April 1990 and repatriated to India remained unchanged at 10 per cent as hitherto under the Scheme.

Local hospitality

The existing limit of Rs. 3,000 per diem, up to which local living expenses of non-resident directors for a period not exceeding 5 days at a time can be met by Indian companies, has been raised to Rs. 5,000 per diem.

Taking out of household articles by Non-residents

Under the existing regulations, travellers wishing to take out of India articles in excess of the limits prescribed under the Export Baggage Rules were required to apply to the Reserve Bank of India for grant of GR waiver except when they were purchased against payment in foreign exchange. It has been decided to permit persons of Indian nationality/origin who are resident abroad and who wish to take out with them household articles up to the value of Rs.10,000/- (except articles made of gold or silver and items banned for export under the Trade Control Regulations in India) purchased by them during their temporary visit to India for personal use in the country of their residence, even if the cost of goods has been paid by them out of funds held in their Ordinary Non-resident Rupee (NRO) accounts.

Credits to Ordinary Non-Resident Rupee (NRO) Accounts

Authorised Dealers (ADs) are now permitted to freely allow credits of rupee funds without any limit to NRO accounts maintained by NRIs/OCBs which were legitimately due to the account holder as against the previous limit of Rs. 4,000 in a month with an individual credit not exceeding Rs. 1,500 up to which the authorised dealers could allow such credits without prior approval of the Reserve Bank of India. Authorised dealers have been advised to call for documentary evidence in respect of individual credits exceeding Rs. 10,000 to ascertain the bona fide nature of the transaction and satisfy themselves that the credits represent legitimate dues of the account holder. Authorised dealers have also been advised to get an undertaking from the account holders (existing and new) stating that they shall not make available to any person in India any foreign currency against reimbursement in rupees or in any other manner in India.

Loan limits by ADs

i) To NRO Account Holders

The limit up to which authorised dealers have been empowered to grant loans and overdrafts to their non-resident constituents who are NRIs, for purposes other than investment, against the security of fixed deposits held in NR(O) accounts has been increased from Rs. 2 lakh to Rs. 5 lakh.

ii) To NRE account holders

The limit for grant of loans/overdrafts to NRE account holders themselves against the security of their fixed deposits held in NRE/FCNR accounts has been raised from Rs. 2 lakh to Rs. 5 lakh and later up to Rs. 10 lakh for purposes other than investment. Repayment in such cases would, however, have to be made either by adjustment of the NRE/FCNR deposit or by fresh inward remittance from abroad.

iii) To NRE Account holders for investments

Authorised dealers have now been empowered to grant, subject to certain specified conditions, rupee loans/overdrafts up to Rs. 10 lakh to their NRI constituents against security of fixed deposits held by them in NRE/FCNR accounts for the purpose of making direct investment in India on *non-repatriation basis* in the capital of Indian firms/companies engaged/proposed to engage in manufacturing/industrial activities, hospitals, hotels of three star or higher grades, shipping, development of computer software and oil exploration services. Earlier, such applications were required to be referred to the Reserve Bank of India.

iv) To residents against security of NRE fixed deposits

Authorised dealers were hitherto required to refer to the Reserve Bank, applications for grant of loans/overdrafts to resident individuals/firms/companies in India against collateral of fixed deposits held in Non-resident (External) Accounts. Powers have now been delegated to authorised dealers permitting them to grant such loans/overdrafts without any limit, subject to the following conditions :-

a) There should be no direct or indirect foreign exchange consideration for the non-resident depositor agreeing to pledge his fixed deposits to enable the resident individual/firm/company to obtain such loan/overdraft.

b) The period of loan should not exceed the unexpired period of maturity of NRE/FCNR fixed deposits accepted as security. In addition, the non-resident depositor should furnish an irrevocable undertaking to authorised dealer not to withdraw the deposit at least during the period of the loan/overdraft.

c) The loan/overdraft to be granted should conform to the regulations relating to normal margin, rate of interest, depending on the purpose of loan, etc., as stipulated by the Reserve Bank of India from time to time.

d) The loan could be utilised for personal purposes or for carrying on business activities *other than* agricultural/plantation activities or real estate business.

Transfer of funds between NRE accounts of two NRIs

Hitherto, Reserve Bank approval was required for transfer of funds from the NRE account of one person to the account of another person on application, if the transferor and transferee are close relatives. The powers have now been delegated to authorised dealers to authorise such transfers if the

i) transfer is for genuine personal purposes, e.g. education of children, gift, personal expenses, etc.

ii) Transferor and transferee account holders are resident in the External group of countries or the transferor and transferee are resident in the same Bilateral group country.

If such transfer involves transfer of funds from one bank to another bank, the transferor bank has to certify the NRE status of the account from which the transfer of funds is proposed to be made. Transfer of funds as a gift would be allowed subject to payment of gift tax, if applicable.

Ban on imports from/exports to Iraq/Kuwait and remittances to Iraq and Kuwait

Consequent upon the U.N. Resolution banning trade, etc. with Iraq and Kuwait, the Chief Controller of Imports and Exports (CCIE) issued an order on

October 5, 1990, prohibiting imports and exports of all goods, whether directly or indirectly into or from any port or place in India from or to any place in Iraq and Kuwait. Accordingly, on October 11, 1990, all authorised dealers were advised not to make any remittances to Iraq or Kuwait or any remittances on account of the Government of Iraq or any of its agencies in Iraq or Kuwait or accounts of its nationals nor to enter into any transactions with any person, firm or bank resident in Iraq or Kuwait or with Iraqi nationals, without the permission of the Reserve Bank of India. CCIE lifted the ban on trade with Kuwait with effect from March 14, 1991. The ban on trade with Iraq and restrictions on remittances, in so far as they relate to Iraq and its nationals, remain.

Concessions to Indian citizens returning from Kuwait

Indian nationals in Kuwait, who were forced to return to India due to the situation prevalent in that country consequent on invasion by Iraq, have been allowed as a special case to continue to maintain their NRE/FCNR accounts with banks in India, as well as their foreign currency accounts and assets abroad, initially up to March 31, and later up to June 30, 1991.*

Facility for exchange of currency notes to Indians returning from Kuwait

Under the Exchange Control Regulations, all purchases of foreign currency notes made by authorised dealers hitherto were at their own risk and responsibility making their own arrangements to realise the proceeds of surplus foreign currency notes purchased by them. However, consequent on the invasion of Kuwait by Iraq, authorised dealers were advised to provide, with effect from August 10, 1990 conversion facilities up to the equivalent of Indian Rs. 5,000 (this was increased up to Rs. 10,000 with effect from August 30, 1990) at the rate of Rs. 25 = 1 Kuwaiti dinar, to returning Indians from Kuwait at all international air/sea ports in India. Kuwaiti dinars purchased by authorised dealers were required to be held by them on Government account pending realisation and the rupee payments made by them were reimbursed by the Reserve Bank of India by debit to Government account.

Trade and payment transactions between India and Poland

All transactions of both commercial and non-commercial nature between India and Poland were settled in non- convertible Indian rupees. The Government of India and Poland concluded a new trade and payments agreement in terms of which all transactions of commercial and non-commercial nature would be settled in free foreign exchange with effect from *January 1, 1991*. Exporters had, therefore, been advised that they should ensure that payments in respect of contracts for export of goods from India to Poland entered into on or after January 1, 1991, were received by them in one of the permitted currencies such as US dollar, Pound sterling, etc. For contracts entered into up to December 31, 1990, payments would continue to be received in non-convertible Indian rupees, as hitherto.

Indo-GDR Trade and Payments Agreement

In the context of the unification of Germany, negotiations were held between the German Democratic Republic (GDR) and the Government of India on the future of rupee payment arrangements and it was agreed that the Indo-GDR Trade Agreement executed between the two countries on November 1, 1985 would continue up to December 31, 1990 on the existing basis of payments in non-convertible Indian rupees in respect of the specified goods. Parties desiring to settle payments in a freely convertible currency even in respect of these goods had to obtain permission from the Government of India in specific cases. In addition to the above-mentioned rupee payments track, bilateral trade transactions involving exports of non-specified goods from GDR to India and vice-versa were also allowed to be settled, with effect from September 28, 1990, in any freely convertible currency during the balance period till December 31, 1990.

* As the organisations in Kuwait are still in the process of calling back their employees, the period has since been extended, first up to September 30,1991 and later up to December 31, 1991.

With effect from January 1, 1991, transactions with unified Germany are conducted in free foreign exchange. However, the contractual obligations under the contracts concluded up to December 31, 1990 in rupees in terms of Indo-GDR trade arrangement, would continue to be settled according to the terms of the contract.

Project exports

During the period July 1, 1990 to June 30, 1991, the Working Group on Project Exports (WG) accorded approvals for 104 proposals valued at Rs. 5,027.59 crore. These comprise 68 proposals of turnkey contracts valued at Rs. 4,089.07 crore, 25 proposals of civil construction contracts valued at Rs. 770.39 crore and 11 proposals of consultancy service contracts valued at Rs. 168.13 crore. During the same period, the Working Group cleared 33 proposals of total value of Rs. 810.18 crore at post-award stage.

Subsidiaries/joint ventures abroad

During the period July 1, 1990 to June 30, 1991, 5 proposals allowing Indian companies to establish their subsidiaries abroad and 25 proposals enabling Indian companies to enter into joint ventures abroad were cleared.

Opening of offices abroad

During the period July 1, 1990 to June 30, 1991, Indian companies were granted approvals for opening 32 trading offices, 64 non-trading offices and posting representatives abroad in 42 cases.

Opening of offices in India

During the period July 1, 1990 to June 30, 1991, approval for opening 70 liaison offices, 16 representative offices and 12 project offices in India were granted to foreign companies.

Purchase/Sale of Yen and DM-FCNR

Effective from August 13, 1990, the facility of purchases/sales of Japanese Yen and Deutsche Mark, under the FCNR Scheme, was also made available at the Reserve Bank of India's branch at Kanpur in addition to its offices/branches at Bangalore, Bombay, Calcutta, Madras and New Delhi.

FCNRA Deposits

Authorised dealers in India have now been permitted to pay commission not exceeding one per cent of the deposits mobilised under the FCNRA Scheme with effect from November 26, 1990. The payment of brokerage would be restricted to (i) the deposits mobilised under Pension Scheme and also to (ii) other deposits of US $ 25 million each under the FCNRA Scheme. Such deposits would be required to be kept for a minimum period of two years.

FCNR - Special Deposit Scheme for the Middle East

With a view to meeting the special requirements of NRIs/OCBs resident in the countries of the Middle East, a new Scheme called 'FCNR - Special Deposit Scheme' was introduced on August 20, 1990. Under the scheme, authorised dealers are permitted to open accounts in US dollars only in the name of NRIs/OCBs resident in the countries of the Middle East, provided the funds for the purpose are transferred to India in an approved manner from the country of residence of the prospective account holder or from any other country in the External group. The accounts are also permitted to be opened either by transfer of funds from the existing FCNR/NRE accounts of account holders or by tendering foreign currency notes and/or travellers cheques subject to the conditions laid down for the purpose. No restrictions have been placed on the number of withdrawals that could be made from these special accounts and accordingly, no interest is payable on the balances in these accounts. Loans/overdrafts cannot be granted against the security of the funds held in these accounts. The other provisions, as applicable to FCNR accounts are applicable, *mutatis mutandis*, to these special accounts.

Subsequently, it was decided that banks may pay interest on such deposits in cases where there is/are no further deposit/s or withdrawal/s in the same account and the deposits remain with the bank for a minimum period of six months. In other words, each deposit account would qualify for interest if it is maintained for six months or for any longer period without any operation whatsoever, thereby

partaking of the nature of term deposits. In such cases, the rates of interest shall be the same as is applicable to deposits denominated in US dollars for the period for which the deposits have remained with the banks.

Foreign Currency (Ordinary-Non-repatriable) Deposit Scheme

With a view to providing further incentives and giving wider options to NRIs and OCBs for making investments in India, Reserve Bank of India introduced with effect from June 17, 1991, a new Deposit Scheme, viz., Foreign Currency (Ordinary - Non-repatriable) Deposit Scheme. The deposits accepted under the Scheme are to be kept denominated in US dollars for a fixed period of five years. The rate of interest is one per cent above the applicable rate for FCNR dollar deposit for three years ruling on the date of deposit. Certain benefits like availability of loans/overdrafts against the security of the deposit and tax exemption under the Indian Income Tax and Wealth Tax Acts are also available to the depositors. The deposit will also be free from Gift Tax for one time gifting. Premature withdrawals of the deposit are permissible and the interest rate payable in such cases is the rate ruling on the date of deposit for the period for which the deposit remained with the bank. However, the rupee equivalent of the amount so withdrawn or the maturity proceeds of the deposit including interest thereon shall have to be credited to the NRO account of the deposit holder.

India Equity Fund Unit Scheme, 1990

The Unit Trust of India (UTI) was granted permission for entering into an agreement with the India Equity Fund, Inc. for raising funds abroad upto US $ 100 million for investing in units of UTI under its special unit entitled "India Equity Fund Unit Scheme, 1990"

NRI Bonds II series by State Bank of India

The State Bank of India was granted permision for issue of Second Series of NRI Bonds to non-residents of Indian nationality/origin on non-repatriation basis. The special features of the scheme are as under :

(a) Authorised dealers in India have been permitted to grant rupee loans for certain purposes to NRI bondholders against the collateral of the above bonds held by them;

(b) These bonds can be gifted without restriction and without attracting the provisions of Gift Tax Act once only either by the original holder or NRI transferee to any individual of Indian nationality or origin, whether he is resident in India or not, or to any charitable trust in India which is recognised under the Income Tax Act, 1961.

(c) Joint holdings between NRI and a resident Indian, who need not be a close relative are allowed.

Indian Opportunities Fund (IOF)

The Indian Bank has been granted permission for establishment of an off-shore Fund named Indian Opportunities Fund (IOF) in Netherlands in collaboration with Perpetual Chescor, U.K. for raising funds abroad to the extent of US $ 200 million for investing in India in the units of Indbank (Off-shore) Mutual Fund established by Indian Bank.

Reinvestment of long-term capital gains in 3- year IDBI Capital Bonds by NRIs on non-repatriation basis

The Industrial Development Bank of India (IDBI) has been granted general permission for issue of 3-year IDBI Capital Bonds to NRIs on non-repatriation basis subject to the following conditions:

(a) Neither the capital invested nor the income earned thereon shall be allowed to be repatriated outside India at any time in future; and

(b) All interest accruals and maturity proceeds of IDBI Capital Bonds shall be credited to the investor's Non-Resident (Ordinary) Account maintained with a bank authorised to deal in foreign exchange in India.

Loans in India against guarantees by non-residents

Authorised dealers have been permitted to grant loans and overdrafts to persons, firms and companies (other than to foreign nationals not permanently resident in India, and foreign/FERA

firms/companies) in India against the guarantee of persons, firms and companies (including banks) outside India subject to certain conditions. Earlier, prior approval of the Reserve Bank was necessary for the purpose.

Participation in trade fairs/exhibitions abroad

It has been decided to simplify the procedure for release of foreign exchange in respect of direct participation in fairs and exhibitions (other than book fairs and exhibitions) to be held abroad as under:

(i) Henceforth, it will not be necessary for the Export Houses/Trading Houses/Star Trading Houses holding blanket permits of Rs. 50 lakh and above to obtain clearance from Trade Fair Authority of India (TFAI) irrespective of the quantum of expenditure for participation in trade fairs/exhibitions abroad. They can draw their foreign exchange requirements freely from their blanket permits for participation in fairs/exhibitions abroad.

(ii) In the case of other exporters, irrespective of whether they are holding blanket permit or not, clearance from TFAI will not be required, where the expenditure on participation per fair/exhibition does not exceed foreign exchange outgo of the equivalent of Rs. 2 lakh. In such cases, holders of blanket permits can draw exchange from their permits without the prior permission of TFAI. Exporters who are not holding blanket permits may continue to apply to Reserve Bank of India for release of exchange for participation in trade fairs/ exhibitions abroad giving specified particulars.

(iii) Where the expenditure on participation is in excess of the foreign exchange equivalent of Rs. 2 lakh, all exporter firms/companies (other than Export Houses/Trading houses/Star Trading Houses holding blanket permits of Rs. 50 lakh and above) should apply direct to TFAI, New Delhi giving specified particulars. TFAI will make suitable recommendations to Reserve Bank and endorse copies of their sanction to respective offices of the Bank under whose jurisdiction participating firms/ companies are situated. Reserve Bank will release exchange upto the amount recommended and subject to the conditions imposed by TFAI.

Opening of foreign currency accounts by Indian exporters with banks in India or abroad

It has been decided to selectively permit exporters having a satisfactory track record and net foreign exchange earnings during the preceding year, from exports to and imports from countries in the External group, of not less than Rs. 4 crore to maintain foreign currency accounts with designated branches of State Bank of India, other public sector banks and foreign banks operating in India.

In respect of cases where exporters are in a position to arrange to raise foreign currency overdrafts/revolving lines of credit from banks abroad for financing their import requirements for export purposes, the Reserve Bank of India would consider their requests for maintaining foreign currency accounts with banks abroad.

When an exporter is allowed to open a foreign currency account with either a bank in India or abroad, he will be permitted to credit proceeds of all export shipments made by him to countries in External group (except countries which are members of the Asian Clearing Union) to such accounts. The funds in the account will be permitted to be utilised for payments of imports from countries in External group (except member countries of the Asian Clearing Union), repayment of foreign currency loans raised by the exporter concerned with the approval of the Reserve Bank and payment of interest on such loans, as also for the purposes covered by the blanket permits issued by the Reserve Bank of India.

Irrespective of whether the foreign currency account is maintained in India or with banks abroad, only one account will be allowed to be maintained by the exporter in U.S. Dollar or Pound Sterling. Reserve Bank will fix a ceiling upto which balances can be held in such accounts. Crediting of export proceeds to the foreign currency account will be treated as one of the approved methods for liquidation of post-shipment credit, provided the post-shipment credit is liquidated on the date of credit of proceeds to the exporter's foreign currency account.

Engagement of foreign technicians

Indian firms/companies proposing to engage foreign technicians were required hitherto to obtain Reserve Bank's prior permission. It has now been decided, in consultation with the Government of India, to permit Indian firms/companies (including public sector undertakings and joint sector projects under Central and State Governments) to engage the services of foreign technicians without prior permission of Reserve Bank provided the terms of their engagement conform to the prescribed guidelines relating to per diem rate, duration of engagement etc. Prior clearance of the Ministry of Home Affairs, is, however, required if the period of engagement of a technician exceeds three months at one time.

In terms of a notification issued on 13th September 1991, Reserve Bank of India has also granted general permission to a foreign technician to render technical services in India pursuant to his engagement by a firm or company resident in India and to the firm or company to pay remuneration or fee to the foreign technician pursuant to such engagement as also to remit the amount so paid outside India, through an authorised dealer.

Hospitality to non-resident visitors

Persons resident in India were required to obtain prior approval from Reserve Bank of India to incur expenses in excess of Rs. 5,000 towards local hospitality to be extended to their foreign guests on their visit to India. In terms of a notification issued on 13th September 1991, Reserve Bank has since granted general permission to persons resident in India to meet expenses in Indian rupees on account of lodging, boarding and services related thereto and/or travel within India, of their non-resident guests visiting India in connection with business, activity or any other work of the host. It will, therefore, be in order for Indian firms/companies and other organisations to meet expenses on local hospitality on account of their non-resident guests without obtaining specific prior permission of Reserve Bank.

Investments by non-residents of Indian nationality/origin on non-repatriation basis

At present, investment by non-residents cf Indian nationality/origin (NRIs) and overseas corporate bodies predominantly owned by such persons (OCBs) is not permitted in real estate business or in agriculture/plantation activities. However, to encourage NRI investment it has been decided to allow existing or new companies engaged or proposing to engage in the following activities to issue shares/convertible debentures to NRIs/OCBs, on non-repatriation basis, upto 100 per cent of the new issue.

(i) Financing of housing development

(ii) Real estate development i.e. development of property and construction of houses, and

(iii) Infrastructure areas such as construction of roads, bridges, etc.

CHAPTER XII

Some Major Developments in States and Union Territories

This Chapter attempts to present an analytical view of the developments in the State and Union Territories (UTs) based on the recent officially reported data on some of the important economic aspects.

State Domestic Product

The latest year for which data on net State Domestic Product (SDP) are available from the Central Statistical Organisation, Government of India, is for 1988-89. These are at factor cost. In most cases, they are available at constant (1980-81) prices.

Table XII.1 gives annual growth rates in SDP of States and UTs from 1983-84, together with those in net domestic product at factor cost (NDP) at 1980-81 prices at the All-India level. The compound annual growth rate over the period, 1983-84 through 1988-89, was 5.3 per cent for all-India (NDP). In the case of States/UTs which reported data for 1988-89, the lowest and the highest compound annual growth rates over the same period were respectively 1.7 per cent (Pondicherry) and 9.0 per cent (Arunachal Pradesh). In 1988-89, barring Union Territory of Pondicherry which recorded a negative growth rate, all the States/UTs had registered positive growth rates. In certain cases growth rates were much higher than the all-India NDP growth rate of 11.0 per cent during 1988-89. These were: Andhra Pradesh (12.6 per cent), Gujarat (31.5 per cent), Haryana (21.9 per cent), Orissa (12.0 per cent) and Rajasthan (33.9 per cent). Among the other States, those which recorded more than 5 per cent growth rates were: Arunachal Pradesh (7.6 per cent), Bihar (9.9 per cent), Goa (5.6 per cent), Himachal Pradesh (6.9 per cent), Karnataka (8.7 per cent), Kerala (6.0 per cent), Madhya Pradesh (6.8 per cent) (computed on the basis of 1970-71 prices in the absence of data at 1980-81 prices), Maharashtra (6.7 per cent), Punjab (7.1 per cent), Tamil Nadu (6.5 per cent), Uttar Pradesh (8.7 per cent) and West Bengal (7.5 per cent).

The States/UTs in different size-class categories of compound annual growth rates during the period 1983-84 through 1988-89 are listed on next page. It shows that barring one, all the States/UTs registered compound growth rates above 3 per cent. Six States recorded compound growth rates of over 5 per cent per annum.

Sectoral Growth

Sectoral growth rates in the latest two years *viz.*, 1987-88 and 1988-89 are furnished in Table XII.2. For many States 1987-88 was not a good agricultural year. Output in 'agriculture', therefore, showed declines in Bihar, Gujarat, Haryana, Himachal Pradesh, Orissa and Rajasthan. 'Fishing' too did not prosper in 1987-88. This could be attributed to the prevalence of general drought conditions in many parts of the country during that year. In 1988-89, however, both 'agriculture' and 'fishing' made substantial gains.

In both 1987-88 and 1988-89, 'forestry and logging' recorded output declines in many States/UTs. Output from 'mining and quarrying' after declining in 1987-88, showed improvement in 1988-89 in almost all the States excepting Arunachal Pradesh. In the 'manufacturing' sector, most States made good gains in both the years.

Growth Performance of States/Union Territories Vis-a-Vis All-India

States which recorded growth rates equal to/higher than the All-India Rate in 1988-89	States which recorded growth rates lower than the All India Rate in 1988-89
1	2
1. Andhra Pradesh	1. Arunachal Pradesh
2. Gujarat	2. Assam
3. Haryana	3. Bihar
4. Orissa	4. Goa
5. Rajasthan	5. Himachal Pradesh
	6. Karnataka
	7. Kerala
	8. Madhya Pradesh
	9. Maharashtra
	10. Manipur
	11. Punjab
	12. Tamil Nadu
	13. Uttar Pradesh
	14. West Bengal
	15. Pondicherry

Note : No data are available in the case of Jammu and Kashmir, Meghalaya, Sikkim, Tripura and Delhi. The growth rate of Madhya Pradesh is based on data at 1970-71 prices.

Source : Estimates of State Domestic Product and Capital Formation — 1990, CSO.

Compound Annual Growth Rates — 1983-84 to 1988-89 : States/Union Territories Size Class-wise*

Compound Annual Growth rate-size-classes	No. of States	States/Union Territories
1	2	3
1. Less than 2 per cent	1	Pondicherry
2. Between 2% and 3%	NIL	—
3. Between 3% and 4%	6	Andhra Pradesh, Gujarat, Himachal Pradesh, Kerala, Orissa and Rajasthan
4. Between 4% and 5%	6	Assam, Bihar, Maharashtra, Manipur, Uttar Pradesh and West Bengal
5. Between 5% and 6%	2	Goa and Karnataka
6. Above 6%	4	Arunachal Pradesh, Haryana, Punjab and Tamil Nadu

* Only those States whose data are at 1980-81 prices for the entire period are considered.

Note : The data for Madhya Pradesh is at 1970-71 prices and hence is not considered. If it is taken into account it would fall in the size class "Between 4% and 5%".

Source : Estimates of State Domestic Product and Capital Formation — 1990, CSO.

Table XII.1 : Annual Growth Rates and Compound Growth Rates of Net State Domestic Product at constant (1980-81) prices

(Per cent)

Sr. No.	States/Union Territories	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	Compound growth rates
1	2	3	4	5	6	7	8	9
1.	Andhra Pradesh	4.1	—2.9	5.1	—4.1	6.6	12.6	3.3
2.	Arunachal Pradesh	6.6	9.0	18.1	9.6	0.6	7.6	9.0
3.	Assam	2.9	8.3	4.0	1.7	5.5	4.8	4.8
4.	Bihar	11.5	6.9	3.2	5.0	—2.9	9.9	4.3
5.	Goa	—3.6	14.7	—2.1	8.4	3.8	5.6	5.9
6.	Gujarat	17.2	—3.3	—6.2	6.8	—7.9	31.5	3.2
7.	Haryana	2.1	3.9	14.9	0.1	—2.5	21.9	7.3
8.	Himachal Pradesh	5.7	—5.9	13.1	7.5	—2.3	6.9	3.6
9.	Jammu & Kashmir*	9.0	2.7	3.9	3.1	—	—	3.2a
10.	Karnataka	6.2	—6.9	—3.8	9.5	5.6	8.7	5.3
11.	Kerala	—4.0	—6.2	3.9	—1.8	1.7	6.0	3.2
12.	Madhya Pradesh*	16.6	—4.1	9.0	—2.6	13.6	6.8	4.3
13.	Maharashtra	8.9	0.7	6.9	0.4	8.2	6.7	4.2
14.	Manipur	9.1	4.5	6.0	2.5	7.5	3.0	4.7
15.	Meghalaya	2.4	5.1	5.9	1.7	7.8	—	5.1b
16.	Orissa	20.5	—8.1	16.9	Negligible	—1.4	12.0	3.5
17.	Punjab	1.9	7.7	7.3	3.8	5.2	7.1	6.2
18.	Rajasthan	18.2	—8.6	1.0	2.3	—4.4	34.0	3.9
19.	Sikkim	4.4	13.2	8.8	18.0	—	—	13.3c
20.	Tamil Nadu	5.4	13.1	5.4	1.0	8.2	6.5	6.8
21.	Tripura	—3.3	2.6	1.8	4.3	—	—	2.9c
22.	Uttar Pradesh	3.8	0.7	3.8	6.4	3.3	8.7	4.5
23.	West Bengal	9.3	—1.2	6.7	4.7	6.1	7.5	4.7
24.	Delhi *	5.7	6.1	11.7	10.1	—	—	9.3a
25.	Pondicherry	3.4	5.4	4.2	1.5	3.6	—5.7	1.7
	All — India	**8.4**	**3.6**	**3.9**	**3.7**	**4.4**	**11.0**	**5.3**

* At 1970-71 prices — = Not available

(a) Between 1983-84 and 1986-87 at 1970-71 prices.

(b) Between 1983-84 and 1987-88

(c) Between 1983-84 and 1986-87

Source : Estimates of State Domestic Product and Capital Formation, 1990, C.S.O., Department of Statistics, Ministry of Planning, Government of India, 1990.

Table XII.2 : Sectoral Growth Rates, 1987-88 and 1988-89

(Per cent)

States/Union Territories	Agriculture		Forestry and Logging		Fishing		Mining and Quarrying		Manufacturing	
	1987-88	1988-89	1987-88	1988-89	1987-88	1988-89	1987-88	1988-89	1987-88	1988-89
1	2	3	4	5	6	7	8	9	10	11
1. Andhra Pradesh	9.0	19.8	-0.2	-0.2	7.1	-11.0	-2.5	10.0	2.7	6.0
2. Arunachal Pradesh	12.9	5.7	-40.6	41.8	35.4	21.6	-24.6	-13.7	5.3	4.7
3. Assam	6.7	-3.2	-28.2	26.7	42.0	2.3	-1.6	5.8	5.6	14.6
4. Bihar	-12.8	17.4	7.4	1.7	12.8	-1.6	7.6	2.4	5.2	8.8
5. Goa	16.1	6.2	-2.9	-75.6	-17.7	37.6	-12.4	7.0	1.2	1.0
6. Gujarat	-52.7	198.3	-71.7	-10.5	2.3	22.4	7.1	4.1	6.4	7.2
7. Haryana	-15.3	40.2	29.9	-20.4	-15.0	41.8	-13.4	1.7	9.6	8.4
8. Himachal Pradesh	-15.3	6.1	-13.5	Nil	65.9	5.4	64.4	4.6	2.3	10.8
9. Karnataka	0.2	10.0	-35.3	-0.4	-6.5	10.0	5.7	4.3	14.3	10.0
10. Kerala	6.0	0.8	-8.6	-11.3	-8.2	-12.1	10.3	12.3	-0.1	8.2
11. Madhya Pradesh*	13.5	7.4	-1.0	3.5	5.7	16.0	4.9	10.3	8.7	6.3
12. Maharashtra	31.9	4.5	-26.1	Nil	-1.1	13.8	10.9	5.0	-0.4	8.3
13. Manipur	7.7	3.0	-17.5	Nil	1.8	8.0	Nil	Nil	7.5	7.1
14. Orissa	-11.2	22.9	12.0	-0.8	21.4	4.6	11.2	8.0	19.8	-4.6
15. Punjab	4.6	7.6	-21.0	-12.7	27.3	9.8	20.9	8.4	7.3	7.5
16. Rajasthan	-14.5	76.3	2.6	5.5	-51.6	-60.3	3.6	7.4	5.9	8.1
17. Tamil Nadu	8.0	-1.4	-9.7	-5.2	-3.8	4.6	-1.7	5.6	5.6	4.4
18. Uttar Pradesh	2.4	11.5	-2.5	-3.0	3.9	9.0	5.4	12.1	5.3	6.8
19. West Bengal	9.9	10.7	-9.3	4.5	7.5	3.9	-0.2	7.0	2.0	6.1
20. Pondicherry	1.0	-30.3	—	—	15.3	-22.2	—	—	2.0	Nil

* Computed on the basis of data at 1970-71 prices.

Note : Computed on the basis of data of SDP at constant (1980-81) prices.

Source : Estimates of State Domestic Product and Capital Formation, 1990, CSO, Department of Statistics, Ministry of Planning, Government of India, 1990.

Compound annual growth rates during the 5 years, 1983-84 through 1988-89, sector-wise in different States/UTs are set out in Table XII.3. It shows that in most States (14 out of the 20 reported), output in the 'forestry and logging' sector declined. Only two States — Tamil Nadu and Rajasthan — recorded output increases of over 4 per cent in 'forestry and logging'. In the case of 'agriculture', output declines over the period were recorded in Gujarat, Maharashtra and Pondicherry. Agricultural output growth rates of less than 4 per cent were registered in Andhra Pradesh, Assam, Bihar, Goa, Himachal Pradesh, Kerala, Madhya Pradesh, Manipur, Orissa, Rajasthan and Uttar Pradesh. The remaining States attained growth rates in agriculture of over 4 per cent. 'Fishing' is the one sector where compound growth rates of over 4 per cent per annum were registered in Karnataka, Arunachal Pradesh, Bihar, Goa, Gujarat, Haryana, Himachal Pradesh, Madhya Pradesh, Manipur, Orissa, Punjab, Uttar Pradesh and West Bengal. 'Fishing' sector in Andhra Pradesh, Kerala and Rajasthan showed output declines while that in Assam, Maharashtra, Pondicherry and Tamil Nadu had posted moderate compound annual growth rates of less than 4 per cent. In the case of 'mining and quarrying', less than 4 per cent compound annual growth rates were seen in Arunachal Pradesh, Assam, Goa, Haryana, Tamil Nadu, Uttar Pradesh and West Bengal, while higher than 4 per cent growth rates were recorded in the remaining States other than Madhya Pradesh and Rajasthan where output declined. 'Manufacturing' sector is the one sector where all the States other than Kerala showed output gains. The States registered compound annual growth rates of over 4 per cent with the exception of Rajasthan, West Bengal and Pondicherry, where output gains were moderate.

Shares of Agriculture and Manufacturing

The real output from 'agriculture' provides an important source of income in most States/UTs (Table XII-4). Over 40 per cent of real SDP emanated from agriculture in States such as Assam, Bihar, Haryana, Madhya Pradesh, Orissa, Punjab, Rajasthan and Uttar Pradesh during the

Table XII.3 : —Compound Annual Growth Rates, Major Sector-wise

[Period 1983-84 to 1988-89 based on data at constant (1980-81) prices]

(Per cent)

States/Union Territories	Agriculture	Forestry & Logging	Fishing	Mining & Quarrying	Manufacturing	SDP
1	2	3	4	5	6	7
1. Andhra Pradesh	1.0	—9.0	—1.5	4.7	4.9	3.3
2. Arunachal Pradesh	8.0	3.3	44.5	1.9	5.3	9.0
3. Assam	1.8	—0.8	3.9	1.7	11.0	4.8
4. Bihar	3.0	1.6	9.4	4.0	6.3	4.3
5. Goa	0.1	—40.8	6.6	2.0	12.7	5.9
6. Gujarat	—1.0	—33.7	11.6	6.1	4.8	3.2
7. Haryana	5.7	0.5	28.0	2.8	10.0	7.3
8. Himachal Pradesh	0.6	—9.9	10.4	12.6	13.3	3.6
9. Karnataka	4.0	—3.2	5.1	4.3	5.9	5.3
10. Kerala	3.5	—8.0	—9.1	15.9	—0.1	3.2
11. Madhya Pradesh*	1.0	—5.2	16.0	—0.8	5.2	4.3
12. Maharashtra	—0.1	—10.7	0.7	9.4	5.9	4.2
13. Manipur	2.7	—9.6	9.8	—	8.2	4.7
14. Orissa	0.5	—5.3	8.5	11.9	13.9	3.5
15. Punjab	6.3	—11.4	10.9	7.6	9.1	6.2
16. Rajasthan	3.4	9.9	—28.9	—0.2	2.2	3.9
17. Tamil Nadu	4.5	5.3	0.5	2.9	4.6	6.8
18. Uttar Pradesh	3.4	—12.7	15.7	3.2	7.8	4.5
19. West Bengal	6.6	—16.3	8.0	2.3	3.2	4.7
20. Pondicherry	—3.6	—	0.5	—	3.6	1.7

* Computed on the basis of data at 1970-71 prices.

Source : CSO

Table XII.4 : —Share of Real Output from Agriculture and Manufacturing to SDP

(Per cent)

States/Union Territories	Agriculture/SDP	Manufacturing/SDP
1	2	3
1. Andhra Pradesh	39.7	12.2
2. Assam	40.1	12.1
3. Bihar	44.4	12.0
4. Goa	13.3	33.9
5. Gujarat	24.6	28.1
6. Haryana	46.9	17.6
7. Himachal Pradesh	34.3	8.6
8. Karnataka	38.4	19.2
9. Kerala	34.4	14.2
10. Madhya Pradesh*	40.1	13.3
11. Maharashhtra	19.2	27.5
12. Manipur	36.8	6.8
13. Orissa	47.1	8.3
14. Punjab	51.5	14.5
15. Rajasthan	47.2	12.3
16. Tamil Nadu	25.4	25.4
17. Uttar Pradesh	45.3	14.5
18. West Bengal	31.1	23.6
19. Pondicherry	11.2	17.6

* Computation based on data provided at 1970-71 prices.

Note : Computed by taking the ratios of mean outputs from agriculture and from manufacturing to mean SDP for each State for 5 years, 1984-85 to 1988-89. The data are at constant (1980-81) prices except in the case of Madhya Pradesh.

Source : C.S.O.

five years ending 1988-89.* States whose real income from agriculture was in the range of 30-40 per cent of real SDP were: Andhra Pradesh, Himachal Pradesh, Karnataka, Kerala, Manipur and West Bengal. In regard to real income from 'manufacturing', its share in SDP was less than 10 per cent in only limited number of cases — Himachal Pradesh, Manipur and Orissa. Goa, Gujarat, Maharashtra and Tamil Nadu registered more than 25 per cent of their States' real incomes from 'manufacturing.'

Agricultural Production

Actual data on production of some of the selected agricultural crops for the States/UTs are available upto 1989-90-one year beyond the available SDP data and are presented in statement 17A of volume II of this Report.

These data show that foodgrains output over the last two years had increased. Output in 1989-90 had gone up over the level of 1987-88 — an unsatisfactory agricultural year for the country as a whole — in all the States other than Manipur and Meghalaya. The increase in foodgrains output in the last two years was reflected mainly in the gains made in the cereals' output during the period. In the case of pulses, however, output in 1989-90 was lower than that in 1987-88 in Andhra Pradesh, Assam, Karnataka, Kerala, Madhya Pradesh, Meghalaya, Mizoram and West Bengal.

State-wise data on production of selected non-foodgrains are given in statement 17B of volume II of this Report. Among the States which are the major producers of oilseeds@, most of them showed declines in output in 1989-90. But for the high growth of oilseeds output in 1988-89 in Gujarat, Madhya Pradesh, Rajasthan and Uttar Pradesh, the position in the major oilseeds producing States in 1989-90 compared with that of 1987-88 would have been still more unsatisfactory. In regard to cotton, all the major

* The ratios presented in Table 4 are based on the data given sector-wise at constant prices for five years begining 1984-85 and ending 1988-89. Average real incomes for the selected 5-year period were computed for deriving the selected ratios.

@ The major producing States are chosen on the basis that at least 750 thousand tonnes are produced in a year in the State on an average in the five years ending 1989-90.

producing States* turned in good output performance in 1989-90, with the exception of Karnataka. In the preceding year, namely 1988-89 all the major producing States with the exception of Maharashtra, recorded very high growth rates. In respect of sugarcane, all the major sugarcane-producing States@ excepting Assam, Karnataka, and Tamil Nadu, had recorded increases in output in 1989-90. In 1988-89, only Assam and Uttar Pradesh recorded declines in output among the major sugarcane — producing States. As regards raw jute and mesta, Andhra Pradesh and West Bengal showed output gains in both 1988-89 and 1989-90. In Assam, jute output improved in 1989-90 but declined in 1988-89. On the other hand, in Bihar and Orissa, jute output was higher in 1988-89 compared with 1987-88 but was lower in 1989-90 than that in the previous year.

Industrial Sector Developments

The many facets of industrialisation in the States/UTs are captured from the data given in the *Annual Surveys of Industries* by the Central Statistical Organisation. The latest *Annual Survey* pertains to 1986-87. Some of the indicators culled out of the *Annual Surveys* are given in Table XII-5 for only two reference years, 1982-83 and 1986-87, thereby covering an intermittant period of five years.

One of the striking points that could be noticed is that registered factories were concentrated only in a few States. Maharashtra had the largest number of factories, followed by Tamil Nadu, Andhra Pradesh, Gujarat, Uttar Pradesh, Karnataka, Punjab and West Bengal, to name a few. Together, factories in these eight States accounted for over 76 per cent of factories all over India in 1982-83 as well as in 1986-87. Over the five-year period, 1982-83 through 1986-87, the number of factories declined in Bihar, Kerala, Meghalaya, Tripura, West Bengal and Delhi. The number of employees in factories in six of the 25 States/UTs, *viz.*, Andhra Pradesh, Gujarat, Maharashtra, Tamil Nadu, Uttar Pradesh and West Bengal, amounted to about 67 per cent and 65 per cent, respectively, in 1982-83 and 1986-87 of total employees all over India. In terms of the value of fixed capital, the highest amount was recorded by Maharashtra in both the initial and terminal years under view. In 1982-83, the top five States other than Maharashtra, in terms of the value of fixed capital were: Uttar Pradesh, Bihar, Gujarat, Madhya Pradesh and West Bengal. By 1986-87, there was some change in this order of the States holding the top five positions (next to Maharashtra) to Uttar Pradesh, Gujarat, Madhya Pradesh, Bihar and Tamil Nadu.

In regard to the value of output, the first five to record high values were: Maharashtra, Gujarat, Tamil Nadu, West Bengal and Uttar Pradesh in 1982-83, and Maharashtra, Gujarat, Tamil Nadu, Uttar Pradesh and West Bengal in 1986-87. Net value added was the highest in Maharashtra in both the initial and terminal years under consideration. Next in order came Tamil Nadu, West Bengal, Gujarat and Uttar Pradesh in 1982-83, and Tamil Nadu, Gujarat, Uttar Pradesh and West Bengal in 1986-87.

Some of the structural and technical ratios based on the important variables of industrial sector are given in Table XII.6 for States/UTs for 1982-83 and 1986-87. Gross output per employee, which may be regarded as a very rough measure of labour-output relationship, rose in almost all the States/UTs, except in Manipur and Meghalaya over the period. Fixed capital per employee, a proxy measure of non-inventory investment to labour ratio, had also shown a rise over the five-year period in all the States/UTs other than Manipur, Meghalaya and Delhi. Fixed capital to output ratio declined over the period in Himachal Pradesh, Karnataka, Manipur, Meghalaya, Rajasthan, West Bengal, Andaman and Nicobar Islands, Chandigarh, Delhi and Goa, Daman and Diu, and moved upward in the remaining States/UTs. Productivity as measured by net value added to output increased in many of the States/UTs, the exceptions being Andhra Pradesh, Haryana, Himachal Pradesh, Jammu and Kashmir, Madhya Pradesh, West Bengal, Andaman and Nicobar Islands, Delhi, and Goa, Daman and Diu. The

* These States are identified on the basis of the mean output level of more than 500 thousand bales (of 170 kgs. each) per year during the period 1985-86 and 1989-90.

@ The States are identified on the basis of the annual average output of a minimum of 1 million tonne a year during the five-year period ending 1989-90.

Table XII.5—Some Indicators of Industrial Sector

(Value in Rs. crore)

States/Union Territories	No. of Factories		No. of Employees		Fixed Capital		Value of Output		Net Value Added	
	1982-83	1986-87	1982-83	1986-87	1982-83	1986-87	1982-83	1986-87	1982-83	1986-87
1	2	3	4	5	6	7	8	9	10	11
1. Andhra Pradesh	10,904	12,328	7,59,304	6,77,555	2,357	4,154	4,747	8,008	1,016	1,376
2. Assam	1,479	1,698	1,14,281	1,08,177	261	745	677	1,868	153	478
3. Bihar	3,759	3,747	3,72,210	3,51,955	4,466	5,719	5,701	6,935	1,123	1,422
4. Gujarat	10,073	10,697	7,58,609	6,76,572	3,596	6,383	10,235	15,150	1,524	2,594
5. Haryana	2,648	2,877	2,19,389	2,27,873	1,131	2,120	2,818	4,514	520	753
6. Himachal Pradesh	178	213	26,219	39,400	473	765	253	532	136	190
7. Jammu & Kashmir	335	395	33,318	34,447	114	331	167	344	36	43
8. Karnataka	5,146	5,655	3,95,554	3,87,357	1,688	2,554	3,552	5,439	814	1,290
9. Kerala	3,130	2,915	2,65,499	2,27,429	1,075	1,650	2,488	3,443	484	687
10. Madhya Pradesh	3,069	3,214	3,61,759	3,56,225	3,338	6,059	3,612	6,413	956	1,100
11. Maharashtra	14,983	15,148	12,91,318	12,00,490	6,346	10,746	19,000	29,692	3,601	6,074
12. Manipur	28	49	1,367	1,189	2	1	3	2	1	1
13. Meghalaya	36	26	6,085	933	84	2	39	5	9	2
14. Orissa	1,319	1,383	1,39,444	1,45,165	1,050	2,005	1,254	2,316	231	419
15. Punjab	5,036	5,325	2,63,367	3,07,943	1,840	3,034	3,431	5,478	458	791
16. Rajasthan	2,382	2,814	2,15,554	2,11,429	1,769	3,132	2,086	4,073	395	853
17. Tamil Nadu	11,303	12,616	8,15,602	8,48,903	2,787	5,678	9,009	14,238	1,691	2,667
18. Tripura	302	233	16,217	13,400	11	24	20	35	6	11
19. Uttar Pradesh	7,697	7,842	8,12,791	6,95,262	4,806	7,673	7,169	11,365	1,495	2,333
20. West Bengal	5,836	5,224	9,46,168	7,62,746	3,010	3,877	7,397	9,894	1,634	1,981
21. Andaman & Nicobar Islands	33	46	5,563	4,901	6	6	17	18	3	2
22. Chandigarh	238	261	10,780	11,571	17	26	110	180	19	34
23. Delhi	2,874	2,843	1,45,187	1,18,751	582	294	1,949	2,357	272	307
24. Goa, Daman & Diu	227	241	16,859	15,965	163	180	397	584	74	108
25. Pondicherry	148	167	17,314	16,241	31	73	106	161	22	37
26. **All India**	**93,166**	**97,957**	**80,09,792**	**74,41,879**	**41,006**	**67,231**	**86,238**	**1,33,044**	**16,674**	**25,552**

Source : Annual Surveys of Industries, C.S.O., Government of India.

Table XII.6—Selected Ratios relating to the Industrial Sector

States/Union Territories	Gross Output per Employee*		Fixed Capital per Employee*		Fixed Capital to Output		Net Value Added to Output		Fixed Capital to Net Value Added	
	1982-83	1986-87	1982-83	1986-87	1982-83	1986-87	1982-83	1986-87	1982-83	1986-87
1	2	3	4	5	6	7	8	9	10	11
1. Andhra Pradesh	0.63	1.18	0.31	0.61	0.50	0.52	0.21	0.17	2.32	3.02
2. Assam	0.59	1.73	0.23	0.69	0.39	0.40	0.23	0.26	1.71	1.56
3. Bihar	1.53	1.97	1.20	1.62	0.78	0.82	0.20	0.21	3.98	4.02
4. Gujarat	1.35	2.24	0.47	0.94	0.35	0.42	0.15	0.17	2.36	2.46
5. Haryana	1.28	1.98	0.52	0.93	0.40	0.47	0.18	0.17	2.18	2.82
6. Himachal Pradesh	0.96	1.35	1.80	1.94	1.87	1.44	0.54	0.36	3.48	4.03
7. Jammu & Kashmir	0.50	1.00	0.34	0.96	0.68	0.96	0.22	0.13	3.17	7.70
8. Karnataka	0.90	1.40	0.43	0.66	0.48	0.47	0.23	0.24	2.07	1.98
9. Kerala	0.94	1.51	0.40	0.73	0.43	0.48	0.19	0.20	2.22	2.40
10. Madhya Pradesh	1.00	1.80	0.92	1.70	0.92	0.94	0.26	0.17	3.49	5.51
11. Maharashtra	1.47	2.47	0.49	0.90	0.33	0.36	0.19	0.20	1.76	1.77
12. Manipur	0.21	0.17	0.15	0.11	0.72	0.63	0.32	0.44	2.24	1.42
13. Meghalaya	0.64	0.54	1.38	0.16	2.15	0.30	0.24	0.35	9.93	0.86
14. Orissa	0.90	1.60	0.75	1.38	0.84	0.87	0.18	0.18	4.55	4.79
15. Punjab	1.30	1.78	0.70	0.99	0.54	0.55	0.13	0.14	4.02	3.84
16. Rajasthan	0.97	1.93	0.82	1.48	0.85	0.77	0.19	0.21	4.48	3.67
17. Tamil Nadu	1.10	1.68	0.34	0.67	0.31	0.40	0.19	0.19	1.65	2.13
18. Tripura	0.12	0.26	0.07	0.18	0.53	0.68	0.29	0.31	1.81	2.20
19. Uttar Pradesh	0.88	1.63	0.59	1.10	0.67	0.68	0.21	0.21	3.21	3.29
20. West Bengal	0.78	1.30	0.32	0.51	0.41	0.39	0.22	0.20	1.84	1.96
21. Andaman & Nicobar Islands	0.30	0.37	0.11	0.12	0.38	0.35	0.21	0.10	1.82	3.61
22. Chandigarh	1.02	1.56	0.16	0.22	0.15	0.14	0.17	0.19	0.94	0.77
23. Delhi	1.34	1.98	0.40	0.25	0.30	0.12	0.14	0.13	2.14	0.96
24. Goa, Daman & Diu	2.35	3.66	0.97	1.13	0.41	0.31	0.19	0.18	2.20	1.67
25. Pondicherry	0.61	0.99	0.18	0.45	0.29	0.45	0.21	0.23	1.37	2.00
26. **All India**	**1.08**	**1.79**	**0.51**	**0.90**	**0.48**	**0.51**	**0.19**	**0.19**	**2.46**	**2.63**

* In Rs. lakhs.

Source : Computed on the basis of the data provided by the Annual Surveys of Industries, C.S.O., Government of India.

ratio of fixed capital to net value added too moved up in majority of cases, the declines occuring in Assam, Karnataka, Manipur, Meghalaya, Punjab, Rajasthan, Chandigarh, Delhi and Goa, Daman and Diu.

Annual Surveys of Industries also provide information about the share of seven most important industry-groups in the total value of gross output in ten major States. Put together, the seven industry groups accounted for a minimum of 71 per cent to a maximum of 92 per cent share of the total industrial output in the select States in 1982-83 and 1986-87. Some of the industry-groups which had more than 10 per cent share in the value of the industrial output of the selected States are enumerated below:

Industry-groups with share of 10 per cent and above of industrial output

Industry Group	States
1. Food Products	Andhra Pradesh, Gujarat, Karnataka, Maharashtra, Tamil Nadu, Uttar Pradesh and Rajasthan
2. Chemicals and Chemical Products	Gujarat, Maharashtra, Tamil Nadu and Rajasthan
3. Basic Metals and Alloys	Bihar, Madhya Pradesh, West Bengal and Rajasthan
4. Rubber, Plastic, Petroleum and Coal Products.	Bihar, Gujarat, Maharashtra, Tamil Nadu, Uttar Pradesh and West Bengal
5. Cotton Textiles	Gujarat and Tamil Nadu
6. Electricity	Uttar Pradesh and Rajasthan
7. Electric Machinery	Karnataka

Of the industry groups, the one which had considerable presence in most of the selected States was the 'Food Products' manufacture. Next in terms of number of industry groups with shares above the threshold limit of 10 per cent, came manufacture of 'chemicals and chemical products', 'rubber, plastic, petroleum and coal products', and 'basic metals and alloys'. The share of 'electricity' generated was more than 10 per cent of the output value in Uttar Pradesh and Rajasthan. 'Cotton textiles' group was predominant in only two of the select States, *viz.*, Gujarat and Tamil Nadu. 'Electric machinery' had share above the threshold limit in only Karnataka.

Banking Spread

Data on the spread of commercial bank offices and banking habit are available for all the States/UTs for the period upto the last Friday of March 1991. Table XII.7 gives details of number of scheduled commercial bank offices, deposits, credit and credit-deposit ratios for two reference years, 1986 and 1991, both as on the last Fridays of March. It shows that in all the regions, the number of bank offices grew between the two reference years, especially impressively in North-Eastern and Eastern regions. As on the last Friday of March 1986, credit-deposit ratio in the Eastern region at 50.2 per cent was lower than the ratios in the remaining regions. As on that date, the highest credit-deposit ratio was recorded by the Southern region, followed by the Western region. In 1991 (last Friday of March), the lowest credit-deposit ratio was recorded by the North-Eastern region, while the highest was by the Southern region.

Per office bank deposits and bank credit would give a better idea of the performance of banking by States/UTs (Table XII.8). Per office bank deposits increased in all States/UTs over the period in question, the increases being more than 100 per cent in most of the States/UTs. Per office bank credit too rose in all the States/UTs (with the exceptions of Lakshadweep and Sikkim), but the rates of increase differed widely over the five year period ending last Friday of March 1991. Per office bank credit growth was more than 100 per cent during the period in Andhra Pradesh, Bihar, Delhi, Goa, Gujarat, Jammu and Kashmir, Karnataka, Madhya Pradesh, Manipur, Nagaland, Pondicherry and Tamil Nadu. Growth rate of 50 to 100 per cent in per office credit was recorded in Arunachal Pradesh, Assam, Dadra and Nagar Haveli, Haryana, Himachal Pradesh, Kerala, Maharashtra, Meghalaya, Mizoram, Orissa, Punjab, Rajasthan, West Bengal, Uttar Pradesh and Tripura.

Commercial bank office and banking habit have spread in a substantial way into rural areas of the States/UTs in recent years.

The share of rural bank offices to total scheduled commercial bank offices increased in

Table XII.7 State-Wise Distribution of the Number of Reporting Offices, Aggregate Deposits and Gross Bank Credit of all Scheduled Commercial Banks

(Amount in lakhs of rupees)

States/Union Territories	As on the last Friday of March 1986				As on the last Friday of March 1991			
	No. of Offices	Bank Deposits	Bank Credit	Credit Deposit Ratio (Per Cent)	No. of Offices	Bank Deposits	Bank Credit	Credit Deposit Ratio (Per Cent)
1	2	3	4	5	6	7	8	9
I. **Northern Region**	**8,197**	**18566,99**	**11078,05**	**59.7**	**9,161**	**42798,35**	**27230,98**	**63.6**
Haryana	1,103	1570,68	1105,57	70.4	1,260	3955,76	2386,20	60.3
Himachal Pradesh	547	553,08	226.32	40.9	725	1408,51	526,94	37.4
Jammu & Kashmir	727	814,88	341,24	41.9	766	1968,67	958,08	48.7
Punjab	2,002	4478,96	2105,22	47.0	2,136	9921,47	4445,79	44.8
Rajasthan	2,665	2192,46	1521,43	69.4	3,044	5539,65	3131,37	56.5
Chandigarh	109	595,75	1039,92	174.6	108	1429,36	1174,27	82.1
Delhi	1,044	8361,18	4738,35	56.7	1,122	18574,93	14608,33	78.6
II. **North-Eastern Region**	**1,446**	**1348,73**	**715,74**	**53.1**	**1,830**	**3402,58**	**1552,37**	**45.6**
Arunachal Pradesh	51	43,63	9,46	21.7	67	146,36	24,05	16.4
Assam	953	930,04	530,02	57.0	1,206	2178,36	1117,13	51.3
Manipur	62	32,72	25,08	76.7	84	107,80	70,60	65.5
Meghalaya	129	129,99	37,40	28.8	156	373,83	72,33	19.3
Mizoram	50	32,19	9,40	29.2	72	103,39	22,89	22.1
Nagaland	65	79,78	34,68	43.5	70	214,24	82,52	38.5
Tripura	136	100,38	69,70	69.4	175	278,62	162,85	58.4
III. **Eastern Region**	**9,264**	**14145,74**	**7102,06**	**50.2**	**11,129**	**31121,47**	**16126,01**	**51.8**
Bihar	4,169	3965,80	1572,51	39.7	4,830	9332,14	3697,73	39.6
Orissa	1,724	1029,76	934,11	90.7	2,071	2735,15	2093,26	76.5
Sikkim	19	51,99	14,11	27.1	29	110,31	20,27	18.4
West Bengal	3,339	9077,53	4573,09	50.4	4,178	18886,82	10295,19	54.5
Andaman & Nicobar Islands	13	20,66	8,24	39.9	21	57,06	19,55	34.3
IV. **Central Region**	**10,991**	**11721,89**	**6172,61**	**52.7**	**12,735**	**28132,97**	**14539,88**	**51.7**
Madhya Pradesh	3,701	3091,47	1913,29	61.9	4,330	7737,14	5192,92	67.1
Uttar Pradesh	7,290	8630,42	4259,32	49.4	8,405	20395,83	9346,96	45.8
V. **Western Region**	**8,234**	**21667,24**	**17552,37**	**81.0**	**9,206**	**52424,02**	**37416,57**	**71.4**
Goa	260	739,00	243,50	32.9	256	1460,19	485,55	33.3
Gujarat	3,078	5331,25	3088,38	57.9	3,367	11722,61	6999,75	59.7
Maharashtra	4,890	15591,83	14216,38	91.2	5,566	39166,73	29909,55	76.4
Dadra & Nagar Haveli	6	5,16	4,12	79.8	7	15,14	7,83	51.7
Daman & Diu	Included with Goa				10	59,34	13,91	23.4
VI. **Southern Region**	**14,765**	**18190,75**	**15353,29**	**84.4**	**16,052**	**42156,30**	**35644,36**	**84.6**
Andhra Pradesh	4,123	4898,34	3971,17	81.1	4,584	11012,35	9100,26	82.6
Karnataka	3,919	4191,33	3729,78	89.0	4,263	9631,61	8262,58	85.8
Kerala	2,723	3519,65	2253,05	64.0	2,842	7695,78	4551,65	59.1
Tamil Nadu	3,932	5435,27	5326,39	98.0	4,286	13493,88	13555,42	100.5
Lakshadweep	5	3,71	1,08	29.1	8	8,84	1,50	17.0
Pondicherry	63	142,44	71,81	50.4	69	313,84	172,95	55.1
VII. **All India**	**52,897**	**85641,35**	**57974,11**	**67.7**	**60,113**	**200035,69**	**132510,18**	**66.2**

Note : Data are inclusive of those relating to RRBs.

Source : Banking Statistics — Quarterly Handouts, Reserve Bank of India.

Table XII.8 Per Office Bank Deposits and Credit
(As on last Friday of March)

(Rs. crore)

States/Union Territories	Bank Deposits		Bank Credit	
	1986	1991	1986	1991
1	2	3	4	5
1. Andhra Pradesh	1.19	2.40	0.96	1.99
2. Arunachal Pradesh	0.86	2.18	0.19	0.36
3. Assam	0.98	1.81	0.56	0.93
4. Bihar	0.95	1.93	0.38	0.77
5. Goa	2.84*	5.70*	0.94*	1.90*
6. Gujarat	1.73	3.48	1.00	2.08
7. Haryana	1.42	3.14	1.00	1.89
8. Himachal Pradesh	1.01	1.94	0.41	0.73
9. Jammu & Kashmir	1.12	2.57	0.47	1.25
10. Karnataka	1.07	2.26	0.95	1.94
11. Kerala	1.29	2.71	0.83	1.60
12. Madhya Pradesh	0.84	1.79	0.52	1.20
13. Maharashtra	3.19	7.04	2.91	5.37
14. Manipur	0.53	1.28	0.40	0.84
15. Meghalaya	1.01	2.40	0.29	0.46
16. Mizoram	0.64	1.44	0.19	0.32
17. Nagaland	1.23	3.06	0.53	1.18
18. Orissa	0.60	1.32	0.54	1.01
19. Punjab	2.24	4.64	1.05	2.08
20. Rajasthan	0.82	1.82	0.57	1.03
21. Sikkim	2.74	3.80	0.74	0.70
22. Tamil Nadu	1.38	3.15	1.35	3.16
23. Tripura	0.74	1.59	0.51	0.93
24. Uttar Pradesh	1.18	2.43	0.58	1.11
25. West Bengal	2.72	4.52	1.37	2.46
26. Andaman & Nicobar Islands	1.59	2.72	0.63	0.93
27. Chandigarh	5.47	13.23	9.54	10.87
28. Dadra & Nagar Haveli	0.86	2.16	0.69	1.12
29. Daman & Diu	N.A.@	5.93	N.A.@	1.39
30. Delhi	8.01	16.56	4.54	13.02
31. Lakshadweep	0.74	1.11	0.22	0.19
32. Pondicherry	2.26	4.55	1.14	2.51
All India	**1.62**	**3.33**	**1.10**	**2.20**

* Includes Daman & Diu.

@ Included with Goa.

Source : Computed from Quarterly Handouts, *Banking Statistics*, Reserve Bank of India.

Table XII.9 Share of Rural to Total Offices, Deposits and Credit of Scheduled Commercial Banks (As on last Fridays of March)

(Per cent)

States/Union Territories	Rural/Total offices		Rural/Total Deposits		Rural/Total Credit	
	1986	1991	1986	1991	1986	1991
1	2	3	4	5	6	7
I. Northern Region	**54.7**	**57.1**	**14.5**	**16.1**	**12.0**	**11.6**
Haryana	56.3	58.5	22.3	24.8	25.3	26.6
Himachal Pradesh	85.4	89.2	65.1	68.7	66.8	66.3
Jammu & Kashmir	71.9	72.2	27.9	30.1	21.9	14.0
Punjab	54.0	55.1	27.4	28.5	20.0	27.4
Rajasthan	64.0	66.8	19.0	21.2	23.8	24.3
Chandigarh	12.8	11.1	2.3	2.1	0.8	0.9
Delhi	6.9	6.8	1.2	1.8	0.6	0.4
II. North-Eastern Region	**70.6**	**73.8**	**25.4**	**25.5**	**28.6**	**31.8**
Arunachal Pradesh	98.0	98.5	97.2	98.4	97.8	99.3
Assam	70.1	72.6	24.5	23.7	26.5	29.5
Manipur	58.1	66.7	11.2	18.8	24.9	24.8
Meghalaya	69.8	74..4	14.2	15.3	27.5	35.4
Mizoram	84.0	88.9	22.3	20.2	33.9	33.9
Nagaland	66.2	65.7	23.9	18.4	21.1	22.3
Tripura	67.6	72.0	29.1	25.2	39.8	43.1
III. Eastern Region	**65.2**	**69.1**	**13.9**	**18.1**	**15.7**	**18.8**
Bihar	74.7	76.1	23.3	29.6	31.3	38.3
Orissa	74.0	77.5	22.4	27.5	32.6	32.0
Sikkim	78.9	86.2	14.6	23.2	24.6	26.5
West Begnal	48.6	56.6	8.9	11.1	6.9	9.0
Andaman & Nicobar Islands	61.5	61.9	21.6	23.0	19..4	21.4
IV. Central Region	**66.2**	**69.2**	**21.4**	**25.8**	**25.9**	**26.0**
Madhya Pradesh	67.7	71.0	17.7	21.5	23.2	21.9
Uttar Pradesh	65.4	68.3	22.7	27.5	27.2	28.3
V. Western Region	**45.5**	**47.8**	**8.4**	**7.9**	**6.0**	**6.9**
Goa	62.7	60.2	33.8	31.0	22.4	20.0
Gujarat	48.9	50.5	15.4	16.7	14.5	16.9
Maharashtra	42.4	45.6	4.7	4.4	3.9	4.4
Dadra & Nagar Haveli	100.0	100.0	100.0	100.0	100.0	100.0
Daman & Diu	—	10.0	—	3.4	—	2.9
VI. Southern Region	**46.6**	**47.1**	**14.6**	**13.9**	**17.2**	**15.0**
Andhra Pradesh	58.2	58.2	17.8	17.3	24.2	19.9
Karnataka	54.6	55.8	17.5	16.7	20.7	17.8
Kerala	23.1	19.4	9.5	7.9	10.3	8.6
Tamil Nadu	42.8	45.0	12.7	12.2	12.4	12.2
Lakshadweep	100.0	100.0	100.0	100.0	100.0	100.0
Pandicherry	44.4	40.6	15.3	15.8	19.1	16.0
VII. All India	**55.7**	**58.3**	**14.0**	**15.3**	**13.7**	**13.9**

Source : Computed from the data taken from BSR — *Quarterly Handouts*, Reserve Bank of India.

Table XII.10—Performance of Scheduled Commercial Banks in Rural Areas — By States/UTs

(Per cent)

States/Union Territories	Growth between the last Fridays of March 1986 and 1991			Credit-Deposit Ratio as on last Fridays of	
	No. of offices	Bank Deposits	Bank Credit	March 1986	March 1991
1	2	3	4	5	6
I. Northern Region	**16.7**	**156.0**	**139.0**	**49.1**	**45.9**
Haryana	18.7	179.0	126.5	79.7	64.7
Himachal Pradesh	38.5	168.7	131.1	42.0	36.1
Jammu & Kashmir	5.7	160.9	79.1	33.0	22.6
Punjab	8.9	130.5	189.0	34.3	43.0
Rajasthan	19.2	182.7	110.2	87.0	64.7
Chandigarh	—14.3	124.2	30.0	57.5	33.4
Delhi	5.6	224.2	120.5	27.9	19.0
II. North-Eastern Region	**32.2**	**149.2**	**140.7**	**58.8**	**56.8**
Arunachal Pradesh	32.0	239.8	158.1	21.8	16.6
Assam	31.1	126.0	134.1	61.7	63.9
Manipur	55.6	454.9	180.6	170.8	86.4
Meghalaya	28.9	208.8	148.3	55.7	44.8
Mizoram	52.4	200.0	143.6	44.4	37.1
Nagaland	7.0	106.8	151.8	38.4	46.8
Tripura	37.0	140.1	153.2	94.9	100.1
III. Eastern Region	**27.3**	**186.2**	**171.2**	**56.6**	**53.6**
Bihar	18.0	198.5	188.2	53.1	51.3
Orissa	25.9	226.1	120.1	132.2	89.3
Sikkim	66.7	238.0	55.0	45.8	21.0
West Bengal	45.8	160.0	195.5	39.1	44.5
Andaman & Nicobar Islands	62.5	193.7	161.9	35.8	31.9
IV. Central Region	**21.1**	**190.2**	**136.3**	**63.9**	**52.0**
Madhya Pradesh	22.6	204.1	156.7	81.1	68.5
Uttar Pradesh	20.3	186.3	128.5	59.2	47.2
V. Western Region	**17.4**	**128.4**	**144.8**	**58.5**	**62.7**
Goa	—5.5*	80.9	77.9	21.8	21.4
Gujarat	13.0	139.6	162.9	54.8	60.1
Maharashtra	22.4	131.4	137.1	75.0	76.8
Dadra & Nagar Haveli	16.7	193.4	90.0	79.8	51.7
Daman & Diu	*	*	*		20.0
VI. Southern Region	**9.9**	**120.8**	**103.0**	**99.5**	**91.5**
Andhra Pradesh	11.2	118.4	88.4	110.4	95.2
Karnataka	11.1	124.5	90.3	105.3	89.3
Kerala	—12.1	81.8	68.2	69.1	63.9
Tamil Nadu	14.6	138.6	151.5	95.9	101.0
Lakshadweep	60.0	138.3	38.9	29.1	17.0
Pandicherry	—	126.8	101.5	62.8	55.8
VII. All India	**19.0**	**156.0**	**131.9**	**66.3**	**60.1**

* Data relating to last Friday of March 1986 were included with Goa, and hence the growth rates could not be obtained.

Source : Computed from the data taken from BSR — *Quarterly Handouts,* Reserve Bank of India.

most of the States during the period under consideration (Table XII.9). These shares were relatively high in North-Eastern, Eastern and Central regions. The growth rates of rural offices in these regions were comparatively large. Reflecting this development, deposits with rural offices in these regions increased substantially and formed significant proportion of total deposits (Table XII.10). In respect of extension of bank credit, the shares of rural offices were relatively high in North-Eastern and Central regions in both the reference years. More importantly, the shares of rural credit to total credit exceeded the respective shares of deposits with rural offices in total deposits in North Eastern, Central, Eastern and Southern regions. Credit-deposit ratio of rural offices was the highest in the Southern region and the lowest in the Northern region in both the reference years.

APPENDIX - 1

IMPORTANT EXPORT CONTROL/PROMOTION ANNOUNCEMENTS (APRIL 1990 - MARCH 1991)

A - CHANGES IN EXPORT CONTROL

Sr. No.	Item	Month	Details
1	2	3	4
1.	Basmati rice	April 1990	The minimum export price was fixed at Rs.9,500/- per MT (f.o.b).
2.	Meat of Buffalo sheep, Goat and Buffalo offals	April 1990	Exports were allowed subject to procurement of pre-shipment and inspection certificate from various designated health agencies in respective State/City.
3.	Bajra, Jowar, Ragi, Barley and Wheat straw (Hay)	April 1990	Exports were allowed within a limited ceiling placed at the disposal of Agricultural and Processed Food Products Export Development Authority (APEDA), New Delhi.
4.	Polyester staple fibre	April 1990	Exports were allowed on a decontrolled basis.
5.	Re-export of imported goods to any country outside India	April 1990	Re-export of any goods imported and bonded on arrival in India to the country from where such goods were imported was allowed under Seaving clause 15(g) of the Exports Control Order, 1988.
6.	Non-Basmati rice	May 1990	Exports were allowed within a limited ceiling which was placed at the disposal of Agricultural and Processed Foods Products Export Development Authority (APEDA), New Delhi. Exports were subject to compulsary pre-shipment inspection by the concerned Export Inspection Agencies.
7.	Polyester filament yarn (all types), Rayon filament yarn, Nylon filament yarn, Viscose staple fibre spun yarn and high performance viscose staple fibre	May 1990	Exports were allowed against export certificate issued by the Synthetic and Rayon Textiles Export Promotion Council, Bombay.
8.	Safflower Seed (Kardi seed)	May 1990	Exports were allowed within a limited ceiling which was placed at the disposal of Indian oil & Product Exporters' Association, (IOPEA), Bombay.
9.	Pure milk ghee	May 1990	The National Dairy Development Board (NDDB), Anand, Gujarat, was allowed to export under OGL No.4
10.	Psyllium seed/psyllium husk/psyllium powder	June 1990	Minimum Export Price was removed with immediate effect.
11.	Samples of text books and other books.	June 1990	The value limit for export was increased to Rs.10,000/- per consignment.
12.	Onion as part of assorted vegetables	June 1990	Export consignments up to 20 kgs. was allowed under OGL No.3 by air irrespective of its size.

Sr. No.	Item	Month	Details
1	2	3	4
13.	Meat of Buffalo, Sheep and Goat	June 1990	The minimum export price of buffalo meat was increased from Rs.11.50 per kg. F.O.B. to Rs.13.50 per kg. F.O.B. and for Sheep/ goat meat from Rs.26/- per kg. F.O.B. to Rs.35/- per kg. F.O.B.
14.	Wheat Products, viz., raw resultant atta, maida, suji and whole meal atta (wheat flour of not less than 95% extractions)	July 1990	Exports were allowed within a limited ceiling of Agricultural and Processed Food products Export Development Authority. (APEDA), New Delhi.
15.	Spun yarn containing 50 per cent or more of synthetic fibre	July 1990	The minimum export prices for polyester cotton yarn, polyester viscose yarn, viscose staple fibre spun yarn and rayon filament yarn were fixed at the rates varying with respect to thread count.
16.	Silvered Mica, mica flake and fabricated Mica	July 1990	Exports were allowed under OGL No.3 subject to a minimum export price which would be announced by the Government of India from time to time.
17.	Cereal based weaning foods containing less than 50% milk solids by weight	July 1990	Exports were canalised under OGL No.4 by the Agricultural & Processed Food Products Export Development Authority (APEDA), New Delhi.
18	Processed timber made out of red sander wood.	August 1990	Exports were allowed 'On Merit', subject to certain conditions.
19.	Re-export of books imported under Open General Licence	August 1990	Re-exports were allowed up to 25% of the f.o.b. value of the books/periodicals exported during the previous year.
20.	Kuth (Costus lapps Syn. Saussurea Lappa B.Cl. Asteraceae) cultivated in private lands and its derivatives except wild varieties.	August 1990	Exports were allowed 'On Merit', subject to certain conditions and without any Minimum Export Price with immediate effect.
21.	Powder milk (skimmed or full cream/whole and infant milk food)	August 1990	The National Dairy Development Board (NDDB) Anand, Gujarat, was allowed to export under OGL No.4
22.	Grass, plants, plant portion and derivatives	August 1990	Exports of decorative grass and non-edible grass other than fodder grass were allowed freely on production of "No Objection Certificate" from the designated authorities.
23.	Iron and Steel other than Cast Iron pipes and fittings	August 1990	Exports of iron and steel produced by integrated steel plants, alloy steel plants, mini steel plants, secondary producers and re-rollers were allowed under OGL No.3 subject to 'No Objection Certificate' from Development Commissioner for Iron and Steel, Calcutta and also that it does not exceed 10 per cent of this total production.
24.	Nylon tyre cord	August 1990	Exports were allowed within a limited ceiling.
25.	Cereal based weaning foods containing less than 50% milk solids by weight	August 1990	Exports were placed under ceiling, which was to be operated by the Agricultural and Processed Foods Products Export Development Authority, New Delhi.

Sr. No.	Item	Month	Details
1	2	3	4
26.	Peacock tail feathers and articles/handicrafts made therefrom	August 1990	Exports were allowed within a limited ceiling.
27.	All kinds of finished leather	August 1990	Exports were allowed under OGL No.3 with effect from April 1991 subject to allocation and administration of quotas by the Council for Leather Exports, Madras.
28.	Stone ballast/pitching stone	September 1990	Exports were allowed under OGL No.3 subject to a minimum export price of US $ 75 per cubic ft.
29.	Silver Mica, Mica flake and fabricated Mica	September 1990	The Minimum Export Price set in US dollar for exports to General Currency Area would also apply to the Rupee Payment Area at the Rupee equivalent of the US dollar with effect from July 25, 1990.
30.	Ban on trade with Iraq	October 1990	Exports to Iraq and Kuwait were banned except in case of supplies for medical purposes and food stuffs on humanitarian considerations.
31	Exports of imported spares for after sales services	October 1990	Exporters of machinery and equipment were allowed to export spares against payments subject to certain conditions.
32.	Stone ballast/pitching stone of Bihar origin	October 1990	Exports were canalised through the Bihar State Export Corporation subject to a minimum export price of US $ 75 per 100 ft.
33.	Processed mica including mica blocks mica-films and Splittings of all grades and varieties excluding Mica Waste/factory Cuttings and Mica Scrap	October 1990	Exports were allowed under OGL No.3, subject to certain conditions.
34.	Aluminium	October 1990	Exports were allowed on a de-controlled basis.
35.	Butter	October 1990	Exports were canalised through the National Dairy Development Board (NDDB), Anand (Gujarat)
36.	Boiled Cocoons (a variety of silk Waste)	October 1990	Exports were allowed under OGL No.3 subject to pre-shipment inspection of Central Silk Board and a minimum export price of Rs.100/- per kg. f.o.b.
37.	Chemically processed manganese di-oxide	November 1990	Exports were allowed on de-controlled basis.
38.	Cashew Kernel including roasted/salted in consumer pack of 1 kg. or less	November 1990	Exports were allowed under OGL No.3 subject to registration of contracts with the Cashew Export Promotion Council (CEPC), Cochin
39.	Tent and tent-cloth of Olive green shade	November 1990	Exports were allowed under OGL No.3 subject to registration of export contracts with Cotton Textiles Export Promotion Council (TEPC), Bombay.
40.	Wool tops manufactured from imported wool excluding wool noils	November 1990	Exports were allowed under OGL No.3 provided wool tops were made from imported wool under Customs Bonds.

Sr. No.	Item	Month	Details
1	2	3	4
41.	All kinds of Cashew Kernels in any form	December 1990	Exports were allowed under OGL No.3 subject to registration of contracts with the Cashew Export Promotion Council of India, Cochin
42.	Importer-Exporter code numbers	December 1990	Every person (whether an individual or firm or company etc.) importing or exporting goods into or from India was to take code number unless specifically exempted by the Chief Controller of Imports and Exports.
43.	Handicrafts made of Sandal wood	December 1990	Consequent upon redesignation of the Office of the All India Handicrafts Boards, necessary certificates were now to be produced from the Office of the Development Commissioner (Handicrafts) instead of the former, as done earlier.
44.	Strategic and Critical Materials	December 1990	Exports were allowed 'On Merit' by the Export Licensing Committee in the Office of the Chief Controller of Imports and Exports.
45.	Jaggery (Gur)	January 1991	Exports were allowed against limited ceiling.
46.	Phosphorous Oxychloride, Phosphorous Trichloride and Thionyl Chloride	January 1991	Exports were allowed under OGL No.3 subject to production of 'No Objection Certificate' from Ministry of Petroleum and Chemicals (Department of Chemicals and Petrochemicals), New Delhi.
47.	Flue-cured Virginia, Sun-cured Virgina and Sun-cured 'natu' (Country) Tobacco-Fixation of Minimum Exports Prices of various grades for the crops of 1991, 1990 and 1989	February 1991	Exports were allowed only subject to Minimum Exports Prices.
48.	Manganese ores excluding lumpy/blended Manganese ore with more than 46% Manganese	March 1991	Exports were canalised under OGL No.4 by Minerals and Metals Trading Corporation (MMTC), New Delhi.
49.	S.L.V. Coal	March 1991	Exports were allowed within a limited ceiling.
50.	Ban on trade with Iraq and Kuwait	March 1991	The ban on trade with Kuwait was lifted, while that on Iraq continued to remain in force.
51.	All kinds of finished leather	March 1991	The implementation of the Public Notice at Sr. No. 27 dated 31.8.90 was decided to be kept in abeyance till 31.3.1992.

APPENDIX - II

A - IMPORTANT ANNOUNCEMENTS WITH REGARD TO IMPORT CONTROL POLICY (APRIL 1990 - MARCH 1991)

Sr. No.	Item	Month	Details
1	2	3	4
1.	Addition to designated agencies to import life saving equipments.	April 1990	In addition to the Director General of Technical Development, the Chief Medical Officer or Civil Surgeon of a District and the Chief Medical Superintendent of the Hospital attached to a recognised Medical College will also be designated agencies for the purpose of grant of certificate of eligibility for import under Open General Licence of Life Saving Equipment and their spares. Custom authorities are to allow imports on the basis of a certificate from any of the aforesaid designated agency.
2.	Additional export obligation under Advance/Blanket Advance Licence	April 1990	In case where an additional export obligation has been imposed on Advance/Blanket Advance Licence, a condition to that extent will be imposed on the relevant Advance/Blanket Advance licence, but the exporter need not execute any separate bond for this purpose. The exporter would be required to submit a satisfactory evidence of direct export made to GCA countries supported by a proof of realisation of foreign exchange in his own name, within a period of 18 months from the date of the issue of the relevant Advance/Blanket Advance Licences.
3.	Amendments to Import Export Policy April 1990-March 1993.	May 1990	Imports of items appearing in the Restricted List (excepting raw materials and intermediates required by the chemicals, drugs and pharmaceuticals sectors, Colour TV Picture Tubes and such other items as may be notified by the Chief Controller of Imports and Exports, New Delhi from time to time as well as items in the limited permissible list including those shifted from Open General Licence and canalised list with limited permissible list in the current Import Policy, can be made under Automatic Licensing Scheme as the value and quantity of the Automatic Licence shall not exceed 50 per cent of the cif value and quantity of (i) the supplementary licence obtained for the previous licensing year, (ii) imports actually made under OGL and (iii) canalised imports supplied by the canalising agency during the previous licensing year in respect of items which have been shifted to the limited permissible list in the current policy. The Automatic licence so granted will have quantity limit indicated against each item and import of such items can be made within the overall value of automatic licence. (iii) The Automatic licensing facility is not applicable in the case of items covered by the Supplementary licences for the previous licensing year, but shifted to the Open General Licence list of the Current import policy. It is also not applicable to the licences issued for import to Restricted spares and spares for after sales service and warranty coverage.
4.	Imports under OGL	May 1990	Imports of licensable capital goods can also be made under Open General Licence on the basis of release of foreign exchange by the Ministry of Defence who will obtain indigenous clearance from the DGTD and Department of Electronics. Clearance of Department of Telecommunications will also be taken in case of telecommunication equipment of a value exceeding Rs.25 lakhs.

Sr. No.	Item	Month	Details
1	2	3	4
5.	Additional Licence to import of Almonds	June 1990	Additional licences issued to Export Houses/Trading Houses during 1990-91 against exports made during 1987-90 will also be valid for import of almonds upto 5 per cent of the value of Additional licences and within the overall value of the licence. Also, import of Almonds against Additional licences shall not be taken into account while determining eligibility and entitlement for dry fruit licences.
6.	Deletion from the OGL list	June 1990	Magnesium metal is deleted from the OGL of imports and added to the list of permissible items.
7.	Indo-Nepal Trade	June 1990	Imports from Nepal of specified primary products will be free from Imports Trade Control and may be imported freely, without any quantitative restrictions. Specified manufactured articles containing not less than 65 per cent of Nepalese material or Nepalese and Indian materials may be imported freely without any quantitative or Import Trade Control restrictions.
8.	Amendment to OGL No.1	July 1990	The List Attestation Procedure will also be applicable for Import of electronic components allowed under OGL. The Actual users engaged in the manufacture of automobiles, electronic items and consumer durables will be required to follow the List Attestation Procedure for import of components as well as raw materials under Open General Licence whether they are subject to phased manufacturing progress/programme or not. In case of large scale unit List Attestation will be done by the concerned sponsoring authority while in the case of small scale unit, the List Attestation will be done by the Development Commissioner & Small scale Industries, New Delhi or by the Small Industries Development Organisation.
9.	Deletions from the OGL List	July 1990	34 items of capital goods have been deleted from Open General Licence List viz; Appendix 1, Part - B of the Import and Export Policy, 1990-93. In respect of these capital goods taken out of Open General Licence, import under Open General Licence by eligible importers shall not be permitted except to the extent covered by firm contracts entered into and registered with a foreign exchange dealer before the date of the public notice i.e., 20th July 1990.
10.	Special Additional Licence for Star Trading houses	July 1990	The Special Additional Licence will be issued in the name of the Star Trading Houses only and will be freely transferable. The licence holder may transfer the licence, in full or in part, without any endorsement or permission in favour of any other person. However, imports against these licences shall be allowed to Actual Users (Industrial) only.
11.	Indo-Nepal Trade	August 1990	The import of raw jute and jute cuttings of Nepalese origin, from Nepal to India, will be allowed freely to all persons. The intending importer shall, however, be required to register their import contracts with the Jute Corporation of India, Calcutta before clearance of the goods through customs; and clearance will be allowed only in the production of contract duly stamped by the Jute Corporation of India.
12.	Import of Computers and Computer based systems under OGL.	August 1990	The policy for import of computers and computer based systems under OGL by all persons for their own use has been amended. Accordingly, a condition has been imposed that such computer and computer-based systems would require to be maintained in-house or by the Computer Maintenance Corporation Ltd., or any

Sr. No.	Item	Month	Details
1	2	3	4
			other agency designated for the purpose by the Department of Electronics.
13.	Cashew Corporation made ineligible to import raw cashewnuts under OGL.	August 1990	Cashew Corporation of India will cease to be eligible to import raw cashewnuts under OGL for distribution to actual users (Progessing units).
14.	Import of capital goods at concessional rate of customs duty.	September 1990	Imports of capital goods upto a maximum c.i.f. value of Rs.10 crores is permitted at concessional rate of customs duty of 25 per cent of c.i.f. value of the capital goods imported. This facility is available to registered manufacturers - exporters, who have been regularly exporting for a period of not less than three years. This conditions is liberalised and other manufacturers who do not fulfil the past three years export performance criteria will be allowed to import capital goods, on merits, under this facility.
15.	Import of capital goods at concessional rate of customs duty	October, 1990	Import policy for capital goods at concessional rate of customs duty by manufacturer-exporter is further liberalised. Applications for imports of capital goods value exceeding Rs.10 crores during the licensing year may also be considered on merit subject to such conditions as may be prescribed by the Government.
16.	Import of Second-hand Machinery by manufacturer-exporters.	October, 1990	Capital goods appearing in Appendix 1-B of import policy 1990-93 can also be imported in second-hand condition against REP licences. This amounts to a further liberalisation of the import of capital goods against REP licences by manufacturer-exporters for their own use. The second-hand machinery thus allowed will not be more than 7 years old and its further life shall not be less than five years as certified by specified designated agency.
17.	Removal of OGL facility for import of capital goods by coal companies	September 1990	The OGL facility which M/s. Coal India Ltd., (CIL) and other 9 specified coal companies were allowed for the import of capital goods is removed and henceforth, they will be permitted to import their machinery requirements only against specific licences.
18.	List Attestation Procedure amended	October 1990	The list attestation procedure for import of components under OGL is required to be followed by industrial units which are subject to phased manufacturing programme (PMP) of indiginisation. The facility for import of OGL raw materials and components under the List Attestation procedure will have the flexibility for import of any other OGL item appearing in Appendix 6, List B, Part I even though the item imported may not be appearing in the list attested by the concerned list attestation authority, subject to the following conditions: (a) The total value of such imports does not exceed 10% of the value of the attested list of items (b) Such import is within the overall value of the attested list (c) Such imports are required by the actual user concerned for use in his factory.
19.	Restoration of 15 per cent cut on import of raw materials, components and spares by actual users.	October 1990	As per Governments' decision, the 15 per cent cut, which was imposed on imports of raw materials, components and after-sales service spares by actual users engaged in the manufactures of automobiles, electronic items and consumer durables will not be applicable to actual users engaged in the manufacture of the following items : a) Automobile head lamps/Automobile bulbs. b) Automobile bodies c) Plastic products manufactured by use of imported polymers d) Automotive tyres and tubes. For the remaining items/industries also, the 15 per cent cut will be restored on surrender of REP/Additional licence subject to specified conditions.

Sr. No.	Item	Month	Details
1	2	3	4
20.	Execution of bond for import of machinery at concessional rate of duty	October 1990	This relates to the execution of export bond by importers of capital goods for fulfilment of export obligation under Para 197 of import policy. The export bond i.e. indemnity-cum-surety bond for the fulfilment of export obligation can be executed with the licensing authority concerned or with the Export obligation Cell in the office of the CCI & E, New Delhi.
21.	Import licences for import of cloves and cinnamon	October 1990	Import licences for cloves and cinnamon is granted on the basis of 5 per cent of the value of imports made during the prescribed base period. These licences will be granted against the pending applications made by eligible importers during the licensing year 1989-90, subject to the condition that such importers will not be eligible to apply for any other licences during 1990-91.
22.	Higher REP licence for export of spice oils and also resins	October, 1990	The REP entitlement on the exports of spice oils and oleo resins have been increased from 10 per cent to 20 per cent.
23.	INDO-GDR Trade and payment Agreement	October 1990	Consequent on the merger of two Germanies, it has been decided that with effect from Sept., 1990 in addition to Rupee Payment track, bilateral trade transaction could be permitted in any convertible currency during the balance period up to December 31, 1990. However, transactions in any freely convertible currency would be permitted for utilising additional trading possibilities over and above the Trade Plan for 1990.
24.	Restrictive Import Policy	October 1990	A number of items have been removed from OGL. These include certain types of high speed steels, glycerine, butachlor, Aluminium rolled products, sheets, strips, circles and slugs and plate/float glass of these, some types of high speed steels have been shifted to the list of restricted items and the remaining items have been shifted to the list of limited permissible items. In the case of these items, the eligible importers, who include, Actual users (industrial) and holders of Additional licences issued to export houses and trading houses, will be allowed to import them to the extent of irrevocable letters of Credit opened and established before the date of public notice.
25.	Changes in import procedures for automobiles, electronics and consumer durable industries.	November 1990	As per the new procedure which has been put into force with effect from 9th November, 1990, units engaged in automobiles, electronic items and consumer durables will not be required to undergo the List Attestation Procedure for import of raw materials, components and consumables even if the units are governed by an approved Phased Manufacturing Programme. Instead, the actual users engaged in these industries will be able to import OGL items of raw materials, components and consumables on the basis of "Open General Licence Import Entitlement Certificate" issued to them by the concerned authority.
26.	Import of OGL items allowed against special Additional Licences	November 1990	Special Additional Licences issued to Star Trading Houses will also be valid within their overall value, for the import of OGL items of raw materials, components and consumables appearing in Appendix - 6 list 8 part I and capital good items appearing in Appendix 1-B of import policy, 1990-93. Import of second-hand capital goods will not be allowed.
27.	Trade between India and Poland.	December 1990	A new trade agreement between the Government of India and Government of Poland has been signed on 26.11.1990. The

Sr. No.	Item	Month	Details
1	2	3	4
			agreement provides for all commercial and non-commercial transactions between India and Poland in freely convertable currency with effect from January 1, 1991.
28.	Import of Fax Machines liberalised	December, 1990	Registered exporters whose export value is less than Rs.25 lakhs have been allowed to import Fax Machines against their own REP licence. Only one machine will be allowed to each exporter for his own use. Import will be subject to Actual User condition.
29.	Ad-hoc licences for consultancy firms	December 1990	As a transitional arrangement, consultancy firms, construction agencies and design engineering firms will be eligible during 1990-91 only for the grant of Ad-hoc licence to the extent of 10 per cent of net foreign exchange earned during 1989-90. These licences will be valid for import of items mentioned in para 214 of imports policy, 1990-93.
30.	Specified components of wrist watches put on OGL	December 1990	The following components of wrist watches have been included for import under OGL (i) lever (ii) Escape wheel (iii) Ruby Roller (without jewel) (iv) Pinions (v) Balance staff (vi) Main spring (vii) hair Spring (viii) Stainless steel strips of thickness 0.01 mm to 0.29 mm and width 30 mm and below. The above items can be imported by actual users (industrial) under OGL and against Additional licences issued to Export Houses etc. subject to the conditions laid down.
31.	Amendment to OGL No.16	January 1991	Import of prawns and shrimp feed will be allowed only to those who are engaged in the cultivation and export of prawns and certified by Marine Products Export Development Authority (MPEDA) and a certificate to this effect shall be produced to the customs authorities at the time of clearance.
32.	Blanket Advance Licensing Scheme liberalised for Garment Exporters.	February 1991	The minimum average net foreign exchange earnings during the preceding three licensing years, in the case of garment-manufacturer-Exporters, have been reduced from Rs.10 crore to Rs.2 crore, for the purpose of their eligibility to obtain Blanket Advance Licence. This scheme is also extended to Trading houses and Star Trading Houses, having valid recognition certificates.
33.	Import of Capital Goods against global tender.	February 1991	Earlier indigenous clearance was exempted in the case of projects being established with external assistance in which international competitive bidding procedure is followed per inviting bids with this amendment, the exemption from indigenous clearance for the import of capital goods will be only for power projects. This concession will not be available to any other sector and for all other projects, rules as applicable will apply.
34.	Supplies of capital goods to specified fertiliser plants treated as deemed exports	March 1991	Deemed export benefits have been given to suppliers of capital goods (excluding office machines and consumer goods, however described) by the Indian Main Contractors to fertiliser plants being set up at Kakinada, Gadepan, Babrala and Sahajahanpur and those which may be licensed during the Eighth Plan period, where such supplies are made under the procedure of International competitive bidding.
35.	Distribution of copper canalised through MMTC	March 1991	Earlier, manufacturers of bare copper wire/strips could obtain 50 per cent of their requirement from imports made by MMTC. For the remaining 50 per cent they were to obtain their requirement from the indigenous producer M/s. Hindustan Copper Ltd. By

Sr. No.	Item	Month	Details
1	2	3	4
			this amendment, the manufacturers of bare copper wire/strips will obtain their full requirements of copper from the indigenous, producer M/s. Hindustan Copper Ltd. Consequently, such manufacturers have been deleted from the list of actual users eligible to obtain their requirements of copper from the stocks imported by MMTC.
36.	Ban on trade with Kuwait withdrawn	March 1991	The ban on trade with Kuwait imposed on October 5, 1990 was withdrawn on March 14, 1991. However, the ban on trade with Iraq still continues.

APPENDIX - II

B - Changes in Import Duties

(April 1990 - March 1991)

Sr. No.	Date	Changes Announced
1	2	3
1.	3.5.1990	Capital goods imported under and in accordance with para 197 of Imports - Export Policy, 1990-93 have been exempted from basic customs duty in excess of 25 per cent ad-valorem and fully from additional duty.
2.	16.5.1990	Polyethylene and copolymers of ethylene (other than polyethylene based sheathing compound and insulation compound) having a specific gravity of less than 0.94, have been exempted from customs duty in excess of 10 per cent ad-valorem and whole of additional duty levied under Customs Tariff Act, 1975.
3.	31.5.1990	Machinery and other equipments required for the purpose of the Advance Technology Vessels Programme of the Ministry of Defence, are exempted from the whole of basic and additional customs duty.
4.	1.6.1990	All goods falling under Chapter 13 of the first Schedule to the Customs Tariff Act, 1975 are exempted from the whole of the additional duty.
5.	18.6.1990	High grade raw ground sponge iron imported for the manufacture of iron powder has been exempted from customs duty in excess of 30 per cent ad valorem.
6.	19.6.1990	Specified goods wholly produced in Nepal and imported into India from Nepal are fully exempted from customs duty.
7.	21.6.1990	Specified goods manufactured in Nepal, containing not less than 65 per cent of Nepalese materials or Nepalese and Indian materials when imported into India from Nepal are fully exempted from customs duty.
8.	16.7.1990	Cotton yarn, cotton terry towel fabrics, cotton terry towels are exempted from the customs duty in excess of 25 per cent and whole of additional duty.
9.	26.7.1990	Goods falling under heading No. 98.01 of the First Schedule to the Customs Tariff Act, 1975, when imported for Calcutta Metro Railway Project, are exempted from customs duty in excess of 35 per cent ad valorem.
10.	26.7.1990	The goods falling within Chapter 84 or 90 of the First Schedule to the Customs Tariff Act, 1975 imported by a registered newspaper establishment are exempted from customs duty in excess of 35 per cent ad-valorem and the whole of additional duty.
11.	26.7.1990	Photo composing/photo-typesetting system including its ancillaries and related equipments when imported as a complete system have been exempted from customs duty in excess of 35 per cent ad-valorem and the whole of the additional duty, subject to certain conditions.
12.	26.7.1990	Photo composing machines and key boards falling within Chapter 84 or 90 thereof imported into India by a registered newspaper establishment are exempted from customs duty in excess of 35 per cent ad-valorem and the whole of additional duty.
13.	26.7.1990	Used machinery and equipments, imported into India by Project exporters, are exempted from customs duty in excess of 25 per cent ad-valorem and the whole of additional duty.
14.	1.8.1990	Melton cloth, imported for the use in the manufacture of foot balls is exempted from the whole of basic and additional customs duty subject to specified conditions.
15.	23.8.1990	Telecommunication and photographic equipments are exempted from customs duty in excess of 25 per cent ad valorem and the whole of additional duty subject to certain conditions.

Sr. No.	Date	Changes Announced
1	2	3
16.	17.9.1990	Round abouts, swings and other fairground amusements and parts and accessories therof when imported for setting up of amusement parks, are exempted from the customs duty in excess of 45 per cent ad valorem and the whole of additional duty subject to certain conditions under section 3 of the said Customs Tariff Act.
17.	16.10.1990	Furskins of 1) White Arctic fox ii) Persian Lamb and iii) Rabbits (black and white) falling within Chapter 43 of First Schedule to the Customs Tariff Act, 1975 are exempted from customs duty in excess of 20 per cent ad valorem and whole of additional duty.
18.	23.10.1990	A motor car imported by an Indian repatriate from Iraq or Kuwait through the land customs Station at Attari, Amritsar are exempted form the whole of basic and additional customs duty, subject to specified conditions.
19.	24.10.1990	Computer equipments, software accompanying the computer equipments, start-up spares are exempted from the customs duty in excess of 25 per cent and the whole of additional duty, subject to certain conditions.
20.	24.10.1990	Specified goods imported for use in readymade garment or hosiery industry are exempted from the customs duty in excess of 40 per cent ad valorem and the whole of additional duty, subject to certain conditions.
21.	1.11.1990	Uranium oxide imported for fabrication of fuel elements for use in nuclear power reactors is exempted form customs duty in excess of 40 per cent ad valorem and the whole of additional duty.
22.	1.11.1990	All goods imported for being tested in test centres approved by the Ministry of Science and Technology or any other ministry in the Government of India, are exempted from the whole of basic and additional customs duty, subject to certain conditions.
23.	7.11.1990	Components required for the manufacture of power transmission system for earth-moving machinery, fork lift trucks and locomotives when imported into India are exempted from the customs duty in excess of 35 per cent ad valorem subject to certain conditions. This notification shall be in force upto and inclusive of the 30th day of November, 1991.
24.	15.11.1990	Heavy water falling within Chapter 28 imported for use in atomic power stations is exempted from customs duty in excess of 40 per cent ad valorem and the whole of additional duty.
25.	12.12.1990	Specified goods imported for use in the manufacture of jewellery for export by or on behalf of 100 per cent Export-Oriented Undertaking (EOUs) are exempted from the whole of basic duty and additional customs duty, subject to various conditions.
26.	15.12.1990	Raw wool is exempted from customs duty in excess of 40 per cent ad valorem.
27.	15.12.1990	Rayon grade wood pulp is exempted from customs duty in excess of 25 per cent ad valorem and the whole of additional duty.
28.	15.12.1990	Goods which are partially or wholly exempted from the customs duty by virtue of the notifications of the Government of India in the Department of Revenue and Banking or in the Ministry of Finance (Department of Revenue) are exempted from auxiliary customs duty in excess of 25 per cent.
29.	15.12.1990	Computer equipment and the accompanying software of such computer equipments when imported by a recognised training institute of the Department of Electronics, Government of India, are exempted from the customs duty in excess of 25 per cent ad valorem and the whole of additional duty, subject to certain conditions.
30.	17.12.1990	Specified goods imported from Bangladesh, which has ratified the Bangkok Agreement are exempted from customs duty in excess of specified rates.

Sr. No.	Date	Changes Announced
1	2	3
31.	1.1.1991	Specified goods falling within Chapter 84, 85 or Chapter 90 of the first Schedule are exempted from the Customs duty in excess of 25 per cent ad valorem and the whole of the additional duty, subject to certain conditions.
32.	5.3.1991	Crude Petroleum is exempted from auxiliary customs duty as is in excess of Rs.500 per tonne.
33.	5.3.1991	Specified goods which are partially or wholly exempted from customs duty specified in the first schedule to the Customs Tariff Act, 1975 by virtue of the specified notifications of the Government of India in the Ministry Finance or in the Department of Revenue and Banking are exempted from whole of the auxiliary duty of customs.
34.	5.3.1991	Component parts of simulators of aeroplanes and other aircrafts falling within Chapter 88 of the First Schedule to the Customs Tariff Act, 1975, are exempted from auxiliary duty in excess of auxiliary duty of customs levied under Sub-clause (4) of Clause 3 of Finance Bill, 1991.
35.	5.3.1991	Exposed Cinematograph film is exempted from auxiliary customs duty in excess of 50 per cent of the value representing only the cost of the cinematograph film and the freight and insurance charges incurred in respect of the print of such cinematograph film.
36.	5.3.1991	Parts (Other than parts containing thermionic values or transistors or similar semi-conductor devices or light emitting diodes or electronic micro circuits or capacitors other than paper capacitors) required for the manufacture of medical electronic equipments are exempted from auxiliary duty of customs levied under sub-clause (1) of clause (3) of the Finance Bill, 1991 subject to certain conditions.
37.	5.3.1991	Parts required for the purpose of initial setting up, or for the assembly or manufacture of any specified article are exempted from auxiliary customs duty in excess of the rate of auxiliary duty of customs levied under sub-clause (1) of clause (3) of the Finance Bill, subject to certain conditions.
38.	5.3.1991	Copper wire bars, Copper cathodes, copper wire rods, gold, silver and selanium, falling within Chapter 28, 71 or 74 of the First Schedule to the Customs Tariff Act, 1975 and produced out of copper reverts, copper spent modes or copper anode slime sent out of India for toll smelting or toll processing, are exempted from auxiliary duty of customs in excess of 50 per cent of the value of the said goods representing only the toll smelting or toll processing goods, as the case may be the insurance and frieght charges both ways, subject to certain conditions.
39.	5.3.1991	All goods specified in the First Schedule to the Customs Tariff Act, 1975 are exempted from the whole of the auxiliary duty of customs levied under Sub-Section (1) of Section 64 of the second mentioned Act during the period commencing on March 5, 1991 and ending on the March 31, 1991.

APPENDIX - III

IMPORTANT TRADE AGREEMENTS /TRADE PROTOCOLS ETC. SIGNED BETWEEN INDIA AND OTHER COUNTRIES (APRIL 1990 - MARCH 1991)

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.	Vietnam	Trade Protocol 12.9.1990	Three years	**Exports** : Railway rolling sack, chemicals, cotton yarn fabrics and project goods. **Imports** : Rice, raw silk, metal scrap and pulses.	**Exports** : Transport equipments, power, textiles, leather machinery, food processing and mining equipments.	India & Vietnam signed a three year Trade Protocol to achieve a two-way trade target of $ 100 million (Rs.173.5 crore approx.) annually, giving a major thrust to the economic relations. As per the trade protocol India and Vietnam would strive to achieve import turnover of goods worth $ 50 million (Rs.86.75 crore approx.) during the first year of operation of protocol and step up imports in subsequent years as mutually agreed upon.
2.	Poland	a) Trade Agreement 26.11.1990	For an indefinite period. (may be terminated upon the expiration of six months from the date of the receipt of the written notice by either contracting party.)	**Exports** : Bulk tea, de-oiled cakes, pepper, raw cotton, cotton yarn and textiles, jute goods and bags, mica and mica products, tanned and semi-tanned skins and some machinery items in the textile and consumer electronics. **Imports** : Machinery items such as equipments for power stations, railway	**Exports** : Fruits, vegetables, fish and prawns, shellac, rice, sesame seeds, minerals and ores, manufactured leather articles, chemicals, engineering goods, disposable diapers, handicrafts, books and periodicals, gramophone records and cassettes etc.	In terms of the new Trade Agreement which replaces the existing trade and payments agreement, India & Poland will conduct trade in freely convertible currencies with effect from January 1, 1991. The other provisions of the Agreement include reciprocal grant of most favoured-nation status. The Rupee Trade Agreement which characterised economic relations between the two countries, comes to an end on December 31,1990.

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
	Poland (Continued)			equipments, such as wheel sets and rails, coal mining machinery, ships & ship engines, machine tools and other capital goods and commodities like coking coal, sulphur, chemical and pharmaceutical products. ferrous and non-ferrous metals.		
		b) Trade Protocol 26.11.1990	For 1991			The Trade Protocol for 1991 envisages a total trade turnover of Rs. 7,960 million comprising India's export of Rs.3,610 million and imports into India of Rs. 4,346 million.
3.	**USSR**	a) Trade Agreement (Automatic Renewal)	1991-95 Five years			In the last Agreement, which was signed between India & USSR on 23.12.1985 covering the period 1986-90, a new feature of automaticity of renewal was built in. In terms of this provision, the Trade Agreement stands renewed for further period of five years at a time unless either of the two sides gives notice of modification at least six months prior to the date of expiry of the Agreement. The Agreement provides for rupee payment arrangement for a period of five years.
		b) Trade Protocol 13.12.1990	For 1991	**Exports** : Agricultural items, minerals and ores, cotton, woollen and jute textiles including ready-made garments, cotton hosiery, woollen knitwear, cotton clothes, jute clothes, jute bags, etc. leather goods, chemicals, and	**Exports** : The major items of exports to the USSR during 1991 cover different sectors such as agriculture, minerals and ores, leather, chemicals and engineering goods, higher quantities of textiles	The Trade Protocol envisages a total trade turnover of Rs. 94,110 million which represents a growth of 7 per cent compared to the 1990 Trade Plan. This would comprise Rs. 43,300 million of imports from Soviet Union and Rs. 50,810 million worth of exports to the Soviet Union. The Soviet Union has agreed to maintain supplies of crude oil to India at 4.5 million

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
	USSR (Continued)			allied products including paints, varnishes, dye-stuffs, pesticides and herbicides, medicines, etc., engineering goods such as containers, storage batteries, aluminium power cables, copying machines, machine tools, medical equipment etc.	including grey cloth and jute items.	tonnes despite a drastic reduction of almost 50 per cent in the global exports of crude oil from the Soviet Union and overall decline in production.
				Imports : Crude oil and oil products, fertilizers, raw materials for fertilizer industry, ferrous and non-ferrous metals, other industrial raw material like news print, asbestos, etc. chemicals and allied products, machinery items like steel plant equipment, equipment for petroleum industry, coal equipment, etc. and air transportation means.	**Imports** : The major items of imports from USSR include machinery items, crude oil and petroleum products, fertilizers, chemicals, and pharmaceutical products, ferrous and non-ferrous metals, steel products. The USSR will also be supplying di-ammonium phosphate (DAP) for the first time. It will also sell sulphur to India on a regular basis.	
4.	**Romania**	a) Trade & Payment Agreement 25.7.1991	For two years from 1.1.1991 (extendable by another three years)			India & Romania have signed a new Trade and Payment Agreement in Bucharest on July 25, 1991, which provides for the continuation of rupee payment arrangements between the two countries for a two year period which is further extendable by another three years. This agreement is already in force from January 1, 1991. The Indo-Romanian Trade and Payment Agreement which was signed on December 26,1985 for trading in non-convertible Indian Rupee expired on December 31, 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
	Romania (Contd.)					In accordance with the provision of the agreement, it was extended for a period of six months by which time it was anticipated that a new agreement would be signed.
		b) Trade Plan 23.1.1991	For 1991	**Exports** : Iron ore pellets, raw cotton, coffee, extractions, pepper, cashew, soyabean meals, etc. **Imports** : oil prospecting and drilling equipment, capital goods, machine tools, diesel generating sets, rolled steel products etc.		The Indo-Romanian Trade Plan for 1991 provides for a total trade turnover of Rs. 6,400 million.
5.	**Czechoslovakia**	a) Trade & Payment Agreement 17.1.1991	For two years from January 1, 1991 (Extendable by another three years by mutual consent)	**Exports** : De-oiled cakes, finished leather, leather products, cotton yarn, cotton, steel products such as plates, wires, rods etc., polyester yarn/ staple fibre, jute manufactures and marine products. **Imports** : Metal scrap, rolled steel products, diesel generating sets, newsprint, fertilisers and plastic chemicals.	**Exports** : Tea, spices, walnut and groundnut H.P.S., tinned fruits, juices, jams and marmaledes, poppy heads, shellac, gums, rice, minerals and ores, chemicals and allied products, Textiles, leather and leather manufactures. **Imports** : Synthetic fibre, electronic instruments, high pressure gas cylinders, turbocompressor, medical equipments, glass fibre, equipment for tyre production, TV picture tubes, capital goods, pharmaceutical raw materials, intermediates and final	The Rupee Trade and Payment Agreement between India and Czechoslovakia which was valid upto December 1989 and extended by one year was further renewed for a period of 5 years with option of reviewing after a period of 2 years (i.e. 2 + 3 years). The Rupee Trade and Payment Agreement with Czechoslovakia was first signed in 1959 and since then has been renewed every five years. A new feature of the Agreement is Czechoslovakia's willingness to supply Rs.100 crore worth of metal scrap to India, which will be much higher than the newsprint supplied by the Soviet Union to India.

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
	Czechoslovakia (Continued)				products, textile machinery etc.	
		b) Trade Plan for 1991 17.1.1991				The total Indo-Czech trade turnover projected for 1991 is Rs.9,149 million of which India's exports are estimated at Rs. 4,879 million and imports at Rs. 4,270 million.
6.	**Philippines**	An Agreement on Econmic & Technical co-operation 3.8.1990.	For five years	**Exports** : Animal feed stuffs, crude fertilizers and minerals, textile, fibres and their waste, crude animal and vegetable materials, tanning, dyeing and colouring materials, medicinal and pharmaceutical products, engineering goods, ores and minerals, leather and manufactures etc. **Imports** : Vegetable and textile fibres, fertilizers, organic chemical products, LPG, fabricated structural material of iron and steel, cashew nuts, inorganic chemicals etc.		An Agreement on Economic and Technical Co-operation between India and Philippines was signed in New Delhi on August 3, 1990. The objective of this agreement is to promote economic & technical co-operation between the two countries in accordance with their developmental terms & objectives on an equitable and mutually beneficial basis. The agreement aims at a sound development of industrial co-operation, promotion of capital investments and co-operation in the fields of transport, communications and construction. The five-year agreement provides for technical and scientific co-operation and training.
7.	**China**	Trade Protocol 8.2.1991	8.2.1991 to 7.2.1992	**Exports** : Coffee, iron ore, leather and dyes. **Imports** : Raw silk and silk yarn, pulses and chemicals.	**Exports** :Agricultural products such as tea, tobacco, shellac spices etc., chemicals, engineering products, urea, jewels and processed diamonds, plywood, chrome ore, oilfield equipment, electronic components and software, textile machinery, pharmaceutical products, synthetic fibre and yarn. **Imports:** Resins, coking coal,	In terms of Trade Protocol both sides have agreed that to the extent possible they will encourage direct trade between the two countries besides counter-trade. Both countries would also co-operate in various chemical and petrochemical fields. In an important departure from earlier practice India and China have agreed to balance the trade that has for long weighed heavily in China's favour.

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
	China (Continued)				chemical and petroleum products, Fresh Water Cultivated Pearls, mercury, antimony, pig iron and pharmaceuticals, etc.	
8.	Nepal	Joint Communique 10.6.1990 (The Indo-Nepal treaty of trade lapsed on 23rd March 1989 and upto June 1990. Bilateral trade was conducted on MFN basis and governed by the normal Export-Import Policy of the two Governments.)		**Exports** : Engineering goods, Basic chemicals, unmanufactured tobacco, spices, sugar, molases, and other ores and minerals. **Imports** : Oil seeds, Pulses and vegetable oils etc.	India will restore supplies of coal, coke, petroleum products and preferential items such as sugar and cement to Nepal.	As per Joint Communique signed between India and Nepal on June 10, 1990 the two countries have agreed to restore bilateral trade relations to the position that existed on April 1, 1987 and the preferential trading arrangements which were in operation. Under this arrangements India supplies with essential commodities and provides preferential duty free access for primary goods and manufactured goods with less than 35% third country origin. Nepal has agreed to waive the work permit requirements to the Indian nationals, allow free movement of Indian currency, restore tariff preferences to Indian goods by exemption than from additional customs duty and exempting primary products from basic customs duty on the basis of reciprocity. On its part, India has agreed to lift quantitative restrictions and basic custom duty on primary products imported from Nepal, provide free access to goods containing 65 per cent or more of Nepalese and Indian materials. India will restore the stand-by credit facility to Nepal at the enhanced level of Rs.350 million instead of Rs.250 million at present.

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
9.	**Afghanistan**	Memorandum of understanding (1985) reviewed on 12th & 13th June, 1990		**Exports** : Buffalo meat, packed tea, chemicals, tyres, engineering goods, rubber, glass products and drugs & pharmaceuticals. **Imports** : Fresh fruits.		Bilateral trade between India and Afganistan is governed by the trade Agreement signed by the two Governments on June 24, 1978. Bilateral trade is conducted in freely convertible currencies and both the countries provide Most Favoured Nation (MFN) treatment to each other in matters relating to trade. Imports of fresh fruits from Afganistan are however, governed by a Memorandum of under standing signed in October 1985 which provides for 90% of the receipt from imports of fresh fruits to be credited to a special ESCROW Account to finance export of non-traditional commodities from India to Afganistan. Working of the MOU was reviewed in Delhi on 12th and 13th June 1990. The Indian side agreed to make available an amount of Rs. two crore for importing fresh fruits from Afganistan under this mechanism during the fruit season 1990-91. The validity of the MOU was extended upto March 31, 1991 and shall be extended further on the basis of mutual discussions.

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