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Report No. AS-105a

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

CURRENT ECONOMIC POSITION AND PROSPECTS OF INDIA

May 8, 1964

Department of Operations
South Asia and Middle East

CURRENCY EQUIVALENTS

1 Indian Rupee	=	U.S. $0.21
1 U.S. Dollar	=	Rs. 4.762
Rs. 1 crore	=	$2.1 million

FISCAL YEARS AND FIVE-YEAR PLAN PERIODS

The Indian fiscal year begins on April 1. The periods covered by the different five-year plans are as follows:

FIRST PLAN	April 1, 1951 - March 31, 1956
SECOND PLAN	April 1, 1956 - March 31, 1961
THIRD PLAN	April 1, 1961 - March 31, 1966

TABLE OF CONTENTS

230

FILE COPY

INDIA

Memorandum on Economic Situation

Summary

1. India has just come to the end of the fourth year of her Third Five-Year Plan. This was a difficult year for the Indian economy in spite of the fact that, for the first time since the beginning of the Plan, there was a marked increase in agricultural production. The comparative stagnation in agriculture during the three previous years, combined with the stepping up of expenditures on defence and investment, resulted in food shortages and sharply rising food prices. The food crisis in turn reacted on the external balance of payments by forcing the Government to spend substantial amounts of foreign exchange on rice imports, in addition to obtaining greatly increased quantities of wheat from the United States under PL 480. Exports of sugar and vegetable oils were also adversely affected.

2. There were other factors which exerted pressure on India's foreign exchange resources last year. Some of these had been foreseen, such as the increase of nearly 50 per cent in service payments on foreign debt. Others had not been allowed for in the Government's forecasts of a year ago. Thus, movements in banking funds and other short-term capital transactions were worse than expected, partly it would appear because of the rise in interest rates in the United Kingdom. The result was that, whereas in 1963/64 India repaid $50 million to the International Monetary Fund and still managed to increase her foreign exchange reserves by about $25 million, during 1964/65 the reserves declined by over $120 million without any net repayments to the Fund.

3. At the end of April 1965 total official holdings of gold and foreign exchange, including government balances abroad, stood at $519 million or the equivalent of about two months' expenditure on imports. India entered into a new stand-by arrangement with the International Monetary Fund in March 1965, under which she may draw up to $200 million over a three-year period. The first drawing of $100 million was made in March, matching the repayments made to the Fund during 1964/65, and another $25 million was drawn in April. Disbursements of external assistance from the consortium and other sources have meanwhile been increasing fairly rapidly and in 1964/65 for the first time exceeded new aid commitments.

4. Shortage of foreign exchange has necessitated the maintenance of severe restrictions on imports, though it would appear that total foreign exchange allocations for commercial imports were slightly higher in 1964/65

than in the previous year. Difficulties in obtaining imported materials and components have remained a major obstacle to the expansion of industrial production and to the growth of the economy in general. Agricultural production too could have expanded more rapidly if there had been no foreign exchange constraints on supplies of fertilisers and other key inputs.

5. The Budget for the final year of the Third Plan, which was introduced at the end of February 1965, was designed to impose some restraint on the growth of internal demand and to give a stimulus to production and exports. A special 10 per cent surcharge on imports was announced just before the Budget, and provision was made in the Budget for increases in import duties on a number of commodities, along with selective tax incentives for exporters. It is too early to judge the effects of these measures. The record harvest of foodgrains in 1964/65 has eased pressure on prices, but foodgrain prices have declined only slightly and remain about 20 per cent higher than a year ago. Meanwhile, although the stock market is depressed, there is no evidence of any slow-down in new investment.

National Output

6. Real output in India is provisionally estimated to have increased by about 6 per cent in 1964/65; this compares with increases of nearly 4½ per cent in 1963/64 and of only about 2½ per cent in each of the two preceding years. The slow rate of growth during the early part of the Third Plan was mainly attributable to the stagnation in agricultural production, and it was the good harvest last year which was primarily responsible for the higher overall rate of growth. Industrial production has grown fairly steadily, though more slowly than envisaged in the Third Plan; the increase in mine and factory production in the first year of the Plan was 6½ per cent, in the second 8 per cent, in the third 9 per cent and in the fourth probably about 7 per cent.

7. The uneven year-to-year performance of agriculture appears to be due to variations in the weather more than to anything else. Agricultural production has been moving up over the past 10-15 years at an average rate of around 3 per cent a year, and there is no reason to suppose that there has yet been any significant change in the trend. The final year of the Second Plan (1960/61) was an exceptionally good one, and it would appear that the second and third years of the Third Plan (1962/63 and 1963/64) were exceptionally bad ones. In 1964/65 the production of foodgrains at an estimated 87 million tons, though 10 per cent higher than in 1963/64, was very slightly below the trend line - and well below the target set in the Third Plan. Sugarcane production has still to regain the 1960/61 level, and with the exception of jute most of the other major crops have recorded only comparatively small advances over the peaks attained at the end of the Second Plan.

8. The slowing down in the rate of expansion of industrial production in 1964/65 does not necessarily reflect any unfavourable long-term trend. Some large-scale industries reached the point where their productive capacity was fully utilised. This was notably true for iron and steel and aluminium. In such industries, where the size of each manufacturing unit is large, it is inevitable that production should grow in jumps. The growth of jute textile manufacturing also slowed down partly because of limitations on capacity. The coal industry, by contrast, was faced by a slight decline in demand, and production of low-grade coals had to be cut back. Since for the most part this reflected greater efficiency in the use and transport of coal, it was on the whole a healthy development.

9. Another group of industries, based on agriculture, had difficulties in obtaining sufficient raw materials. This was notably true of sugar manufacturing, not only because sugarcane production had fallen from the level of 1960/61, but also because controls on the sugar mills handicapped them in competing for raw material with small-scale producers of country-made substitutes (gur and khandsari).

10. Activity continued to increase in engineering and chemicals which are two of the fastest growing sectors of the Indian economy. Here the main problem was shortages of imported raw materials and components. The aid extended through the Indian consortium has been of considerable value in helping to relieve some of these shortages, in that a substantial part of such aid has been available for financing imports of raw materials and semi-manufactures required by industry. Thus output expanded rapidly in the industries producing motor vehicle ancillaries, machine tools and cutting tools, heavy electrical equipment and construction equipment, all of which were assisted by the industrial import credit extended by the International Development Association in June 1964. Some other engineering industries, however, fared less well, and shortages of raw materials and components were the main factor restricting output in the group as a whole. This was also generally true of chemicals.

11. The mill sector of the cotton textile industry, which still accounts for almost one quarter of the value added in the manufacturing sector, experienced difficulties in selling its products both at home and abroad. Output in the first ten months of 1964/65 was 7½ per cent higher than in the corresponding period of the previous year.

12. Supplies of electric power have for the most part been adequate to meet the demands of industry, and power generation in the first ten months of 1964/65 was about 16 per cent higher than in the same period of 1963/64. However, intermittent power shortages persisted in some parts of the country.

13. Rail capacity was in temporary surplus during 1964/65, and in the first ten months of the year rail movement of freight was 6 per cent less than in the same period a year before. Road transport remains inadequate to the needs of the country and is a specially difficult problem for agriculture.

The weakest link in the transport system during the past twelve months has been the ports, particularly Calcutta and Bombay. Exceptionally large shipments of PL 480 foodgrains have been arriving in India to meet the food shortage, and arrivals have been irregular, partly because of the longshoremen's strike in the United States. Serious congestion has resulted at Indian ports where methods of grain handling are very unsatisfactory. Urgent attention needs to be given to measures for improving port efficiency.

Prices

14. The wholesale price level, which had risen by only 7 per cent during the three preceding years, rose by about 8 per cent in the course of the calendar year 1963. During 1964 the increase accelerated, and the wholesale price index was about 17 per cent higher at the end of September 1964 than a year before. Since then the index has declined slightly reflecting in part seasonal factors affecting foodgrain prices. The main cause of the rise in the index was the rise in prices of foodgrains. In the spring of 1963 these were at the same level as ten years before, but during the ensuing eighteen months up to September 1964 they rose by 55 per cent. Thereafter there was a slight decline, the index falling by about 6 per cent from September to mid-February. The prices of other foods rose less during the period, although some of them - especially sugar and oils - are higher than cereal prices in relation to the base period (1952/53). Foodgrain prices in the nine years up to 1964 had declined almost continuously relative to other prices and were probably too low to provide adequate incentives to production. The Government has now instituted a system of support prices and a buffer stock scheme intended to moderate price fluctuations.

15. Prices of manufactures rose less during 1964 than those of raw materials, and mainly in reaction to cost increases. This is partly because the index is heavily weighted with items subject to price control. The wholesale price index of textiles increased by 4 per cent during the year, after having remained roughly stable for several years previously. The prices of engineering and chemical products moved up by one or two percentage points only.

Internal Finance

16. Money supply with the public rose by 6 per cent during 1964/65, as compared with an increase of 11 per cent in the previous year. The loss of foreign assets was an important contractionary influence, helping to offset the increase in bank credit to Government which was on approximately the same scale as in 1963/64. Bank credit to the private sector continued to expand in 1964/65, but at a slower rate than in the previous year.

17. Revised estimates put the total increase in the expenditure of the Central Government in 1964/65 at around Rs. 300 crores (9 per cent). 1/ The

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1/ One crore (i.e. 10 million) rupees are equivalent at the present exchange rate to $2.1 million.

greater part of this increase was attributable to increases in expenditure on development. The rise in defence spending levelled off, but there were additions to non-Plan expenditures on account of increases in the allowances of central government employees, refugee relief and government trading operations in foodgrains and fertilisers. Defence spending is now at almost three times the level prevailing before the Chinese attack in 1962; it accounts for approximately 4 per cent of the gross national product.

18. The budget deficit in 1964/65 was originally forecast at Rs. 97 crores, but according to the revised estimates is expected to come out at only about Rs. 80 crores - the deficit being here defined in the conventional Indian sense as the sum of net issues of Treasury Bills plus use of cash balances. The Budget for 1965/66 aims at eliminating the deficit and replacing it by a small overall surplus, larger receipts under PL 480 accounting for much of the prospective improvement.

19. This year's Budget has provided for a continuation of the upward trend in development expenditures, for a moderate further increase in defence spending and for substantially larger payments on account of debt service. In 1964/65 total outlays under the Plan, including the contributions of State Governments and public enterprises, were budgeted at Rs. 1,984 crores. The corresponding figure this year is Rs. 2,225 crores - an increase of 11 per cent. By comparison, the rise in the ordinary current expenditures of the Central Government, including defence, is comparatively modest (less than 6 per cent).

20. As usual, the tax revenues of the Central Government last year showed a marked improvement over the budget estimate and this year they are expected to show a substantial further increase. In large part this reflects rising income, together with elasticity built into the tax system, but changes in tax rates, particularly increases in customs duties, account for some part of the expected increase. If all the tax changes are taken together, including those announced in advance of the Budget, the losses to the revenue (mainly from concessions on income tax and excise duties on consumer goods) come close to offsetting the gains (mainly from increases in customs duties and excise duties on steel and non-ferrous metals).

21. The reliefs given in the Budget in respect of income tax are considerable and affect most classes of taxpayer. The highest marginal rate of tax on unearned income is to go down from 88 per cent to 81 per cent and on earned income from 82½ per cent to 75 per cent, and these rates will in future be reached at higher levels of income than in the past. At the same time the structure of personal taxation has been simplified.

22. The Finance Minister has proposed a number of changes in corporation tax, but here the relief for industry as a whole during the current year will be only marginal, and the reaction of the stock market has been unfavourable. The changes have been primarily designed to provide a stimulus to increased production. The most important is a proposal under which manufacturing

companies will receive tax credits (up to a maximum of 10 per cent of the tax payable) to the extent of 20 per cent of their additional tax liability over and above their liability in the base year (normally 1965/66). A similar concession will be made in respect of excise duty payable by manufacturers where production increases over the base year. Industry will also be affected by changes in development rebate, the rate of which has been increased from 20 per cent to 25 per cent for certain key industries and reduced from 20 per cent to 15 per cent for most others (in the latter case starting in 1966/67).

23. A novel feature of the Budget was a proposal under which exporters would be entitled to a tax credit of up to 15 per cent of the value of their exports, depending on the commodities concerned. This proposal has still to be implemented, and it is not clear how the concession is to be applied.

24. Fiscal action to contain inflationary pressures has been reinforced by monetary measures. The bank rate was raised from 4½ per cent to 5 per cent in September 1964 and again from 5 per cent to 6 per cent in February 1965. Other interest rates have moved up in line with this change, and the terms on which commercial banks may borrow from the Reserve Bank have been further stiffened.

25. The stock market has not yet recovered from its decline at the end of 1962. The index of variable dividend securities fell from its peak of 195 in May 1962 to 159 in March 1965. The underwriters have had to take up a substantial part of new issues during the past two years. However, it seems that the public responded well to certain issues by firms which, for one reason or another, were considered to be particularly promising.

Overseas Trade and Payments

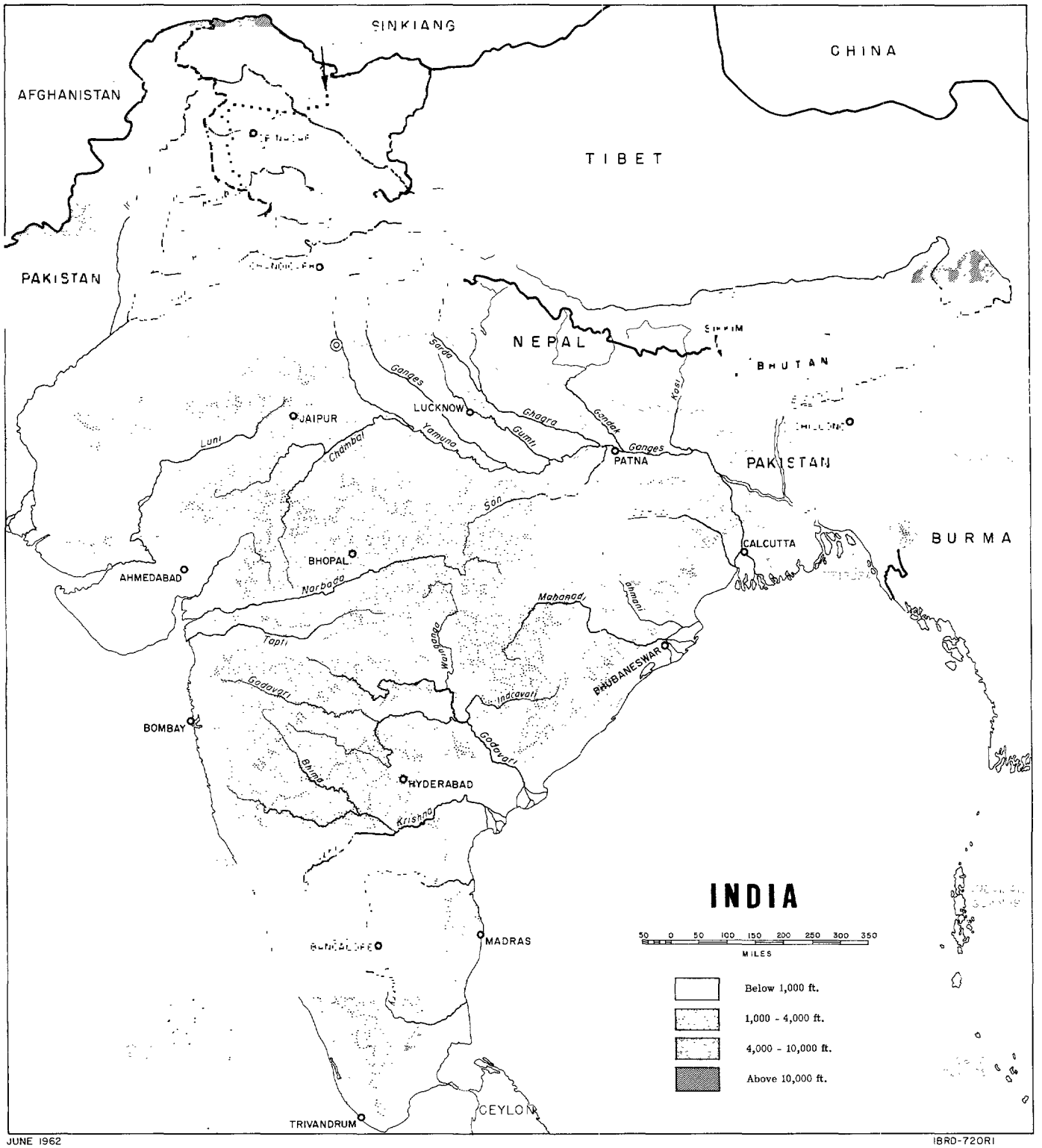
26. India's balance of payments on current account deteriorated sharply in 1964/65. Full details of trade and payments during the year are not yet available, but preliminary estimates prepared for the consortium meeting in March indicate that expenditure on merchandise imports, exclusive of imports under PL 480, increased by about 15 per cent, while earnings from merchandise exports did not increase at all. The resulting increase of about $350 million in the visible trade deficit (again excluding PL 480) was largely covered by higher disbursements of foreign aid. There was, however, a simultaneous worsening of the current invisible account to the extent of about $40 million, while the balance of capital transactions was much less favourable than in the previous year, partly because of an increase of $70 million in amortisation payments on foreign debt and partly on account of short-term capital movements. The result was that India had to draw heavily on her already depleted foreign exchange reserves (see paragraphs 2-3 above).

27. About half of last year's increase in imports was due to additional imports of machinery and transport equipment, about one quarter to cereals and fertilisers and the rest mainly to industrial materials such as rubber, non-ferrous metals, iron and steel. It is notable that in no major category of imports was there any significant decline.

28. The balance of payments figures for exports in 1963/64 and 1964/65 do not correctly reflect the actual movements of trade because of an exceptional lag in receipts in the latter part of 1964/65, the reason for which is not wholly clear. The trade figures show that there has been a sustained increase in the volume of India's exports since the beginning of the Third Plan, contrasting with their static performance during the Second Plan. The rate of increase in the value of exports appears to have been averaging around 6 or 7 per cent a year, and the increase in 1964/65 was probably not far short of this. However, there are some indications that export performance was flagging towards the end of the year. The reduced availability of sugar and vegetable oils was partly responsible. The increase in exports of cotton and jute textiles has also slowed down. On the other hand, some other agricultural commodities such as cashew nuts, coffee, wool and hair fared better in 1964 than in the previous year. There was also a marked increase in exports of manganese ore and ferro-manganese. Exports of engineering goods increased by 50 per cent from Rs. 10 crores in 1963 to Rs. 15 crores in 1964. Although these goods still contribute less than 2 per cent of total exports, they account for more than 10 per cent of the increase between the two years. Iron ore exports have been particularly disappointing. They have increased slightly, but to nothing like the extent expected in the Third Plan.

South Asia Department

May 19, 1965



JUNE 1962

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BASIC STATISTICS

Area

Total area 1/	811 million acres or 1,270,000 sq. miles
of which:	
Cultivated 40% (325 mn. acres)	
of which:	
Irrigated 21% (67 mn. acres)	

Population (1961 Census data)

Total population (revised estimate)	438 million
Overall population density	345 per sq. mile
Rate of growth of population (1951-1961)	2.1% per annum
Assumed rate of population growth (1961-1976)	2.4% per annum

National Output (1962/63)

Net national output at factor cost		Rs. 15,400 crores
of which:		
Agriculture, forestry and fisheries	45%	
Mining	1%	
Factory establishments	11%	
Small enterprises	8%	
Commerce and transport	17%	
Government administration	8%	
Other services	10%	
Output per head		Rs. 330
Net national expenditures at market prices		Rs. 17,180 crores
of which (very approx.):		
Government consumption	9%	
Net investment	10-12%	
Private consumption	80%	

Government Finance: Centre (R.E. 1963/64) and States (B.E. 1963/64) combined

Total revenue receipts		Rs. 2,644 crores
of which:		
Tax revenue	74%	
Non-tax revenue	26%	

1/ Excluding Goa and other ex-Portuguese territories recently incorporated in the Indian Union. Estimates of cultivated and irrigated areas relate to the beginning of the Third Plan.

Total expenditure on revenue account		Rs. 2,796 crores
of which:		
Defence expenditure	25%	
Social and development services	34%	
Civil administration, debt service, etc	41%	

Foreign Trade and Payments (1962/63)

Payments for imports, c.i.f.		Rs. 1,111 crores
of which:		
Foodgrains	11½%	
Petroleum	7½%	
Iron and steel	9%	
Capital equipment	34%	
Other imports	38%	
Exports and re-exports, f.o.b.		Rs. 710 crores
of which:		
Jute goods	22%	
Tea	17½%	
Cotton goods	9%	
Mineral ores	7%	
Nuts and spices	5%	
Hides and leather	5%	
Oilcakes	4½%	
Vegetable oils	2½%	
Raw cotton	2½%	
Other exports	25%	
Net invisible receipts (exc. foreign aid)		-Rs. 5 crores
Foreign grants and loans (inc. PL480)		Rs. 444 crores

Foreign Assets (end-March 1964)

Gold with Reserve Bank		Rs. 118 crores
Foreign exchange with Reserve Bank		Rs. 122 crores
Government balances abroad		Rs. 67 crores
	Total	Rs. 307 crores

PREFACE

The last economic report on India was circulated to Executive Directors in April 1963. The present report up-dates the statistical information given in last year's report, describes recent changes in government policy and discusses in general terms some of the choices which India faces in undertaking the further development of her resources. The report also deals with the immediate balance of payments situation in relation to the Indian Government's request for new pledges of aid from the consortium for the fiscal year beginning April 1, 1964. This request was considered by the consortium at a meeting held in Paris in March, and the consortium will be meeting again in the near future to decide on pledges.

SUMMARY

i. The performance of the Indian economy during the past three years has been disappointing. National output has barely kept pace with the rise in population. The slow rate of growth in output is largely attributable to agriculture which has suffered from bad weather. Industrial production has done better, increasing at a rate of about 8 per cent a year. However, even in industry the pace of expansion has been considerably slower than envisaged in the Third Plan. Shortages of power and transport have been greatly eased during the past eighteen months, but industrial production is still being held back by shortages of imported materials and components.

ii. Food prices have risen quite sharply in recent months, reflecting the combined effects of lagging agricultural production and expanding money supply. Taxation has already been raised well above the levels contemplated in the Third Plan, but the additional revenues have been largely swallowed up by the increase in defence expenditures following the Chinese attack on India in October 1962. The Budget for 1964/65 provides for a continuance in the upward trend of expenditures on debt service and general government administration, for a further (comparatively modest) increase in defence expenditures and for a more substantial rise in Plan outlays. Of the total provision made for development in the Third Five-Year Plan, just over half appears to have been spent in the first three years.

iii. Pressure on India's foreign exchange reserves has eased somewhat during the past year. India repaid $50 million to the International Monetary Fund in 1963/64 and in spite of this repayment increased her reserves by $25 million during the year. Exports - with the notable exception of iron ore - have done better than expected, rising by more than 10 per cent during the past two years. Imports rose by about 25 per cent over the same period, the principal increases being in cereals, petroleum and capital equipment.

iv. Some action has been taken by the Government to relax controls over industry, so that the price mechanism can function more freely. In particular, price controls have been taken off a number of commodities, including many categories of iron and steel, and controls over steel distribution have been considerably reduced. A genuine effort is also being made by the Government to simplify procedures for granting licences for industrial development. However, more drastic changes will be needed in Indian economic policies and planning methods if the country's resources are to be efficiently deployed for the promotion of economic growth.

v. There is growing recognition in India that shortages of foreign capital and trained management are the principal factors limiting the progress of industrialisation, and the Government is looking to private

foreign investment as an important source of both. Special efforts are being made to secure the participation of private foreign capital on a minority basis in public sector enterprises.

vi. A more businesslike and scientific approach to the task of raising agricultural production is long overdue. The effectiveness of government action in this field has hitherto been limited by the diffusion of effort over too wide a field, the confusion of production and welfare objectives and insufficient attention to the technical factors involved. Nothing less than a 5 per cent rate of growth in agricultural output can be regarded as a tolerable long-run objective. This should be technically feasible if available resources of finance and expertise are concentrated on helping the more efficient farmers to produce more and giving them the incentive to do so.

vii. The steady worsening of India's external balance of payments on current account is disquieting, and there is no firm evidence to show that the gap between domestic savings and investment is being narrowed. With rapidly mounting debt service obligations to meet, India will have great difficulty in finding the means to pay for the imports needed to sustain the growth of the economy along the lines at present mapped out. The continuing prospect of acute foreign exchange shortage underlines the importance for planning purposes of using prices for capital and foreign exchange which reflect their true scarcities. It is equally important that every effort should be made, in planning investments, to find "minimum cost solutions" for expanding production. At the same time, the members of the consortium should do all they can to improve the terms of aid extended to India.

viii. India is seeking the equivalent of $1,100-$1,150 million in new pledges of aid from the consortium for the fiscal year beginning April 1, 1964. This compares with last year's request for $1,255 million, against which the consortium actually pledged $1,052 million. The most valuable form of aid which India can receive in present circumstances is aid which can be used quickly to finance additional imports of materials and components for agriculture and industry. The more aid that is available in this form, the easier it will be for the Government to liberalise maintenance imports and relax controls over internal prices and distribution.

I. CURRENT ECONOMIC SITUATION

Production

1. India has just come to the end of the third year of her Third Five-Year Plan. The growth of national income in the first two years of the Plan was at an average rate of 2½ per cent a year, or less than half the rate envisaged. The slow rate of growth was largely attributable to the lag in agricultural production, which increased by less than 1½ per cent in the first year and fell by over 3 per cent in the second. Industrial production increased by 6½ per cent in the first year and by another 8 per cent in the second.

2. In the third year of the Plan, there appears to have been a slight recovery in agriculture after the exceptionally poor harvest of the previous year. The only crop for which final estimates are already available is jute, and here the figures show an increase in production of about 9 per cent. Rice production, provisionally estimated at around 36-37 million tons, was the highest on record, but production of wheat, barley and millets was adversely affected by unfavorable weather - drought in some areas, together with an exceptionally cold winter in northern India. Total foodgrain production is consequently expected to remain below the level of 81 million tons reached in 1960/61 and 1961/62. Amongst other crops, groundnuts and cotton are expected to do somewhat better than in 1962/63 and sugarcane about the same. More reliable estimates should be available towards the end of May.

3. Estimates of industrial production are available for the first nine months of 1963/64, and these show an increase of 8½ per cent over the corresponding period of the previous year. Most of the principal industries participated in varying degrees in this expansion. Notable increases occurred in outputs of coal, aluminium, sulphuric acid, caustic soda, chemical fertilisers, paper and board, electrical equipment and railway wagons. On the other hand, production of sugar and motor vehicles declined. In textiles activity in the cotton industry increased only slightly, but more rapid advances took place in jute and woollen goods.

4. Coal production, though it increased sharply towards the end of 1962 following the introduction of seven-day working in the mines, has since levelled off as supply has caught up with demand. There is still a shortage of the better quality coals, but inferior grades are now in surplus and output has been cut back as pithead stocks have accumulated. Total production in 1963/64 is estimated at about 66 million tons, as compared with just under 64 million tons in 1962/63.

5. Output of finished steel in 1963/64 is estimated at 4.3 million tons, as against 4.0 million tons in 1962/63. All the main plants are now working at or close to full capacity, after the interruption of production at Rourkela in March and April as a result of communal disturbances. Little further increase can be looked for in the quantities produced until the expansion schemes at the public sector plants are completed. The Bhilai

expansion is the furthest advanced and should contribute most of the additional output expected during the next two years. Total production of finished steel is forecast as rising to 4.9 million tons in 1964/65 and 5.3 million tons in 1965/66.

6. A marked improvement has taken place during the past eighteen months with respect to supplies of electric power and transport, and neither is at the moment considered by the Government a serious obstacle to increasing industrial production, although local power shortages create difficulties from time to time. Power generation is estimated to have been about 15-20 per cent higher in 1963/64 than in the previous year and rail movement of freight nearly 10 per cent higher. The railways are having no difficulty now in moving all the coal produced.

7. There are many indications that production is still being held back by shortages of materials and components, particularly in the metal-using industries. However, no comprehensive study has been made of the extent to which capacity is under-used on this account. Flat steel products, special steels and non-ferrous metals are all in short supply. Scarcity of cement is a problem in some parts of the country. There is still reported to be a large unsatisfied demand for chemical fertilisers.

Prices

8. The decline in agricultural production in the second year of the Plan was followed by a marked increase in wholesale prices during 1963, and the wholesale price index rose by 7 per cent in the course of the year, from December to December. There were particularly sharp increases in prices of sugar and gur, rice and pulses. Prices of kerosene, cigarettes and some other articles were enhanced by additional taxation, but generally speaking prices of industrial raw materials and manufactured goods remained fairly stable. The index of working class consumer prices started to move up during the summer of 1963 and in December was 7 per cent higher than a year before. Rising food prices have been a source of increasing concern in recent months.

Internal Finance

9. Money supply with the public rose by 13 per cent during 1963/64, mainly as a result of the expansion of bank credit to the Government, but with some increase also in bank credit to the private sector. Although taxation has already been raised well above the levels contemplated in the Third Plan, there has also been some further increase in deficit financing to meet rising expenditures on defence and public investment (Statistical Appendix, Table 16). The tax revenues of the Central Government are estimated to have risen by Rs. 285 crores (22½ per cent) between 1962/63 and 1963/64. Against this, defence expenditures alone rose by Rs. 335 crores (over 70 per cent) and capital expenditures on development by Rs. 107 crores (over 20 per cent). Details are given in Tables 18 and 19 of the Statistical Appendix.

10. Nearly two thirds of the increase in tax receipts achieved during the past year was attributable to customs and excise duties and rather over one third to corporation tax and income tax. Revenue from both direct and indirect taxes appears to have comfortably exceeded the estimates made at the time of the Budget a year ago. The tax revenues of the Centre and States together are now equivalent to 12-13 per cent of national income, as against about 10 per cent at the beginning of the Third Plan and 8 per cent at the beginning of the Second Plan. This impressive tax effort has borne heavily on the Indian consumer. It has not, however, been accompanied by a corresponding expansion of domestic savings because of the sharp increase in defence expenditures following the Chinese invasion and the steady growth in the other current expenditures of government.

11. The Budget for 1964/65, which was introduced at the end of February, provides for a continuance in the upward trend of expenditures on debt service and general government administration, for a further (comparatively modest) increase in defence expenditures and for a more substantial rise in Plan outlays. Last year total outlays under the Plan, including the contributions of State Governments and public sector enterprises, were budgeted at Rs. 1,651 crores. The corresponding figure this year is Rs. 1,984 crores. The Third Plan contemplated that a total of Rs. 7,500 crores would be spent on development in the public sector during the five-year period. It appears that just over half this amount has actually been spent during the first three years.

12. The additional expenditures included in the Budget considerably outweighed the extra receipts that could be expected on the basis of existing taxation, and the Finance Minister put forward a complicated series of proposals for changes in taxes and other measures which he estimated would have the effect of reducing the overall budgetary gap in 1964/65 by Rs. 90 crores. The remaining gap, which would have to be covered by borrowing from the banking system, would be much smaller than the deficit actually incurred in 1963/64 (Rs. 91 crores, as against Rs. 158 crores).

13. A number of the Finance Minister's proposals were specifically designed to encourage private foreign investment in India and to help foreign companies which have already invested there. The reduction of the tax on inter-corporate dividends, for example, would be of special advantage to foreign companies which have Indian subsidiaries. Foreign companies would also benefit from the proposed income tax concessions in respect of children of non-Indian citizens receiving education outside India and from minor extensions of the concessions under which the salaries of certain categories of foreign technicians are exempt from tax for a period of three years. The Budget contains a number of features which are generally favourable to business, including some reduction in the taxes payable by companies engaged in certain key industries and what amounts in effect to a modification of the super profits tax which was introduced a year ago. On the other hand, the Finance Minister proposes to introduce a special tax of $7\frac{1}{2}$ per cent on dividends (subject to certain qualifications) and to make bonus issues liable to the capital gains tax.

14. So far as taxation of personal income and property is concerned, the Budget provides for some lowering of present rates of income tax and surtax, particularly at the bottom end of the scale, but the rates of capital gains tax, estate duty and gift tax are to be stepped up, and the expenditure tax, which was dropped a year ago, is to be reintroduced. The compulsory savings scheme introduced last year to help pay for re-armament has been considerably modified and is now to take the form of an annuity deposit scheme which will apply only to incomes above Rs. 15,000 a year. This change, like some of the other changes proposed in the Budget, will tend to benefit the middle income groups in India at the expense of the wealthiest classes. It still seems that direct taxation falls comparatively lightly on those with incomes ranging between Rs. 5,000 and Rs. 20,000 a year.

15. The private capital market reacted rather unfavourably to this year's Budget and is still suffering from the shock of the Chinese invasion. The index of share prices at the end of December was 12 per cent below the all-time high of May 1962, and prices have declined further in recent months. However, new issues offered by companies with attractive growth prospects have generally met with an excellent response, and some recent issues in chemicals and engineering have been heavily over-subscribed. Basic industries like coal, cement and fertilisers, which are subject to price controls, have found it much more difficult to raise money.

16. Interest rates in India continue to edge upwards in line with government policy. The rediscount rate of the Reserve Bank was raised from 4 to 4½ per cent at the beginning of 1963, and since that date the minimum rate of interest on commercial bank advances has been 6½ per cent. New government loans issued during 1963 mostly carried interest at 4-4½ per cent, as against 3½-4 per cent in previous years. The rate of interest on Post Office Savings Deposits was raised from 2½ to 3 per cent in the summer of 1962, and the rate of interest on 12-year National Defence Certificates issued after the Chinese attack was 4.75 per cent compound, as against 4¼ per cent for the earlier National Plan Certificates. The dividend payable by the Indian Railways to the Government on their capital-at-charge was raised from 4 to 4¼ per cent in 1961 and from 4¼ to 4½ per cent in 1963; it has now been decided to raise the rate to 5-3/4 per cent for capital made available to the railways after March 31, 1964. Rates of interest charged by the Government on loans to public enterprises have also been progressively stepped up and now generally range between 5 and 6 per cent. Rates of interest on loans to State Governments vary between 3 per cent, for loans up to one year, to 5¼ per cent for loans beyond fifteen years. The lending rates of industrial financing institutions such as the Industrial Finance Corporation and the Industrial Credit and Investment Corporation of India are generally around 7 per cent, with somewhat higher rates for loans in foreign exchange.

Overseas Trade and Payments

17. Pressure on India's foreign exchange reserves has eased somewhat during the past year. India repaid $50 million to the International Monetary Fund during 1963/64 and in spite of this repayment increased her reserves by $25 million during the year. Total official gold and foreign exchange assets, including government balances abroad, amounted at the end of March 1964 to the equivalent of $645 million.

18. Exports have done better than expected - mainly because of the continued buoyancy of jute exports, coupled with larger sales of sugar, vegetable oils and tobacco. Jute, sugar and oilcakes between them have accounted for over half the increase in total export earnings during the past three years, jute manufactures and sugar both having benefitted from what appear to be exceptionally favourable world market conditions. Iron ore exports were boosted by the incorporation of Goa in the Indian Union at the end of 1961, but apart from Goa progress in this field has been disappointing.

19. Expenditure on imports in 1963/64, including imports under PL 480, is estimated to have been 15 per cent higher than in the previous year. Larger foodgrain imports have been required to help make good the deficiency in domestic supplies, and there has been a steady rise in imports of capital goods, reflecting the progress of investment in industry, power and transport. Equipment is now being delivered against orders placed abroad in the early part of the Third Plan. Much of this equipment is being financed by foreign aid, and aid disbursements too have been rising. But as in previous years both equipment deliveries and corresponding disbursements of project aid have risen less than forecast. Imports of machinery and transport equipment in 1963/64 are now estimated at nearly $250 million less than projected a year ago and total aid disbursements at $300-400 million less.

20. Imports other than cereals, machinery and transport equipment apparently rose very little during 1963/64. There was a sharp increase in expenditure on petroleum, but other maintenance imports continued to be tightly restricted and remained at about the same level in total as in 1962/63. Little of the non-project aid pledged by the consortium a year ago has so far been disbursed. If this aid had been negotiated earlier, it might have opened the way for more liberal import licensing policies.

21. India's overall deficit on current account, excluding official grants, has grown from $741 million in 1961/62 to an estimated $1,154 million in 1963/64. The increase in the deficit is almost wholly attributable to merchandise trade. On invisible account, there has been a fairly sharp rise in interest payments on foreign loans, but this has been largely offset by an increase in net receipts from other sources. The net balance of current invisibles, as now estimated for 1963/64, is rather better than forecast a year ago.

II. DEVELOPMENT PROGRAMS AND POLICIES

Planning and Controls

22. An account of investment programs and policies in the main sectors of the economy was given in Annex I. of last year's Economic Report. Brief comments on some of these programs are made in paragraphs 40-73 below. First, however, a few general observations are called for on methods of economic planning and on the policies being followed with respect to industrial development.

23. As industrialisation progresses, the choices that have to be made become more and more complex. The task of planning investment in detail is correspondingly more difficult. This the Government has recognised, and a number of steps have been taken to reduce and simplify licensing controls over industry and to relax controls over prices, so that market forces can play a larger part in determining the allocation of resources. Practical limits to the extent of de-control are set primarily by the shortage of foreign exchange. But while the complete removal of controls over the use of foreign exchange is plainly out of the question for the foreseeable future, greater reliance on the price mechanism, coupled with the use of appropriate fiscal devices, can help to take the pressure off the licensing system.

24. A start was made last December by removing controls over the prices of sixteen commodities: these were rayon yarn, staple fibre, caustic soda, soda ash, hydrochloric acid, chlorine, calcium carbide, bleaching powder, chilean nitrate, muriate of potash, sulphate of potash, washing soap, tyres and tubes, sheet glass, paper board and natural rubber. In March this year statutory controls were also taken off prices and distribution of most categories of iron and steel, except pig iron and flat steel products. Controls have been retained over coal prices, however, and this seems to be a rather questionable decision. There also appears to be a prima facie case for removing controls over cement prices; the control of cement prices has discouraged new investment and helped to perpetuate a condition of shortage. Prices of fertilisers are regulated through the operations of the fertiliser pool, which equalises delivered prices of domestic and imported fertilisers. Apart from these basic commodities, articles still subject to price control include sugar, kerosene, woollen yarn, ethyl alcohol and molasses. Informal arrangements exist under which certain industries have agreed not to increase prices without consulting the Government; the industries concerned are paper, cotton yarn and textiles, motor vehicles, bicycles and petroleum.

25. A genuine effort is being made by the Government to simplify the procedures for granting licences for industrial development (and related licences for the import of capital goods) and to cut down the time taken to consider applications. The committee looking into this question, which includes representatives of private industry, has already announced a change in procedures which should reduce the time required by the prospective investor to obtain the Government's approval in principle. The committee has also been scrutinising the application forms that have to be

submitted to see if they can be simplified. One of the important changes envisaged is that applicants will in future be invited to appear before the licensing sub-committee in person to answer questions rather than having to deal with them by correspondence. Cases involving private foreign investment or technical collaboration will be reviewed by a special committee of top level officials, assisted by a special officer, who will be responsible for seeing that applications are processed without unnecessary delay.

26. The Department of Technical Development (formerly the Development Wing of the Ministry of Commerce and Industry) plays a central role in scrutinising proposals for industrial investment. Complaints are frequently made that officials of this Department, who are mostly people with technical qualifications, lack the detailed and specialised knowledge required to reach a sensible judgement on matters referred to them - for example, whether or not a particular proposal for investment is technically sound; whether the proposed scale of manufacture is economic; whether such and such an item has to be imported, or whether an adequate substitute can be found from indigenous production; and so forth. Naturally, the degree of competence and common sense displayed will vary from individual to individual. But however capable the officials may be, there are limits to the extent to which a body of this kind can usefully attempt to "second guess" the industrialists concerned. It may be necessary to have some sort of technical screening to sift out obviously unsound projects, but there are dangers in trying to go beyond this. The cost of the delays caused in the past by arguing over minor details (particularly on the question whether indigenous components can be substituted for imports) has probably been out of all proportion to the benefits.

27. It is significant that, in examining applications for industrial investment both from the public and private sectors, the licensing authorities and their technical advisers have given comparatively little thought to the economic or financial evaluation of projects. Indeed, the Department of Technical Development is composed almost entirely of technical people and does not have an economic section. Even in the case of public sector projects involving substantial investment, decisions appear to be guided largely by considerations of technical feasibility and physical need, and the question of production costs is apt to be regarded very much as a secondary matter. The defects of this approach are aggravated by the fact that the actual prices charged for capital and foreign exchange are quite unrealistic. Consequently, insufficient attention is given to the possibility of economising in these scarce factors in deciding both what should be produced in India and what techniques should be employed in producing it. The time factor is also liable to be ignored in arriving at investment decisions. All this helps to explain what many would regard as an excessive bias in India towards highly capital-intensive (and import-intensive) investments.

28. Economic planning in India is still conceived of essentially in terms of physical planning enforced by means of direct controls. The use of indirect methods of control, and the corollary that the price mechanism

has an essential function to perform in allocating resources, is only gradually coming to be considered. The move is now in this direction, as it becomes increasingly evident that the Government has neither adequate staff nor adequate information to make a success of detailed physical planning in a more and more complex and diversified economy. Nevertheless, physical production targets laid down in the five-year plans continue to exercise a strong hold over the minds of the Planning Commission and the government departments responsible for investment, even though circumstances may have changed completely since the targets were set. Projects may be added to the Plan from time to time, but once a project has been included, it is difficult to get it dropped. All this contributes to rigidity and lack of realism in economic thinking, and it is to be hoped that the Fourth Plan will be more flexible in conception and spelt out in less detail.

29. Criticism of Indian planning methods must be tempered by an appreciation not only of the enormous difficulties of organising development in such a vast country, but also of the limits of the federal power in relation to the sixteen States. Much of the time - probably too much of the time - of the Planning Commission is taken up with negotiations with State Governments, and one of the principal functions of the five-year plans is to provide an agreed basis for the allocation of investment resources between the Centre and the States. State and regional interests have continually to be weighed against the economic interests of India as a whole, and it is inevitable that some concessions should be made to the former at the expense of the latter when it comes to deciding such matters as the location of industry and the development of transport. Nevertheless, before these concessions are made, the cost of making them should be objectively assessed, and this is not always done.

30. Another criticism of Indian planning both at the Centre and in the States concerns what is sometimes considered to be the excessive influence of the general administrator. While the regular civil service has a fine tradition, it does not always seem to be aware of its own limitations. There tends to be too little delegation of authority down the line, and insufficient use is made of expert advice in arriving at important decisions. The problem is aggravated by the difficulty of attracting competent specialists into the public service when their status in the service is so low and when they can earn much more outside. The Government recognises the need to build up in the departments responsible for investment a staff of economists and technicians capable of preparing and evaluating projects and advising on policies. But little has so far been achieved, and the Planning Commission itself is still quite inadequately equipped with this sort of talent. In the long run, a solution of this problem may have to be sought in a reform of the civil service based on a reassessment of the relative values of different qualifications. The more the Government tries to plan at the Centre, the more important this reform becomes. Meanwhile, greater use is being made of outside experts to help with particular aspects of economic planning. The Power and Energy Survey Committees, which were organised with the help of the help of the United States Government, and the

Coal Transport Study Group, which has been assisted by the World Bank, afford examples of the way in which this can be done. Consulting firms in India and the technical staffs of some of the public corporations are also making a useful contribution to the country's planning resources.

31. Preparatory work is now proceeding on the Fourth Plan. A preliminary outline assessing the resources that may be available and indicating some of the policy choices that have to be made is expected to be completed by the Planning Commission this summer for consideration by the National Development Council. There appears to be a danger in the meantime that the authorities responsible for putting forward investment proposals will continue to plan on the basis of rather unrealistic assumptions about the availability of capital and about attainable rates of economic growth. Very large numbers have already been mentioned in public in connection with programs for the expansion of some of the basic industries, and the wider currency these gain, the more difficult it becomes for the Government to get away from them. The sooner a hard look is taken at the limitations likely to be imposed by such factors as foreign exchange resources, domestic savings and the lag in agricultural production, the easier it will be to impress on the planning authorities the need to find the most economical solutions to their problems.

Private Foreign Investment

32. The respective roles of the private and public sectors in India's mixed economy have by now been fairly clearly demarcated. This demarcation follows the line laid down in the 1956 Industrial Policy Resolution, and although there have been occasional deviations from it, the Government apparently has no intention of introducing any radical changes. At the same time, there is growing recognition in India that shortages of foreign capital and trained management are the principal factors limiting the progress of industrialisation, and the Government is looking to private foreign investment as an important source of both. As the Finance Minister stated in his budget speech, "we should specially welcome foreign investment in the shape of equity capital which not only brings with it technical know-how and managerial skills, but has the special advantage of not adding to the heavy and growing burden of debt repayment".

33. In spite of high taxation and other deterrents, many foreign firms have found that investment in Indian industry can be highly profitable, and the Government's attitude towards private foreign investment seems to be more welcoming today than at any time in the recent past. Special efforts are being made to secure the participation of private foreign capital on a minority basis in public sector enterprises. This is something of a new departure and is being tried out to begin with in the petroleum industry (see paragraphs 50-56 below). The idea is that the foreign investor should take a share of the equity and also help in providing management and technical services.

34. There is a lack of reliable and up-to-date statistical information on the actual inflow of private long-term capital, and it is time that better arrangements were made for collecting the data. The official estimate is that, excluding reinvestment of retained earnings, the present gross inflow is at the rate of around $50-60 million a year. This could be an under-estimate, but it would still be unrealistic to expect private foreign capital to make more than a marginal contribution in the foreseeable future to covering India's balance of payments deficit. Nor can it always be assumed that servicing of an equity investment will be less onerous from a balance of payments point of view than servicing of conventional loans. Private foreign investment is therefore no substitute for official aid. Indeed, the continuance of aid to India is essential if foreign enterprises are to be persuaded to invest their own money in the country.

Public Sector Enterprises

35. The Government is now giving more careful attention to the problem of management in public sector enterprises. As an initial experiment in greater decentralisation of control, the Minister of Steel, Mines and Heavy Engineering has introduced important changes in the management of the Sindri fertiliser factory and the Durgapur steel plant. The Government's intention is that similar changes should be made at other plants, several of which are admitted to be in serious difficulties. Major obstacles to more efficient management are still the insistence of the Ministry of Finance on outside financial control and continual interference by the Comptroller and Auditor-General, whose officers are stationed in every plant. No enterprise can be expected to operate efficiently under these conditions.

36. Too many of the top posts in the new public sector enterprises are still occupied by persons drawn from the civil service or from long-established organisations such as the Railway Board where the qualifications required are quite different. Efforts are, however, being made to encourage promotion from within and to give more weight to technical skills and specialised know-how and less to seniority. Many of the younger men who have worked their way up in the enterprises are reported to show great promise. A recent study carried out by the Indian Institute of Public Administration at the Government's request has some eminently sensible things to say on this subject. 1/ As the author remarks, "the idea that age and seniority should weigh more than talent is normally prevalent in all traditional societies. But it has to be given up by a society which wants to bring about a technical and economic revolution.....The fact that at this stage of our economic growth some persons, especially specialists, rise to important positions at a comparatively young age need not be considered alarming.....The tendency to insist on a certain rigid relationship between the age of a person and the grade that is to be given to him needs to be firmly resisted."

1/ The Flight of Technical Personnel in Public Undertakings, by H.K. Paranjape. Indian Institute of Public Administration, New Delhi, 1964.

37. The same study focusses attention on the controversial subject of pay scales in public sector enterprises and concludes that substantial increases in pay will be required to attract and retain qualified technical personnel. More specifically, the recommendation is made that the top salaries in public undertakings should be raised to Rs. 5,000 a month, as against the present maximum of Rs. 2,750, and that the lowest salaries in these undertakings should be at least about 90 per cent of those in good private firms. The problem is seen as one of competing for talent not merely with private enterprise in India, but also with employers abroad. Thousands of Indian technicians, as well as many economists and scientists, are at present working overseas because the rewards there are higher than in their own country. India cannot afford to lose these people, and ways have to be found of encouraging them to come back.

38. Genuine competition between public and private undertakings can often be of benefit to both. There are cases in India where public undertakings have provided a useful and necessary stimulus to greater efficiency and enterprise in the private sector. Equally, without private competition, it will be difficult to ensure the long-run efficiency of the public plants. From this point of view, it seems desirable to avoid any hard and fast demarcation of spheres of activity between the two sectors.

39. The Finance Minister drew particular attention in his budget speech to some of the shortcomings in the performance of government enterprises in India. He said: "Many of the public sector projects are lagging behind the schedule of their construction and what is more disappointing is that their contribution to our resources is nowhere near the Plan estimates. It is of the utmost importance for our economy that enterprises in the public sector should not only make profits, but should make good profits. By that I mean that they should give a good dividend to the Exchequer and yet be able to build up reserves to finance their own future expansion."

Iron and Steel

40. The five main steel plants are working close to capacity, and three of them are in process of expansion. Domestic production of many categories of steel is now more or less adequate to meet demand, but there are large deficits in flat products and special steels; there is also a shortage of pig iron for sale to foundries. Highest priority in the further expansion of the industry will be given to the creation of additional capacity for flat products and to the installation of two more blast furnaces, one at Bhilai and the other at Durgapur.

41. The project for a continuous strip mill at Bokaro, where steel-making would be based on the LD process, has now been worked out in detail, and assistance for the project will be extended by the Soviet Union. A separate company has been established to run the plant, and design and engineering services are being provided by a firm of Indian consultants who have been responsible for the project report. It is intended that a capacity of 1½ million ingot tons should be installed in the first stage of the project, with expansion to 4 million tons later on.

42. Other possibilities of increasing output of flat products are also to be exploited. The Government attaches particular importance to the projects for the further expansion of the TISCO and Rourkela plants, since both will produce mainly this type of steel. Allowing for further expansion to be undertaken at the IISCO plant and at Bhilai and Durgapur, the five existing plants could have a combined capacity of around 14 million tons of ingot steel by the end of the Fourth Plan or shortly thereafter. Adding another 1½ million tons for the first stage of Bokaro, total steel-making capacity would be in the region of 15½ million tons of ingots or 11 million tons of finished steel. There are good prospects that there will be adequate demand for this amount of steel if it can be produced at reasonable cost. It would seem rather unrealistic at this point to think in terms of higher production targets for 1970/71, but additional capacity should be under construction by that date. Apart from the second stage of development at Bokaro, the Government is considering the feasibility of establishing another 2 million ton plant, possibly either at Goa or on the east coast near Visakhapatnam.

43. A committee of economists appointed by the Minister of Steel, Mines and Heavy Engineering reported last year in favour of a considerable simplification of the present system of steel controls, along with a major revision of the price structure. The Government's decision in March to abolish controls over prices and distribution of most categories of iron and steel was in line with the general approach recommended by the committee. The de-controlled categories constitute about two thirds of total production.

44. A Joint Plant Committee, consisting of the Iron and Steel Controller, representatives of the public and private plants and an official of the railways, will in future be responsible for planning production both of controlled and de-controlled categories with a view to making the best use of available capacity to meet consumers' requirements. The Joint Plant Committee will notify the prices at which the de-controlled categories can be bought from producers. These prices will be uniform throughout India, but wholesale and retail prices will be free to vary in response to market forces, and anybody who wishes will in future be allowed to trade in steel (in place of the old system under which the trade was restricted by law to "controlled" and "registered" stockists). Prices of the controlled categories will continue to be fixed by the Government under arrangements which provide for variable excise duties to be levied on top of the ex-factory prices: prices of flat products continue to be controlled also at the wholesale and retail levels.

45. These measures constitute an important step forward in the direction of the complete de-control of steel. Eventually, prices should be allowed to find a level which enables the steel plants to operate at a satisfactory profit. There seems to be a good deal of doubt at present about what the costs of producing the various products are, and one of the first tasks which the industry must undertake is to develop reasonably accurate cost data as a basis for the determination of a sensible pricing policy.

Iron Ore

46. The way in which India's iron ore resources are being developed for local consumption and export exhibits many weaknesses in planning and execution. Major investments have been undertaken on the basis of quite inadequate technical studies, one result of this being that few of the mines have succeeded in producing ore of the qualities envisaged. A number of the public sector mines appear to have been heavily over-capitalised by comparison with similar ventures in the private sector, or in other parts of the world. The result is that costs of production at some mines (e.g., Kiriburu in Orissa) are quite uncompetitive. The various export projects have been taken up without detailed cost comparisons, without adequate attention to economics of scale and without an expert study of marketing possibilities and requirements. Nor have the related investments in mining, rail transport and ports been properly coordinated. The capacity planned to handle iron ore exports at Goa, Vishakapatnam, Paradip, Madras and possibly Haldia appears to be greatly in excess of possible requirements. Serious delays have occurred in the installation of the necessary port facilities at Vishakapatnam with the result that deliveries of ore to Japan under a long-term contract for the export of 2 million tons a year will be delayed by at least six months and possibly longer.

47. The fact that many different authorities are involved in the iron ore export business and that nobody can be held responsible for things going wrong is perhaps in itself significant. Whatever the reasons for what is happening, the situation appears serious enough to warrant radical changes in planning methods, in arrangements for the exploration and mining of iron ore and in the handling of exports. A proposal to set up a small committee of officials to supervise the progress of the various export schemes hardly seems to meet the case.

Coal

48. The present situation with respect to the supply and demand for coal illustrates the distortions that can be caused by rigid price controls. Too much appears to have been invested in developing production of inferior grades, particularly in the outlying fields, and too little in the mining and mechanical washing of the higher grades. The narrow differential between prices of the superior and inferior grades has given the mines little incentive to concentrate on producing what the consumer wants, and the low average return on capital invested in the industry has made it difficult for the private sector to secure the finance needed for expansion. The Government has recognised these problems and is now giving fresh thought to the whole system of controls and prices. Further small price increases ranging from Rs. 1.25 to Rs. 0.75 per ton were allowed in March of this year for superior and medium grades of coal, but these are merely palliatives which do not strike at the roots of the trouble.

49. Plans for the expansion of production are based on the assumption that consumption of coal in India will rise as high as 85-88 million tons in 1965/66, and that output of around 90 million tons will be needed to

provide for this. Some preliminary calculations made by the Energy Survey Committee suggest that consumption may rise rather more slowly. At the margin, much will depend on the extent to which oil continues to be substituted for coal in areas distant from the coalfields, and this in turn will depend on the relative prices at which alternative fuels are available. There are still restrictions on private companies extending their activities into new areas. If these restrictions were removed and prices de-controlled, the need for additional public investment in the industry could be reduced.

Petroleum

50. Relations between the Government and the private oil companies in India have improved considerably during the past year. At the same time the Government's policies towards private investment in the industry continue to be based on the Industrial Policy Resolution of 1956. Broadly speaking, the majority ownership and control of all new ventures is reserved to the public sector. Private participation is welcomed on a minority basis. Units established in the private sector prior to 1956 continue to operate, but their expansion is controlled by the Government.

51. As far back as November 1959 private companies were invited to put forward proposals for participating in the exploration and production of oil in specified areas of India and a number of companies expressed interest in doing so. More recently, in June 1963, it was announced that the Government would welcome private participation in exploration in Kerala, the Cauvery Basin and the Andaman Islands. Three oil companies showed interest in the announcement. As yet, however, no new agreements have been negotiated.

52. The Burmah Oil Company, through its 50 per cent participation with the Government in Oil India Limited, is still the only private company with an equity investment in exploration and production. Oil India has recently been granted new concessions in Assam. All other exploratory work is being carried out by the Government's Oil and Natural Gas Commission, which is receiving technical assistance from the Soviet Union, Italy and France. The foreign exchange costs of the ONGC's operations during the Third Plan have been largely covered by credits from the Soviet Union, Rumania, France and Italy (ENI). ENI and the French Petroleum Institute have both concluded agreements for contract drilling, the former in the Ganges Valley and the latter in the Jaisalmer area of Rajasthan.

53. On the basis of discoveries made so far, production of crude oil in India can be expected to rise from just over 1½ million tons in 1963 to 6-7 million tons a year early in the Fourth Plan. This would be more or less equally divided between Assam and Gujarat.

54. All the new refineries built in India since 1956 have been in the public sector. The first three - at Nunmati (in operation since 1962), Barauni (first stage nearing completion), and Koyali (still under construction) - are wholly owned by the Government, and their foreign exchange costs

have been covered out of credits from the Soviet Bloc. A new pattern has been set by the agreement reached last year with the Phillips Petroleum Company for the construction of a $2\frac{1}{2}$ million ton refinery at Cochin. The Central Government has subscribed 51 per cent of the equity, the State Government 7 per cent, Phillips 25 per cent and their Indian partners 2 per cent. The remaining 15 per cent has been offered for public subscription in India and has been fully subscribed. The foreign exchange costs of the refinery are to be covered mainly by loans of up to $18 million from banks in the United States. The effective rate of interest payable by India on these loans will be 5-3/4 per cent, with repayments commencing in 1967 and extending up to 1980. Management and technical services are to be provided by Phillips.

55. Invitations have been extended to other oil companies to participate on a minority basis in additional refineries to be established at Madras and Haldia (outside Calcutta), and a number of offers have been received which are at present under study. The Government is also interested in attracting private capital and technical know-how into the petrochemical industries. Two complexes are contemplated, one in Bombay and the other in Gujarat or possibly at Haldia. The intention is that the Government should have a majority interest in the main units (e.g., refineries and naphtha crackers), but that the peripheral plants should be wholly private.

56. Arrangements which provide for the greater participation of private capital and management in the development of India's oil resources mark an important step forward. Of course, the Government's adherence to the principles embodied in the Industrial Policy Resolution continue to some extent to restrict the scope for such participation. This is true not only of exploration, production and refining, but also of distribution, in which the government-owned Indian Oil Company is investing substantial sums with the object eventually of taking over the greater part of the domestic market. The existing private refineries are not being allowed to expand any further for the time being. The Government maintains that the regional pattern of demand for petroleum products in India does not yet justify any further expansion of refining in Bombay, where the two largest private refineries are located. Against this must be set the fact that the per-ton cost of expanding these refineries would be very much lower than the cost of establishing new capacity elsewhere. The basis on which the so-called "economic supply areas" for the different refineries are demarcated is also open to question. Costs of transport from the refinery to the point of consumption are assumed to be equal to the prevailing railway freight rate, and no account is taken of the fact that actual costs of transport by pipeline may be very different.

Power

57. The work done by the Power and Energy Survey Committees should provide a useful basis for the more systematic planning of power facilities in India in future, and when the Committees have completed their work, the list of power projects already drawn up for the Fourth Plan should be reviewed in the light of their findings. There appears to be some tendency

on the part of the power authorities to assume that very few changes will be needed, but this assumption should not be allowed to pass unchallenged. Few of the Fourth Plan projects have yet been committed beyond the stage where major changes can be made.

58. The Government has accepted the need to put more emphasis in future on investment in transmission and distribution facilities and is looking into the practical possibilities of extra high voltage transmission of power generated in large thermal stations burning by-product coal. The concept of regional planning of power facilities has also been accepted by the Centre, and two regional Electricity Boards have already been established to assist in forming interstate power grids, one in the north and the other in the south. The State Electricity Boards will, however, continue to be responsible for "planning, construction and operation of power stations and transmission systems", and it is not clear how far the State Government will be ready to cooperate in putting the new policies into practice. Consideration is meanwhile being given to the possibility of strengthening the Central Electricity Authority, so that it can play a more effective role in future in the development of India's power resources.

59. The work done by the Energy Survey Committee appears among other things to support the view that, if realistic prices are charged for capital, nuclear energy is not in present circumstances competitive in India with thermal or hydro power. The argument is, however, advanced by the Indian Atomic Energy Commission that in the long run nuclear energy will have to be developed in certain regions of India for lack of adequate alternatives, and that a start must be made now in building up experience in the operation of nuclear plants. Two such plants have accordingly been included in the power program for the next five years, one at Tarapore on the coast north of Bombay (being assisted by the United States) and the other in Rajasthan (to be built with Canadian assistance).

60. The Central Government has long been pressing State Governments to increase their power rates to levels which would generate more adequate resources for the financing of future expansion. A proposal has been put forward that electricity tariffs should generally be framed so as to produce a return of about 10 per cent on capital invested. Many of the States, however, continue to resist this idea on the grounds that cheap power is necessary to attract new industries and to develop agriculture. No major changes in tariffs have been made during the past twelve months, but three States are understood to be revising their tariffs at the present time. These are Kerala, Madras and Punjab.

61. Considerable differences of opinion exist as to the likely trend of demand for power during the period of the Fourth Plan. Load forecasts prepared in the past by the Central Water and Power Commission, in consultation with the State Governments, have tended to over-estimate demand, and the forecasts included in the First Electricity Power Survey of India, which was undertaken in 1963, may be on the high side. There can be no question,

however, of the importance of planning new facilities well in advance as part of a properly phased program, and the Government is rightly concerned to avoid a repetition of the bunching of projects which occurred at the start of the Third Plan. Some new schemes should be started every year if there is to be an even development of power supplies.

Transport

62. The adoption of more rational taxation, pricing and regulatory policies could help to secure a better allocation of resources as between alternative modes of transport in India. The present very heavy taxation of road transport, for example, has been one of the factors inhibiting balanced development in this sector. The fact that gasoline is much more heavily taxed than diesel oil has induced road transport operators to concentrate on diesel vehicles to the point where substantial quantities of diesel fuel have to be imported, while gasoline is in growing surplus. The fact that coal prices have been kept artificially low, while diesel fuel bears a heavy duty (which more than compensates for the scarcity of foreign exchange), has tended to obscure the possible economic benefits of converting the railroads in some parts of India from steam to diesel traction. Uneconomic use of transport resources has also been encouraged by the structure of railway freight rates, which has not always been closely related to the costs of different traffic movements. These and related questions are now receiving increasing attention in India. Some of them are being examined by the Coal Transport Study Group, which is expected to present its final report shortly.

63. This year's Railway Budget, introduced on February 12, provides for a supplementary charge of 2 per cent on freight rates, a downward adjustment in rates charged for certain high-rated commodities and an increase in the rate for coal carried over 500 kilometers. These changes are very much in line with recommendations made by last year's Bank economic mission.

64. The railways are now able to move all the freight offered and even have some surplus capacity. This is a welcome change from the situation a year or two ago and reflects credit on the railway management. Past experience in India supports the view that rail capacity should always be some way ahead of demand. Nevertheless, plans for future expansion need to be kept under close scrutiny in view of the continuing scarcity of capital in general and foreign exchange in particular. Earlier estimates, which suggested that originating freight traffic on the railways might rise from the present level of around 195 million tons a year to well over 400 million tons in 1970/71, are now recognised to have been greatly exaggerated. If thermal power plants are in future located mainly on the coalfields, and if the possibilities of EHV transmission over long distances can be fully exploited, substantial economies should be achieved in rail movement of coal. The progressive dieselisation and electrification of the railways will have similar consequences. At the same time, there is still scope for reducing the need for additional investment in the railways

by further improvements in operational performance (e.g., measures to speed up the marshalling, movement and turn-round of freight trains, more efficient inspection and maintenance of rolling stock, etc.).

65. Indian roads have been planned in the past with insufficient regard to the economic justification of the investments proposed. Efforts are now being made to rectify this situation, but there is still evidence that projects are being undertaken without any serious attempt to evaluate their costs and benefits. A conspicuous example is the proposal to spend an additional Rs. 20 crores ($42 million) on roads in the West Bengal/Bihar region during the Third Plan mainly for the purpose of moving coal. Out of this, Rs. 8 crores are to be spent on improvements to the Grand Trunk Road between Calcutta and the coalfields and another Rs. 8 crores on what are described as feeder roads to the collieries. Now that congestion on the railways has been eased, it is difficult to see how the demand for moving coal by road could possibly justify investments on anything approaching this scale. There is the further consideration that the West Bengal Government still intends to build (and has already started work on) a new "expressway" from Calcutta to Durgapur which is designed to bypass the Grand Trunk Road over much of the distance to the coalfields.

66. Plans for the development of ports and coastal shipping in the Fourth Plan have to be based on a careful assessment of the demand for these facilities, and this assessment is still to be made. It seems rather doubtful whether there is likely to be any continuing demand for the coastal shipment of railway coal, and as already noted, there is already a danger of over-investment in port facilities for iron ore exports. Pressures from regional interests for the creation of new ports are difficult to resist, but equally India cannot afford to waste capital and foreign exchange by investing in facilities that are not really needed.

Agriculture

67. Agriculture is beginning to receive from the Indian planners the attention which its importance demands. A more businesslike and scientific approach to the task of raising agricultural production is long overdue. The effectiveness of government action in this field has hitherto been limited by the diffusion of effort over too wide a field, the confusion of production and welfare objectives and insufficient attention to the technical factors involved. Most schemes for community development and agricultural extension services in many parts of the country betray a lack of expert knowledge of farming conditions and an incomplete understanding of the kind of incentives needed to stimulate farmers to increase their production.

68. The Planning Commission is now examining the implications for agriculture of alternative rates of income growth and is considering how lower rates of growth in agriculture would affect the development of the economy as a whole. With the population growing at the rate of $2\frac{1}{2}$ per cent a year, nothing less than a 5 per cent rate of growth in agricultural output can be regarded as a tolerable long-run objective. Some doubt exists as to the

actual rate of expansion achieved during the past ten years. Some estimates put it as low as 3 per cent a year, others as high as 4 per cent, depending on the base period and the method of calculation adopted. There must anyhow be considerable uncertainty about the reliability of estimates which have to be based on samples collected over such a huge area from widely differing types of farm. The achievement of a 5 per cent growth rate should be technically feasible if available resources of finance and expertise are concentrated on helping the more efficient and commercially minded farmers to produce more and giving them the incentive to do so. The necessary expansion certainly cannot be achieved so long as so much effort continues to be directed to looking after the less viable sections of the agricultural community, who consist mainly of very small farmers and agricultural labourers. Politically and in human terms, this is an extremely difficult choice to make. But policies aimed primarily at assisting the lowest income groups must inevitably conflict with the objective of maximising output.

69. One important advance that has been made in the last few years is the establishment of support prices for cereals as well as for jute. Admittedly, the prices so far fixed for cereals have generally been well below the prices prevailing in the market and have therefore had rather a limited impact. Indeed, except possibly for jute, where the buffer stock scheme is operated by the industry, the Government does not yet have the organisation needed to enforce an effective price support policy for these commodities. The number of procurement points will have to be greatly increased and additional storage facilities created. The whole question of how far the Government can intervene more effectively in the distribution and marketing of agricultural commodities is one deserving of careful study. Attention must also be given to the problem of the relative prices of different crops. A conscious effort should be made to bring about through appropriate pricing policies the changes in cropping patterns that will be required to match the expected pattern of demand for agricultural products. For example, data on demand elasticities derived from national sample surveys, admittedly rather sketchy and out of date, suggest that special efforts will have to be made to stimulate production of wheat, cotton and oilseeds.

70. Present arrangements at the Centre for the follow-up of irrigation projects leave much to be desired. This is partly the result of the unsatisfactory division of functions between the Ministry of Irrigation and Power, which is responsible for supplying water for irrigation, and the Ministry of Agriculture, which is concerned with its use. There has long been talk of the need to secure closer working cooperation at all levels between these two Departments, both at the Centre and in the States, but nothing very much has been done about it. The answer is not to be found simply in having officials from both Departments sitting together in committees. Insufficient attention has been given to economic criteria in the selection of irrigation projects, and there has been a general tendency for water to be spread too widely so that as many farmers as possible can benefit, regardless of whether they can use the water effectively. Far

too many projects have been started in relation to the resources of money and talent available and much capital is locked up unproductively for long periods. Two conspicuous examples are the Kosi and Gandak projects in North Bihar, to which reference was made in an earlier Bank report. Not enough study has been given by the agricultural research and extension services to the practical problems involved in making full and efficient use of the water supplied. Financial returns as a rule are extremely low.

71. While something like Rs. 850 crores ($1,785 million) have been allocated for investment in irrigation during the Third Plan (11 per cent of the Plan total), some other agricultural inputs have been comparatively neglected. Schemes for soil conservation and improvement, including re-afforestation and measures to control waterlogging and salinity, do not appear to have received as much attention as they should, particularly in view of the opportunities for using under-employed rural labour on this type of work. A lot of emphasis has been placed on land reform and the imposition of ceilings on land holdings, but less thought has been given to the possibilities of increasing production through the consolidation of holdings.

72. Larger supplies of fertilisers are properly regarded as one of the principal requirements of Indian agriculture, and the serious delays that have occurred in the program for the domestic manufacture of chemical fertilisers are particularly unfortunate. They illustrate the inherent difficulties of working out mutually satisfactory arrangements for the collaboration of Indian and foreign firms in undertaking large industrial projects - difficulties which in this case have been aggravated by uncertainties about government pricing and distribution policies. Pending completion of the fertiliser plants now under construction, one of the most effective forms of external assistance to India would be to provide additional fertiliser imports to help in developing the market and building up knowledge of fertiliser use. At the same time, as supplies are increased, commercial methods of distribution should be encouraged. The present system under which most nitrogenous fertilisers are distributed by the Government to the farmers through cooperatives appears to be cumbersome and inefficient.

73. The reform of agricultural administration in India is coming to be recognised as a necessary condition of more rapid advance. Farmers have suffered in the past from too much interference by government officials knowing very little about farming. The move should be in the direction of reducing the influence of the general administrator and the revenue officer and enhancing the status of the agricultural specialist. A proposal for the creation of an All-India Agricultural Service was discussed with State Governments two years ago and met with a negative response. Recently, however, there have been signs of greater willingness to accept the idea.

III. EXTERNAL FINANCE

General Outlook

74. The official balance of payments estimates for the last three years of the Third Plan are shown in the table on the next page alongside the actuals for the first two years. The figures, which were prepared in January, show the sharp worsening of the current account position from year to year. The trend is disquieting. It would appear that, even in the last year of the Plan, over one quarter of net domestic investment is still likely to be financed from external sources. 1/ This is much the same proportion as at the end of the Second Plan and suggests that little or no progress is being made in narrowing the gap between investment and savings.

75. It is true that, because of the bunching of starts of new projects in the early part of the Third Plan, there will be a corresponding bunching of deliveries of imported equipment towards the end of the Plan, and this could mean that the high level of imports expected in 1964/65 and 1965/66 turns out to be a hump rather than part of a continuous rise. It is also true that, while domestic savings may not have been increased much during the past two years, taxation has been raised to a new plane, so that if defence expenditures can be levelled off or reduced there might be a margin of additional savings to finance investment. However, there is no assurance that this will happen.

76. If attention is switched from the savings gap to specific foreign exchange requirements, the outlook is equally disturbing. On the basis only of loans committed up to the end of 1963, external debt service payments due during the period of the Fourth Plan are estimated by the Indian Government at over $1,800 million or an average of $360 million a year (including repayment of suppliers' credits). If India goes on borrowing abroad on the same scale and pattern as in recent years, service payments due during the Fourth Plan could reach about $3,000 million. The corresponding figure for the Third Plan is likely to be about $1,300 million. Thus debt service alone can be expected on the assumption stated to cost India roughly $1,700 million more during the Fourth Plan than during the Third. If it is further assumed:

(a) that visible exports rise during the Fourth Plan at the rate of 5 per cent a year (a considerably higher rate of increase than has been achieved over any long period in the past);

1/ This is on the assumption that PL 480 imports, or equivalent imports financed in other ways, will continue in 1965/66 at about the same level as in 1964/65.

India's Balance of Payments
($ million)

	Actuals 1961/62	Actuals 1962/63	Estimate 1963/64	Forecasts 1964/65	Forecasts 1965/66
Current Account					
Imports (c.i.f.)					
Commercial a/	1,940	2,075	2,297	2,622	2,820
PL 480	185	258	384	260	b/
Total	2,125	2,333	2,681	2,882	2,820
Exports and re-exports (f.o.b.)	1,401	1,432	1,554	1,617	1,680
Visible trade balance	-724	-901	-1,127	-1,265	-1,140
Invisibles net (excluding official grants)	-17	-11	-27	-52	-82
Current balance (excluding official grants)	-741	-912	-1,154	-1,317	-1,222
Capital Account					
Private foreign investment (gross inflow, excluding retained earnings)	46	55	55	63	71
Repayment of loans to IBRD	-29	-33	-38	-44	-44
Repayment of other foreign loans	-97	-78	-69	-95	-143
Other capital transactions net (including errors and omissions)	-18	+ 7	-21	-42	-49
Capital transactions (net)	-98	-49	-73	-118	-165
Deficit covered or to be covered by foreign aid/use of reserves	-839	-961	-1,227	-1,435	-1,387
Financed by:					
PL 480 aid	185	258	384	260	b/
Disbursement of other foreign assistance already pledged	519	674	918	1,063	1,082
Transactions with IMF (drawings +)	122	25	-50	-100	-100
Use of reserves c/	13	4	-25	-	-
Gap to be covered by disbursements of additional aid requested	-	-	-	212	405

Source: Government of India, Ministry of Finance

a/ Includes that portion of PL 480 freight charges (50 per cent) which is financed out of India's own resources.

b/ Nothing has been included in the import forecast for 1965/66 for commodities financed in previous years under PL 480. Whether or not a new PL 480 agreement is concluded, the need for these imports will presumably continue. Both the total import bill and the current account deficit in 1965/66 are therefore likely to be considerably larger than shown in this table.

c/ Including government balances held abroad, in addition to the gold and foreign exchange holdings of the Reserve Bank of India. The January estimate for 1963/64 has been adjusted to take account of the actual position at the end of the year.

(b) that there is no significant change in net invisible receipts (other than debt service); and

(c) that gross receipts of external assistance, including PL 480, are about the same in the Fourth Plan as in the Third -

then the implication would be that foreign exchange available for financing merchandise imports other than imports under PL 480 during the Fourth Plan would average about $2,400 million a year. This is somewhat above the 1963/64 level, but less than forecast for next year and about 15 per cent below the forecast for 1965/66.

77. Import requirements for investment are likely to remain high in spite of efforts to develop domestic production of capital goods. The foreign exchange component of the minimum steel expansion program envisaged for the period of the Fourth Plan can hardly be less than $200-250 million a year. Foreign exchange requirements for investment in energy over the same period have been tentatively assessed by the Energy Survey Committee at around $400 million a year. The railways still require imports of over $100 million a year. On top of all this, large amounts of foreign exchange will be needed to develop capacity in such import-intensive fields of investment as heavy engineering, fertilisers and petrochemicals. So far as maintenance imports are concerned, there is reason to believe that, if the present pattern of industrial growth is maintained, there will be increasing rather than decreasing demand during the Fourth Plan for imports of petroleum, steel and non-ferrous metals, notwithstanding the steps being taken to develop indigenous production. The possibilities of reducing imports of cereals and cotton must be regarded at best as highly uncertain. Imports of these five groups of commodities alone are already costing over $1,000 million a year.

78. While it is too early to come to any definitive conclusion, it looks as if it may be necessary to reconsider the pattern of investment envisaged for the Fourth Plan in the light of the balance of payments situation. The continuing prospect of acute foreign exchange shortage underlines the importance for planning purposes of using prices for capital and foreign exchange which reflect their true scarcities. It is equally important that every effort should be made, in planning investments, to find "minimum cost solutions" for expanding production. An appreciable amount of capital and foreign exchange has been misdirected in the past as a result of bad planning - for example, in major irrigation schemes, in the development of iron ore and in certain sections of the heavy engineering industry. Many other countries waste capital too, but India can afford to do so less than most.

79. Two other conclusions can be drawn from a cursory examination of the balance of payments outlook. The first is that an increase in foreign equity investment is badly needed to assist in financing the further expansion of Indian industry. The second is that everything possible should be

done to improve the terms of aid extended to India by members of the consortium. Otherwise it looks as if external debt service during the Fourth Plan will absorb at least one fifth of the country's total foreign exchange receipts on current account, and probably more, depending on how fast exports grow.

Exports

80. The Government has done a lot in recent years to make Indian industry more export-conscious and it has taken a number of useful steps to promote exports. The benefits of these measures will be felt only gradually. Meanwhile, it is evident that export markets generally are insufficiently attractive by comparison with the home market, and costs and prices of many actual and potential Indian exports are uncompetitive. Various subsidies and incentive schemes have been introduced to deal with this situation.

81. Iron ore exports were originally intended to contribute one third of the total expansion of India's export earnings during the Third Plan. This was without Goa. Now, even including Goa, their contribution is likely to be much less. In fact, export receipts from iron ore have risen very little during the past two years, and the prospect of a major increase during the coming year has been disappointed by the unforeseen technical delays encountered at the port of Vishakapatnam. Unless drastic changes are made in the arrangements for developing iron ore exports (see paragraphs 46-47 above), India appears to be in serious danger of losing her chance of establishing herself as a major world supplier. Other countries such as Australia and Malaysia are also building up facilities to serve the Japanese steel industry, which is the most promising outlet for India's exports, and a buyer's market is rapidly emerging. India is handicapped in competing in the Western European market for iron ore by the long sea haul and the heavy incidence of Suez Canal dues.

82. The growth of India's total exports during the past two years has been encouraging. The trend is illustrated in Tables 30-32 of the Statistical Appendix which are based on the trade returns. 1/ To some extent the buoyancy of exports in 1963/64 may be explained by temporary factors, affecting particularly jute and sugar, and the forecasts for the next two years are quite possibly on the optimistic side. But there are also other factors not yet reflected in the figures which may work to India's advantage in the longer run. For example, a mission from the jute industry which recently visited Eastern Europe was very favourably impressed by the possibilities for expanding consumption of jute goods in this region.

1/ The payments figures reproduced on page 22 of this report give a rather misleading impression of export trends in 1962/63 and 1963/64 because there was an unusual hump in export shipments towards the end of 1962/63, after the hold-up caused by the Chinese invasion, and this was not reflected in receipts until the following year.

83. An official committee has investigated the problems involved in increasing India's tourist earnings and has put forward a number of recommendations, a few of which have already been acted upon. The expansion of the Indian Airlines Corporation's fleet by the purchase of three Caravelles will do something to improve facilities for internal transport: the new aircraft came into service at the beginning of February. Hotel accommodation is still the main bottleneck, but a few new hotels have been opened recently, and others are planned. Work is even being resumed again on the international hotel started some years ago in New Delhi, and the hope is that it will be ready for occupation early in 1965.

Immediate Import Requirements

84. Unless production in agriculture and industry can be stepped up quickly, plans for mobilising larger domestic resources for investment during the Fourth Plan have little prospect of success. It is essential that larger outputs should be secured from the capital already invested in these sectors. Now that supplies of power and transport are more freely available, larger imports of fertilisers, industrial materials, components and balancing items of equipment would be of the greatest value to the economy. It is not possible to say exactly what the requirements of this or that item are. But there is no doubt at all that production is being held back for lack of maintenance imports, including particularly chemical fertilisers, many types of steel, non-ferrous metals and miscellaneous chemicals. Many of the inefficiencies created by existing licensing controls could be reduced, if not entirely eliminated, if imports of these things could be more easily obtained. Larger steel imports would also make it easier for the Government to remove the remaining controls over prices and distribution by reducing the risks of excessive price increases.

External Assistance

85. The position with regard to commitments (or pledges) and disbursements of foreign aid, as estimated by the Indian Government in January, is summarised in the table on the following page. As this table shows, aid of just under $5,000 million has been promised to India from all sources for financing the Third Plan, including a carry-over of about $800 million from commitments made during the Second Plan. Not far short of $3,000 million of this was still to be disbursed at the end of March, but practically the whole of this undisbursed amount has been committed to specific projects and programs. Nearly $750 million of the aid pledged or committed to date is expected to be carried over into the Fourth Plan. Whereas the proportion of consortium aid assumed to be carried over is just over one tenth, the corresponding proportion for non-consortium aid is nearly one third (line 12 as a proportion of line 3). This reflects the comparatively slow disbursement of credits from Eastern Europe which are mostly tied to industrial projects with long gestation periods.

Third Plan Aid Pledges and Disbursements[a/]
($ million equivalent)

	Consortium	Non-Consortium[b/]	Total
1. Carry-over to Third Plan of aid pledged during Second Plan	560	(265)	(825)
2. Third Plan pledges to date	3,417	(750)	(4,167)
3. Total aid available so far	3,977	1,015	4,992
of which:			
4. Disbursed in 1961/62	422	95	517
5. Disbursed in 1962/63	573	101	674
6. Disbursed in 1963/64 (estimate)	766	151	918
7. Total disbursements in first three years of Third Plan	1,761	347	2,108
8. Still to be disbursed after March 31, 1964 (3-7)	2,216	668	2,884
of which:			
9. Expected disbursements in 1964/65	891	172	1,063
10. Expected disbursements in 1965/66	906	175	1,082
11. Total expected disbursements in Third Plan of aid listed above	3,558	694	4,252
12. Assumed carry-over to Fourth Plan of aid listed above	419	321	740

Source: Government of India, Ministry of Finance

a/ The table relates only to aid pledged up to the end of December 1963. Aid under PL 480 is excluded.

b/ Non-consortium aid is taken here to include all loans from the Soviet Union, Czechoslovakia, Poland, Yugoslavia, Switzerland and Denmark; grants from Australia, New Zealand, Norway and the United Kingdom under the Colombo Plan; grants from Germany, the Ford Foundation and the Rockefeller Foundation; wheat grants from Canada; assistance from the United States and Japan for the mining of iron ore in Orissa; loans for Air India International from private banks in the United States; and grants extended by the U.S. Government prior to the formation of the consortium. The amounts of aid pledged or committed by countries which are not members of the consortium are as follows (in million dollars): Soviet Union 648, Czechoslovakia 99, Poland 60, Yugoslavia 40, Switzerland 32, Australia 8, Denmark 2, Norway 2 and New Zealand 2. The breakdown of non-consortium aid between lines 1 and 2 is uncertain.

86. Against the aid so far pledged or committed from all sources, the Indian Government is assuming that disbursements during the Third Plan will amount to $4,252 million. It estimates that an additional $617 million might be disbursed within the Plan period from aid to be pledged during the next two years. Even then, total aid disbursements during the Third Plan at $4,869 million would be lower than the aid requirement as originally stated, which was $5,160 million. 1/ However, the rate of disbursement would be rising rapidly towards the end of the Plan, largely because of the bunching of deliveries of equipment for aid-financed projects. The Indian estimates also provide for the repayment of $200 million to the International Monetary Fund during the last two years of the Plan. The drawings made by India from the Fund in the first two years of the Plan ($147 million net) helped to bridge over the gap between the commitment and disbursement of consortium aid.

87. If the consortium continues to pledge aid to India during the next two years at approximately the same level as during the last three, the carry-over of aid from the Third to the Fourth Plans will probably be over $2,300 million or nearly three times the carry-over from the Second Plan to the Third. This would not necessarily be an abnormal amount to have in the "pipeline" in relation to a steady flow of aid commitments averaging about $1,250 million a year, which is approximately the rate at which aid has been committed during the past few years (including aid from outside the consortium). The relationship between the pipeline and the rate of commitment depends, of course, on the average period of disbursement. Generally speaking, the larger the proportion of project aid to the total, the longer the period of disbursement and the larger the amount of aid in the pipeline at any given time. A pipeline of $2,300 million related to level annual commitments of $1,250 million would imply that on average aid was being disbursed over a period of between 4 and 5 years from the time of commitment (assuming for purposes of illustration that disbursements start in the year of commitment, and that the amount disbursed in each year is the same).

IV. CONCLUSIONS

88. India needs all the aid she can get, and on the easiest possible terms, if she is to succeed in carrying on with the development of her economy along the course charted in the Second and Third Plans. The policies which the Government has followed so far have not proved adequate to produce the results expected from the foreign capital invested. A new approach must be adopted if the great talents of the Indian people are to be effectively deployed in a single-minded drive to increase production.

1/ This was after allowing for private foreign investment which was assumed by the Indian Government to contribute $300 million during the Plan.

89. The starting point has to be an all-out effort to raise agricultural production and to capture a larger proportion of the additional income generated in the agricultural sector for reinvestment in industry. Simultaneously, both agricultural and industrial development must be geared more closely to the promotion of exports. And the growth of population must be checked somehow.

90. A consideration of the policy action required to achieve this redirection of effort, while economising as much as possible in the use of capital and foreign exchange, should be a major preoccupation of the planning authorities in working out the Fourth Plan. Difficult choices will have to be made if aggregate domestic savings are to be raised progressively to the point where they match the investment needed to reach and maintain a satisfactory rate of economic growth.

91. During the present period of adjustment, the most valuable form of aid which India can receive is aid which can be used quickly to finance additional imports of materials and components for agriculture and industry. The more aid that is available in this form, the easier it will be for the Government to liberalise maintenance imports and relax controls over internal prices and distribution.

92. Project aid will be needed during the coming year to enable a start to be made on a number of new power schemes, including improved facilities for transmission and distribution, to provide continuing support for such programs as railways and telecommunications and to finance selected projects for industrial expansion. None of the major Fourth Plan steel expansion schemes will be ready for the placing of orders until 1965/66 - except for additional blast furnaces at Durgapur and Bhilai, on which work could be started in 1964/65. Efforts should be made to see whether any new and well-planned fertiliser projects can be got ready in 1964/65; if so, they may be particularly deserving of consortium support.

93. An assessment of India's aid requirements for the coming year makes sense only as part of a continuous exercise in cooperation between India and the members of the consortium. India's population in three years' time will pass the 500 million mark - an increase of 160 million during the twenty years that will have elapsed since Independence. The fact that, in spite of this increase, the Government has succeeded in bringing about a significant improvement in average living standards without sacrifice of essential political freedoms is perhaps more remarkable than all the shortcomings to which attention has been drawn in this report.

94. India must be given time to reassess her problems and policies and to effect the improvements in the planning and execution of economic development without which no amount of external aid can see the country through. As the Indian Government put it in a memorandum to the consortium, "It is now necessary to conceive of further development in terms of an efficient and economic choice between a number of complicated alternatives", and this choice can only be made "after the most careful consideration of the costs and benefits of different alternatives". If this approach is adopted, there will be every justification for continued support from the consortium at the levels established in recent years.

STATISTICAL APPENDIX

LIST OF TABLES

(A) Production

(B) Money and Prices

(C) Public Finance

(D) External Trade and Payments

Table 1

Net Domestic Product by Industry of Origin
(Rs. crores: current prices)

	1955/56	1959/60	1960/61	1961/62	1962/63 a/
Agriculture (inc. fishery & forestry)	4,520(45%)	6,250(48%)	6,890(49%)	6,960(47%)	6,970(45%)
Mining	100(1%)	140(1%)	160(1%)	170(1%)	200(1%)
Factory establishments	780(8%)	1,110(9%)	1,320(9%)	1,540(10%)	1,690(11%)
Small enterprises	970(10%)	1,070(8%)	1,120(8%)	1,170(8%)	1,210(8%)
Commerce, transport and communications	1,880(19%)	2,230(17%)	2,340(17%)	2,480(17%)	2,620(17%)
Professions and liberal arts	560(6%)	690(5%)	740(5%)	790(5%)	840(6%)
Government administration	570(6%)	790(6%)	900(6%)	1,000(7%)	1,170(8%)
House property	460(5%)	520(4%)	530(4%)	550(4%)	560(4%)
Domestic service	140(1%)	180(1%)	190(1%)	210(1%)	220(1%)
Net domestic product at factor cost	9,980	12,980	14,190	14,870	15,480

Source: Central Statistical Organisation

a/ Preliminary estimates.

Table 2

Growth of Per Capita Output

	1955/56	1959/60	1960/61	1961/62	1962/63 a/
Net national output at current prices (Rs.crores)	9,980	12,950	14,140	14,800	15,400
Net national output at 1948/49 prices (Rs.crores)	10,480	11,860	12,730	13,060	13,370
Per capita output at current prices (Rs)	255	305	326	334	339
Per capita output at 1948/49 prices (Rs)	268	279	293	294	295
Percentage change in real per capita output over previous year quoted	-	+4%	+5%	negl.	negl.

Source: Central Statistical Organisation

a/ Preliminary estimates

Table 3

Index Numbers of Agricultural Production a/
(Agricultural years beginning July: 1949/50=100)

	Weight	1950/51	1955/56	1960/61	1961/62	1962/63
FOODGRAINS						
Rice	35.3	88	114	136	139	128
Wheat	8.5	101	131	163	178	165
Barley	2.0	106	110	120	134	105
Jowar	5.0	90	97	135	111	134
Bajra	2.7	84	108	101	111	121
Maize	2.1	84	112	144	153	162
Ragi	1.2	88	120	111	122	124
Small millets	1.5	89	105	102	101	94
Total cereals	58.3	90	115	137	140	133
Gram	3.7	98	139	162	150	147
Tur	1.1	92	99	107	69	79
Other pulses	3.8	86	104	102	107	105
Total pulses	8.6	92	118	129	120	120
Total foodgrains	66.9	91	115	136	138	131
NON-FOODGRAINS						
Groundnut	5.7	101	112	132	138	136
Sesamum	1.2	102	105	78	92	110
Rape and mustard	2.0	95	106	167	165	160
Linseed	0.8	88	97	95	110	103
Castorseed	0.2	81	96	70	77	79
Total oilseeds	9.9	99	109	128	134	134
Cotton	2.8	111	154	203	170	200
Jute	1.4	106	136	122	194	164
Mesta	0.3	100	175	170	255	229
Total fibres	4.5	109	150	176	183	191
Tea	3.3	104	107	121	134	130
Coffee	0.2	112	196	355	240	279
Rubber	0.1	94	146	165	176	205
Total plantation crops	3.6	104	113	135	141	140
Sugarcane (in terms of gur)	8.7	114	120	174	164	151
Tobacco	1.9	97	113	116	130	137
Potato	1.0	107	120	171	158	193
Pepper (black)	1.2	97	133	134	135	123
Chillies (dry)	2.0	119	123	127	127	131
Ginger (dry)	0.3	94	106	112	114	117
Total miscellaneous	15.1	110	120	156	151	147
Total non-foodgrains	33.1	106	120	148	149	148
ALL COMMODITIES	100.0	96	117	140	141	137

Source: Ministry of Food and Agriculture

a/ The indices for 1960/61, 1961/62 and 1962/63 are all subject to revision.

Table 4

Area Planted to Principal Crops a/

	1950/51	1955/56	1960/61	1961/62	1962/63
			(million acres)		
Rice	76.1	77.9	82.9	84.7	86.0
Wheat	24.1	30.6	32.0	33.4	33.3
Coarse grains	93.1	107.3	106.8	108.2	106.4
Total cereals	193.3	215.8	222.5	226.3	225.7
Pulses	47.2	57.4	57.3	58.5	57.4
Total foodgrains	240.5	273.2	279.8	284.8	283.1
Groundnuts	11.1	12.7	15.5	15.8	16.4
Castor	1.4	1.4	1.0	1.1	1.1
Sesamum	5.4	5.7	5.4	5.6	6.0
Rape and mustard	5.1	6.3	7.1	7.8	7.7
Linseed	3.5	3.8	4.4	4.8	4.7
Total oilseeds	26.5	29.9	33.4	35.1	35.9
Sugarcane	4.2	4.6	5.8	6.0	5.7
Cotton	14.5	20.0	18.9	19.1	19.7
Jute	1.4	1.7	1.5	2.3	2.1
Mesta	. .	.6	.7	1.0	0.9
Tobacco	.9	1.0	1.0	1.0	1.1
Chillies	1.5	1.5	1.5	1.5	1.5
			(thousand acres)		
Tea	777	780	819	. .	. .
Coffee	224	249	281	. .	. .
Rubber	144	174	318	345	. .
Coconut	1,536	1,598	1,771	1,786	. .

Source: Ministry of Food and Agriculture

a/ The indices for 1960/61, 1961/62 and 1962/63 are all subject to revision.

Table 5

Production of Principal Crops a/

	Unit	1950/51	1955/56	1960/61	1961/62	1962/63
Foodgrains, total	million tons	50.0	65.8	79.7	79.7	78.7
Cereals, subtotal	million tons	41.7	54.9	67.2	68.3	66.0
Rice	million tons	20.2	27.1	33.7	34.3	31.5
Wheat	million tons	6.4	8.6	10.8	11.8	11.0
Coarse grains	million tons	15.1	19.2	22.7	22.2	23.5
Pulses	million tons	8.3	10.9	12.5	11.4	11.5
Oilseeds, total	'000 tons	5,076	5,643	6,520	6,848	6,766
Groundnuts	'000 tons	3,426	3,801	4,391	4,611	4,520
Castor	'000 tons	101	123	89	99	101
Sesamum	'000 tons	438	460	316	373	446
Rape and mustard	'000 tons	750	846	1,335	1,316	1,279
Linseed	'000 tons	361	413	389	449	420
Sugarcane b/	'000 tons	5,615	5,979	10,447	9,984	9,223
Cotton	'000 tons	518	712	960	804	946
Jute	'000 tons	597	763	724	1,154	976
Mesta	'000 tons	n.a.	210	206	308	277
Tobacco	'000 tons	257	298	307	343	361
Chillies (dry)	'000 tons	345	355	366	370	383
Tea	million lbs.	607	628	708	n.a.	n.a.
Coffee	million lbs.	54	76	95	n.a.	n.a.
Rubber	million lbs.	32	50	56	60	n.a.
Coconuts	million nuts	3,582	4,370	4,593	4,545	n.a.

Source: Ministry of Food and Agriculture

a/ Data for 1960/61 - 1962/63 are provisional estimates.

b/ Yield expressed in terms of gur.

Table 6

Average Yield per Acre of Principal Crops[a/]
(lbs)

	1950/51	1955/56	1960/61	1961/62	1962/63
Rice	596	780	909	907	821
Wheat	592	632	756	794	738
Coarse grains	364	400	474	458	. .
Total cereals	484	570	677	676	655
Pulses	393	424	486	438	447
Total foodgrains	466	539	638	627	613
Groundnut (nuts in shell)	691	671	636	651	617
Castorseed	165	194	192	202	206
Sesamum	180	182	132	151	167
Rape and mustard	328	300	422	380	371
Linseed	233	245	197	207	202
Total oilseeds	429	423	437	437	422
Sugarcane (Gur)	2,983	2,934	4,042	3,735	3,649
Cotton (Lint)	78	78	112	93	106
Jute	931	966	1,055	1,114	1,025
Tobacco	652	659	695	741	. .
Chillies (dry)	528	533	536	547	557
Tea	782	805	. .	. .	. .
Coffee	243	304	. .	. .	. .

Source: Ministry of Food and Agriculture

a/ The indices for 1960/61 and 1961/62 are all subject to revision. Estimates for 1962/63 are highly provisional.

Table 7

Industrial Production
(Index numbers: 1956=100)

Industry group	Weight	1951	1955	1960	1961	1962	October 1963
Mining and quarrying	7.47	87	97	137	147	161	171
Food manufacturing	13.99	80	93	117	129	127	141
Beverages and tobacco: cigarettes	1.49	82	87	141	150	156	151
Cotton textiles	32.10	79	95	103	109	110	113
Woollen textiles	1.10	71	83	101	107	138	172
Silk and synthetic fibres	2.94	58	82	147	165	156	236
Jute manufactures	5.62	79	94	99	90	110	109
Footwear (including leather)	0.28	92	86	144	166	180	195
Wood (except furniture)	0.24	55	88	148	150	162	173
Paper products	1.39	67	96	173	182	191	237
Leather and fur products	0.18	110	93	167	116	125	142
Rubber products	3.04	75	92	141	157	169	175
Chemicals and products	3.58	73	96	149	171	184	223
Petroleum products	3.79	6	78	148	157	169	211
Non-metallic minerals	2.47	64	88	168	181	191	196
Basic metals	9.25	84	97	181	183	227	260
Metal products	.99	54	97	106	152	179	196
Machinery (non-electrical)	1.10	45	83	237	269	291	340
Electrical machinery	2.41	44	72	176	183	211	221
Transport equipment	2.86	46	73	119	131	145	158
Electricity	3.68	61	88	171	199	223	259
ALL INDUSTRIES	100.00	73	92	130	139	150	166

Source: Central Statistical Organization

Table 8

Production in Selected Industries

Product	Unit	1951	1956	1961	1962	First 9 months 1962	First 9 months 1963a/
MINING							
Coal	mn.tons	34	39	55	62	45	50
Iron ore	"	3.7	4.2	11.9	13.1	9.7	11.1
METALS							
Pig iron	'000 tons	1,719	1,807	4,888	5,700	4,100	5,100
Finished steel	"	1,082	1,338	2,807	3,800	2,700	3,200
Aluminium	"	3.8	6.5	18.0	35.4	22.3	39.2
Copper	"	7.1	7.6	8.6	9.8	7.3	7.0
MECHANICAL ENGINEERING							
Machine tools	mn.rupees	4.7	12.0	76.1	108	78	109
Sugar machinery	"	-	3.4	45.2	63.5	n.a.	n.a.
Power-driven pumps	'000s	41	47	126	128	97	112
Automobiles	"	22	32	54	58	44	36
Bicycles	"	114	664	1,049	1,117	850	871
Sewing machines	"	41	130	317	344	283	262
Railway wagons	"	-	16	11	14	10	14
Motor cycles	"	-	1.6	4.7	22.6b/	16b/	17b/
Typewriters	"	-	13.4	31.1	37.2	n.a.	n.a.
ELECTRICAL ENGINEERING							
Power transformers	'000 KVA	195	919	1,775	2,360	1,780	1,960
Electric motors	'000 HP	143	359	824	980	723	878
Radio receivers	'000s	83	151	326	351	248	309
House service meters	"	-	230	623	878	n.a.	n.a.
Electric lamps	millions c/	15	30	45	59	42	53
Electric fans	'000s	213	339	1,074	1,141	860	930
Bare copper wire	'000 tons	3	10	8	5	4	3
Aluminium conductors	'000 tons	-	11	22	27	19	24
CHEMICALS							
Ammonium sulphate	'000 tons	52	389	389	419	304	330
Superphosphate	"	61	81	365	445	305	415
Sulphuric acid	"	107	165	407	468	333	407
Soda ash	"	47	84	174	222	159	197
Caustic soda	"	15	39	118	127	93	109
Cement	mn.tons	3.2	4.9	8.1	8.6	6.2	6.9
Refractories	'000 tons	239	318	589	650	473	513
Paper and paper board	"	132	193	358	388	285	338
Auto tyres and tubes	millions	1.7	1.8	3.1	3.3)	13d/	12d/
Bicycle tyres and tubes	"	8.8	12.7	24.2	23.5)		
Footwear (rubber and leather)	mn.pairs	28.7	42.6	55.7	61.6	45.6	45.9
Soap	'000 tons	74	101	147	150	113	118
Petroleum products	"	245	3,829	6,004	6,600	4,800	5,600

Table 8 Cont'd

Product	Unit	1951	1956	1961	1962	Sept. 1962	Jan. 1963
TEXTILES							
Cotton yarn	mn.pounds	1,303	1,671	1,901	1,894	1,422	1,450
Rayon yarn e/	'000 tons	2.0	17.3	48.7	60.1	44.0	47.8
Cotton cloth (mill sector)	mn.yards	4,077	5,307	5,142	4,900	3,775	3,607
Cotton cloth (decentralised)	"	1,006	1,819	2,589	2,635	n.a.	n.a.
Jute products	'000 tons	876	1,093	954	1,187 f/	891 f/	929 f/
Woollen fabrics	mn.yards	12.1	16.3	13.3	20.1	n.a.	n.a.
FOOD PRODUCTS							
Sugar	'000 tons	1,210	1,854	2,981	2,280	2,670	2,115
Tea	mn.pounds	628	668	767	756	549	536
Coffee	'000 tons	18.1	34.4	65.6	46.7	n.a.	n.a.
Vanaspati	"	172	256	334	369	278	285
ELECTRICITY							
Power generated	mn.KWH	5,858	9,611	19,111	21,500	16,000	18,300

Source: Central Statistical Organization

a/ Provisional.
b/ Including scooters.
c/ Excluding flourescent lamps.
d/ All rubber tyres (excluding tubes).
e/ Staple fibre, viscose yarn and acetate yarn.
f/ Jute textiles.

n.a. not available.

Table 9

Wholesale Prices
(Index numbers: 1952/53=100)

	Weight	1955/56	1960/61	1961/62	1962/63	Feb.1964
Cereals	192	76	104	102	106	122
Pulses	43	62	93	92	105	129
Fruit and vegetables	23	101	119	138	136	157
Milk and ghee	84	90	116	116	124	128
Edible oils	47	85	150	157	152	155
Fish, eggs and meat	17	96	124	135	144	153
Sugar and gur	48	89	133	120	145	177
Other foods	50	134	168	172	172	180
Total food	504	87	120	120	126	140
Liquor and tobacco	21	81	110	100	101	122
Industrial raw materials	155	99	145	143	137	143
Manufactures	290	100	124	127	129	132
Fuel, power, light, etc.	30	95	120	122	124	139
All commodities	100	93	125	125	128	138

Source: Office of the Economic Adviser to the Government of India

Table 10

Working Class Consumer Prices
(Index numbers: 1949=100)

	1951/52	1955/56	1960/61	1961/62	1962/63	Jan.1964
All India	105	96	124	127	131	140
Calcutta	106	93	113	115	121	n.a.
Bombay	107	110	137	142	145	158
Delhi	108	100	121	128	130	140
Madras	104	100	146	149	150	157
Hyderabad	109	100	133	138	142	n.a.
Bangalore	115	104	147	151	154	n.a.
Kanpur	94	79	100	103	106	n.a.
Ahmedabad	104	89	120	121	121	n.a.

Source: Labour Bureau, Government of India

Table 11

Wholesale Prices of Selected Agricultural Commodities
(Index numbers: 1952/53=100)

	1950	1955	1960	1961	1962	1963
Rice	91	76	109	105	109	122
Wheat	94	70	91	89	92	91
Coarse Grains	97	65	118	114	117	110
Pulses	86	56	93	91	104	109
Groundnuts	127	71	141	157	145	140
Sugarcane	106	92	102	102	102	105
Tea	172	206	202	202	173	193
Coffee	75	80	87	88	91	97
Tobacco (raw)	97	78	107	100	93	108
Cotton	105	95	113	108	112	117
Jute	128	122	179	208	146	147

Source: Office of the Economic Advisor to the Government of India

Table 12

Security Prices
(Index numbers: 1952/53=100)

	1960/61	1961/62	1962/63	Jan 1964
Government securities	101	101	99	100
Industrial debentures	101	101	98	98
Preference shares	86	83	80	81
Variable dividend industrial securities	183	193	160	169

Table 13

Security Yields

	1960/61	1961/62	1962/63	Feb. 1964
Government 3½ Conversion 1986 or later	4.06	4.16	4.49	4.70
Industrial debentures (tax-free rates)	4.11	4.15	4.35	4.71
Preference shares (tax-free rates)	5.32	5.64	5.87	5.95
Variable dividend industrial securities (tax-free rates)	4.88	4.67	4.85	4.89

Source: Reserve Bank of India

Table 14

Money Supply and Allied Data a/
(Rs. crores)

	1950/51	1955/56	1960/61	1961/62	1962/63	1963/64
Money supply with public, total	2,022	2,220	2,868	3,045	3,317	3,735
Currency with the public b/	1,405	1,571	2,098	2,201	2,379	2,605
Deposit money with the public c/	617	649	770	844	938	1,130
Index d/	100	110	144	154	168	188
Rupee securities held by RBI e/	595	738	1,852	1,957	2,194	2,388
Advances to Governments by RBI	2	-	39	81	55	71
Banks' investments in government securities	347	398	591	634	629	674
Central Government's deposits with RBI	162	67	76	71	56	91
Foreign assets held by RBI	884	746	136	130	116	135
Bank credit to private sector	587	823	1,494	1,631	1,842	2,089
Time liabilities of banks c/	331	466	1,095	1,196	1,244	1,298
of which PL 480/665 deposits f/	-	-	(189)	(135)	(68)	(30)

Source: Reserve Bank of India and information received by Mission.

a/ Revised series. Figures are with reference to the last Friday of each fiscal year except for 1963-64, when figures are as of March 20, 1964.
b/ Data on currency have been revised to include circulation of small coin.
c/ Data on (i) deposit money and (ii) time deposits with banks have been revised so as to exclude inter-bank deposits of scheduled banks for the entire period and non-bank "other" deposit liabilities from 1960/61.
d/ Index numbers of total money supply with the public have been calculated after making adjustments in the money supply figures for (i) non-bank "other" deposit liabilities and (ii) withdrawal of currency (Rs. 34.2 crores) from Kuwait during 1961/62.
e/ Including rediscounts of Treasury Bills by RBI.
f/ This represents time deposits made to the Special Account held by the U.S. authorities with the State Bank of India.

Table 15

Causes of Variations in Money Supply a/
(Rs. crores: expansionist effect +, contractionist effect -)

	1951-56	1956-61	1960/61	1961/62	1962/63	1963/64
Total increase in money supply with public	+198	+706	+194	+212 b/	+271	+418
Credit extension to Government c/	+245	+1,211	+114	+313	+277	+286
Credit extension to others	+240	+674	+238	+138	+214	+247 d/
Effect of changes in time liabilities of banks c/	-136	-462	-106	-156	-115	- 92
Effects of external transactions e/	- 96	-674	- 52	- 66	- 27	+ 41
Other causes (residual item)	- 55	- 43	-	- 17	- 78	- 64

Source: Reserve Bank of India and information received by Mission

a/ Variations are as between the last Fridays of each fiscal year except for 1963-64 when data for March 20, 1964, were used.
b/ Adjusted for the return of currency (Rs. 34.2 crores) from Kuwait during 1961-62.
c/ Adjusted for the net changes in PL 480/665 deposits with the State Bank of India; also inclusive of Government's currency liability to the public arising from issue of one rupee notes and small change.
d/ Excludes Reserve Bank credit to private Sector.
e/ Equal to changes in (net) foreign assets of Reserve Bank.

Table 16

Credit Extension to Government
(Rs. crores)

	1960/61	1961/62	1962/63	1963/64 a/
I. Increase in RBI's rupee securities (inc. Treasury Bills)	124	105	186	194
II. Loans and advances to Government by RBI	17	42	-26	16
III. Decline (+) in Central Government deposits with RBI	-13	5	15	-35
IV. Decline (+) in State Government deposits with RBI	14	13	-16	5
V. One rupee notes b/	5	5	5	5
Total deficit financing, according to GOI definition c/	147	170	164	185
VI. Commercial banks investment in government securities (inc. Treasury Bills)	-154	43	- 5	45
VII. Increase (-) or decrease (+) of PL480/665 deposits with State Bank d/	+121	+54	+67	+38
Total deficit financing, according to IBRD definition	114	267	226	268

Source: Reserve Bank of India

a/ Up to March 20, 1964
b/ Notes printed by Government and sold to RBI.
c/ The IBRD (such as used in the IBRD 1960 report) and the Indian definitions differ with respect to the treatment of credit extended to the Government by the commercial banking system.
d/ These figures reflect, among other things, changes in PL 480 arrangements. PL 480 counterpart funds were previously deposited with the State Bank, which invested them mainly in government securities. Since May 12, 1960, they are deposited directly with the RBI which invests them in non-negotiable Special Securities. The gradual transfer of past accumulations of PL 480 funds from the SBI to RBI leads to depletion of the State Bank's portfolio of government securities.

Table 17

Net Absorption of Government Securities by the Public Since 1951/52 a/
(Rs. crores)

	Net market borrowings by Central and State Governments			Cash Receipts (net from the public)	Open Market purchases (-) from/sales (+) to the public b/	Net absorption (+) by the public c/ (4+5)
	Cash Receipts	Cash Payments	Net Receipts (1-2)			
	1	2	3	4	5	6
First Plan						
1951/52	24.3	49.2	- 24.9	+ 1.7	- 11.3	- 9.6
1952/53	15.8	2.9	+ 12.9	+ 12.9	+ 20.5	+ 33.4
1953/54	60.4	63.9	- 3.5	+ 46.3	+ 34.2	+ 80.5
1954/55	160.7	50.0	+110.7	+ 67.2	+ 25.3	+ 92.5
1955/56	98.6	16.6	+ 82.0	+ 64.2	+ 28.9	+ 93.1
Total	359.8	182.6	+177.2	+192.3	+ 97.6	+289.9
Second Plan						
1956/57	143.7	3.0	+140.7	+ 89.7	= 19.1	+ 70.6
1957/58	99.7	29.0	+ 70.7	+ 28.1	+ 85.2	+113.3
1958/59	241.6	14.8	+226.8	+105.6	+ 89.0	+194.6
1959/60	208.3	33.6	+174.7	+ 82.5	+ 60.6	+143.1
1960/61	179.4	45.4	+134.0	+ 61.4	-125.1	- 63.7
Total	872.7	125.8	+746.9	+367.3	+ 90.6	+457.9
Third Plan						
1961/62	187.2	50.4	+136.8	+ 72.6	- 37.0	+ 35.6
1962/63	225.6	41.2	+184.4	+134.1	- 24.1	+110.0
1963/64 d/	208.7	63.7	+145.0	+110.6	+ 50.1	+160.7

Source: Reserve Bank of India

a/ Figures from 1956/57 onwards are inclusive of investment of PL 480 funds. Those for 1960/61 through 1963/64 are not strictly comparable to the figures for the earlier years consequent on the change in the arrangements in regard to PL 480 funds from May 12, 1960. (See Table 16, footnote d/.)

b/ On the Reserve Bank's Investment Account and the Central Government's Cash Balance Investment Account.

c/ Figures do not take into account transactions on the State Government's Cash Balance Investment Accounts, the Bank's operations in State Government loans and repayment of State Loans held by State Governments.

d/ Up to February 29, 1964 and based on partial data.

Table 18

Current Budget of Central Government
(Rs. crores)

	1950/51 (Accounts)	1955/56 (Accounts)	1960/61 (Accounts)	1961/62 (Accounts)	1962/63 (Accounts)	1963/64 (RE)	1964/65 (BE)
Revenue, total	406	481	877	1,037	1,430	1,755	1,972
Tax revenue, subtotal	405	485	909	1,053	1,285	1,570	1,706
Share of States	(48)	(74)	(179)	(178)	(224)	(260)	(257)
Tax revenue retained by Centre	357	411	730	875	1,061	1,310	1,449
Non-tax revenue	49	70	147	162	369	445	523
Expenditure, total	347	441	826	912	1,317	1,667	1,878
Defence	164	172	248	290	425	693	718
Debt service a/	37	43	77	83	245	282	318
Grants in aid to States	16 b/	36 b/	49 b/	199 c/	195 c/	236 c/	289 c/
Civil administration	21	34	59	59	75	80	82
Social and development services	40 b/	82	236	176	187	178	200
Miscellaneous	69 b/	74	157	105	190	198	271
Net surplus	59	40	51	125	113	88	94

Source: Reserve Bank of India Reports on Currency and Finance, and information received by the Mission.

a/ A reform of the budgetary accounting structure has been carried out recently. The main change relates to debt accounting: whereas formerly debt/servicing of the Central Government were recorded on a net basis, the disbursements and receipts on this account are now shown separately. This accounts for the rise in the figures from 1962/63 onwards. This change also renders the figures for those recent years non-comparable with previous years.

b/ Part of grants to States included in items "Civil Administrations", "Social and Development services" and "Miscellaneous".

c/ Includes non-statutory grants from 1961/62.

Table 19

Capital Budget of Central Government
(Rs. crores)

	1950/51 (Accounts)	1955/56 (Accounts)	1960/61 (Accounts)	1961/62 (Accounts)	1962/63 (Accounts)	1963/64 (RE)	1964/65 (BE)
Receipts, total a/	51	183	905	815	1,038	1,389	1,608
Disbursements, total	129	373	778	1,029	1,308	1,630	1,788
Developmental, subtotal	57	120	257	327	475	582	590
Railways	25	68	89	145	215	237	253
Post and telegraph	7	9	11	11	21	30	21
Civil works	9	25	39	42	48	82	80
Industrial development	9	11	91	111	171	209	217
Other	7	7	27	18	20	24	19
Non-developmental, subtotal	14	-9	136	93	121	226	352
Defence	4	18	33	23	49	116	136
State trading	-2	-30	34	2	-22	30	31
Other	12	3	69	68	94	80	185
Grants to States	-	16	13	16	16	22	28
Loans to States (Net)	53	216	233	310	366	433	372
Other b/	5	30	139	283	330	367	446
Surplus (+) or deficit (-)	-78	-190	+127	-214	-270	-241	-180

Source: Reserve Bank of India, Reports on Currency and Finance and information received by Mission.

a/ Some receipts have been netted out against disbursements; excludes receipts from Treasury Bills.
Excludes items which have been netted out against receipts.

b/ Mainly various loans and advances.

Table 20

Current Budget of States (Consolidated) a/
(Rs. crores)

	1951/52 (Accounts)	1955/56 (RE)	1960/61 (Accounts)	1961/62 (Accounts)	1962/63 (RE)	1963/64 b/ (BE)
Revenue, total	396	546	1,012	1,073	1,260	1,354
Tax revenue, subtotal	281	350	625	663	764	826
Transferred from Centre c/	53	74	182	179	222	229
Collected by States d/	228	276	443	484	542	597
Non-tax revenue, subtotal	115	197	387	410	496	528
Administrative receipts e/	38	60	140	85	88	95
Net contributions of Public enterprises f/	25	30	47	46	50	62
Other revenue g/	27	39	78	84	135	135
Grants in aid d/	25	68	122	195	223	236
Expenditure, total	393	625	988	1,121	1,294	1,365
Development Expenditure, subtotal h/	196	357	570	660	731	774
Education	60	105	195	235	253	266
Health	29	49	81	94	107	111
Agriculture, Community development	27	73	118	133	152	164
Irrigation, Electricity	22	32	37	39	42	44
Civil works	41	71	67	84	88	87
Other i/	17	27	72	75	89	102
Non-Development expenditure, subtotal h/	197	268	418	461	563	591
Collection of Taxes and other revenue	27	49	66	62	63	66
Debt services j/	9	19	84	100	165	179
Civil administration	107	125	167	185	202	203
Other non-development k/	54	75	101	114	133	143

Source: Reserve Bank of India, Report on Currency and Finance, and information received by Mission.

a/ Figures for 1951/52 do not include Part C States. For 1955/56 revised figures are used since actuals are not available, due to reorganization of States. Figures from 1958/59 onwards relate to the reorganized States. Figures for Jammu and Kashmir have been included since 1957/58 only.

b/ The budget estimates for 1963/64 are before tax changes except in the case of Orissa, Kerala, Jammu and Kashmir.

/continued ....

Table 20, continued

c/ Estate Duty, part of Income Tax and Union Excise Duties.

d/ Until 1961/62 receipts from tax on railway fares are included in Tax Revenue; since 1961/62 the Rs. 12.5 crores grant in lieu of such taxes are included Grants in Aid.

e/ Includes receipts from civil works, receipts from various departments and until 1961/62 certain grants from the Central Government.

f/ Forests, irrigation, electricity schemes, road and water transport, etc.

g/ Comprises receipts on account of debt services, which from 1962/63 also include recoveries of interest from commercial departments hitherto adjusted in reduction of expenditure, stationery and printing and miscellaneous receipts; exclude transfers from reserve funds.

h/ Classification of development and non-development expenditure has been done on the basis of broad budget heads.

i/ Scientific and miscellaneous departments, aviation, ports and pilotage.

j/ Includes appropriation for reduction or avoidance of debt, figure from 1962/63 onwards includes interest charges on capital advanced to commercial departments, hitherto booked in the accounts as reduction of expenditure.

k/ Expenditure on displaced persons, grants to local bodies, famine, stationery and printing, etc.

Table 21

Capital Budget of States (Consolidated) a/
(Rs. crores)

	1951/52 (Accounts)	1955/56 (Revised)	1960/61 (Accounts)	1961/62 (Accounts)	1962/63 (RE)	1963/64 (BE)
Receipts, total	98	320	397	477	499	469
Expenditure on capital account, total b/	152	310	450	446	519	530
Developmental, subtotal	100	243	294	315	354	342
Multi-purpose river valley schemes	27	67	46	56	55	48
Irrigation and navigation	24	72	81	84	95	102
Electricity	20	48	25	26	31	37
Public works	21	39	115	116	129	107
Industrial developments	6	8	15	23	27	34
Others	2	9	12	10	17	14
Non-developmental c/	28	-11	24	5	15	17
Loans and advances by States (net)	24	78	132	126	150	171
Surplus (+) or deficit (-)	-54	+10	-53	+31	-20	-61

Source: Reserve Bank of India, Reports on Currency and Finance, and information received by Mission.

a/ Figures for 1951/52 do not include Part C States. For 1955/56 revised estimates are used since later figures are not available due to reorganization of States. Figures from 1957/58 onwards relate to the reorganized States. Figures for State of Jammu and Kashmir have been included since 1957/58 only.

b/ Excludes some items which have been netted out against receipts.

c/ Mainly state trading and compensation to landholders.

Table 22

Debt Position of Government of India
(Rs. crores: end of fiscal years)

	1950/51	1955/56	1960/61 a/	1961/62 a/	1962/63 a/
Total Debt	2,524	3,209	6,324	6,959	7,685
Internal debt, subtotal	2,474	3,070	5,478	5,848	6,306
Undated	258	258	258	258	258
Over 10 years	519	241	690 b/	806 b/	870 b/
Between 5 and 10 years	343	617	756 b/	699 b/	712 b/
Under 5 years	319	393	867 b/	925 b/	1,002 b/
Treasury bills	365 c/	595	1,106	1,175	1,300
Small savings	327	576	975	1,053	1,128
Other obligations	343	390	826 d/	932 d/	1,036
External debt	50	139	846	1,111 e/	1,379 e/

Source: Reserve Bank of India, Reports on Currency and Finance, and information received by Mission.

a/ Including Prize Bonds issued from April 1960.

b/ In July 1958 Treasury Bills to the amount of Rs. 3 billion were converted into special long-term debt. This debt is held by the Reserve Bank of India as cover against note issue. In December 1959 Treasury Bills to the amount of Rs. 1.5 billion were converted into long-term debt (of which Rs. 1.3 billion between 5 and 10 years and Rs. 0.2 billion under 5 years). Again in January 1961 and in February 1962 Rs. 50 crores of Treasury bills converted into long term securities respectively.

c/ Including Treasury Deposit receipts.

d/ Includes investment of Rs. 240 crores and Rs. 300 crores (estimated) of U.S. Government Counterpart Deposit Funds in 'Special Securities'.

e/ The external debt of the Government of India, as shown here, is quite different in scope from the data on external debt given in Tables 34 and 35. Among other things, the latter include government-guaranteed debts which are excluded here.

Table 23

Debt Position of States
(Rs. crores: end of fiscal years)[a/]

	1951/52	1955/56	1960/61	1961/62	1962/63 (RE)
Total debt	445	1,232	2,737	3,147	3,599
Permanent debt	134	265	493 b/	569 b/	643 b/
Floating debt	16	8	42	50	13
Loans from Central Government	238	876	2,016	2,315	2,703
Unfunded debt c/	57	83	135	149	162
Other debt d/	-	-	51	64	78

Source: Reserve Bank of India, Reports on Currency and Finance, and information received by Mission.

a/ The figures for the years 1951/52 and 1955/56 are based on actual returns furnished by the States except in the case of certain States where they had to be estimated on the basis of budget data.

b/ Excludes the amounts provisionally allocated to Kerala on the population ratio.

c/ Non-public debt and provident funds, etc.

d/ Includes loans from National Agricultural Credit (Long-Term Operations) Fund of the Reserve Bank of India, loans from National Cooperative Development and Warehousing Board, loans from Khadi and Village Industries Board, Employees' State Insurance Corporation, etc.

Table 24

India's Balance of Payments
(Rs. crores)

	1950/51	1955/56	1960/61	1961/62	1962/63
Imports, c.i.f.					
Commercial	650	773	921	915	968
PL 480 a/	-	-	185	87	121
Total	650	773	1,106	1,002	1,089
Exports and re-exports, f.o.b.	647	640	631	668	682
Trade balance	-3	-133	-475	-334	-407
Invisible net (excluding official grants)	40	88	25	-21	-17
Current balance (excluding official grants)	37	-45	-450	-355	-424
Capital transactions net (including errors and omissions)	-8	15	-16	-55	-50
Total surplus or deficit of above	29	-30	-466	-410	-474
Financed by:					
PL 480	-	-	185	87	121
Disbursement of other foreign assistance b/	10	61	240	259	378
Transactions with IMF (drawings +)	-	-7	-11	58	12
Use of foreign exchange reserves (decrease +) c/	-39	-24	52	7	13

a/ Includes that portion of the PL 480 freight charges (50%) which is financed out of India's own resources.

b/ Figures based on Reserve Bank compilations, which differ slightly from the estimates of the Ministry of Finance.

c/ Reserve Bank of India's gold and foreign assets only; excludes changes in government balances abroad which are included under "Capital transactions net (including errors and omissions)".

Table 25

Selected Invisible Transactions
(Rs. crores)

		1950/51	1955/56	1960/61	1961/62	1962/63 a/
Transport:	Receipts	30.1	38.3	44.6	47.5	47.8
	Payments	8.6	15.0	24.6	26.9	24.4
	Net	21.5	23.3	20.0	20.6	23.4
Insurance:	Receipts	8.3	9.5	8.1	7.6	8.0
	Payments	2.9	5.1	5.8	5.6	4.8
	Net	5.4	4.4	2.3	2.0	3.2
Foreign Travel:	Receipts	4.6	11.8	15.3	12.4 b/	3.2 b/
	Payments	17.0	12.1	12.1	11.4	11.7
	Net	-12.4	-0.3	3.2	1.0	-8.5
Investment income:	Receipts	7.2	29.8	14.2	11.9	11.0
	Payments	31.3	29.9	61.9	79.2	90.3
	Net	-24.1	-0.1	-47.7	-67.3	-79.3
Private donations:	Receipts	40.8	57.6	44.9	41.5	41.5
	Payments	5.8	20.5	16.8	16.2	14.1
	Net	35.0	37.1	28.1	25.3	27.4

Source: Reserve Bank of India

a/ Provisional.
b/ Data regarding foreign travel receipts are incomplete.

Table 26

India's Foreign Exchange Reserves
(Rs. crores: end of period)

	1950/51	1955/56	1960/61	1961/62	1962/63	1963/64
Gold held by RBI	118	118	118	118	118	118
Foreign assets of RBI	884	746	136	129	116	122
Total RBI holdings of gold and foreign exchange	1,002	864	254	247	234	240
Government balances abroad	27	38	49	50	61	67
Total foreign exchange reserves	1,029	902	303	297	295	307
Change over previous period	-	-127	-599	-6	-2	+12

Source: Reserve Bank of India and Ministry of Finance

Table 27

Import and Export Indices
(1952/53=100)

Years	Index Number of Average Unit Declared Values		Terms of Trade	Volume Index	
	Exports	Imports	(2)÷(3)x100	Exports	Imports
1	2	3	4	5	6
1950[a]	92	80	115.0	112	106
1955	93	88	105.7	113	109
1958	93	92	101.1	108	140
1959	91	90	101.1	119	148
		(1958=100)			
1960	109	98	111	101	107
1961	111	99	112	105	111
1962	106	94	113	112	120

Source: Office of the Economic Advisor to the Government of India

[a] Figures are for fiscal year 1950/51.

Table 28

Payments for Imports
(Rs. crores)

	Actuals				Estimates
	1959/60	1960/61	1961/62	1962/63	1963/64
Cereals: PL 480	87	150	67	106	154
Others	68	64	43	30	27
Total	155	214	110	136	181
Fruits, nuts and vegetables	18	20	15	18	20
Milk, fish, spices	12	10	15	17	16
Tobacco	1	neg.	1	1	1
Vegetable oils	4	4	5	4	5
Copra	11	12	9	10	10
Gums, lacs, resins	2	2	1	1	1
Hides and skins	2	3	2	3	3
Rubber	7	11	10	10	9
Wood and cork	6	4	2	3	3
Pulp	7	7	6	10	9
Newsprint, paper and board	11	12	16	13	14
Textile yarn and thread	13	14	13	13	10
Raw cotton a/	39	82	63	57	60
Raw jute	3	8	5	3	2
Raw wool and wool tops	8	10	11	11	15
Fertilisers (manufactured)	16	12	14	30	31
Dyes and colours	10	13	14	12	b/
Drugs and medicines	10	10	11	9	10
Other chemicals	53	60	51	52	53
Petroleum and products	86	77	87	83	102
Iron and steel	47	76	88 c/	102 c/	98 c/
Non-ferrous metals	39	47	50	55	52
Metal manufactures	25	20	18	18	18
Machinery	214	225	283	309	380
Transport equipment: d/					
Road transport	32	35	33	32	33
Railways	16	28	13	27	46
Shipping	11	6	2	4	5
Other imports e/	65	66	65	71	90
Total	924	1,088	1,012	1,111	1,277

Source: Government of India, Ministry of Finance

a/ Includes PL 480 imports of Rs. 6 crores in 1959/60, Rs. 35 crores in 1960/61, Rs. 17 crores in 1961/62, Rs. 14 crores in 1962/63 and Rs. 22 crores in 1963/64.
b/ Included in "Other chemicals".
c/ The figures for 1961/62 and subsequent years include some items previously included under other categories and therefore are not strictly comparable with figures relating to previous years.
d/ Excludes aircraft.
e/ Includes defence equipment and civil aircraft.

Table 29

Imports by Source[a/]
(Rs. million)

	1951/52	1955/56	1959	1960	1961	1962	1963
United Kingdom	1,623(19%)	1,727(25%)	1,842(20%)	2,115(19%)	2,003(20%)	1,865(16%)	1,698(15%)
United States	2,938(34%)	893(13%)	2,179(23%)	2,920(27%)	2,400(24%)	3,531(31%)	3,696(34%)
Canada	193 (2%)	68 (1%)	279 (3%)	152 (1%)	175 (2%)	155 (1%)	241 (2%)
European Economic Community	787 (9%)	1,189(18%)	1,958(21%)	1,931(18%)	1,856(18%)	1,605(14%)	1,383(12%)
of which: Germany	286	603	1,203	1,155	1,225	1,026	890
France	109	155	217	213	164	123	124
Italy	180	165	267	255	240	232	170
Belgium-Luxembourg	103	124	139	177	110	82	89
Netherlands	110	141	132	131	117	142	110
Rest of OECD and Finland	299 (3%)	336 (5%)	281 (3%)	330 (3%)	386 (4%)	304 (2%)	313 (3%)
of which: Ireland	0	0	0	-	-	-	-
Sweden	75	79	108	112	142	92	108
Switzerland	100	121	80	99	107	108	121
Soviet Bloc	49 (1%)	107 (2%)	330 (3%)	328 (3%)	622 (6%)	1,046 (9%)	1,036 (9%)
of which: U.S.S.R.	14	62	179	138	254	613	582
Poland	3	4	41	30	74	84	84
Czechoslovakia	28	29	37	71	143	194	163
East Germany	1	4	32	26	51	73	88
Japan	254 (3%)	334 (5%)	417 (4%)	567 (2%)	607 (6%)	583 (5%)	617 (6%)
Mainland China	159 (2%)	44 (1%)	49(0.5%)	33(0.3%)	17(0.1%)	12(0.1%)	neg.
South Asia and Far East	805 (9%)	728(11%)	582 (6%)	1,110(10%)	860 (9%)	1,411(10%)	1,040 (9%)
of which: Burma	235	96	156	205	84	116	92
Ceylon	56	94	61	40	44	73	56
Indonesia	32	15	38	39	19	18	81
Malaya	221	183	106	137	126	113	125
Pakistan	105	271	55	152	115	179	113
Thailand	116	5	6	6	20	11	8
Africa and Middle East	1,391(16%)	1,148(17%)	904(10%)	1,089(10%)	932 (9%)	820 (7%)	798 (7%)
of which: Aden	9	21	13	16	24	20	26
Bahrain	109	82	42	47	48	48	49
Iran	289	144	356	343	314	515	504
Kenya	186	219	116	141	101	71	40
Kuwait	1	0	52	1	4	2	4
Mozambique	34	45	49	55	67	50	65
Nigeria	0	5	3	5	14	5	4
Rhodesia and Nyasaland	6	6	111	148	128	50	33
Saudi Arabia	100	152	201	190	179	138	171
Sudan	143	127	107	96	84	174	92
U.A.R. (Egypt)[b/]	405	231	81	228	103	89	138
Australia	176 (2%)	135 (2%)	135 (1%)	231 (2%)	176 (2%)	243 (2%)	177 (2%)
New Zealand	21	25	11	15(0.2%)	13(0.1%)	14(0.1%)	18(0.1%)
Rest of World	53 (1%)	60 (1%)	437 (5%)	98(0.9%)	99(0.9%)	333 (3%)	101(0.9%)
of which: Argentina	8	1	1	1	2	1	1
Cuba	0	7	neg.	1	neg.	-	-
Yugoslavia	1	3	29	44	48	81	88
TOTAL	8,749	6,790	9,404	10,919	10,146	11,256	10,916

Source: Monthly Trade Statistics

a/ Coverage of the monthly trade statistics is incomplete, since certain government imports are omitted. 1951/52 figures exclude trade by land with Pakistan, Burma, Afghanistan and Iran. Malaya includes Singapore.

b/ Including Syria in 1959 and 1960.

Table 30

Receipts from Merchandise Exports
(Rs. crores)

	Actuals				Estimates
	1959/60	1960/61	1961/62	1962/63	1963/64
Fish and fish preparations	6	5	4	4	6
Cashew nuts	16	19	18	19	22
Other fruits and vegetables	6	7	7	8	9
Spices	14	17	18	14	13
Sugar	2	3	15	17	25
Coffee	6	7	9	8	9
Tea	129	123	123	129	125
Tobacco	15	16	15	19	25
Total food, drink and tobacco a/	194	197	209	218	234
Oilcakes	21	14	17	32	33
Vegetable oils b/	15	13	11	17	22
Hides and skins	11	9	8	11	11
Raw cotton and waste	15	12	20	17	16
Raw wool and hair	12	8	9	7	5
Other textile fibres	6	2	4	6	7
Gums, resins and lac	8	9	7	7	8
Total other agricultural products a/	88	67	76	97	102
Mica	10	10	10	10	8
Iron ore	15	17	17	36	38
Manganese ore	12	14	10	8	8
Other ores and scrap	9	8	9	4	9
Coal and coke	5	3	2	3	3
Petroleum products	3	4	4	4	6
Total minerals	54	56	52	65	72
Leather and manufactures	31	25	25	23	25
Footwear	3	3	2	3	4
Yarns	11	11	14	15	16
Cotton fabrics	63	58	48	47	48
Artsilk fabrics	2	3	6	8	9
Woollen manufactures	6	5	5	5	7
Jute manufactures	109	134	144	155	165
Coir manufactures	3	3	3	4	4
Total leather and fibre manufactures a/	228	242	247	260	278
Iron and steel	1	5	5	1	2
Ferro-manganese	neg.	4	5	1	2
Metal manufactures	1	2	2	3	3
Machinery and transport equipment	3	4	4	4	6
Other exports	61	56	57	54	60
Re-exports	10	10	5	7	6
Total other exports and re-exports	76	81	78	70	79
Total exports and re-exports (customs data)	640	643	662	710	765
Adjustments to bring into line with balance of payments figures	-13	-12	+5	-28	-
Total exports and re-exports (payments data)	627	631	667	682	765

Source: Government of India, Ministry of Finance

a/ Excludes certain items which are not identified separately and are included in "other exports".
b/ Includes "essential oils".

Table 31

Exports of Selected Commodities by Quantity
('000 long tons)

	1958	1959	1960	1961	1962	1963
Tea (mn. lbs.)	506	473	395	415	466	493
Jute goods	655	842	801	762	854	896
Cotton piece goods (mn. yards)	617	819	724	602	536	564
Manganese ore	960	970	1,140	952	783	909
Iron ore	1,866	2,471	3,373	3,054	8,560	9,250
Mica	19	23	30	26	31	34
Raw cotton	72	57	33	52	56	61
Sugar	119	78	43	379	442	584
Tobacco (mn. lbs)	111	87	93	121	143	154
Lac	26	27	22	26	21	20
Linseed oil	22	19	8	neg.	neg.	neg.
Castor oil	20	19	58	24	26	39
Groundnut oil	1	41	2	1.5	34	78
Oilcakes	235	521	454	475	752	907
Coffee	15	14	17	31	19	17
Coir manufactures	72	74	71	75	77	76
Raw hides and skins	12	13	12	11	14	14

Source: Monthly Trade Statistics

Table 32

Exports by Destination[a/]
(Rs. million)

	1951/52	1955/56	1959	1960	1961	1962	1963
United Kingdom	1,879(27%)	1,644(28%)	1,672(27%)	1,701(27%)	1,629(25%)	1,599(23%)	1,714(22%)
United States	1,301(19%)	858(15%)	949(15%)	985(16%)	1,144(17%)	1,128(17%)	1,277(16%)
Canada	162 (2%)	140 (2%)	152 (2%)	170 (3%)	174 (3%)	219 (3%)	228 (3%)
European Economic Community	415 (6%)	553 (9%)	471 (8%)	463 (7%)	548 (8%)	496 (7%)	562 (7%)
of which: Germany	87	148	194	184	213	147	182
France	105	70	81	74	82	80	90
Italy	69	95	56	83	96	91	114
Belgium-Luxembourg	77	88	51	49	65	46	61
Netherlands	77	152	89	71	91	84	102
Rest of OECD and Finland	207 (3%)	156 (3%)	177 (3%)	166 (3%)	159 (2%)	75 (1%)	85 (1%)
of which: Ireland	64	58	61	56	41	47	48
Sweden	24	15	14	15	15	17	18
Switzerland	21	9	9	15	18	15	12
Soviet Bloc	80 (1%)	51 (1%)	403 (7%)	452 (7%)	533 (8%)	918(13%)	774(10%)
of which: U.S.S.R.	67	33	300	299	310	484	355
Poland	1	3	36	33	41	112	90
Czechoslovakia	12	13	41	58	91	100	141
East Germany	0	0	25	39	33	86	90
Japan	143 (2%)	302 (5%)	342 (6%)	336 (5%)	403 (6%)	320 (5%)	542 (7%)
Mainland China	68 (1%)	65 (1%)	75 (1%)	56(0.9%)	2	2	-
South Asia and Far East	949(14%)	795(13%)	710(12%)	650(10%)	693(10%)	688(10%)	856(11%)
of which: Burma	196	124	125	68	58	48	44
Ceylon	165	203	222	19	17	149	170
Indonesia	45	116	38	40	61	47	24
Malaya	157	123	149	47	77	59	132
Pakistan	190	83	63	94	98	92	73
Thailand	87	32	24	23	31	26	10
Africa and Middle East	740(11%)	798(14%)	727(12%)	722(12%)	852(13%)	729(11%)	733 (9%)
of which: Aden	63	63	56	50	55	48	59
Bahrain	13	22	22	19	21	18	20
Iran	41	52	44	46	50	60	49
Kenya	88	60	48	46	55	50	56
Kuwait	38	35	38	33	39	38	38
Mozambique	9	8	6	9	10	10	7
Nigeria	71	82	40	50	78	61	38
Rhodesia and Nyasaland	36	30	15	125	201	27	17
Saudi Arabia	19	60	37	43	31	28	32
Sudan	77	56	145	80	111	98	77
U.A.R. (Egypt) b/	64	95	89	149	121	131	117
Australia	166 (7%)	248 (4%)	191 (3%)	214 (3%)	166 (2%)	186 (3%)	177 (2%)
New Zealand	79 (1%)	46 (1%)	47 (1%)	78 (1%)	70 (1%)	69 (1%)	68(0.8%
Rest of World	532 (8%)	255 (4%)	223 (4%)	226 (4%)	226 (4%)	374 (6%)	852(11%)
of which: Argentina	175	111	79	61	28	90	81
Cuba	114	45	25	52	75	34	41
Yugoslavia	3	2	17	34	45	105	107
TOTAL	7,018	5,909	6,138	6,216	6,599	6,793	7,868

Source: Monthly Trade Statistics

a/ 1951/52 figures exclude trade by land with Pakistan, Burma, Afghanistan and Iran.
Malaya includes Singapore.
b/ Includes Syria in 1959 and 1960.

Table 33

Utilisation of External Assistance a/

(U.S. $ million)

	Actuals 1961/62	Actuals 1962/63	Estimates 1963/64	Estimates 1964/65	Estimates 1965/66	Total, Third Plan	Estimated spillover to Fourth Plan
Grand Total	701.7	931.2	1,302.2	1,322.5	1,080.8	5,338.4	740.3
Loans, subtotal	472.2	640.3	885.2	1,029.3	1,062.6	4,089.6	740.3
Austria	--	--	1.0	7.7	3.3	12.0	--
Belgium	--	--	--	2.1	8.4	10.5	9.5
Canada	--	--	--	5.3	14.7	20.0	14.7
France	--	--	1.1	19.9	32.7	53.7	26.3
Germany b/	125.0	46.2	56.8	75.9	104.2	408.1	55.1
Italy	--	0.4	4.0	16.8	33.9	55.1	43.7
Japan	17.8	24.1	37.7	56.2	47.4	183.2	27.2
Netherlands	--	--	1.0	6.3	10.6	17.9	4.2
United Kingdom	48.3	62.5	92.5	51.8	90.3	345.4	6.3
United States, subtotal	151.9	347.9	399.4	462.1	347.6	1,708.9	126.9
DLF/AID	76.8	277.1	340.4	397.3	298.8	1,390.4	104.4
ExIm Bank	68.5	62.8	50.6	55.5	48.8	286.2	22.5
Other U.S. Govt.	4.2	8.0	3.7	3.0	--	18.9	--
Private banks	2.4	--	4.7	6.3	--	13.4	--
IBRD and IDA	78.0	89.5	164.8	174.4	205.0	711.7	105.9
Denmark	--	--	0.2	1.9	--	2.1	--
Switzerland	--	0.5	4.2	8.4	12.1	25.2	6.8
Yugoslavia	--	--	1.0	6.3	10.5	17.8	22.2
Czechoslovakia	--	--	2.1	8.8	18.9	29.8	68.7
Poland	--	1.2	5.2	11.6	9.5	27.5	35.1
U.S.S.R.	51.2	68.0	114.2	113.8	113.5	460.7	187.7
PL480, subtotal	184.3	257.7	384.7	259.6	--	1,086.3	--
Grants, subtotal	45.2	33.2	32.5	33.6	18.2	162.5	--
Canada	19.9	11.7	21.5	21.9	7.8	82.8	--
United States, subtotal	22.0	19.9	7.8	7.3	7.2	64.2	--
U.S. Govt. (TCA)	18.0	17.2	6.3	4.2	4.1	49.8	--
Ford & Rockefeller Foundations	4.0	2.7	1.5	3.1	3.1	14.4	--
Others	3.3	1.6	3.0	4.4	3.2	15.5	--

a/ Including all aid committed up to December 31, 1963 and also the uncommitted balance of 1963 pledges from Consortium members.

b/ Not including German credits extended for the Rourkela Steel plant before April 1, 1961.

Table 34

Composition of India's External Public Debt

Estimated Amounts Outstanding, including Undisbursed, as of April 1, 1964 in Respect of Debt Incurred up to December 31, 1963 a/
($ million equivalent)

	Debt Outstanding as of April 1, 1964
TOTAL EXTERNAL PUBLIC DEBT	4,316b/
Consortium members, subtotal	3,573
Austria	9
Belgium	2
Canada	30
France	36
Germany	468
Italy	32
Japan	173
Netherlands	20
United Kingdom	540
United States	
Agency for International Development	835c/
Export-Import Bank d/	288
Wheat loan	186
U. S. Bank's loans to Air India	13
IBRD loans	641
IDA credits	300
Non-consortium countries, subtotal	624
Czechoslovakia	25
Kuwait	54
Switzerland	32
Poland	27
Union of Soviet Socialist Republics	470
Yugoslavia	16
Other debt, subtotal	119
Supplies credits to the public sector e/	119

Source: Government of India, Ministry of Finance

a/ Figures derived from report of January 27, 1964, Ministry of Finance, India, entitled "Estimated Payments in Foreign Currencies of Interest Charges and Capital Repayments in Respect of Foreign Loans and Suppliers' Credits Authorized/Committed up to December 31, 1963," except for publicly-issued bonds.

b/ Substantial amounts are estimated to be as yet undisbursed.

c/ Not including a non-project" loan of $225 million, contracted in February 1964.

d/ Figure includes loans to the private sector.

e/ Inclusive of interest payable in the future.

Table 35

Projected Service on External Public Debt Outstanding at April 1, 1964 a/

(U.S. $ million)

Year	Debt outstanding April 1	Payments: Amortization	Payments: Interest	Payments: Total
Total Debt				
1964/65	4,316	158	116	274
1965/66	4,158	211	131	342
1966/67	3,947	246	132	378
1967/68	3,701	233	121	354
1968/69	3,468	258	113	371
1969/70	3,210	239	101	340
1970/71	2,971	232	92	324
1971/72	2,739	218	83	301
1972/73	2,521	222	72	294
1973/74	2,299	210	62	272
1974/75	2,089	192	53	245
1975/76	1,897	179	47	226
Austria				
1964/65	9	--	b/	b/
1965/66	9	b/	b/	b/
1966/67	9	1	b/	1
1967/68	8	1	b/	1
1968/69	7	1	b/	1
1969/70	6	1	b/	1
1970/71	5	1	b/	1
1971/72	4	1	b/	1
1972/73	3	1	b/	1
1973/74	2	1	b/	1
1974/75	1	1	b/	1
1975/76	b/	b/	b/	b/
Belgium				
1964/65	2	b/	b/	b/
1965/66	2	1	b/	1
1966/67	1	b/	b/	b/
1967/68	1	b/	b/	b/
1968/69	1	b/	b/	b/
1969/70	1	b/	b/	b/
1970/71	1	b/	b/	b/
1971/72	1	b/	b/	b/
1972/73	1	b/	b/	b/
1973/74	1	1	b/	1

Table 35, Page 2.

Year	Debt outstanding April 1	Payments		
		Amortization	Interest	Total
		Canada		
1964/65	30	4	1	5
1965/66	26	4	1	5
1966/67	22	5	1	6
1967/68	17	2	1	3
1968/69	15	2	1	3
1969/70	13	2	1	3
1970/71	11	1	1	2
1971/72	10	1	1	2
1972/73	9	1	1	2
1973/74	8	1	b/	1
1974/75	7	1	b/	1
1975/76	6	1	b/	1
		France		
1964/65	36	1	b/	1
1965/66	35	1	1	2
1966/67	34	3	1	4
1967/68	31	4	2	6
1968/69	27	4	2	6
1969/70	23	4	2	6
1970/71	19	4	2	6
1971/72	15	4	2	6
1972/73	11	4	2	6
1973/74	7	4	2	6
1974/75	3	2	2	4
1975/76	1	1	1	2

Table 35, Page 3.

Year	Debt Outstanding April 1	Payments		
		Amortization	Interest	Total
		Germany		
1964/65	468	2	19	21
1965/66	466	33	21	54
1966/67	433	22	21	43
1967/68	411	21	20	41
1968/69	390	30	18	48
1969/70	360	30	17	47
1970/71	330	34	15	49
1971/72	296	36	14	50
1972/73	260	36	12	48
1973/74	224	36	10	46
1974/75	188	32	8	40
1975/76	156	29	7	36
		Italy		
1964/65	32	1	b/	1
1965/66	31	2	1	3
1966/67	29	3	2	5
1967/68	26	3	2	5
1968/69	23	3	2	5
1969/70	20	4	1	5
1970/71	16	3	1	4
1971/72	13	3	1	4
1972/73	10	3	1	4
1973/74	7	4	1	5
1974/75	3	2	b/	2
1975/76	1	1	b/	1
		Japan		
1964/65	173	8	7	15
1965/66	165	12	9	21
1966/67	153	16	9	25
1967/68	137	20	8	28
1968/69	117	20	7	27
1969/70	97	20	5	25
1970/71	77	17	4	21
1971/72	60	13	3	16
1972/73	47	11	2	13
1973/74	36	10	2	12
1974/75	26	10	1	11
1975/76	16	10	1	11

Table 35, Page 4.

Year	Debt outstanding April 1	Payments		
		Amortization	Interest	Total
	Netherlands			
1964/65	20	--	b/	b/
1965/66	20	b/	1	1
1966/67	20	b/	1	1
1967/68	20	b/	1	1
1968/69	19	b/	1	1
1969/70	19	b/	1	1
1970/71	19	b/	1	1
1971/72	19	1	1	2
1972/73	18	1	1	2
1973/74	17	1	1	2
1974/75	16	1	1	2
1975/76	15	1	1	2
	United Kingdom			
1964/65	540	12	24	36
1965/66	528	28	27	55
1966/67	500	33	28	61
1967/68	467	31	26	57
1968/69	436	36	24	60
1969/70	400	26	22	48
1970/71	374	26	22	48
1971/72	348	25	21	46
1972/73	323	25	19	44
1973/74	298	25	18	43
1974/75	273	25	16	41
1975/76	248	25	15	40
	A. I. D.			
1964/65	835	--	4	4
1965/66	835	--	5	5
1966/67	835	--	6	6
1967/68	835	--	6	6
1968/69	835	--	6	6
1969/70	835	--	6	6
1970/71	835	--	6	6
1971/72	835	--	6	6
1972/73	835	10	6	16
1973/74	825	22	6	28
1974/75	803	27	6	33
1975/76	776	27	6	33

Table 35, Page 5.

Year	Debt outstanding April 1	Payments		
		Amortization	Interest	Total
	U.S. Export Import Bank			
1964/65	288	19	13	32
1965/66	269	22	14	36
1966/67	247	29	13	42
1967/68	218	30	11	41
1968/69	188	29	10	39
1969/70	159	28	8	36
1970/71	131	28	7	35
1971/72	103	28	5	33
1972/73	75	28	4	32
1973/74	47	20	2	22
1974/75	27	11	1	12
1975/76	16	9	1	10
	U.S. Wheat Loan			
1964/65	186	--	--	--
1965/66	186	--	--	--
1966/67	186	--	--	--
1967/68	186	3	2	5
1968/69	183	6	4	10
1969/70	177	6	4	10
1970/71	171	6	4	10
1971/72	165	6	4	10
1972/73	159	7	3	10
1973/74	152	7	3	10
1974/75	145	7	3	10
1975/76	138	7	3	10
	U.S. Banks to Air India			
1964/65	13	10	1	11
1965/66	3	2	b/	2
1966/67	1	1	b/	1
1967/68	b/	b/	b/	b/

Table 35, Page 6.

Year	Debt outstanding April 1	Payments		
		Amortization	Interest	Total
	I.B.R.D. c/			
1964/65	641	44	34	79
1965/66	597	45	34	78
1966/67	552	49	33	83
1967/68	503	53	28	81
1968/69	450	49	25	74
1969/70	401	51	22	73
1970/71	350	51	20	70
1971/72	299	44	17	61
1972/73	255	36	14	50
1973/74	219	32	12	44
1974/75	187	31	11	42
1975/76	156	31	9	40
	I.D.A.			
1964/65	300	--	1	1
1965/66	300	--	2	2
1966/67	300	--	2	2
1967/68	300	--	2	2
1968/69	300	--	2	2
1969/70	300	--	2	2
1970/71	300	--	2	2
1971/72	300	1	2	3
1972/73	299	1	2	3
1973/74	298	3	2	5
1974/75	295	3	2	5
1975/76	292	3	2	5
	Czechoslovakia			
1964/65	25	--	b/	b/
1965/66	25	--	b/	b/
1966/67	25	4	1	5
1967/68	21	3	b/	3
1968/69	18	3	b/	3
1969/70	15	3	b/	3
1970/71	12	3	b/	3
1971/72	9	3	b/	3
1972/73	6	3	b/	3
1973/74	3	3	b/	3

Table 35, Page 7.

Year	Debt Outstanding April 1	Payments		
		Amortization	Interest	Total
		Kuwait		
1964/65	54	7	2	9
1965/66	47	7	2	9
1966/67	40	7	2	9
1967/68	33	7	1	8
1968/69	26	7	1	8
1969/70	19	7	1	8
1970/71	12	7	b/	7
1971/72	5	5	b/	5
		Switzerland		
1964/65	32	-	b/	b/
1965/66	32	1	1	2
1966/67	31	1	1	2
1967/68	30	2	1	3
1968/69	28	4	1	5
1969/70	24	6	1	7
1970/71	18	8	1	9
1971/72	10	6	1	7
1972/73	4	2	1	3
1973/74	2	2	b/	2
		Poland		
1964/65	27	-	b/	b/
1965/66	27	-	b/	b/
1966/67	27	-	b/	b/
1967/68	27	3	1	4
1968/69	24	3	1	4
1969/70	21	3	1	4
1970/71	18	3	b/	3
1971/72	15	3	b/	3
1972/73	12	3	b/	3
1973/74	9	3	b/	3
1974/75	6	3	b/	3
1975/76	3	3	b/	3

Table 35, Page 8.

Year	Debt outstanding April 1	Payments: Amortization	Payments: Interest	Payments: Total
	U.S.S.R.			
1964/65	470	17	10	27
1965/66	453	27	12	39
1966/67	426	47	11	58
1967/68	379	47	9	56
1968/69	332	44	8	52
1969/70	288	44	7	51
1970/71	244	37	6	43
1971/72	207	35	5	40
1972/73	172	35	4	39
1973/74	137	33	3	36
1974/75	104	33	2	35
1975/76	71	29	1	30
	Yugoslavia			
1964/65	16	--	b/	b/
1965/66	16	--	b/	b/
1966/67	16	--	b/	b/
1967/68	16	--	b/	b/
1968/69	16	2	b/	2
1969/70	14	2	b/	2
1970/71	12	2	b/	2
1971/72	10	2	b/	2
1972/73	8	2	b/	2
1973/74	6	2	b/	2
1974/75	4	2	b/	2
1975/76	2	2	b/	2
	Suppliers' Credits to the Public Sector			
1964/65	119	33	---	33
1965/66	86	26	---	26
1966/67	60	25	---	25
1967/68	35	3	---	3
1968/69	32	15	---	15
1969/70	17	2	---	2
1970/71	15	1	---	1
1971/72	14	1	---	1
1972/73	13	13	---	13

Source: Government of India, Ministry of Finance

a/ Includes all loans listed in Table 34.

b/ Less than $500,000.

c/ Not including Loans No. 312 and 340 to ICICI, for which no amortization schedule has been fixed as yet.