10-3-1964 DGS

ON THE ROLE OF INTERNATIONAL AND FOREIGN INSTITUTIONS

Dear Comrades,

The enclosed is from the PHd thesis of an young scholar. I thought the historical background and declared role of each institution would interest the members of the Programme Commission. This should not be quoted but the materials can be used.

Greetings

RT

P.C. Joshi

ROLE OF INTERNATIONAL AND FOREIGN INSTITUTIONS

"With the acceleration of the pace of economic development, under developed countries have increasingly tended to incur deficits in their balance of payments. Requirements of machinery and other investment goods and of essential raw materials have generally resulted in an excess of merchandise imports over exports. Besides, it is a common characteristic of the under developed countries that their service payments usually exceed receipts because of their dependence on the more developed countries for transport, insurance and other services, as also on account of the sizeable payments on servicing of foreign debts to the capital exporting countries. In India even during the First Plan period there was an overalldeficit in the balance of payments of Rs 318 crores, of which Rs 196 crores was financed by external assistance and Rs 122 crores by a draft on foreign exchange reserves (sterling balances). In the case of the Second Plan, the balance of payments deficit over the five year period is estimated at Rs 2059 crores of which external assistance provided Rs 1406 crores, IMF drawing Rs 55 crores, and, the remaining deficit Rs 598 crores was financed by drawing down of foreign exchange resources. The Third Plan which envisages a total investment of Rs 10,400 crores depends on external assistance to the extent of Rs 2600 crores. The foreign exchange requirements include provision of Rs 550 crores on account of repayment of loans and credits falling due within the Third Plan period and other capital transactions. The foreign exchange requirements of the investment in the public sector are estimated at Rs 1520 crores and those of the private sector at Rs 510 crores. The Third Plan target of investment in the private sector large and medium industries, minerals and transport is placed at Rs 1350 crores of which foreign exchange requirements are estimated at Rs 495 crores. The sources of supply of funds take into account direct foreign credit participation in capital to the extent of Rs 300 crores. In regard to the financing of private sector programmes the Third Five Year Plan points out, "Apart from the overall shortage of financial resources, there is the still more difficult problem of finding the foreign exchange required for achieving all the targets."

INTERNATIONAL INSTITUTIONS

Through its lending Policies the Bank has helped in removing obstacles or creating new productive opportunities for private capital. In general the Bank's loans are designed either directly or indirectly to stimulate private investment. Most of the Bank's loans have been for basic utilities such as power, transportation, irrigation and reclamation, which are a prerequisite for increased productivity in other sectors of the borrowing countries' economies. Moreover the Bank finances projects, whether public or private, only in case it is satisfied that in the prevailing market conditions the borrower would be unable to obtain the loan under conditions which in the opinion of Bank are reasonable for the borrower. Bank loans directly to private enterprise have been limited by the requirement of Government guarantee. In spite of this limitation the Bank has made available substantial financial assistance to private enterprise. In addition, some of the loans made to Governments or public bodies for industry have actually been used to help privately owned companies. Further, in a number of countries the Bank has helped or encouraged the establishment of development banks to make loans for private industrial projects and has given credits to the development banks to enable them to meet the foreign exchange requirements of their borrowers. By the end of 1961, the Bank had lent $ 116 million to private development banks in six countries. In India the Bank has encouraged the establishment of the Industrial Credit and Investment Corporation of India Ltd., and has granted three loans aggregating to $ 40 million for relending to private enterprise. In the case of India out of the total sum of $ 826 million sanctioned till 31st December 1961, about $ 280 million or more than one third of the total amount, was for the private sector. Direct loans to private enterprises aggregated to $ 204.5 million. Besides $ 40 million were granted to the I.C.I.C.I. for relending to private undertakings and a loan of $ 35 million to the Government of India for the purpose of private coal mining development. The direct loans to private enterprises were for steel expansion and electric power development. The Tata Iron and Steel Company has been granted two loans aggregating $ 107.5 million; the Indian Iron and Steel Company three loans aggregating $ 71 million (of which $ 2.3 million was surrendered); and two loans to Tata group of power companies aggregating to $ 26 million (of which $ 2.25 million was surrendered). The rate of interest charged on these loans varies between 4¾ per cent and 6 percent and the period of loan from 11 years to 20 years.

Though the Bank has made significant contribution to the economic development of the member countries and the growth of private enterprise, there is scope for further stepping up the rate of its lending.

INTERNATIONAL FINANCE CORPORATION

In March 1951, the United States International Development Advisory Board published a report entitled 'Partners in Progress' which proposed the establishment of an International Finance Corporation to make loans to private enterprise without government guarantee and also to make equity investment in participation with private investors, This proposal was the result of the recognition that the ability of the World Bank to finance the establishment fo or expansion of private undertakings was limited. Firstly the guarantee requirement was a serious obstacle to Bank loans to private enterprises. Secondly the fact that he Bank did not engage in equity financing had meant that the Bank had sometimes to abandon consideration of promising private projects because they required more equity capital than the entrepreneus was able to obtain.

After prolonged deliberations, the International Finance Corporation was established on 24th July 1956, as an intergovernmental institution with an authorised capital of U.S. $ 100 million of which $ 96.3 million had been subscribed by the Governments of 60 countries by 31st December 1961. The IFC operates as an affiliate of the International Bank for Reconstruction and Development, although it is a separate legal entity and its funds are entirely separate and distince from those of the World Bank. Membership in the IFC is open only to Governments which are members of the World Bank. The President of the World Bank serves ex-officio as Chairman of the Board of Directors of the IFC, and also as President of IFC since October 1961.

The IFC is authorised to borrow funds by the sale of its own bonds or obligations. But it does not propose to make use of this authority in its early years. Hence its funds immediately available for investment are limited to the amount of its subscribed capital. Since its capital is in US dollars the IFC in its early years will generally make investments expressed in US Dollars. But is willing to invest, at least in part, in other countries if justified by the stability of such currencies and by the participation rights of the investment.

The IFC's purpose is to further economic development in its less developed member countries by -

1. Investing in productive private enterprises, in association with private investors, without government guarantee of repayment, in cases where sufficient private capital is not available on reasonable terms;

2. Serving as a clearing house to bring together investment opportunities, private capital (both foreign and domestic) and experienced management; and

3. helping to stimulate the productive investment of private capital both domestic and foreign.

The IFC considers only investment proposals whose objective is the establishment, expansion or improvement of productive private enterprise which will contribute to the development of the economy of the country in which the enterprise is located. Unlike the World Bank, the IFC does not investigate the developmental priority of a project as against other possible investments in the same country but wishes to satisfy itself that it has substantial economic value. During the initial years, the IFC proposes to make its investments in enterprises which are predominantly industrial i.e., manufacturing, processing and mining. It may, however, consider agricultural or service projects associated with or contributing to manufacturing enterprises. It will not invest in housing or hospitals, schools or other types of ventures which are primarily social in character. Nor will it normally invest in basic public utilities such as electric power and transportation or in irrigation, reclamation and drainage projects. It will not engage in an operation which is essentially for purposes of refunding or refinancing.

The IFC invests in association with either local or foreign private investors or both. It will not invest in undertakings which are government owned and operated or in the management of which the government participates to any significant extent. However, an enterprise in which public funds have been invested is not for that reason precluded from being financed by the IFC, if despite the Government interest, the enterprise is essentially private in character. The IFC does not compete with private capital and it does not exercise management functions. Before making an investment in a country which restricts or regulates payments or obligations in foreign exchange the IFC would like to enter into an understanding with the government, like any other private investor, regarding transfer of income and return of capital of its own investment. However, it does not seek preferential treatment which is not available to private investors engaging in the same type of transaction.

In the initial stage of its operations the IFC proposes normally to entertain investment proposals where (a) the total investment in the enterprise is a minimum of about US $ 500,000 or its equivalent, and (b) the participation sought from IFC is at least US $ 100,000 or its equivalent. Generally, the IFC will not invest more than about $ 2 million in an enterprise. It will also not cover more than half of the total cost of an enterprise than half of the total cost of an enterprise.

The IFC is authorised to make investments in any form it deems appropriate. The ban on IFC investing directly in capital stock or shares was removed in September 1961 by an amendement to IFC Charter. The IFC loans are usually for a term of seven to fifteen years. Generally they do not take the form of conventional fixed interest loans. They are rather intermediate between conventional loan capital on the one hand and share capital on the other - loans carrying interest and some right to participate in the profits and growth of the business. Such participation may take the form of (a) a right to convert the loan or some part of it into some type of share capital, or (b) a right to some additional income related to earnings, or (c) both. The IFC does not have a policy of uniform interest rate for its investments. The rate is negotiated in each case in the light of all relevant factors, including the risks involved and the nature and extent of any rights to participation in profits and to conversion or subscription to stock. The usual range of maturities for IFC loans are from five to fifteen years.

During the first calender year of operations i.e. 1957, the IFC made 5 investments for approximately $ 5 million. The next year IFC made 7 investments and in the subsequent years IFC's investments have been running at an average of 12 per cent. By the end of December 1961, the IFC had made 48 investment commitments for an aggregate amout of $ 64.63 million of which cancellations and terminations accounted for $ 7.12 million. During this period of more than five years IFC's disbursements amounted to $37.67 million only or an average rate of $ 7.5 million per annum. In the case of India four loans have been sanctioned so far to the following firms:

Republic Forge Co. Ltd	$ 1,500,000
Kirloskar Oil Engines Ltd	850,000
Assam Sillimanite Ltd.	1,365,000
K.S.B.Pumps Ltd.	210,000

While the loans sanctioned to Republic Forge Company Ltd. and Kirloskar Oil Engines Ltd. had to be cancelled because the terms and conditions were not considered favourable by the intending borrowers, in the other two cases also no amount was drawn by the end of 1961 because certain legal formalities had to be completed.

The progress achieved by the IFC so far in providing financial assistance to private enterprises in under-developed countries cannot be considered to be satisfactory by any standards. It is mainly because IFC's terms are considered to be quite stiff. It charges a high rate of fixed interest of about 7% and also insists on additional payments contingent on profits, and/or option on shares. The result is that it becomes a privileged investor who is entitled to a fixed rate of return even during the initial years when the profits of the undertaking may not yield any remuneration to the equity share-holders and in case the venture proves to be a successful one, to convert its investment or part thereof into the equity shares. The Indian Industrial Delegation led by Shri G.D. Birla which visited the USA and the continent in September - November 1957 found the attitude of the IFC 'rigid' and interest rate 'so exhorbitant that we need not expect much from this quarter'. In many cases industrial borrowers in the developing countries who had contacted the IFC at the first instance, were later on able to secure external credits at more favourable terms from private institutions.

The IFC has imbibed the characteristics of a governmental organisation in the matter of procedures and delays, while in the case of terms and conditions of the financial assistance provided by it, it has acted like a private investor whose aim is maximisation of profits. The terms of IFC's investments differ from enterprise to enterprise and possibly are the result of bargaining between the parties concerned. The fixed rate of interest charged is as low as 5% in the case of a firm of Guatemala and as as 10% in the case of an Argentine company. Its operations seem to have been influenced by the belief of its President that "the availability of capital is more vital to business than its cost" and interest rates in the developing areas of the world are as high as 10% to 30% for short term credits in local currency while "long term money is generally scarce at any price" (Presidential address by Mr. Robert L Garner at the meeting of the Board of Governors held in Washington on September 29, 1960). It is difficult to say that the IFC has done any useful service to private enterprise in the developing countries by its operations and policies so far. In fact, some of the foreign private financial institutions as well as development banks in the under-developed countries have taken a cue from the IFC in appropriating for themselves the major benefits in a project - the protection of a creditor and the rewards of a stockholder - at the cost of domestic private investors.

With the change in the stewardship of the IFC- from Mr. Robert L Garner to Mr. Eugene R Black who is also President of the World Bank - and the amendment of the Charter in September 1961 permitting the IFC to invest directly in equity capital, it is hoped that it would make some useful contribution to the growth of private enterprise in less developed countries; its range of activities would not only include grant of loans, investment in equity capital, and contributions to the share capital of investment institutions such as development banks, but also underwriting of issues in international capital market.

INTERNATIONAL DEVELOPMENT ASSOCIATION

The International Development Association (IDA), a new affiliate of the World Bank came into existence on September 26, 1960 and began operations on 8th November, 1960. The President of the World Bank is also the President of the IDA.

The Articles of Agreement of the IDA provided for initial subscriptions aggregating to $ 1 billion, if all the members of the Bank had become members of the IDA. For the purpose of subscription countries have been divided into two groups, the first comprising 17 of the more industrialised member-countries and the second consists of 51 comparatively less developed countries. All the member countries are to pay 10% of their initial subscriptions in gold or freely convertible currencies, in five instalments - 50% in the first instalment and 12½% in each of the subsequent four instalments. The 90% component of the initial subscription is payable in five equal instalments, in gold or freely convertible currencies by the more highly industrialised countries in the first group and in national currencies by the less developed countries in the second group. The national currency paid in by a less developed country may be converted by the IDA or used by it to finance exports from the member's territories only with the member's consent. The Articles of Agreement authorise the IDA to accept from any member supplementary resources in the currency of another member, provided that the member whose currency is involved agrees to the use of such currency as supplementary resources and to the terms and conditions governing such use. It is expected that IDA will have $ 150 million to $160 million a year available in usable funds for lending operations.

The aims of the IDA are 'to promote economic development, increase productivity and thus raise standards of living in the less developed areas of the world included within the Association's membership, in particular by providing finance to meet their important developmental requirements on terms which are more flexible and bear less heavily on the balance of payments than those of conventional loans, thereby furthering the developmental objectives of the International Bank for Reconstruction and Development (World Bank) and supplementing its activities'.

It is specifically laid down in the Articles of Agreement of the IDA that it shall not provide financing if in its opinion such financing is available from private sources on terms which are reasonable for the receipient or could be provided by a loan of the type made by the Bank. The IDA will also not provide financing for any project if the member in whose territories the project is located objects to such fiaancing. The IDA is not expected to assist countries enjoying a comfortable foreign exchange position even if they are under developed. Financing by the IDA will generally take the form of loans.

The IDA will fianace any specific project which will make an important contribution to the development of the area or areas concerned, whether or not the project is revenue producing or directly productive. Considerable latitude has been granted to the IDA as regards terms of the loans so that dependent upon the circumstances of the particular project, loan can be made repayable in foreign exchange with long maturities or with long periods of grace, or both, or repayable wholly or partly in local currency, or free of interest or at low rate of interest or with any combination of these conditions. Funds are to be made available only to meet expenses in connection with the project as they are actually incurred.

The IDA my grant loans not only to Governments but also to public or private entities in the territories of a member or members and also to public international or regional organisations. In the case of a loan to an entity other than a member, the Association may require a suitable Governmental or other guarantee. However, it is left to the discretion of the IDA whether or not a Government guarantee would be required in case a loan is made to other than a member-Government. In its first 17 months of operations, ending March 31, 1962 IDA extended 20 development credits totalling $ 202 million in eleven countries. The credits are on identical terms; each is for 50 years, without intrest. Repayment is due in foreign exchange; amortization is to begin after a ten year period of grace; thereafter, 1% of the principal is repayable annually for ten years and 3% is repayable annually for the final 30 years. A service charge of ¾ of 1% per annum, payable on the amounts withdrawn and outstanding, will be made to meet IDA's administrative costs.

By the end of December 1961, the IDA had sanctioned five development credits to the Government of India for an aggregate amount of $ 88.5 million for the purpose of highway construction and improvement, irrigation, and flood protection and drainage.

It seems doubtful that the IDA would grant credits directly to the private undertakings engaged in productive lines. However, IDA has already shown its willingness to help the growth of private industry by extending a credit of $ 5 million to the China Development Corporation. This Corporation was established in Mary 1959 by a group of leading bankers and businessmen in Taiwan to assist the establishment, modernisation and expansion of industrial enterprises in the island. The IDA credit, which was sanctioned on 1st December 1961, will provide the Corporation the additional foreign exchange needed for its lending over the next two or three years.

Institutions in Capital Exporting Countries

A number of capital-exporting countries have set up public lending institutions for providing development finance to under-developed countries. The main object of some of these institutions is to promote the export of capital goods from the country concerned. The more important institutions in developed countries providing long term and medium term credits inter alia to private enterprises in under-develop d countries are:

1. The Commonwealth Development Finance Company.

2. The Export Import Bank of Washington.

3. The U.S. Development Loan Fund.

4. The Export Import Bank of Japan.

5. German Reconstruction Finance Corporation.

Commonwealth Development Finance Company

In the United Kingdom the Commonwealth Development Finance Company Ltd. was incorporated in 1953 to provide or procure financial facilities for development in commonwealth countries, in schemes likely to benefit the balance of payments of the Sterlin Area and in particular those schemes for which adeq uate capital cannot be raised from ordinary sources. Its primary role is to cooperate in the financing of industrial development undertaken by private enterprise. It does not invest in development the object of which is basically social rather than productive such as tele-communications, education, road and housing.

The issued capital of the company of £26.33 million has been subscribed by the Bank of England and large number of business concerns in the United Kingdom. It has the power to borrow upto twice the amount of its issued capital.

Investments by CDFC have taken a number of forms. It has invested in medium or long term loans, frequently combined with conversion rights, option warrants or other rights to acquire equity. It has also subscribed directly for shares and is ready to consider proposals for under-writing or for other forms of financial assistance. As a means of replenishing its funds for reinvestment, CDFC's policy is to be prepared to sell securities from its portfolio if and when appropriate, and the form of its investment may be influenced by this consideration. In some circumstances it may agree to other participants in the project having the right of first refusal to buy the interest of CDFC. The CDFC does not seek a majority interest in a project or take direct responsibility for management.

Finance is normally available for a project which satisfies the following criteria:

a) the project will make a timely contribution to the development of the country concerned;

b) the project will be commercially viable;

c) expert management will be available;

d) the sponsors will themselves provide a reasonable proportion of the finance needed and undertaken to maintain satisfactory continuity of association with the project;

e) the borrower can be shown to have raised as much of the necessary finance as is practicable through normal channels.

In all cases, the applicant is expected to bear CDFC's legal and other out-of-pocket expenses, including the cost of any independent consultants' reports, whether an investment ultimately results or not.

Already the CDFC has invested in a few Indian projects. In November 1954, the Company took up 19,499 shares of Rs.100 each in the Industrial Credit and Investment Corporation of India. In March 1959 it granted a loan of £225,000 to Indian Oxygen Ltd. In July 1960, it granted a loan of £600,000 to the East India Distilleries and Sugar Factories Ltd. The CDFC has also agreed to provide the foreign exchange requirement of the order of £175,000 for a factory to be erected in Bombay by Kamani Tubes Private Ltd., for the manufacture of copper and alloy tubes, pipes, rods and sections. It has also undertaken to subscribe £525,000 to the sterling debentures stock to be issued by the Mysore Paper Mills Ltd.

U.S. Export-Import Bank

The Export-Import Bank of Washington is the principal international lending agency of the United States Government. It was created in 1934 by an Executive Order of the U.S. President, but now operates under the authority granted by the Export-Import Bank Act of 1945 (as amended). The Bank's capital stock of $ 1 billion is held by the US Treasury. The Bank is further authorised to borrow from the Treasury for lending purpose an additional sum of $ 6 billion. The statutory provisions provide that the Bank shall not have outstanding at any one time loans, guarantees and insurance in an aggregate amount in excess of $ 7 billions.

The objects and purposes of the Bank are 'to aid in financing and to facilitate exports and imports and the exchange of commodities between the United States or any of its Territories or insular possessions and any foreign country or the agencies or nationals thereof.' It is the policy of the U.S. Congress that the Bank in the exercise of its functions should supplement and encourage and not compete with private capital.

The loans granted by the Bank are generally for specific projects. Borrowers may be Governments, Governmental agencies, or private business concerns. The basic criterion for lending abroad is:

a) the borrower must show reasonable assurance of repayment.

b) The loans which are granted in U.S. dollars are to be repaid in dollars. The only exceptions are the loans being made with local currencies turned over to the Bank as a result of the sale of agricultural surpluses.

c) The proceeds of the loan (with minor exceptions of local costs of projects) must be spent in the United States for the purchase of U.S. equipment, materials or services.

Generally speaking the period for which credits are granted by the Bank varies from 18 months to 15 years and in some cases even 20 years. Medium term export or credit financing by the Bank covers maturities of more than six months but usually not more than five years. The nature of the goods determines the maximum period for which credit is granted. For instance, light farm machinery usually calls for terms of one year while sizable orders of textile machinery may be financed for a period of five years. A typical credit arrangement approved by the Bank finds the borrower paying 20% down on the invoice value of the purchase or project. Of the remaining 85%, 15% may be held by the American exporter and 65% may be financed by the Bank. The period of long term loans which are called project loans is determined by the nature of the equipment. For instance, loans may be granted for as long a period as 20 years to big hydro-electric projects, steel mills and mining xxxxxxxxx operations.

The rate of interest charged by the Bank varies from project to project and compares favourably with the rate of interests charged by other similar institutions. It is usually about 6%.

The Bank has utilised its authority to promote international trade which would improve and strengthen United States markets abroad. It has done so by giving preference to financing those exports of US capital equipment and services which would result in furthering the economic development of the importing country. As on June 30, 1960 the Bank had sanctioned loans aggregating about 10.7 billion dollars to foreign borrowers in 68 countries. Total disbursements amounted to over 7 billion dollars, out of which about 3.9 billion dollars were repaid during the period and 3.2 billion dollars were outstanding on 30th June, 1960.

Not only the Bank does not lend where funds are readily available from private sources, but it seeks and encourages private banks to participate in the Export-Import Bank's credit. Till June 30, 1960 private capital had participated with the Bank in its loans to the extent of 411 million dollars. Since March 1960, added emphasis has been placed on private capital participation.

The Bank has granted loans both to the Government of India as well as private parties in India. It made its first substantial credit to India in June 1958, when agreement was signed with the Government of India for a loan of 150 million dollars. The credit was granted for a term of 15 years. Repayment of the principal is to be made in 20 semi-annual instalments beginning 15th January, 1964. The loan bears interest at 5¼%. It is to be utilised for the purchase of capital equipment, machinery and services required by public as well as private sectors. The programmes to be financed include irrigation and reclamation, power, transport and communications, mining and certain selected industries such as textiles, chemicals, fabrication of heavy structurals, and electrical equipment, and machine tools. The Bank sanctioned in December 1960 a second loan of 50 million dollars to the Government of India for utilisation during the Third Plan. As in the case of the first loan, the credit was for the import of US capital equipment both for the public and private sectors. Allocations to the private sector from this credit were to primarily benefit small and medium sized business concerns. The repayment of the credit is to be spread over a period of ten years beginning from 1966. The loan carries interest at 5¾ per cent. In addition, the Export-Import Bank has given the following dollar loans directly to private sector undertakings.

1. Sundatta Cotton Seed Utilisation Ltd. £ 60,000

2. National Rayon Corporation.	£1,800,000
3. Hindustan Aluminium Ltd.	£13,600,000
4. Orient Paper Mills	£18,500,000

The Bank also administers, under the so-called "Cooley" Amendment of Public Law 480, some of the local currencies arising from the sale of surplus agricultural commodities abroad. Upto 25 per cent of these currencies may be used for loans to business firms in the countries concerned. These loans may be made either to United States firms and affiliates for the expansion of trade or to local firms setting up facilities which will in turn increase the markets for U.S. agricultural surpluses. The first funds for lending, under this programme were made available to the Bank in June 1958. In the case of India the following loans have been approved by the Export-Import Bank with the consent of the Government of India to private sector firms.

1. Otis Elevator Co.(India)Private Ltd.	Rs.	10,00,000
2. Goodyear Tyre and Rubber Co.of India Private Ltd.		2,25,00,000
3. Mysore Cements Ltd., Mysore		55,00,000
4. Synthetics and Chemicals Ltd.		3,92,00,000
5. Hindustan Aluminium Corporation Ltd.		1,00,00,000
6. Merk,Sharp & Dhome of India(P)Ltd.		50,00,000
7. Ex-Cell-O-India Private Ltd.		20,00,000
8. Seshasayee Bros.		2,00,00,000
9. Premier Tyre Ltd.,Bombay		30,00,000
10. Lederle Laboratories India Private Ltd.		25,00,000
11. Gabriel India Private Ltd.		5,00,000
12. Limac Ltd.		52,00,000
13. Barried India(Private)Ltd.		37,50,000
14. East India Hotels Ltd.		76,19,000
	Rs.	12,77,69,000

Thus the financial assistance provided by the U.S. Export-Import Bank is substantial and at reasonable rates.

U.S. Development Loan Fund

The U.S. Development Loan Fund was established as a source of financing for economic development by the Mutual Security Act of 1957. In 1958, the DLF was made an independent Government Corporation with a view to emphasising DLF's distinct function of administering a long range development loan programme.

The US Congress authorised the appropriation of upto 500 million dollars during the Fund's first year of existence and authorised the appropriation of additional funds not exceeding 625 million dollars during the second year of the Fund's existence. The Congress actually appropriated 700 million dollars during the first two years to get the Fund under way. No time limit has been fixed for the use of the funds appropriated for the DLF and are available until used. Funds received in repayment are to be used for re-lending.

The aims of the Development Loan Fund are to strengthen friendly foreign countries by encouraging the development of their economies through a competitive free enterprise system; to minimise or eliminate barriers to the flow of private investment capital and international trade; to facilitate the creation of a climate favourable to the investment of private capital; and to assist , on a basis of self help and mutual cooperation, the efforts of free peoples to develop their economic resources and to increase their productive capacities.

Financing from the Fund is authorised for loans; credits; the issuance of guarantees that loans made by other (private) institutions will be repaid; or other operations and transactions with the exception of grants or direct purchases of equity securities which are specifically excluded by law.

Since flexibility is one of the keynotes of the operation of the Fund, fixed terms and conditions have not been established other other than certain criteria,which are as follows:

1) The project should be located in one of the less developed friendly countries;

2) The country of the applicant must be eligible under the Battle Act(which controls exports of strategic and war materials to the Soviet Bloc);

GA
19/5

10-3-1964

ON MAHALOBINIS COMMITTEE REPORT

Dear Comrades,

Fine enclosed extracts and summary points from the above. It contains more than that Patriot had published. Economic Times of the last few days has also large extracts. I have not yet compared these two texts. I got it multiplied because I thought it will help comrades of the Programme Commission as also other Party leaders and the Party Press. The report is being delayed and whetted and its announced date of publication is already over. One cannot forecast when it will be published.

Greetings

PCJ

P.C.Joshi

PC M Committee Report On National Income Distribution (Summary - Extracts) - PART I

committee set up on 13 Oct.60 by pl com. terms of reference

1) to review the changes in levels of living during the first and second plans; (2) to study recent trends in the distribution of income and wealth and in particular (3)ascertain extent to which the operation of the economic systems has resulted in concentration of wealth and means of production.

Members: P.C.Mahalanobis (ch), VKRV Rao, P.S.Lokenathan, B.N. Gabguli, Vishnu Sahay, D.L.Mazumdar, B.K.Madan, B.N. Datar and P.C.Mathew, member Secretary K.R.Nair director, CSO Jt.Sec.

Held II meetings. Report deals with terms two and three only. Hope to finalise report on first term within next few weeks and then submit the same as the second part of the report.

*

Term two: P.S.Lokenathan

Most important conclusion is that we do not have the required data for drawing valid conclusions concerning the changes in income distribution which might have taken place over the two plan periods.

The available estimates and data relating to size-distribution of income seems to suggest that the degree of inequality in income distribution is not higher in India than in some other developed or under-developed countries; the distribution of income in the urban sector is more unequal as in other countries, than that in the rural sector.

The analysis of the available income-tax data suggests some reduction in inequality of income among the tax-paying group as a whole and also for some of the sub-groups of this population over the period under study except pure salary earners where the picture is mixed. However, in view of the deficiencies to which these data are subject, it is not possible to place much confidence in this conclusion or to make any generalisation on this basis. Also changes, if any, in the distribution of tax income would not generally have any relation to the size distribution of income in its economic sense.

Available estimates and data suggest that no significant change in the overall distribution of incomes, though they do indicate a slight probable increase in inequality in the urban sector and some reduction in inequality in the rural sector. Again, in view of the inadequacies of the data used for companison purposes, it is not possible to be definite about this conclusion.

Trends in wages and salaries received by selected occupation groups over the decade 1950-51 indicate that, with notable exception of agricultural labourers, the growth in income of employees has generally kept pace with the growth in average income per employed person for the country as a whole, in particular, there is evidence that the growth in incomes of the mining and factory workers has kept ahead of the rate of growth in average income per employed person. Agricultural labourers as a group do not seem to have shared in the increase of incomes.

Analysis of the income-tax data based on the occupation of common assessees reveals that over the period 1951-59 the average income received by contractors have registered the highest increase; the rise in income of this group has been very much higher than the rise in the income per employed person for the country as a whole.

Selfemployed persons persons engaged in business(manufacturing, trade, transport and financial business) and the salaried class among the tax-payers also have increased their income but in their case,the rate of growth in income seems to have just kept pace with the rate at which average income per employed person has grown.

It should be noted that there is a general feeling,though the committee could not collect the required data to support it, that an average person whether in urban or rural areas is better fed, better clothed and even better housed in the 1960s than in the 1950s and that the working conditions have also improved generally over this period. On the other hand, since there is also some evidence that the rate of growth in income for certain high income groups has been as high as or higher than the rate of growth in income per employed person for the country as a whole, it has not been possible for the committee to pronounce a definite judgement,even of a broad nature, on the changes in income distribution. However,it can be stated that there is no clear indication of a significant change in income distribution over the plan period.

Much less information is available on the distribution of wealth among different groups in the population than on the distribution of income.

Some scattered data obtained through household sample surveys indicate that there is a fair degree of concentration of personal wealth held in the form of land both among the rural and urban sectors. The distribution of personal wealth held in the form of owner-occupied houses is known only for the urban sector which indicates that there is less concentration of wealth in this form than in the form of land holdings.

The available income-tax data relating to dividend incomes indicate that there is a greater degree of concentration in personal wealth held in the form of company shares than in the form of land or owner occupied houses.

Available fragmentary data relating to distribution of important items of wealth indicate that the degree of important items of wealth distribution is higher than that in income distribution; wealth distribution seems to be more unequal than income distribution as in some other countries.

If the question of income distribution is to be answered satisfactorily,there is a clear need for the government to organise the collection of the required data;the earlier we start on this job the better. The available data on the distribution of income and wealth are too meagre to draw any firm conclusions on the issues referred to the committee.

(Mainly an analysis of the situation as it prevailed at the end of the two plan periods).

GENERALISED FORMS OF CONCENTRATION

After referring to ~~xxxxxxx~~ NSS statistics and NCAER studies "The conclusion seems justified that even after ten years of planning and despite fairly heavy schemes of taxation on the upper incomes, there is a considerable measure of concentration in urban incomes. This would also hold for rural incomes, as in their case,even the burden of taxation is not heavy on the higher ranges of incomes. It must be added that to a large extent the phenomenon of economic concentration in the Indian economy is the result, at one end, of unemployment and under-employment and consequent low productivity per unit of labour, that is to say,of inadequate economic development rather than merely structural inequalities of a distributional character,and at the other end,mainly of deficiencies in tax compliance or of tax evasion and avoidance rather than of an of an insufficiently progressive tax system. If this analysis is correct it ould seem to call for re-thinking of the overall strategy of development adopted during this period in relation to the social goals. Since we are not required by our terms of reference to consider such issues it is not necessary to pursue the matter further."

The data available on the distribution of wealth indicate that there is an even more marked degree of concentration than we have found in the case of income and expenditure. Thus the distribution by size of holdings of agricultural land is extremely unequal. In1953-54 the top one per cent of the households owned 17 per cent, the top five per cent owned 41 per cent and the top 10 per cent 58 percent of all land belonging to households. In 1959-60 these proportions were 16,40 and 56 per cent respectively. The bottom 20 per cent of the households did not own any land in either of these two years.

As regards companies "there can be no doubt that there is a high degree of concentration in the wealth represented by shares of joint stock companies." What this reveals is the existence at the end of ten years of planning of a considerable degree of inequality in the distribution of economic assets and consequent concentration of economic power in the hands of a numerically small section of the population. It is true that a considerable measure of inequality in the distribution of income and wealth also exists in several other developed and developing countries. But in the context of the Indian situation it should be of an even greater concern, as ours is a planned economy and we are pledged to follow policies that will further the twin objectives of lessening economic inequalities and promoting economic growth. To the extent, therefore, that there has been no appreciable reduction in the concentration of economic power during the last ten years, this fact may be taken, as we have already stated earlier, as some evidence of the inadequacy of our current strategy of economic development in one of its important aspects.

The Committee gives as evidence of concentration in the corporate sector that fact that in 1960-61 the total number of companies having a paid-up capital of less than Rs.5 lakhs each constituted 86 per cent of the total number of companies at work during that year, but their share of the total paid up capital was only 14.6 per cent; as against this, companies having paid up capital of Rs.50 lakhs and above constituted only 1.6 per cent of the total number of companies but claimed 53 per cent of the total paid up capital. The phenomenon was conducive to greater concentration of control and economic power and "it has facilitated the process." "It is also evident that the ~~xxxxxxx~~ working of the planned economy has contributed to this growth of big companies in Indian industry. The growth of the private sector in industry and especially of the big companies has been facilitated by the financial assistance rendered by public institutions like the industrial finance corporation, the NIDC etc. thus on 30thJune 1963 loans had been approved by IFC for a total sum of Rs.127.7 crores. The number of concerns to which the loans had been sanctioned was 244; 143 of these concerns were given loans of less than Rs.50 lakhs each, the total amounting to Rs.32.7 crores, while 101 concerns were given loans exceeding Rs.50 lakhs each. The total being Rs.94.9 crores. Loans exceeding Rs.1 crore each were given to 22 concerns and accounted for Rs.34.8 crores, while loans below Rs .10 lakhs were given to 32 concerns, the total amounting to Rs.1.8 crores. The Committee said that the same was the pattern for NIDC and the State Finance Corporations. The Committee added "government policy during the plan period has been responsible in other ways as well for the growth of the private sector and in the process, specially of big companies. In addition to affording a protected market and the necessary overhead facilities and maintaining a budget policy with a mildly inflationary situation favourable to industry, the government have been promoting the growth of private industry by extensive tax incentives." Referring to various concessions they said " while these tax concessions and rebates promoted a climate favourable to investment by both small and big enterprises, it is evident that the latter were in a better position to take advantage of the same."

Bank credit had also played an impressive role in financing the growth of industry during the last seven or eight years. An analysis of the bank credit made increasingly available for the financing of industrial expansion during the last few years shows that the main beneficiaries have been the big and medium enterprises. Financial assistance provided by the commercial banks to small scale industries was insignificant, amounting only to Rs.28 crores or barely 5 per cent of their total advances to industries in 1960. "The Life Insurance Corporation which is a nationalised concern also ~~xxxxxxxing~~ supports big business in private industry by its holding of stock exchange securities, its total investment in this sector amounting to Rs.92 crores as on December 31,1962. The large companies and bigger enterprises have an easier access to the capital market as banks, life insurance companies and ~~trusts~~ (trusts?) besides individuals have preference for investing in shares of large companies. Thus the operation of the economic system, with its criteria of credit worthiness and security forlending and investment, tends to support the large and established enterprise against the small and struggling entrepreneur."

After saying that that there was such a thing as economy of scale, that worked in favour of big business purely on economic grounds and that the process therefore might not be deliberate, the committee added " at the same time, there is no doubt that localised concentration of industry, even if unavoidable on economic grounds, must necessarily result in the accrual and possible exercise of monopolistic power. " What is needed in such a case is not the break up of large units as the adoption of a policy of regulation, continuous scrutiny and possibly, nationalisation which will help to prevent the emergence of anti-social consequences from the otherwise economically justifiable localised concentration in the form of big unit in one industry or another."

The Committee referred to statistical tables to show that two groups held 93.36 shares in finished steel production . 2 groups 90.08 per cent in pig iron, 14 units in 38.70 per cent in electric lamps and similar concentration in various other industries.

The Committee warned about "the more generalised concentration of economic power and said "It is the concentration of control in the industrial sector as a whole rather than in any one or other particular industry that presents the more menacing aspect of concentration of economic power." The Committee drew upon Dr.R.K.Hazari's "The Structure of the Corporate Private Sector" and agreed that "it is quite clear that concentration of economic power exists to a significant extent in the public non-governmental corporate sector and also that it has increased significantly between 1951 and 1958." They also drew on Dr.Hazari's work and other documents to show that inter-corporate investment was one of the methods of concentration.

" There can be no denying the social significance of the concentration of economic power that exists and has grown over the plan periods in the hands of a comparatively few individuals; it has become possible because ownership and investment of personal funds is not required for acquiring operational control over large segments of the non-governmental corporate sector. How far this concentration can claim economic justification in terms of optimum use of scarce entrepreneurial talent, to what extent the manner in which the concentration is obtained leads to anti-social consequences, what precisely its implications are in the operation of our democracy, the implementation of the constitutional directives on economic policy and on economic development, and what remedial measures are required are all imporatnat problems that need answering. But this can be done only after a thorough and comprehensive inquiry by a full time organisation created solely for the purpose of inquiring into the concentration of economic power in the non-governmental corporate sector...it is relevant to draw attention at this stage to the recently published report of the commission of inquiry on the administration of dalmia-jain companies, and the lessons that flow from it in regard to the possibilities of the anti-social consequences that can follow from both the attempts to build up concentration of economic power as also from an exercise of theis power".

The committee pointed out that control could also be exercised through managing agent, common directors and similar other forms which enabled the contrdling group or authority to participate actively in the day to day business of such undertakings. Of the ten most important managing agents Tata Industries, Martin Burn and Birla Brothers were the leading. They managed ~~25 eepi~~ companies in 1959 which accounted for 20 percent in terms of total assets of 1000 companies, while in 1955 they controlled 31 companies which accounted for nearly 16 percent of the total assets of ~~1000~~ 1001 companies. Reference was also made to inter-company and overlapping directorships. "And inter locking of directors may lead to operational control of a number of big sized industrial undertakings by one industrial house". The interlocking between directorships of banks and non-governmental industrial undertakings within the economy was also pointed out. The dominance of industrial directors on the boards of commercial banks is seen to be much greater in the case of the first eight banks in whose case they number 59 out of 77 or nearly 77 percent of the total. "It is significant from the above that there is a significant link in the form of common director between the leading banks and the large sized industrial undertaking". "Bank adgances to concerns in which the directors of the banks concerned are interested, accounted for Rs 184 crores in 1962. This constituted 12 percent of the advances given by all scheduled banks. For the top 15 banks, the proportion was 14.1 percent. "The bapking n/ sector itself presents a pictur of high degree of concentration. The aggregate share of the 15 top babks haveing deposits of Rs 25 crores and over in total deposits of 363 Indian Joint Stock banks during 1959 was 78 percent". "While it is not possible for the committee to come to any categorical conclusions on this subject, the presumption seems strongly to be in favour of the thesis that there is an intimate relation between the growth of big banks and the growth of big business in the country during the plan periods. How far this can claim justification on economic grounds and to what extent if any it represents a departure from the constitutional directives and the plan objectives for a reduction inthe concentration of economic power are questions that can be answered only as a result of a much more comprehensive inquiry by a full time agency having much larger powers to obtain data than has been the case withour committee.

The committee made case studies on the extent of interlocking of company directorships in the seven selected typical companies belonging to seven leading Indian and Foreign business groups. The Companies taken were Andhra Valley power Co Ltd. (Tata group), Century Spinning and Weaving Co Ltd. (Birla group) Standard Mills Ltd. (Mafatlal Group), Mcleod and Co Ltd. (Surajmul Nagarmal group) Kamarhatti Ltd (Jardine Henderson group) and Bengal Coal Co Ltd (Andrew Yule groups) "reveals wide prevalance of inter locking directorships in companies belonging to long established and reputed houses". "There is association of the seven companies studied with financial companies, particularly banks and investments etc through common directors. Further the interlocking of directorships of these seven companies with companies carrying on similar trade or manufacturing activity connote horizontal integration which often results in common price and distribution and related policies which are of mutual benefit"

The committee also remarked "one of the factors accounting for an increase in economic power of the large groups in recent years would appear to be the larger flow of foreign investment add technical know how through join ventures in Indian industry in collaboration with foreign interests. Established large industrial groups in India are in a much more advantageous position to obtain foreign capital and technical services. This itself may partly explain the increased concentration of control in the top business houses in recent years".

Talking about the growing interlinking of directorships between private companies and the public sector the committee said "it is not possible to draw conclusions regarding the economic and social consequences of this inter linking between government companies and directors of non government companies without a careful examination of the growth and working of the government companies vis a vis the private undertakin s where such common directorships exist. How far this helps the public sector by enabling it to obtain business expertise and how far it helps to increase the concentration of economic power in the hands of selected individuals in big business rare questions that are pertinent but we are not in a position to answer. Perhaps those constitute a part of the puzzle that characterises a mixed economy such as the country is building through its planned development".

The Committee notes "Economic power is exercised not only through controls over production, investment, employment, purchases, sales and prices but also through control over mass media of communication, of these newspapers are the most important and constitute a powerful ancialary to sectoral and group interests. It is not therefore a matter for surprise that there is so much inter linking between newspapers and big business in this country, with newspapers controlled to a substantial extent by selected industrial houses directly through ownership as well as indirectly through memebership of their boards of directors. In addition, of course there is the indirect control exercised through expenditure on advertisment which has been growing apace during the plan periods. In a study of concentration of economic power in India, one must take into account this link between industry and newspapers which exists in our country to a much larger extent than is found in any of the other democratic countries in the world.

An analysis of the ownership of newspapers in relationto their circulation shows that there was some increase during 1960 in the concentration of newspapers under common ownerships as represented by the chains, groups and multiple units and the circulation commanded by them.For the study of ownership of newspapers with special reference to trends in the direction of common ownerships, all papers (dailies as well as periodicals) coming under common ownership are divided into three categories viz:

1. Chain: publication of more than one newspaper under common ownership from more than one centre
ii . Groups:publication of more than one newspaper under common ownership from the same centre.
iii. multiple units: publication of more than one newspaper of the same title, language and periodicity, under common ownership, from different centres.

According to figures available from the annual report of the registrar of newspapers for 1960, as much as 67.5 percent came under the three groups, out of a total circulation of 46.10 laksh of dailies in different languages in the country, the share of those forming parts of 17 chains, 115 groups and 27 multiple units was 31.10 lakhs. According to the same source, thre were ten owners representing five chains (Express newspapers, Times of India publications, Hindustan times and allied publications.

amrita bazar patrika and jugantar and ananda bazar patrika), three groups (malayala manorama, free press journal and Hindu) and two multiple units (Thanthi and statesman) which published 37 dailies with a circulation of 18.11 lakhs and thus controlled 39.3 per cent of the total circulation of daily newspapers in the country. Taking the three categories separately, dailies forming part of chains commanded 34.7 percent of the total circulation of dailies, those belonging to groups 23.8 percent and those coming under multiple units 9 pecent. In 1960 there was an increase in number of chains from 14 to 27 and in groups from 99 to 115 while the number of multiple units remained the same: 23. In addition to 17 chains mentioned above the CPI is publishing a chain of 34 papers having a total circulation of 101,810.

We have given in the previous para does indicate the presence of economic power within the economy in

"While the date given above clearly establishes the fact of concentration in our newspaper industry, it has not been possible for the committee to examine the inter-connection with industry and with the complexes and inner circles that control so much of economic power in Indian industry. It would be specially necessary to examine the connection, if any, between the top units in industry proper and the top units in the newspaper industry.

"The data we have given in the previous paragraphs does indicate the presence of concentration of economic power within the economy in terms of income, property and especia ly of control over the non governmental corporate sector, there can also be no doubt that in part at least, the working of our planned economy has encouraged this process of concentration by facilitating and aiding the growth of big business in India. How far this is an inevitable part of the process of economic development, how far it can be justified in terms of economy of scale and full utilisation of scaree managerial and entrepreneurial resources, how far it is consistent or is in conflict with the declared objectives of our constitution and our planned economy and how far the growth which has taken place is unhealthy and anti social in its consequences - all these are questions that we can only pose for further detailed inquiry.

Counter vailing measures originated by government mentioned. "Despite all the countervailing measures taken, which have been recounted above, concent ation of economic power in the private sector is more than what could be justified as necessary on functional grounds and it exists both in generalised and in specific forms. It is not within our terms of reference to suggest what should be done to remedy the situation and combine economic development with a steady diminution of the concentration of economic power. Undoubtedly, an extension of the scope and intensity of countervailing measure to a alleviate the incidence and offset the effect of economic concentration indicate the general direction of attack on the problem. At the same time for devising adequate corrective measures in consonance with the economic growth objectives, more comprehensive and detailed information regarding the many aspects and ramifications of economic power and control in the private sector is required. than has been availabel to us".

"Economic development ithin a democratic framework remains a paramount objective of national policy. At the same time, the country is pledged to the realisation of a socialist pattern of society; and diminution and eventual elimination of concentration of economic power in private hands is a part of that society. The task has to be attempted in terms of harmonious progress towards these goals; and the sooner government sets up the necessary machinery for collection, examination and analysis of all relevant dat on the subject, the easier it would be for it eventually to formulate the necessary policy that will combine industrialisation with social justice and economic development, with dispersal of economic power".

DEVELOPMENT AND ECONOMIC POLICY—I

Some Current Hypotheses

by **K. N. Raj**

This is the first of the two articles by the distinguished economist on some current economic problems facing the country. Dr. Raj spoke on the subject at a recent meeting under the auspices of the Indian Council of World Affairs, New Delhi, by whose courtesy they are being published here. The second article will appear next week in **Mainstream**, *October 17.*

BOTH the pressure of economic forces and the undercurrents of political change in India are bringing up for reconsideration many questions of economic policy which have for some time been taken for granted.

That questions settled some time ago should be brought up anew for review and reconsideration should not be a matter for denunciation or even complaint. Circumstances and objective conditions are changing all the time and it is the essence of a rational approach that one should be prepared to take into account such changes and adapt one's policies accordingly. India has a long tradition of non-empiricism, of disregard for facts verging almost on contempt, and an almost infinite faith in the power of words and symbols to solve problems. It would be a welcome departure from this tradition if nothing in the realm of ideas or practices is treated as sacred, and all beliefs and programmes are subjected to continuous re-examination in the light of new facts both by those who wish to change them and those who do not.

But it is important that such questioning and re-examination are supported by reasoning based on facts and that the pressure for changing policies does not come from a mere substitution of one set of slogans for another. I welcomed therefore this opportunity to re-examine in the light of available facts the case for and against the changes in economic policy that are now being advocated.

Political Bias

Questions of economic policy cannot be separated altogether from questions of political philosophy, organization and strategy. No economist who defends or opposes particular policies can therefore truthfully claim that he is functioning only in his technical capacity and that his approach is unaffected by his political views. The only difference is that when the political views of an economist happen to coincide with those of his audience such claims usually go unnoticed. When they do not his integrity and his technical competence are both called into question. To minimize the risks on this account I shall not either make the claim of being unprejudiced by my political views or try to conceal my political views where I am aware that they are material to my observations on economic policy.

However, when one is only offering explanations for observed economic phenomena or testing the correctness of particular findings and generalizations it is usually possible, if one is careful, to keep out political bias to a large extent, and I shall try my best to do so. A large part of the analysis I shall attempt will be of this sort.

Growth Rate

It is a widely held view that the economic growth realized in India in the last thirteen years has been much lower than planned. The lower rate of growth realized is in turn attributed to some of the policies underlying planning, more particularly the tying up of a large proportion of investment in projects for development of heavy industry involving long gestation periods and the resulting inadequacy of resources diverted to agriculture. So much of the case for reconsideration of economic policies is based on this kind of assessment that it is necessary first to examine its objective basis.

Let us consider first some of the over-all growth targets set earlier and see how far the performance upto 1962-63 (the latest year for which detailed national income estimates are available) compares with these targets. According to the estimates set out in 1952 at the beginning of the First Plan, national income was to be raised by 1962-63 to only about one-third over its level in 1950-51. In the Second Plan, however, the sights were raised and the national income target set for 1962-63 was about 61 per cent over the 1950-51 level. In the Third Plan the *rate of growth* visualized was even higher than in the Second Plan, but the national income in the *base year* (i.e. 1960-61) was lower than had been assumed when the Second Plan was framed. The target for 1962-63 in the Third Plan was therefore in fact a little lower than that set in the Second Plan, and involved an increase of slightly less than 60 per cent compared to the national income in 1950-51. We may take this figure derived from the Third Plan as the planned target for 1962-63.

An increase of 60 per cent over twelve years represents a compound rate of growth of exactly 4 per cent per annum. The first question to consider therefore is how the realized rate of growth during this period compares with this target rate. If we go by the official estimates worked out at constant (1948-49) prices, India's national income rose by a little over 51 per cent between 1950-51 and 1962-63, that is at a compound rate of about 3.5 per cent.

Limitations

These estimates are subject to a number of very serious limitations into which we cannot go here in any great detail. I would however like to draw attention to a few of them which are relevant to the judgment we have to make in the context of this discussion:

(1) The estimates of national income at the constant 1948-49 prices are derived from estimates at current prices. It is therefore necessary to examine both the estimates at current prices and the methods of deflation used to arrive at the estimates at constant prices.

(2) According to the estimates at current prices, income from 'agriculture' rose by 42.5 per cent between 1950-51 and 1962-63; and income from 'mining, manufacturing and small-scale enterprises' by 102.6 per cent; the value of total commodity production thus increased by 57 per cent during this period. However, the income from 'commerce, transport and communications' is estimated to have risen during this period only by 55 per cent, slightly less than commodity production. This is a rather odd result, since in an economy in which larger and larger proportions of output are getting marketed one would expect the income from services associated with marketing to grow at a much faster rate than commodity production. Moreover, in a period when prices have been rising, it is difficult to believe that income from trade at current prices has been growing more slowly than income from commodity production. There is clear indication here of some under-estimation.

(3) Within the category of commodity production itself there is evidence of some under-estimation. For instance, according to the officially-released estimates the value of the output of small enterprises at current prices rose between 1955-56 and 1959-60 by only 3·8 per cent (that is, by less than one per cent per annum). However, according to a revised series circulated by the Central Statistical Organization (and which is likely to replace the old series in a short while), the increase in the value of the output of small enterprises during this period was nearly 24 per cent (that is, an average rate of increase of about six per cent per annum).

(4) When the estimates of income at current prices are converted to a constant (1948-49) price basis, curiously enough it is only the increase in income from commodity production which seems to get deflated. The increase in income from services is actually higher after deflation than before it, as will be evident from the following figures taken from the official national income estimates:

	Increase in income between 1950-51 and 1962-63 at current prices (Rs. Crores)	Increase in income between 1950-51 and 1962-63 at 1948-49 prices (Rs. Crores)
Commodity Production	3650(+57.0%)	2290(+39.3%)
Services	2280(+72.8%)	2290(+75.1%)

It is true that the prices of some services (such as railway freight rates and salaries of government servants) have not risen as much as the prices of commodities, but it is still inexplicable that the increase in income from services during this period is higher after adjustment for such price rises as have taken place. Obviously there is something seriously wrong in the statistical methods used for deflating the income from services. The only thing that can be said for it is that, since the income from services does not really get deflated, and all our notions about the growth rate of the economy are based on the deflated series, it perhaps corrects the initial under-estimation of the increase in income from services.

(5) Within the category of commodity production, the deflation that is brought about by price adjustments is much greater for 'mining, manufacturing and small enterprises' than for 'agriculture'. In the case of 'agriculture' the percentage increase in income between 1950-51 and 1962-63 is reduced only from 42.5 per cent at current prices to 33.6 per cent at 1948-49 prices, but in 'mining, manufacturing and small enterprises' it is reduced from 102.6 per cent at current prices to 56.1 per cent at 1948-49 prices. It is true that over this period the prices of manufactured goods rose slightly more than the prices of agricultural commodities, but the extent of the difference does not explain adequately the much sharper impact of the statistical deflation on the increase in income from the manufacturing sector. One result of this sharp deflation is that the increase in the growth rate of small enterprises (engaged in manufacturing), which is even initially under-estimated in the current price series, is further reduced to the point that their contribution to the growth of the economy during the period is in effect taken to be negligible.

It requires more than ordinary ingenuity to make allowance for all these limitations of data and judge whether the rate of growth which they indicate is an under-estimate or an over-estimate. My own guess —though I cannot claim it to be anything more than a wild guess—is that the growth rate has been under-estimated to some extent.

If this is correct the difference between the four per cent compound rate of growth aimed at in the period 1951-53 and the realized rate would be indeed negligible. But even if we assume that there has been no such under-estimation the difference between the planned and realized rates of growth is only ½ per cent per annum.

It may be argued that, since the period 1950-51 to 1962-63 is taken as one whole for this statistical exercise, the higher rates of growth realized in the earlier years of this period help to push up the average rate and that the tendency for the rate of growth to slow down in the later years is altogether obscured.

This might appear a plausible point if we considered only the realized growth rates in the First and Second Plan periods and the first three years of the Third Five Year Plan. In the First Plan period, national income rose by 18½ per cent, in the Second Plan period by over 21 per cent, but in the first three years of the Third Plan period by only about 9½ per cent. There has however been no such slowing down, and if a different impression has gained ground it is only because of the arbitrariness introduced by the starting and terminal years of each Plan period and the widespread tendency to extrapolate on the basis of observations for one or two years.

This will be obvious if we imagine that planned development started in India not from 1951-52 but from 1952-53 (as in fact was the case); that since then we have had only Four Year Plans and not Five Year Plans; and estimate, on this basis, the rates of growth in the three Four Year Plan periods that we would have completed by now. The same national estimates as we have now would then show a 15.2 per cent increase in First Plan period (1952-56), a 13.2 per cent increase in Second Plan period (1956-60), and a 17.6 per cent increase in Third Plan period (1960-64). The rate of growth realized in the last four years would then appear to have been the highest realized since we started planning ! The whole perspective is altered by the period into which we put the year 1960-61 when there was an increase of about seven per cent in the national income.

No Slowing Down

There is therefore no statistical evidence for either the view that the performance upto now has been much below the targets set earlier or the impression that the rate of economic growth has been slowing down in recent years. This does not mean of course that all is well and that there is no reason for alarm. We shall see presently that some of the widely-held and less re-assuring views about the economy are also borne out by the available statistical data.

Nevertheless it is important to recognise the areas of achievement however inadequate they may be from other points of view, and not overlook them in a state of excitement and concern over the problems that still remain unsolved. Japanese growth experience is often cited as an example for India to follow, but few seem to have realized that the rate of economic growth recorded in India since 1951 has been in fact higher than that recorded in Japan during what may be regarded as its corresponding stage of development. Compared to the 3½ per cent rate of growth which (at the minimum) appears to have been achieved in India between 1951 and 1963, the rate of growth of real national income in Japan was slightly less than three per cent per annum in the period 1893 to 1912 and did not go up to more than four per cent per annum even in the following decade (See Kazushi Ohkawa, *The Growth Rate of the Japanese Economy since* 1878, p.21).

It is my view that we have also been under-estimating the growth of employment in the economy during this period. There is of course little reason to be complacent about what has been achieved so far in this direction. Still it is important not to under-rate the impact that the growth process already initiated has had on the employment position. For, by so under-rating, one may be misled into accepting policies which do not help the growth process but are meant solely to generate a larger volume of employment with the same rate of growth of output as before, and which may well result ultimately in slowing down the rate of growth itself. (Extension of what are described as 'common production programmes' to all consumer goods industries—which is now being advocated by some—is a good example of a policy which is likely to promote employment only at the expense of growth and can be therefore expected to fail even as an employment-creating programme).

The main reason for my suspecting the employment estimates of the Planning Commission is that the growth of income in two sectors which offer considerable employment potential in India—namely 'small-scale enterprises' and 'services'—appears to have been considerably under-estimated. If the output of small scale enterprises has been growing at the rate of six per cent per annum (as indicated by the revised national income series for 1955-59) and not at a rate of less than one per cent per annum as indicated by the official national income series, the additional employment created in this sector must be more than is taken credit for in the Planning Commission estimates.

Moreover, growth of commodity production in an economy which is itself getting rapidly commercialized opens up a very wide range of employment opportunities in the services sector, not only in trade and transport but in a number of other associated services. Here too the growth of employment during this period has very probably been under-estimated.

There are also other bits of circumstantial evidence which support the view that the growth of employment has been greater during this period (except in some regions) than recorded in the official estimates.

Private Consumption

What is nevertheless true is that, despite a rate of growth of national income of three to four per cent per annum, and most likely a faster growth of employment than has been recorded in the official estimates, the level of private real consumption per capita in India has not risen very significantly during this period. Since 1960-61 there is evidence of even a slight decline in this level. It is perhaps this slow rate of growth of per capita private consumption, and the absolute decline in it in the last three years, that is responsible for the view now being advanced that the policies underlying planning have not brought as much benefit to the common people as was expected.

The almost insignificant rise in private consumption per capita in India over the last decade is indeed a matter for serious concern, particularly when one considers how low it was to begin with. Irrespective of other differences in political views there will be general agreement that no planning or development programme can justify itself in India unless it makes a significant contribution to raising consumption standards in a reasonably short period. In fact it is precisely for this reason that many people believe that a much higher rate of growth of national income should be aimed at and realized in the next few years.

But before one draws any inferences about planning policies and the direction in which they need to be changed it is important to understand clearly why private consumption per capita has not been rising as rapidly as national income has been in the last 12 to 13 years.

There are three reasons why per capita private consumption may not rise as fast as national income, First, as national income grows, larger and larger proportions of it may be diverted away for investment purposes, in which case so much less will be available for consumption. Alternatively, even if what remains for consumption is large enough, government's own consumption requirements may absorb a large proportion of it and to that extent there will be less left for private consumption. And lastly, even if what is left for private consumption is reasonably large after meeting all the investment requirements and the needs of government consumption, private consumption per capita may register no increase if there is a rapid growth of population.

Share of National Income

In India, both capital formation (on public and private account) and government consumption expenditure have been growing as a proportion of national income. In 1950-51 net capital formation (excluding inventory accumulation) in the economy accounted for only about six per cent of the national income and government consumption expenditure for somewhat less than 6½ per cent; their total draft on national output was therefore less than one-eighth of it. By 1955-56 however the share of the two together had gone up from less than 12½ to nearly 17½ per cent of the national income, and by 1960-61 to about 20 per cent. With the growth of defence expenditure after the Chinese attack their share has gone up still further and in 1963-64, was nearly one-fourth of the total national income.

Part of the increase in investment in the economy has no doubt been met by foreign aid, and this has to be allowed for before estimating how much of the increase in national income during this period was left for private consumption. In the early years of the Second Plan period, the import surplus of the economy (which represents the real addition to resources from foreign aid) was a high proportion of both investment and national income. Thus, in 1957-58, when net capital formation (excluding inventories) was only about 10 per cent of the national income, the import surplus amounted to as much as 4¾ per cent of the national income. Consequently though investment and government consumption requirements together amounted to over 19½ per cent of the national income in this year, the amount that had to be covered by domestic resources was only a little over 14½ per cent.

Since then, however, the position has changed in two respects: the share of investment and government consumption has gone up, but the import surplus as a proportion of national income has gone down. Thus, in 1963-64, when investment and government consumption together accounted for nearly one-fourth of the national income, the import surplus of the economy was only a little over 2½ per cent of the national income. As a result, the residual left for private consumption requirements in 1963-64 was only a little over three-quarters of the national income (compared to over 87 per cent in 1950-51 and over 85 per cent even as late as 1957-58).

Contributory Factors

It is this decline in the share of national income left for private consumption, together with the rapid growth of population, which has been coming in the way of a more rapid rise in per capita consumption during this period and actually reducing it in absolute terms since 1960-61. Those who are interested in the details of the statistics on which this inference is based may look at appended table (See page 14); others who are prepared to take the details on trust will perhaps be content with the end-result that, according to these estimates, per capita private consumption (at 1948-49 prices), which amounted to Rs. 203 in 1950-51, rose sharply to Rs. 229 in 1953-54, then more gradually to Rs. 242 by 1960-61, and has since fallen to Rs. 238 in 1963-64. It is significant that per capita private consumption fell by about one per cent in 1963-64 despite an estimated increase of nearly 4½ per cent in national income in this year.

The reasons for the decline in the per capita consumption level in the last few years, and the extent of responsibility of each contributory factor, will be evident from this exercise. It will be seen that, between 1960-61 and 1963-64, there has been only a very small rise in the percentage of real net investment to real national income in the economy. It is the increased requirements of government consumption (more particularly the requirements of defence), the demands of the rapidly growing population, and the slightly reduced dependence on foreign aid (expressed as a proportion of national income) which —in that order of importance—have pushed down per capita consumption in real terms during this period. We have not made any allowance here for growth in inventories; if we do so, the decline in per capita real consumption may be a little more.

A word should be said here however about the growth of government consumption during the period 1951-1963. The entire increase in government consumption is not explained by additional expenditure on administration and defence. Nearly one-half of the increase in government consumption is accounted for by the expansion of social and developmental services such as education, health, and agricultural extension. These can be regarded as items of collective consumption made available by the government to the public, and thus as something to be added to direct private consumption. In fact in a developing economy the share of such collective consumption will have to grow, and thus a large part of the additions to the tax revenue of the government will have to be used merely for substituting collective for individual consumption. To some of the implications of this I shall return later.

But if for the present, we ignore the items of collective consumption and regard government consumption as a diversion of resources from private consumption, it will be evident that given the rate of growth of population the rate of investment, government's consumption requirements, and the rate of absorption of foreign aid, larger increases in per capita private consumption would have been possible only if national income had grown at a faster rate. Thus, if national income had grown at the rate of six per cent per annum between 1960-61 and 1963-64 (as projected in the Third Plan), per capita private consumption would not have fallen but would have continued to rise and at the rate of nearly two per cent per annum in spite of the additional requirements of defence.

Agriculture

It is in this context that some of the other propositions that are now being advanced become relevant, such as that a higher rate of growth of national income could have been realized during this period with the same rates of investment if only a smaller proportion of it had been tied up in heavy industries and more allotted to agriculture.

Agriculture, it is said, yields more output per unit of investment, and also that investment in agriculture has a shorter gestation period. On this reasoning, the larger the proportion of investment allotted to agriculture the greater would be the rate of growth of national income, at least for some years to come.

It is very necessary to consider how far these propositions are true. It is particularly important to examine the reasons for agricultural production not rising more rapidly than it has been. According to the available national income data, income from 'agriculture' (valued at constant prices) has increased by only about one-third over the period 1951-63, while the income from all the other sectors put together went up by nearly 70 per cent. If there has been some underestimation of the growth in income in the non-agricultural sector (as there is reason to suspect) the difference in the rates of growth would be even greater.

Apart from a low rate of growth in the agricultural sector being an important factor in bringing down the over-all rate of growth of the economy, a high rate of growth of incomes in the non-agricultural sector unaccompanied by adequate increase in agricultural production can generate serious tensions within the economy. This, in fact, appears to be what is happening now.

If therefore it can be convincingly shown that it is the investment pattern in the Five Year Plans that is responsible for the relatively low rate of growth of agriculture the case would be made for a major shift in economic policy in the interests of more rapid and harmonious growth of the economy as a whole.

A low rate of growth of agricultural production may however be due to a variety of reasons. It may be due to the poor quality of the initial resource endowments (such as of climate and soil); *or* the non-availability of supplementary inputs (like irrigation water and fertilizers) in the right quantity, at the right time, and in the right combinations; *or* uncertainty about the price of the output acting as a disincentive to incurring the cost of these inputs; *or* institutional arrangements like a high rent on land, high rates of interest, or crop-sharing coming in the way of the producer getting an adequate rate of return.

It is only if the investment pattern in the Five Year Plans has been responsible for adequate quantities of supplementary inputs not becoming available in the required ratios that it can be legitimately held responsible for the shortfalls in production; the rest are either limitations inherent in the basic resource endowment or failures of economic organization which have very little to do with the overall pattern of investment in the economy.

The issue has to be only posed in this way for the answer to become fairly obvious. Though Indian agriculture can undoubtedly do with more irrigation and more fertilizers we have been witnessing for some time the rather astonishing spectacle of under-utilization of the irrigation facilities already made available and of stocks accumulating of unsold fertilizers. There are obviously a number of reasons for this and if they are closely examined and taken action on, it should be possible to eliminate such under-utilization of available inputs. But all the conceivable reasons for this kind of under-utilization are of an organizational character and do not seem to have anything to do with the investment policies in planning. In any case, as long as such under-utilization exists, it is hardly reasonable to say that the inadequacy of investment in the production of these inputs has been the main bottleneck in the more rapid expansion of agricultural output.

Less on Heavy Industry

The proposition that investment in agriculture has suffered on account of the emphasis on heavy industry is not also substantiated by the available data. Over the period 1951-1963 more than Rs. 2000 crores have been spent on development of agriculture by the Government as part of the Five Year Plans, while the total expenditure on large and medium-scale industries (including mineral development) in the public sector has amounted during this period to less than Rs. 1400 crores. Even if the provision for approved programmes of development in the private sector were included, the total outlay on the development of manufacturing industries in the public and private sectors together during this period is likely, if at all, to exceed the Plan outlays on agriculture by only a very small margin. We are excluding here the private investment in agriculture.

It is also perhaps worth mentioning that less than Rs. 600 crores of the total expenditure on agricultural development during these twelve years was spent in the First Plan period; the rest, amounting to nearly Rs. 1500 crores, was spent in the period 1956-63. Thus not only was there no reduction in the allocation for agriculture from the time that heavy industry began to receive more attention but the rate of outlay in the subsequent period has been about twice as high per annum as it was earlier.

Moreover, in the implementation of the Plans it has been always the allocation for industry that has been cut or postponed whenever there has been a shortage of scarce resources like foreign exchange. In 1957, when an acute shortage of foreign exchange developed, the allocation for the development of the fertilizer industry was placed outside the 'core projects' not on the ground that it was required only for agricultural development but because the fertilizer projects had not yet been started and it was thought to be a heavy industry with a long gestation period !

It is therefore difficult to understand precisely on what ground it is asserted that agriculture has received relatively less attention in planning so far or that the priority given to it has been lower than that given to heavy industry. Presumably the reasoning is that, since the rate of growth of agriculture in the last decade has been lower than in any other sector of the economy, it must be because it was given a lower priority !

The reasons for the relatively low rate of growth of agricultural production should be really sought elsewhere. I have already indicated some of the other possible reasons for such low rate of growth. However I would like to draw attention to a few of them in a little more detail, as I feel that there is a tendency now to ignore them altogether.

Resource Endowments

Most people who compare agricultural productivity in India with performance in other countries like Japan do not, I think, make adequate allowance to begin with for the difference in resource endowments. A very high proportion of the cultivated (and cultivable) area in India is rather arid land with inadequate and uncertain rainfall. Less than a third of it is irrigated, and what is worse the scope for extending irrigation in the rest of the area is much less than is generally imagined. Most of the readily-usable river waters have already been drawn upon by irrigation projects constructed in earlier periods, and the projects that can now be taken up for this purpose are not only much fewer in number but are likely to prove very much more costly per unit of additional land irrigated.

Rather pointed attention was drawn to this fact by the Census Commissioner of India in his report on the population census of 1951, but apparently it has not been taken very much note of. I shall therefore reproduce some extracts from this report:

> "......we are far too apt to imagine that our country is poorly equipped with irrigation, as compared with other countries of the world. From this it is deduced that we have a much larger leeway to make up than other countries. This is entirely wrong......we have already gone very far in developing the use of usable resources of water, just as we have already gone very far in developing the use of usable resources of land......Such figures as there are go to show that India irrigates a higher proportion of its crops than the world as a whole and that probably no other country except China irrigates a higher proportion......It is necessary, however, to face the fact that, with every new advance made in the utilization of usable water supplies, the real cost (and not merely the money cost) of new works necessary for making a further advance has been increasing." (See *Census of India*, Volume I, Chapter 5).

This is not to deny of course that there are still some ways of extending irrigation at a relatively low cost, such as through what are usually described as 'minor irrigation projects'. But it is important to recognize that most minor irrigation schemes suffer also from certain technical limitations (such as excessive dependance on rainfall); that the scope for extension of irrigation through major projects based on river waters is now quite limited; and that any significant extension of irrigated area through such projects can probably be undertaken only at much higher cost than is generally allowed for.

One would therefore be making a more realistic assessment of the possibilities of agricultural development in India if one recognised clearly that a high rate of growth of output and income in this sector can be realized at reasonable cost only by measures such as improving the extent of dependability on irrigation in areas where it is already being provided; ensuring by all other ways the full utilization of available irrigation facilities; increasing the application of such other inputs as are not too costly and yet can raise the productivity of land; and diverting land from less valuable to more valuable uses. This would also make it possible to arrive at a more informed judgement of the reasons for the agricultural sector not growing at a faster rate than it has been, and to decide what precisely needs to be done now to accelerate the rate of growth.

Organizational Defects

It is difficult to pursue this line of analysis at any great length within the confines of this discussion. Some of the relevant considerations are already fairly well known. For instance, in many of the areas in which irrigation has been made available, a major complaint is that it cannot be depended upon with any degree of confidence; at least some of the reasons for this are of a purely organizational character. For this reason other inputs like fertilizers are also not applied, since the application of chemical fertilizers without assured supplies of water at the right time is extremely risky. Uncertainty regarding the price of the product is another factor which makes producers unwilling to incur the cost of additional inputs for raising production. It is fairly well established that, within the limits set by these factors, producers have in fact been doing what they can to increase output and to shift land from less valuable to more valuable crops.

While most of these facts are now recognized and there is willingness to consider remedial measures where necessary, many of those who express serious concern now about the state of Indian agriculture seem unwilling to pay much attention to another factor which has a vital bearing on the rate of agricultural growth. In fact the tendency in this regard is in the reverse direction. I am referring here to the problem of land tenures.

Despite all the land reform measures that have been undertaken in India since Independence the fact is that tenancy is very much more widespread now than official statistics would have us believe The effect of these reforms has been in part to drive some forms of tenancy underground and make them even more oppressive than otherwise (such as when they take the form of informal crop-sharing arrangements).

If all these formal and informal arrangements are taken into account it is likely that as much as 50 per cent of the total cultivated area is now under one form of tenancy or another. For obvious economic reasons the rent as a proportion of the product is higher on more fertile land, and the incentive to increase the application of inputs for raising production is therefore correspondingly less in these areas. The result is that, while the strategy of agricultural planning is to concentrate on and encourage the application of inputs in areas where land is irrigated and other natural conditions are most favourable, the land tenures work in the opposite direction and more powerfully in these areas than elsewhere. This is such an obvious point that it hardly needs to be laboured.

Ladejinsky's Report

Yet, when someone points this out, the tendency now appears to be to play it down or dismiss it altogether. Thus when Mr. Ladejinsky (a person who was very closely associated with the land reforms in Japan and is by no means a novice in this field) referred in a report last year to the land tenure system in the Tanjore District of Madras and its depressing effect on agricultural development in this area, the report was suppressed at the instance of the Government of Madras (though, I understand, the late Prime Minister had written to the Planning Commission suggesting that it should be published forthwith). What is more when an enterprising journalist brought out its contents recently, the Member in charge of Agriculture in the Planning Commission took pains to call a Press Conference, dismiss Mr. Ladejinsky's observations as "untenable and unfounded", and take the Press to task for the crime of publishing a confidential document!

There is nothing which Mr Ladejinsky said that is already not known to many observers in India and has not been recorded in almost the same terms. Since he has been charged with misrepresenting facts and arriving at hasty conclusions, and since this is a very vital matter, I have done a little research on this subject and shall reproduce below what he said about the Tanjore District and what some others who have visited this region have also observed.

According to the extracts reproduced in the press, Mr. Ladejinsky had observed that Tanjore (also known as Thanjavur) was "a district with one of the nation's worst land tenure systems"; that 50 per cent or more of the farmers cultivated wholly or partially leased lands (mostly on oral leases); that owners were mostly "gentlemen farmers" and did not directly engage themselves in cultivation; that rents ranged from 60 to 65 per cent of the crop; that there was a startling lack of security of tenure; and that, if land tenure conditions were a part of the criteria for selecting a district for the 'Package Programme', this district would not have qualified for it. All this has been officially disputed, and the official version has now apparently the approval of the Planning Commission.

The facts mentioned by Mr. Ladejinsky have however been substantially confirmed by at least two others in the course of the last year. Here are some well-supported and very revealing extracts from a detailed report on the working of the Package Programme in this district by Mr. B.G. Verghese, the well-known Special Correspondent of the *Times of India* (see issue of June 4, 1964):

"The Grand Anicut across the Cauvery built by Raja Karikala Chola some 1700 years ago still stands as a monument to the agricultural prosperity of Tanjore district which grows as much as 25 per cent of the paddy raised in Madras......Tanjore was an obvious choice for the intensive agricultural district programme for paddy......The average paddy yield is about 2000 lb—more than double the national average but modest in comparison with the average of 3000 lb obtained in Coimbatore and Salem and the 8000 lb secured by individual farmers in the district itself in crop competitions. The IADP has set itself the initial objective of raising average yields to 3000 lb............"

"Since the larger applications of fertiliser are calculated to give handsome returns in terms of increased yields, especially in areas of assured irrigation, the reluctance of the Tanjore farmer to invest beyond a certain point in the fourth year of the programme suggests the existence of some inhibiting factor. This is probably to be found in the tenurial pattern prevailing in the district........The small holder is very often the more efficient farmer and works his field more intensively. The real problem however lies in the fact that the large mirasdars, who possibly own up to half the land in the district, more often than not prefer to engage tenants or agricultural labourers rather than cultivate the fields themselves...... It is estimated that about 40 per cent of the agricultural familes are pure tenants or owner-tenants, that is small landholders who lease out adjacent plots in order to make up an economic holding. Some 20 per cent of the tenants hold oral leases which deprive them of any legally enforceable tenurial status. Although the law prescribes that the owner shall not be entitled to more than 40 per cent of the produce as rent, such is the pressure of population on the land......that the landlord often appropriates 50 or 60 per cent of the crop or more."

"....a landlord owing less than the ceiling can, in certain circumstances resume lands leased by him prior to 1956.... Eviction is permissible for non-payment of rent. The whole tenancy position is obscure because of the absence of a record of rights ......The entire tenurial system is sanctified by tradition".

"The pattern of cooperative borrowing...... shows that the land-owning class has been the largest beneficiary of the package programme in terms of farm plan coverage while relatively few oral lessees have been drawn into the scheme so far.... In other words, the credit offtake and hence the investment and willingness to take risks has tended to shrink with the decline in the tenurial status of the cultivator. The only exception is the owner-tenant who invests even more than the owner presumably because the logic of his leasing additional land to make up a viable holding would disappear if he did not seek to maximize his yields".

"The panchayats and panchayat unions (samitis) have been drawn into the programme and a lot of good work has been done. Nevertheless, land reforms that will in fact ensure security of tenure and fair, fixed rents on the basis of a complete, up-to-date and accurate record of rights are urgently necessary in Tanjore as in most other parts of India. Unless the majority of the cultivators are appropriately motivated the gains will be marginal".

A similar assessment about the working of the Package Programme in the district has been given also by the Agricultural Correspondent of *The Hindu*, a journal which cannot be even remotely suspected of any radical tendencies (see *The Hindu Weekly Review* of May 4, 1964) :

"An increase of 11 per cent in the over-all district yield and about 20 per cent in the Package area over the basic yield level of 1340 lb. of rice per acre in 1959-60 has been claimed. Statements of ryots in this district also corroborate this estimate...."

"Compared to Thanjavur, the Package Programme in West Godavari district appears to have made quicker and more substantial progress. Yield levels have increased during three years by 26 per cent for the Kharif crop and 35 per cent for the Rabi crop because of a higher offtake of fertilizers and care in maintaining fertility of the soil by applying adequate organic matter....Nearly 95 per cent of the holdings in West Godawari are owner-cultivated and the receptivity of the farmers to new methods is high....In Thanjavur, on the other hand, over 50 per cent of the holdings are cultivated by tenants, many of whom are quite indifferent to the intensification of agriculture. The Package Scheme is bring implemented in effect only by 50 per cent of the farmers".

I have quoted these reports at length not only as evidence in suport of the observations made by Mr. Ladejinsky but to indicate the nature of the factors underlying the disappointing performance of Indian agriculture. It seems to me that these two accounts of the working of the Package Programme in the Tanjore district (the region usually referred to as "the rice bowl of the South") bring out the real reasons much more clearly than all the statistics and arid reviews of the agricultural development programmes which are put out by the Planning Commission and other similar agencies from time to time.

Political Factors

It will be evident that, if the rate of growth of agricultural production has not come up to expectations, the explanation is to be found not so much in the higher priority supposedly given to heavy industry in the Five Year Plans but in the lower priority given, within the agricultural sector, to the actual cultivators in favour of landlords. The reaction of the Member in charge of Agriculture in the Planning Commission to the publication of extracts from Mr. Ladejinsky's report, and the embarassed silence with which this reaction was received by others more perceptive and knowledgeable within the Government, are also indicative of the political factors which contribute to this situation in agriculture.

It would not of course be correct to say, either on deductive reasoning or on the basis of known experience, that agricultural production cannot be raised at all without radical land reform. If irrigation is made available and two crops can regularly be grown during the year on land which would otherwise grow only one crop (or one main crop and second weak one), production is bound to grow. Even if rents are high it may still pay to buy fertilizers and increase production. All this is illustrated by the experience of Tanjore itself, where yields are higher than the national average and production has been growing in spite of an oppressive system of land tenures.

Japanese Experience

In Japan too, in an earlier period, the experience was similar. According to a recent publication of the Japanese FAO Association, in the first four decades of this century nearly one-half of the cultivated land in Japan was under tenancy. The landlords' share of paddy output on tenanted land was also as high as 58 per cent towards the turn of the century. Yet, as the publication goes on to point out, "notwithstanding the institutional limitations....agriculture showed a rapid growth between 1878 and 1912....Between 1878 and 1912 gross output increased by 121 per cent or an average annual increase of 2.7 per cent". (See Japan FAO Association, *Agricultural Development in Japan*, p.8).

It is however interesting to note that even in Japan the rate of growth of agricultural production did decline later in spite of increased input of chemical fertilizers. Thus, between 1908-1912 and 1933-37, agricultural production increased by only 40 per cent. It required the land reform of the fifties to bring about the spectacular growth of agricultural productivity in Japan about which we now hear so much.

It is perhaps not altogether a coincidence that agricultural production in India too, which has also been growing at the rate of nearly three per cent per annum, is now showing signs of slowing down (though it is too early to conclude that it is in fact slowing down). In any case, it seems to be a reasonable inference from the facts I have cited that, until the institutional limitations in the agricultural sector are adequately dealt with, an approach which takes the form merely of making available some of the necessary inputs (like irrigation and fertilizers), and even stablizing the price of the output, is unlikely to accelerate the rate of growth of agriculture to the extent required for coping with the present rate of growth of population and the needs of rising living standards. Until then it may not also be justified to assume that the capital-output ratio in agriculture, or the length of the gestation period of investment in agriculture, will be any less than in industry.

It is therefore not the development of steel, cement or machine-making industries which is now diverting the required resources away from productive use in agriculture. It is the whole institutional framework within which agriculture functions now, and other factors like the phenomenal and unchecked growth of the cattle population in recent years, that are really responsible for such diversion (India's cattle population grew from 199 million in 1951 to 227 million in 1961 at a faster rate than the human population). Those who are concerned about the low rate of growth of the economy, the trends in per capita consumption, and the lot of the common people after so many years of planning and development should turn their attention more to these problems instead of trying to find a scapegoat (as they seem to be doing now) in the larger investment policies underlying the Five Year Plans or (more particularly) in the attention that has been given upto now to the development of heavy industry.

Here, I have examined some of the current hypotheses about development and economic policy. In the light of the analysis I have given I shall try to set out in the next article the main lines of policy which, in my opinion, should be followed to cope with the problems the country is now facing.

(To be concluded next week)

GROWTH OF PER CAPITA PRIVATE CONSUMPTION
1950-51 to 1963-64
(at 1948-49 prices)

	1950-51	1953-54	1955-56	1957-58	1959-60	1960-61	1962-63	1963-64
1. National income at 1948-49 prices (Rs. Crores)	8850	10030	10480	10890	11860	12730	13370	13945
2. Percentage of national income at current prices accounted for by:								
(a) Capital formation (excluding inventories)	6.0	5.7	8.6	9.9	8.8	9.6	10.5	10.5
(b) Government consumption	6.4	6.7	8.8	9.7	10.0	10.2	11.9	13.9
	12.4	12.4	17.4	19.6	18.8	19.8	22.7	24.4
3. Import surplus as percentage of national income at current prices	—0.3	—0.3	0.3	4.7	1.7	3.1	2.7	2.6
4. Residual of output left for direct private consumption:								
Percentage of national income at current prices	87.3	87.3	82.9	85.1	82.9	83.3	80.3	78.2
In Rupees Crores at 1948-49 prices	7326	8756	8688	9267	9832	10604	10736	10905
5. Population (in millions)	361	382	397	413	429	438	448	458
6. Per capita private consumption per annum (in Rs.) at 1948-49 prices	203	229	219	224	229	242	240	238

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DEVELOPMENT AND ECONOMIC POLICY—II

Towards Positive Realism

by **K. N. Raj**

This is the second and concluding instalment of a series of lectures delivered by Dr. K. N. Raj under the auspices of the Indian Council of World Affairs, New Delhi. The first instalment appeared in **Mainstream,** *October 10.*

THE first article was devoted to an examination of some of the hypotheses that have been put forward in explanation of pressures which have been developing in the Indian economy for some time. These pressures have recently assumed serious proportions, and there is therefore a danger that under the stress of these pressures policies are accepted and reversed without adequate thought to their various implications.

Unfortunately much of the current controversy is also at a doctrinal level with reference to personalities and out-moded economic theories and in terms of emotionally-charged political terminology like 'deviationism' and 'non-deviationism'. Not much rational thinking is likely to go into the making of economic policy in this way.

In fact, for this reason, the greater danger now is that no explicit decisions are taken either way about any problem which really requires attention; matters are allowed to drift; and policies are ultimately adjusted from time to time in the name of flexibility and pragmatism in such a manner that they lose whatever character and direction they have.

In a changing, growing economy with problems of a magnitude that no other country in the world has probably ever faced, obviously one should be prepared to reconsider and change particular policies in the light of circumstances and there is no need to apologize for it. The more clearly this is recognized the more uninhibited, honest and useful will discussion on such matters become, and there would also be less scope for short-sighted adjustments of policy to political and economic pressures being passed off as evidence of a positive, pragmatic and realistic approach.

Current Controversies

Current controversies about the size of the Fourth Five Year Plan have about them an air of unrealism for these same reasons. There is one school of thought which believes that a total development expenditure of around Rs. 22,000 crores is the minimum necessary during the Plan period to achieve a rate of growth of national income of six to seven per cent per annum. There is another which asserts that it is unrealistic to programme for an expenditure of more than Rs. 18,000 crores since it would lead to inflation.

Some of those who argue in favour of this lower figure say that a rate of growth of six to seven per cent can still be achieved, and go on to demonstrate this by cheerfully (and rather hopefully) assuming a lower capital-output ratio in their Plan models. Others are a little more consistent and admit that, since inflation is the most serious danger of all that has to be avoided at all cost, a lower rate of economic growth is the price that should be paid for it.

Some of them go further and claim that, since a higher rate of economic growth than is possible to achieve with a non-inflationary investment programme cannot be realized by a policy which results in inflation and dislocation of the economy, this is really the highest rate of growth that can in fact be realized, and that it is only a question of choosing between this maximum feasible rate of growth without inflation and the same or a lower rate with inflation.

All this is extremely text-bookish and represents the sort of elementary reasoning which one would expect to have been set out and digested at the very early stages of the thinking on problems of development in an economy with a rapidly growing population and a low rate of economic growth. That arguments of the sort mentioned above should be still put forward and seriously debated at this level of generality by distinguished economists, economic journalists, and others in the fourteenth year of Indian planning is not a matter which any of them can be complimented upon.

Population Growth

As I tried to indicate in the earlier article the Indian economy has achieved during this period a rate of growth of 3½ to four per cent per annum. This is not something to be ignored or under-rated, since the rate of economic growth achieved even in a country like Japan until the 'fifties was not very much higher and was at times even lower. The only reasons for thinking in terms of still higher rates of growth are:

(i) the high rate of growth of population in India now (much higher than was experienced in Japan in its corresponding stage of development);

(ii) the extremely low level of per capita consumption in the country (one of the very lowest perhaps in the world);

(iii) the size of the idle manpower which the economy has been wastefully carrying for decades and which could be put to better use;

(iv) the inability of agriculture to absorb a larger population in productive employment and the need therefore to find non-agricultural avenues of employment for the growing population, and

(v) last but not the least, the simple, humane and also nationalist sentiment that we ought to be able to provide to our people within a reasonable period of time a minimum of the creature comforts and sense of economic security and equality which modern science and technology have made possible to provide and which a growing number of other countries are now in fact able to provide.

All this is indeed familiar ground, and it should not even be necessary to repeat it but for the tendency of some who are themselves in comfortable positions of affluence and economic security to associate realism with only the maintenance of the purchasing power of the rupee.

The present rate of growth of population in India is now perhaps nearer three per cent per annum than two per cent, and if this is true the growth of population per annum must be now around 13 to 14 million. (Every five years we shall be adding to our population as much as the entire population of Japan). That a stage has been reached when family planning has to be given the first priority is therefore self-evident.

But even if measures of family planning are probed through with greater vigour than they now are, it will be some time before they begin to have a significant impact on the rate of growth of population. Even if therefore only a third of the present addition to population seeks employment the economy should be in a position, within a few years from now, to offer such employment to nearly 4—5 million per annum.

And since agriculture is already over-crowded such additional employment has to be found in non-agricultural occupations. A little knowledge of arithmetic is all that is necessary to work out the order of magnitude of the rate of economic growth which would be required to offer this kind of employment on the required scale and make possible a rate of growth of, say, three per cent per annum in per capita consumption.

With the sort of extension of educational facilities which is being undertaken, it is also extremely unlikely that what is now largely a latent demand for jobs will remain latent for any length of time; the chances are that it will not only come into the open in a few years time but come out with all the violence and ugliness that such phenomena tend to display when the ground is not already prepared for them. Even on the most conservative ground therefore, the case for a much higher rate of economic growth in India is so obvious that it is difficult to see on what ground (except sheer short-sightedness) can one argue that it is more realistic to aim at lower rates.

Willingness for Action

Whether the rate of economic growth to be aimed at should be seven per cent or nine per cent is not at this stage a matter worth arguing about. All that is needed is willingness to consider and implement policies which will raise the rate much above the level so far realized. It is clear that unless the rate of growth of national income is of the order of seven per cent per annum it will be impossible to raise the living standards of the population even at the moderate rate of three per cent per annum.

Once the considerations set out earlier are accepted it is clearly the minimum necessary rate of growth. There is no reason why even higher rates of growth, say nine per cent per annum, should not be aimed at. If the recent growth experience of Japan (which is often cited in India) has any significance it is that rates of growth experienced in earlier decades by Japan itself and other countries are in no way an indication of the maximum rate of growth that can in fact be realized.

With a rational approach to the technological and scientific possibilities now open, rational economic policies, and supporting institutional and organizational changes, a rate of economic growth of nine per cent per annum is not something that cannot be achieved (at least for a certain period). But since we have so much leeway to make up in all these directions there is no harm in settling for a lower target.

An examination of our economic performance in recent years will show that, in the sector of manufacturing industries organized as factory enterprises, the rate of growth realized lately is already well above seven per cent per annum. The index of industrial production is now heavily weighted by four traditional industries —cotton textiles, jute textiles, sugar and tea—which have been growing at a relatively low rate (due partly to the constraints set by the rate of growth of agricultural production).

The other industries, which have been receiving most of the investment outlays in the last decade, are given only a weightage of 50 (out of 100) in the index of industrial production. If only this latter group is taken into account their rate of growth in recent years will be found to have been as high as 15 to 16 per cent per annum.

As indicated earlier there is reason to believe that the rate of growth of small enterprises and of services has been higher than recorded in the official national income estimates. If, therefore, the non-agricultural sector is taken, by itself, the rate of growth achieved in recent years has probably been already of the order of six per cent per annum (if not a little higher). The main problem has been with the agricultural sector which has been growing at a much lower rate.

The difficulty here has been not so much the inadequacy of investments for increasing the availability of inputs necessary for raising production but the absence of other necessary conditions to give producers the incentive for applying the inputs already available.

It will be obvious from the above why the current controversy about the size of the Fourth Plan appears rather phoney and unreal. If agricultural production does not grow more rapidly than it has been, neither an outlay of Rs. 18,000 crores nor an outlay of Rs. 22,000 (or even Rs. 24,000) crores will make it possible to achieve a much faster rate of growth than has been realized in the last decade. What is more, even an outlay of Rs. 18,000 crores is likely under these conditions to generate the same sort of inflationary pressures as we have been witnessing in recent years.

Agricultural Production

It is therefore the rate of growth to be aimed at in agriculture and the measures necessary to step it up which we should be arguing about, not whether a little more or a little less should be invested in the other sectors of the economy.

The investments required for different manufacturing industries to sustain different rates of economic growth can be calculated with input-output matrices on different assumptions, and the scope for differences of opinion can really be narrowed down very considerably once the necessary rates of growth are agreed upon. It may be that an investment allocation corresponding to the figure of Rs. 22,000 crores is what is required for the development of manufacturing industries in the Fourth Plan period; it may be that there is some scope for reduction; it may also be the case that even this is an under-estimate.

However this question can be settled by a closer technical examination. But if agricultural production does not grow, and prices rise all round in consequence, targets of investment outlay both in the industrial and non-industrial sectors will be realized only at rising levels of prices and the real increases in investment may to that extent be lower.

Perhaps it is precisely for this reason that there has been recently a greater willingness to settle on a high figure of investment outlay in the Fourth Plan. After all, when prices rise, some of the planned outlays can be postponed, particularly if to begin with a distinction is drawn between a basic and a 'supplementary' programme. Moreover, if prices rise even after such re-phasing of investment outlays, the money targets of investment expenditure can be shown to have still been realized, as indeed they have been in the last few years. Any consensus of agreement reached on such premises is neither desirable nor helpful for the formulation of a clear and operationally useful programme of action.

In any realistic programme that is designed to accelerate rates of growth there must be a fairly complete agreement on the measures necessary for raising the rate of agricultural expansion above the realized levels of two to three per cent per annum. For this, adequate attention must be paid to three basic preconditions of rapid agricultural growth.

In the first place, in a country in which pressure of population has made it necessary to extend cultivation to land of sub-marginal quality, and the initial resource endowments (in terms of soil and climate) are not in more than half of the cultivated area, really very favourable for intensive cultivation, raising the productivity of land to any significant extent requires application of other inputs like supplies of irrigation water, fertilizers and better-quality seeds. The supplies of these have to be increased as much as possible. Some of them can be provided at relatively low cost, others at only a higher cost, and obviously these cost considerations will also have to be taken into account.

Further, there are certain important technical conditions to be satisfied if such inputs are to be made efficient use of. For instance, it is no use providing chemical fertilizers without adequate supplies of water, or making available water or fertilizers a few weeks after they are required. Each crop has its own particular pattern of water requirements, and if the irrigation authorities have different notions about the time-pattern of the releases of water from reservoirs, not only can the water not be made much use of but the cultivators who apply chemical fertilizers in anticipation of more timely supplies will learn never to trust either irrigation or chemical fertilizers.

Inadequate attention to such apparently small matters of detail by persons who are in charge of agricultural development programmes is responsible for some of the present under-utilization of inputs already made available. Further increasing the supply of such inputs *and* improving the organizational set-up for their distribution is thus the first pre-requisite of more growth. Whatever investment is required for this purpose should naturally get the highest priority.

Since, however, the real cost of supplying some of these inputs is high it is not enough just to make them physically available.

The producers should have adequate incentive for using them. This problem has two aspects, one a simple price aspect and the other a more deep-rooted institutional aspect. The price aspect has itself a number of facets and we shall consider them *first.*

Price Incentive

It is possible that the price of the products relatively to the price of the inputs is not high enough to make it worthwhile to apply more of the latter to raise agricultural production beyond a point. However, if we have in mind only inputs like better seeds, irrigation water, and fertilizers it should be possible to set this right fairly easily.

The price of the product could be raised slightly if necessary, and this should suffice to cover the additional costs of using these inputs; alternatively, a subsidy could be given on these inputs and the expenditure covered by taxation at some other point. But if labour is also one of the additional inputs required (and it certainly is), and this has a cost *for the producers* because they depend largely or wholly on hired labour, the incentive can be given only by a much larger rise in the price of the product or an even larger subsidy on the other inputs.

So when the case is made for such a rise in price or subsidy one should be careful to ask whether the underlying assumption is that farming is done by cultivators with their own labour or that is is thought necessary to compensate large and medium scale farmers (some of whom might even be described as capitalist farmers, not merely as big peasants) who depend heavily on hired labour.

It is one of the great merits of small-scale peasant farming in countries with inadequate supplies of land that the input of more family labour is not regarded in such enterprises as involving any real cost (since the labour is otherwise idle) and does not therefore have to be compensated for.

Though this is a matter which requires closer examination it is my view that, if we are having in mind only the giving of adequate incentive to small farmers, the terms of trade will not need to be turned very much more in favour of agriculture than they were, say, a year or so ago before the recent spurt in agricultural prices started.

What appears very much more important for stimulating agricultural production is the removal of uncertainties about future price. Partly because of the nature of agricultural production, and partly due to certain institutional features, agricultural prices have generally fallen sharply whenever there has been a significant increase in production. (Even when government has intervened it has usually done so only after prices have declined very sharply and a high proportion of the output marketed at uneconomic prices).

Such fall in prices affects the value of the entire output marketed, and therefore a relatively small fall can wipe out all the gains expected from the application of more inputs. Thus agricultural enterprise which is already a large gamble on weather on account of the economic dependence on rainfall is exposed to another serious man-made risk.

It is possible to argue that this does not affect the calculations of individual farmers since each farmer would normally try to increase his output and get a larger share of the market and that, since no farmer bothers about the possibility of the other farmers acting on the same calculation and thus bringing down prices for everyone, no harm is really done.

It is difficult, however, to believe that recurrent experience of sharp falls in prices every time the harvests are good have no adverse effect on the calculations of farmers and on their investment decisions. Stablization of prices, and an effective guarantee of an adequate minimum price, appears to be therefore a very important requirement on the price front for rapid agricultural growth. This is now very widely recognized and does not perhaps need further emphasis.

However, neither improvements in the supply of necessary inputs (like irrigation and fertilizers) nor a price policy of this sort can by themselves be expected to raise agricultural production at the rate necessary to sustain an over-all rate of economic growth of seven per cent per annum. The simple reason is that all the calculations of costs and returns at the margin are affected by the system of land tenures. Land tenures are crucial to the whole question of incentives in agriculture.

I have said enough about this aspect of the problem in the last article and shall not therefore repeat them. But what I would like to underline is that if we mean what we say about accelerating agricultural production, and if we recognize all its pre-requisites and their interdependence, selecting some of them for the 'basic' strategy and ignoring the others for political or administrative reasons it is really evasion of the whole problem.

Proposals for a 'land reform holiday' in agriculture on the analogy of 'tax holidays' in industry ignore the simple fact that, while tax holidays in industry can be said to have some incentive-effect on producers in the required direction a land-reform holiday would really affect incentives in agriculture in the wrong direction.

It is sometimes argued that, since the political obstacles in the way of radical land reform are very powerful, and since a vague threat of land reform has an adverse incentive-effect even on large farmers who own land and who might otherwise be prepared to undertake more investment in agriculture, it is more realistic to put all land reforms into cold storage for a while, and concentrate wholly on providing the inputs necessary for raising agricultural production and implementing a price policy which is favourable to such increases.

This to me seems a counsel of despair and one that is totally at variance with the objectives. No programme of agricultural development aimed at a much higher rate of growth than has been realized so far is likely to succeed if the basic question of incentives for those who are engaged in agricultural production in one-half of the total cultivated area is treated in such cavalier fashion.

Cooperativisation

One can afford to take a more leisurely attitude, or postpone altogether, other changes in the organisation of agricultural production (proposed earlier and accepted as part of planning policies) such as co-operative farming. One may legitimately doubt whether, at the present stage of development, co-operative farming would offer incentives for intensive application of family labour to the same extent as peasant farming on owned land.

Moreover, such experience as we have so far had with cooperative farming (and even cooperatives in general) shows fairly convincingly that, whatever may be their merits in principle, the whole notion of co-operation is unable to survive the sociology of our Indian rural structure. Co-operatives have now become largely a means for the well-to-do to appropriate to themselves all the facilities provided by the development programmes at subsidised rates, and an instrument for diverting scarce resources (like fertilizers) from others who are not in a position to assert their rights.

Extension of co-operatives (except in a few limited spheres like marketing) has probably to await a much more radical transformation of rural society than has been achieved so far. Co-operative production can perhaps only follow such transformation, not itself be the main agency for bringing it about.

I have dwelt at such length on the problem of agricultural development because it does seem to be the main problem to be tackled now in accelerating the rate of economic growth. However, as I have been trying to show, it is not simply a matter of increasing the investment allocation for agriculture in the Five Year Plans; if it were so, the problem would be relatively easy to solve.

More serious difficulties arise because both institutional and organizational changes are required immediately for the effective use of available inputs, and because the agencies which could take the necessary decisions and implement such changes are themselves closely linked, socially and politically, with the sources of power and patronage in the countryside which are opposed to radical changes of any sort.

Much of the misunderstanding now about the importance that has been, and should be, attached to agriculture in Indian planning arises really from some mistaken notions about the term 'priority'. The priority attached to any sector of development cannot be judged solely in terms of the size of the investment allocation given to it. One may give the highest priority to the production of surgical instruments for hospitals, and yet the investment required for the purpose may be much smaller than for, say, increasing the supplies of some ordinary household requirements like kitchen utensils to which the same high priority is not attached.

Priority comes into the picture only when two or more alternative uses compete for the same scarce resources and some sort of ordering is required to determine who shall have how much and when. I think there will be very little disagreement that, whenever and wherever such competition for scarce resources is involved, agriculture should, for a long time to come, get the first priority in planning in India.

Another source of misunderstanding on this whole question of priorities in Indian planning, which is responsible for a great deal of ignorant criticism, is the popular image of heavy industries—which no doubt has been built up and further encouraged by interested parties. It is widely believed that heavy industries produce goods which do not add directly to the current supplies of consumer goods and that the larger their share the smaller therefore is the benefit accruing directly and immediately to consumers.

To some extent this view is of course justified. For, if heavy industries produce only machinery and equipment, they are certainly not available immediately for consumption (though such machinery and equipment may be very essential for the investment required to increase the output of consumer goods). But a very considerable part of the output of heavy industries are in fact intermediate goods essential for directly increasing the output of consumer goods.

In fact, in the case of steel, nearly one million tons of the increase in output of a little over two million tons between 1955-56 and 1962-63 has been of bars and rods which are required mainly for house construction. The output of plates, which are required for the manufacture of machinery and equipment and for non-residential construction went up only from 0.06 million in 1955-56 to 0.31 million tons in 1962-63, and their relative share in total output in 1962-63 was really lower than in 1937-38.

This kind of product-mix in steel is in fact open to criticism from the other end that it does not meet adequately the requirements of machinery and equipment manufacture in the country, and that when more steel is being produced at such high cost less of it should be made available at this stage of development for consumption requirements.

Intermediate Goods

It is also not recognized widely enough that bulk of the investment in the Five Year Plans is really on the production of more intermediate goods which are usable for meeting the requirements of either consumption or capital accumulation. Thus, in the Second Five Year Plan, nearly one-half of the total outlay in the public sector was on irrigation, power, transport and communications. Perhaps about two-third to three-fourth of the investment in manufacturing and mining was also on intermediate goods industries. In all, therefore, more than two-thirds of the outlay in the Plan can be attributed to programmes for increasing the supply of intermediate goods. The same proportions hold good in the Third Plan.

The notion that more employment can be created by shifting investment to consumer goods industries is for this reason not very well founded. Production of consumer goods requires not only labour but intermediate goods, and it is precisely because these intermediate goods are in short supply that much of the installed capacity in consumer goods industries is remaining unutilized now.

It should also perhaps be emphasized that, despite all the high priority that is supposed to have been attached to the manufacture of machinery and equipment within the country, it is precisely in this area that achievements have fallen most short of the targets. Nor has this been because of the irreducible time-lags involved in the gestation of these projects. Most of the delays have been caused either by earlier postponement on grounds of foreign exchange shortage or due to needless delays in decision-making and in implementation.

If the long gestation periods in irrigation can be attributed in part to the sociology of the Indian rural sector, a large part of of the gestation period of the investments in heavy machine-manufacturing industries can be attributed simply to the sociology of the Indian civil service. Incidentally, the gestation period of most investments in the sector of heavy industries is even now not always longer than of investments in major irrigation.

There are many other matters of economic policy with a bearing on developments one can talk about. I have however chosen to confine my attention to a few points on which it appears major decisions are likely to turn. Before I conclude I would however like to make some brief observations on two or three other matters which, it seems to me, are very nearly as important and require attention.

It is evident that the existing capital stock even in manufacturing industries is not being put to the most efficient use, and this is true in both the public and private sectors. There are many reasons for this, some of a purely managerial character, and I do not propose to go into them. But I would like to focus attention on an important economic reason, namely the inadequate use of the price mechanism for the allocation of scarce resources.

A very complicated system of controls has grown up over the last two decades affecting particularly the distribution of scarce intermediate goods to manufacturing industries. There are, broadly speaking, two reasons usually given for having these controls, one to make available these scarce materials to high priority requirements and the other to keep down their prices so that the prices of the final products are not pushed up too high for the consumers.

The first is a very legitimate and understandable reason in a planned economy *provided* priority requirements are defined as they should be and not in response to pressures from various interested parties. The second is also an understandable reason but it is not really good enough because, in most cases, there is no means of ensuring that when the prices of intermediate goods are made available at controlled prices the prices of the final goods produced with them are not adjusted freely to the prevailing market conditions.

The fact is that in the overwhelming majority of cases the prices of the final products are adjusted to what the market can bear, and the producers who are lucky enough to get supplies of the intermediate goods at the controlled prices pocket the large margins. Because of these large profit margins black markets also flourish in these intermediate goods and licenses and quotas are often secured not for direct use but for resale. This is also the reason why there is pressure to get priority labels of some sort, forcing in the process a dilution of the whole concept of priority.

This kind of control system, which serves only marginally the real purpose for which it is intended and offers high profit margins in activities which serve no social purpose whatever, needs to be radically changed. What is required is not complete decontrol but a more rational method of control at points where such control will be effective and serve its purpose.

Those who are familiar with the report of the Committee on Steel Control (with which I was associated) will understand what sort of alternative control mechanism I have in mind. They will also recall that, though the recommendations of this Committee were accepted in principle almost in toto, their implementation in the case of those categories of steel which are really in scarce supply remains yet to be seen.

One of the difficulties here is that a whole body of vested interests has grown around most of these controls. Enterprises have been set up, using these scarce materials, which cannot really survive on their present scale of production unless they get their supplies of these materials at controlled prices and are able to secure a very high margin of profit per unit of output.

Since installed capacity has been often the criterion on which licenses and quotas are issued many of them has had even incentive to instal capacity which they knew could not be utilized. The result is that many distinguished spokesmen of the private sector, who are otherwise full of praise for the virtues of decontrol, speak in a different tone when it comes to even partial decontrol which affects them adversely. Sometimes they are also in a position to prevent or delay decisions in this direction.

Controls and Vested Interests

One of the important reasons why these control systems need complete review and overhauling is that they are responsible for weighting the scales heavily in favour of the big enterprises and at the expense of the small. The big enterprises are in a position to have, what has been picturesquely described as, their own 'embassies' in Delhi and are generally well connected. It is not very difficult for an ex-civil servant (or his nephew) to convince his counterpart in government over a glass of beer that the enterprise with which he is connected after retirement is doing a job of great national importance and therefore deserves very high priority in the allocation of scarce resources.

The small producer has no such means of easy access to the points of decision-making, and has therefore to depend largely on black market supplies of the materials concerned. If some organization is set up to advance his cause this too tends to be soon captured by others interested in the high profit margins to be got by mere re-sale. In spite of it (and this was our experience when we looked into the case of steel produts most small-scale producers still manage to sell their products at the same price as the big producers who are favoured with allocations at controlled prices.

Supplies of credit are another factor which weights the scale heavily against the small producer. While the market rate of interest is 12 per cent or more for him, and the supplies inadequate even at these high rates of interest, the big enterprise gets its credit requirements at rates of interest ranging from six to nine per cent (and in some cases, when the connection between these enterprises and the privately-owned banks is close, at even lower rates of interest).

According to the report of the Reserve Bank on the *Trend and Progress of Banking in India during the year 1962* the average rate of interest charged by banks on their advances in the first half of 1962 was only 6.4 per cent. Only about one-sixth of the total advances of Rs. 1000 crores advanced by some banks selected by the Bank for its survey carried, at the end of 1962, interest of more than seven per cent per annum.

It is interesting in this connection to examine the trend of total bank credit from scheduled banks during the period 1950-51 to 1963-64. At the end of 1950-51 the total bank credit advanced by them amounted to only about Rs. 550 crores; by the end of 1955-56 it was still only about 760 crores; but it very nearly doubled itself by 1960-61 to Rs. 1335 crores, and touched at the end of 1963-64 an all-time high of nearly Rs. 1820 crores.

What is even more interesting is that the cash reserves of these scheduled banks did not rise very much during this period of 13 years. They amounted to about Rs. 93 crores at the end of 1950-1951 and stood at less than Rs. 148 crores at the end of 1963-64. It will be found on closer examination that, if a uniform definition of 'total liabilities' is followed throughout, (which the Reserve Bank does not in its published statistics), the cash ratio was reduced over this period from 10½ per cent to below six per cent, and that it is in this way that the banks have been able to expand credit to the extent indicated above.

The Reserve Bank has of course been following a very strict monetary policy for several years, and has been threatening to charge higher and higher rates of interest on loans taken by the scheduled banks from it. But what could it do if the scheduled banks preferred to do without much additional borrowing from the Reserve Bank, and managed to expand credit to the extent required by merely reducing their cash ratio? The Reserve Bank has been very much more impotent in its monetary policy and measures than it has cared to admit.

Manufacturing industry accounted for a high proportion of the increase in the advances given by scheduled banks during this period. Data are available for the period upto 1963. According to these data, bank advances to industry rose from Rs. 440 crores to over Rs. 920 crores between April, 1958 and March, 1963.

Inventories

What is to be noted here is that the inventories held by manufacturing industries in India are very high, much higher than elsewhere, and that a high proportion of these advances are held with the help of advances from scheduled banks. An analysis of the balance-sheets of public and private limited companies in this sector (data regarding which are also published by the Reserve Bank) shows that the gross value added by these companies (that is their contribution to the national income of the country) went up from around Rs. 725 crores in 1955-56 to Rs. 1175 crores in 1960-61 that is, by about Rs. 450 crores. The same balance-sheet data show that during this period the inventories held by these companies went up from about Rs. 770 crores to Rs. 1150 crores (i.e. by nearly as much the increase in their contribution to national output).

There is other evidence also to indicate that the inventories held by manufacturing industries in India are on the high side. According to a study made by Sri H. K. Mazumdar and Sri Morris J. Solomon in the Indian Statistical Institute, the ratio of total inventories held to value added for all industries was, in 1955, 0.26 for the United States and 0.87 in India. For comparable industries in the two countries they found the same order of difference. Thus, in enterprises producing paints and varnishes the ratio was found to be 0.91 in India and 0.38 in the United States; in tanning 2.18 in India and 0.49 in the United States; in cement 0.80 in India and 0.18 in the United States, and so on.

There may be many reasons for these big differences in inventory holdings. The distribution system is not as efficient in India as in the United States, and government control procedures add to the hazards the producers have to face. It would be very worthwhile to ascertain how far each of these is responsible for the higher inventory holdings in India. But it is a reasonable hypothesis that cheapness and ease of credit supply to manufacturing industries in India is also an important contributory factor.

At any rate, if it were less plentiful and less cheap, Indian industry is likely to apply its mind more to the problem of reducing its inventory holdings. In India, with prices rising at an average rate of three to four per cent per annum, it pays the manufacturers to hold as much inventories as they can and not bother about their size. The fact that many small and efficient enterprises manage with much smaller holdings of inventories in relation to the value added by them indicate that economies are possible when there is no alternative to such economizing. The present techniques of monetary control have not however succeeded in restricting credit to the extent required.

Government Expenditure

Lastly, I would like to say a word about government consumption expenditure. Defence expenditure accounts now for nearly six per cent of the national income. This is a very high proportion by normal standards.

In the United Kingdom, for instance, defence expenditure varied between no more than 2.5 per cent and 3.7 per cent of the national income between 1880 and 1913 and was below this level between the inter-war years; more recently, it has gone up to about 6½ per cent. Australia spends only about three per cent of its national income on defence, New Zealand even less (2.2 per cent), and Canada about 4½ per cent.

Countries like Italy, Norway, Netherlands, and even Turkey spend on defence only between 2½ and 4½ per cent of the national income.

Obviously, how much should be spent on defence, particularly in a crisis of the sort India has been facing, is not for laymen or economists to determine. The recent increase in the share of defence expenditure was unavoidable. But what is perhaps worth emphasizing is that we should not get used to this level of defence expenditure as a proportion of national income and that, as national income itself grows, attempts should be made to reduce it to a more normal level (say, three to four per cent at the most).

While any price is worth paying when it comes to the security of the country it is necessary to recognize that security may be undermined also from within, and that a high rate of economic development is required to avoid excessive accumulation of internal problems. In the long run it would be difficult to reconcile a high rate of economic growth and rising standards of living with as much as six per cent of the national income being devoted to defence.

It is only by such reduction of the share of defence expenditure along with growth of national income that the collective needs of the community such as education and health can be met at the required rate in the next few years. And it is only by rapid extension of collective social services that an impression can be made in a reasonable period of time on the extreme poverty of our people and more opportunities afforded to them for improving their economic and social condition.

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INFORMATION DOCUMENT No.1
(For National Council Members)

DEVELOPMENTS IN THE AGRARIAN ECONOMY

Dear Comrades,

This is an information document produced with some labour to make available to you. All the necessary statistical material published on the agrarian reforms and the problem. It is also a very good note for our discussion. It contains some critical and positive ideas on the agrarian problem which will need serious throught during the debate on the Party Programme.

The Secretariat or the Commission is not committed to the contents of this note. Hence it is being circulated as reference material.

20th May 1964. -- P.C. Joshi.

THE INDIAN AGRARIAN PROBLEM

- An Outline

The Indian agrarian economy, during last three years, has been characterised by stagnation, and even decline, of agricultural output when compared to the level attained in 1960-61, the last year of the Second Five Year Plan. Output has not increased in these years despite considerable public expenditure on programmes of agricultural development. In fact, the earlier bouyancy of agriculture witnessed during the decade 1950-51 to 1960-61 appears to have disappeared and a stage of standstill reached. Even prospects for the future appear none too certain since Government has already decided to import large quantities of foodgrains under a new PL 480 agreement. According to reports, 18 million tonnes of additional foodgrains are likely to be imported over a period of five years. This would be in addition to 16 million tonnes of foodgrains imported during 1960-64 under the agreement concluded in 1959. It is further understood that the target of foodgrains output, fixed at 100 million tonnes for the last year of the Third Plan, 1965-66, only two years hence, would now become the target to be attained at the end of the Fourth Plan i.e., in the year 1970-71. And this would be done despite an outlay of about Rs. 1080 crores on agricultural development during the period of the Third Plan. Much higher public expenditure would of course be provided for agricultural development during the Fourth Plan of which no estimates are currently available. This means that what was expected to be achieved only with the expenditure of about Rs. 1080 crores in the Third Plan would now be expected to be achieved with more than twice that amount, and in ten instead of five years.

Despite measures like the establishment of an Agricultural Production Board, Intensive Agricultural Development programme with the help of Ford Foundation, and fixation of remunerative price for important agricultural crops are being adopted. Even state trading in foodgrains, and takeover of rice processing mills are being talked about. But all these measures do not appear to infuse confidence in the Government and the administration since they are already taking precautions against shortages in food supply by arranging for heavy imports. The rise in prices of agricultural commodities and consequently in the cost of living has already affected large sections of poor and middle class people and their tendency to rise continues to persist.

Causes behind Agricultural Stagnation:

In the situation of such serious crisis in the major sector sector of the Indian economy, it is naturally essential to consider carefully the causes that lie behind the present agrarian crisis and to find out remedies. This note is an attempt in that direction.

In the Party, the agrarian crisis has been usually regarded as the 'natural result' of the 'agrarian relations revealed by the distribution of land among the various sections of the peasant population in the country' and of the 'Congress agrarian policies'. (See for instance, Draft Resolution on Agrarian Problems and Tasks of the Party, prepared in Feb.1961, just two months before the Vijayawada Congress). Undoubtedly, there is a very large element of truth in this view of the problem. But, unfortunately the 'naturalness' of this result has been more assumed than shown or proved on the basis of irrefutable facts and logic. At best, use has been made of words and phrases, and through a mechanical application of certain formulations of Lenin, made in the context of Russia's agrarian situation - when the world was altogether a different place - to the Indian situation, it has been sought to be proved that Congress agrarian policies are as reactionary as were those of Czarist Government in Russia in Lenin's time. Apart from that, the argument, on close scrutiny, neither appears to have been clearly worked out nor convincingly proved. It is one thing to use the Marxist-Leninist method of analysis for understanding a given situation in a country. But it is quite another matter to mechanically apply the Marxist-Leninist formulations of a specific situation in one country to another country, remote in history, culture and the specific peculiarities of its socio-economic evolution.

In fact, this manner of posing and formulating the problem itself, and regarding it as the 'natural result' of 'present distribution of land amongst peasants' and 'Congress agrarian policies' implicitly evades responsibility both for the problem as well as for providing a reasoned well-argued analysis of the same. By declaring the agrarian crisis and the agrarian problem as the 'natural result' of the present distribution of land amongst peasants, one hangs on the entire problem on the peg of a fundamental fact which itself requires to be explained. More than being the cause of the present agrarian crisis, the present distribution of land amongst peasants is itself the result of a process under way in the Indian rural economy which must be explained. It merely reflects the distribution of owned and cultivated area which is the net result of that process. The failure to use the land efficiently, and invest more in productive inputs etc. must arise not from the fundamental fact of land distribution per se which is itself merely the result of a process, but by some other characteristics of agrarian productive organisation which are not conducive to efficient use of land resources. Unless the process of agricultural development in operation since Independence is clearly understood, it will be difficult to consciously explain the present agrarian crisis.

Similarly, by explaining the agrarian crisis solely in terms of Congress agrarian policies, one betrays a sense of irresponsibility by not owning up one's own responsibility, howsoever small, in the matter. It also betrays a desire to avoid the necessity of examining the agrarian problem in its totality, with all its specific characteristics in our national and socio-economic environment, and the integrated process of its development, in which Congress agrarian policies form only a part, even though a major part.

And in the same document in which the agrarian crisis is thus explained away, it is also stated that 'deep ideological and political confusion regarding the understanding of agrarian problems in the countryside' has led to serious neglect of the peasant movement. In fact, the utterly chaotic and disorganised state of the kisan and agricultural workers' movement is vividly described in the report of the Agrarian Commission in its Draft Report on the Agrarian Front submitted to the National Council towards the end of 1960. And yet, despite such stark realities on the peasant front, it is somehow believed that the 'deep ideological and political confusion' has vanished as soon as the agrarian problems have been laid at the door of the present distribution of land and Congress agrarian policies.

In view of the author of this note, the approach to the agrarian problem in Party documents has been circumscribed by the overall general line of the Party. This bias has vitiated the entire approach and method of analysis of agrarian problems. It has led to reliance being placed on this or that extract from Lenin by the members of the left and right factions within the Party. For that very reason, a large number of formulations and expressions in the documents do not appear to be integrated, and consistent with one another. For instance, while the fundamental demand of the peasant movement is considered as widespread redistribution of owned land, demands regarding eviction, and rent reduction are also to be made a part of the movement. Again, while on the one hand, the demands of the agricultural labourers for wages and working conditions against rich peasants are to be struggled for, the rich peasant has also to be made an ally of the agrarian movement. Since all these demands are neither phased over a period of time, short term and long term, nor placed in proper perspective of the changing course and stage of the agrarian development in India, they all seem to be mere patchwork, utterly disjointed and often contradictory.

Under these circumstances, it appears necessary to examine the agrarian problem *de novo*, to reconsider our approach and method of analysis of the agrarian crisis and to search for some operational causes against whith the struggle of the peasant may be directed concretely. This is attempted in the following pages.

Agrarian Problem on the Eve of Independence and the Congress Solution:

The principal problem on the eve of Independence was to end the semi-feudal exploitation of the cultivating peasantry arising from the monopooy of land, private trade in agricultural produce and usurious credit the last two of which were often combined in one person. The economic elements of this exploitation were:

1. The high burden of rent paid to non-cultivating owners of land or revenue paid to the British government;

2. Large share of consumer's price paid for agricultural commodities in the market which was taken by the private trader; and

3. The high burden of interest charges paid on usurious credit.

Since the burden of each of these payments per acre, per person or per unit of agricultural output was high and the total share of all thesepayments in gross agricultural output was relatively large in the period prior to Independence, there was little left as as residual income for the self-employed peasant, as profit for the wage-labour using farmer or as wage income of the landless worker.

These feudal burdens cut into the incomes of all these classes. Consequently, these semi-feudal burdens depressed the incomes of all persons actually engaged in the cultivation of land, whether as landless wage-workers, as tenants of non-cultivating landholders, or as peasant proprietor cultivators of owned holdings. Moreover, whenever, there was an increase in the productivity of land, an increase in price of agricultural produce, or an increase in the income of the cultivating peasant, a large portion of such increase would go to pay the claims of either of these classes, and would not remain with the tiller of the land. This acted as a disincentive and an obstacle to the equalisation of profits, or wages, or incomes from self-employment, between agriculture and other sectors of the economy where these feudal payments did not have to be made. Incidentally, there also appeared a schism, Therefore, between the agrarian sector and the rest of the economy where competitive capitalist industry had already developed considerably but from where productive capital or skilled labour or cheap finance could not easily flow into agriculture on a competitive basis due to these structural difficulties and their economic implications. These were the structural difficulties that prevented the process of capitalist development in Indian agriculture penetrating deeper than it did.

However, it must be emphasised here that the people in the countryside for whose economic growth the prevalent semi-feudal forms of organisation were an obstacle consisted of a heterogenous group, highly stratified and differentiated in its composition. They included various size-groups of tenant cultivators, both in zamindari and ryotwari areas, who principally cultivated lands taken on lease from absentee landlords or non-cultivating owners of land. They also included those members of the cultivating peasantry who cultivated their owned holdings - both in zamindaries and ryotwari areas - and whose struggle was directed more against British government, moneylenders, and traders than against landlords. They also included those landless peasants who worked on farms of landlords or their tenants under conditions of feudal servitude and under diverse forms of semi-feudal exploitation.

The principal focus of struggle of all these classes was anti-feudal, since the principal obstacles at that time were the persistent and stubborn survivals of semi-feudal forms of organisation in landed property, trade and finance. Since the British rulers defended, supported and maintained those feudal forms of organisation and feudal forms of exploitation, the struggle of the mass of cultivating peasantry was at the same time anti-imperialist. For the same reason it was also united.

Even at that time, forms of capitalist exploitation of landless peasants had already emerged within the womb of the semi-feudal agrarian relations. In fact, the development of commercial agriculture had considerably expanded and a certain degree of regional specialisation in agricultural production had come about. The landless peasantry, created under the pressure of increasing semi-feudal exploitation of the British and the landlords, was usually employed either by tenant cultivators of sizeable holdings or on the self-operated commercial farms of landlords. The forms of employment of labour on the latter farms and the conditions of work naturally used to bear the imprint of feudal servitude because of the inherent pattern of agrarian relations which prevailed and the corresponding social and political milieu which obtained in the countryside. But on holdings of tenant cultivators, such forms of expllitation did not obtain to the same extent. Yet the exploitation of labour power there was much more intense since the tenant himself was subject to the feudal explbitation of the landlord.

The Indian National Congress which had led the country in her struggle against British rule and succeeded to State power was the political party of the entire national bourgeoisie. From the class nature of its interests , it was interested in consolidating its own independent economic and political power in the country and reorganise her economy in a manner so as to lead towards a rapid independent capitalist development of India. To this extent, it had genuine anti-imperialist, anti-feudal class interests. These class interests, objectively considered, were also in the general interest of India as a whole. This objective combination of circumstances alone can explain the sweeping of bourgeoisie into power in India. In the course of working out its strategy for independent capitalist development, the bourgeoisie adopted planning as a method and expansion of public sector as a strategy for its own economic expansion. In the sphere of foreign policy, it forged non-alignment as an instrument of policy which was ideally suited to serve the purposes of independent capitalist development. These measures were indispensable in the middle of the twentieth century, as means for rapid and widest possible expanion of the bourgeois class in an underdeveloped economy which was so heterogenous in its composition, so peculiar and complex in its historical origins and development, and so tightly situated between the yawning jaws of Imperialism on one side and mass commitments of a popular national movement on the other. If these latter were not met to some extent, it could have engulfed the entire bourgeoisie into a deep crisis making its independent economic and political development impossible.

As an integral part of that grand strategy, the Congress Party also chalked out a comprehensive programme of agrarian reorganisation which was the blueprint of its plan and strategy for the agrarian sector. Although, the programme of reorganisation contained some utopian features, inevitably derived from and influenced by the Gandhian ideal, it was nevertheless a programme for through elimination of all semi-feudal features of India's agrarian organisation, and develop it along independent capitalist lines keeping in view its specific features, natural and physical environment and the man: land: labour ratios obtaining in the countryside. Since this programme wielded considerable influence on Congress agrarian policies in subsequent years, it may be worthwhile to discuss this programme in some details.

Congress Programme of Agrarian Reorganisation after Independence:

In the resolutions on agrarian problems passed in the Karachi, Faizpur and Lucknow sessions of the AICC in 1931, 1935 and 1937 respectively, one gets some glimpses of Congress plans of agrarian reorganisation and measures of agrarian policy. But the most comprehensive programme was formulated in 1949 in the report of the Congress Agrarian Reforms Committee appointed by the then Congress President, Dr. Rajendra Prasad, in 1947*. Prior to this Committee, another Committee of the Congress on National Planning** and the Economic Programme had considered the problems of agrarian reorganisation and had recommended a more or less similar programme. A few of the main features of agrarian reorganisation recommended by the 1949 Committee are the following:

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* The chairman of this Committee was Shri J.C. Kumarappa and other members were

** The President of this Committee was Pt. Jawaharlal Nehru and other members were

1. ....in the agrarian economy of India, there is no place for intermediaries and land must belong to the tiller, subject to conditions mentioned hereafter. The Committee has, therefore, recommended that, in future, subletting of land will be prohibited except in the case of widows, .. minors and other disabled persons.

2. To cover the period of transition, however, the Committee has recommended a set of rights for the actual tillers who are themselves not owners of land. Those who have been cultivating land continuously for a period of six years should...automatically get full occupancy rights.

3. In case of others, ... the owner may have the option, up to a certain period, to resume holdings for personal cultivation subject to certain well-defined conditions.

4. Only those who put in a minimum amount of physical labour and participate in actual agricultural operations would be deemed to cultivate land personally.

5. The owner will have the option to resume the holding to the extent to which it is necessary to make his self-cultivated holding economic.

6. He can, however, resume more land, upto the maximum prescribed if thereby he does not reduce the tenant's holding below the economic.

7. The tenant should have the right to purchase the holding at a reasonable price to be determined by regional Land Tribunal..... and should be assisted by a financial agency in purchasing the holdings.

8. The tenants should be protected from rack-renting and illegal exactions.

9. There will be provision for determination by Land Tribunal of reasonable rent as well as for the Commutation of rents in kind into cash.

From these recommendations of the Committee, it willbe seen that the Committee favoured complete elimination of all intermediaries. And the word 'intermediary' meant a person who gave out his land on lease, or sublet his holding. The word 'sublet' and not merely 'let' was probably used under the conventional belief that in India a cultivator holding land directly from the State is a tenant of the state. And if he lets out his land, he will be considered as subletting his land.

In the opinion of some observers, these aspects of the agrarian programme of the Congress Committee are virtually identical with the path of agrarian reform enunciated by Lenin in the context of Russian agrarian revolution in 1905. However, it is extremely important not to be carried away by apparent resemblances. The programme advocated by the Indian National Congress has emphasised upon the 'Land to the tiller' aspect of the agrarian reform while Lenin has emphasised upon the 'Redistribution in favour of peasants' aspects of the Russian reform as opposed to redistribution in favour of landlords and aristocracy. A tiller is a person who tills the land. And even if we rigorously interpret the meaning of the word 'tiller'. We shall find that it can include only those persons who have been tilling the lands of another as tenants and not those who have been cultivating the lands of their employers as wage workers. The close association of the slogan 'Land to the tiller' with the elimination of intermediaries further reinforces this interpretation of the word 'tiller'.

However, the significance of the Leninist 'American Path of Land Distribution' lies in the fact that under that programme, the large estates of latifundia were broken up and distributed amongst a large number of farmers and cultivators, free of the encumberances of paying heavy rent or compensation for the acquisition of such lands. All of them may or may not have been tillers before. Some of them may have been merely serfs or wage workers of the latifundia. They might or might not have had any of their own lands on lease to till etc. etc. Thus, the Leninist second path of development merely provides the theoretical possibility of two alternative patterns of agrarian reform being followed in any given country. But its precise contents, class implications and modus operandi have to be concretely worked out patiently in all details instead of a parrot-like repetition of the Leninist two path theory without providing its detailed setting and framework.

However, without going into unnecessary comparisons, it may be stated that it was an anti-feudal programme of agrarian reforms, which put forward an idealistic view of the basic pattern of the Indian agrarian economy. But in so far as a high place was accorded to the working Indian peasant, of whatever size of land in this programme, it may be regarded as a programme of a peasant path of agricultural development. But the analogy ends only there.

From the tenor of other recommendations of the committee as well, it appears that they had concentrated upon elimination of the anti-feudal survivals in our agrarian structure and establishing the utopian dream of a village community in which there were family farms with holdings between basic and optimum sizes, duly aided by multipurpose service cooperatives and joint cooperative farming societies comprising all the holders of land below the basic limits. This utopian agrarian structure could probably be ushered into existence, according to the implicit assumptions of the Committee, merely by means of legislation implemented with the cooperation of the elected representatives of the village people.

That this plan for reform for giving 'land to the tiller' was rooted in the idyllic utopian dreams of the past is proved by several factors. Firstly, Jaimini and Kautilya* are the authorities cited in support of acceptance of these principles and not the simple theory of rent of Marxian economics or modern economics, according to which feudal burdens arising from the monopoly of land by non-cultivating landlords prevent the development of capitalism in agriculture. Secondly, the ideal picture of a rural society proposed to be established is based on certain highly utopian and idealistic principles. For instance, the main objectives of the agrarian economy were taken to be the following:-

a. The agrarian economy should provide opportunity for the development of individual's personality.

b. There should be no exploitation.

c. There should be maximum efficiency of production, and

d. The Scheme of agrarian reforms should be practicable.

In these set of objectives, the first appears to be highly utopian in so far as it is implicitly assumed that the development of individual's personality in the agrarian economy is achieved through peasant proprietorship and it would be possible to establish and maintain a peasant proprietorship economy in India over a very long period despite the rapid development of capitalist enterprise in the urban sector of the Indian economy. These are the implicit petty bourgeois illusions similar to those of the populists and narodniks in Eastern Europe and Russia respectively. Moreover, according to the report, exploitation of the tiller by non-cultivating interests in land is sought to be altogether abolished but it is not even visualised that with the gradual development of commodity production by peasant households, and emergence of specialisation in production and differentiation in productive organisation of different peasant households, capitalist relations and forms of wage exploitation would also arise in the agrarian economy. And the Committee, instead of visualising its possibility- which it could have done only if it would have based itself strictly on a science of change in society - merely declared that there should be no exploitation. Again, for the same utopian reasons, the Committee appears to have understood 'maximum efficiency of production' only <u>in human and static terms, and not in economic and dynamix terms</u>. This is proved by the way the concept of an 'economic' holding was defined which according to them should be the holding which

1. affords a reasonable standard of living:

2. provides full employment to a family of normal size and at least a good pair of bullocks; and

3. have a bearing on other relevant factors peculiar to the agrarian economy of the region.

From these criteria of an economic holding, it is obvious that all these critieria are static, and determined more by welfare than by economic conditions. The quantum and content of a reasonable standard of living would be very arbitrary and would rapidly change in a developing economy. Concept of full employment to a family of normal size and a good pair of bullocks rests on the assumption of an implicitly defined technique on which basis alone the concept can be made concrete. But in a developing economy, techniques of production must rapidly change and the land which provides full employment to a normal size family and a pair of bullocks today might by extremely insufficient for that purpose tomorrow. But since the Gandhian concept of Indian rural society was more akin to the narodnik and populist ideals than to the evolutionary and dynamic ideas of Marxian and non-Marxian thinkers, these features were bound to arise in their analysis. Consequently, the concept of social justice they derived and the minima and the maxima they sought to fix for the optimum and basic holdings also proved to be merely static and statistical.

Again the question of practicability of such a society holding for long in a state of such idyllic justice and distribution of land was not even considered. With the man:land ratio being already so unfavourable, and with such a high rate of increase in population what would be reasonable standard of living and full employment for a normal family of persons at one time would very soon turn into an unreasonable standard and a state of underemployment. Moreover, in such a society the preparedness of poor people to offer themselves for work on the land of another for a bare pittance, in the absence of other forms of employment, was bound to remain and exploitation could not be altogether eliminated from such a society without rapid economic development which did not occupy a very high place in the Gandhian ideal.

Thus, it would be evident that the principle of 'land to the tiller' was neither fully argued on sound economic principles nor were its dynamic phases and implications fully worked out. Nor was any practical consideration shown for the likely opposition or the hostility of the landlords, big and small, who were likely to be affected adversely in their <u>material</u> interests. It was perhaps believed that with compensation guaranteed, the landlords would easily give in their lands - in fact some of them even voluntarily - and the struggle for land would be very smoothly over.

However, despite these utopian pitfalls, the plan of agrarian reforms envisaged by the Committee was the most radical anti-feudal programme of agrarian reorganisation that the Congress party had produced. This plan gave concrete expression to the aspirations of millions of peasants in the community to be rid of their feudal exploiters and their foreign protectors.

But as was to be revealed in the years to come, the stark realities of intermediary interests in land and their resistence against the violation and elimination of their feudal vestiges of income and power, and influence, proved to be much too strong for the Congress Party and the Legislators. The Congress Programme of Agrarian reforms which began with a bang ended with a whimper when it came down to the realities of the agrarian situation.

The reasons for the dilution of the agrarian programme originally planned to be implemented by the national bourgeoisie lie partly in its internal class composition, and partly in the domestic and foreign political and economic circumstances in the context of which it had to operate. In its internal texture, the bourgeoisie is ridiculously stratified. One section of it consists of big business men, owning and controlling large monopoly organisations in the industrial sector. Another section consists of medium entrepreneurs who have invested their capital in diverse types of enterprises, and who have also a considerable control over distribution and trade activities. And yet another section of it, weak in its economic power, but very large in numbers consists of the rural bourgeoisie which has been the main base of the Congress in the countryside. These different sections of the bourgeoisie are neither vertically nor horozontally integrated. They are linked in different degrees to the other classes in India society viz., the foreign monopolists and entrepreneurs, landlords, salaries and professional middleclasses, working classes, poor peasants, landless workers, self-employed artisans, petty shop-keepers and traders etc. They wield different degrees of influence on them. These different sections of the bourgeois class, despite their common aim of independent capitalist development of the economy, stand to gain differently from the programme of independent capitalist development and consequently adopt widely divergent attitudes towards a programme of independent capitalist development, varying according to the nature and degree of their sectional interests.

For instance, some amongst them adopt the policy of collaboration with the foreign monopolists with a view to strengthen their own monopolistic grip over the economy with foreign support. And since foreign collaboration of some members of the bourgeoisie makes for stiff competition against other members of the same class, these other groups begin to adopt an anti-monopoly attitude within their own class. Thus conflicts of interests and hence divergent opinions arise within the bourgeoise which lead them to take widely different positions on different national issues. Some of them tend to go over to the foreign imperialists and side with them, while others struggle against those who thus go over.

Almost similar tendencies are observable in the attitudes of the various sections of the bourgeoise towards the feudal vested interests in land, trade or money-lending. Those sections who are wielding monopoly power in industry and finance do not like to attack monopolistic privileges of the landlord classes in such a manner that an attack on them today might end up in an attack on their own monopolistic privileges tomorrow. And yet being interested in the elimination of feudal burdens on agriculture for a development of agriculture on capitalist lines, they do want the feudal interests to shed away some of their feudal characteristics. Therefore, the monopolist sections of the bourgeoisie tend to amalgamate the former landlord interests within the bourgeoisie as a class.

The other sections of the bourgeoisie, especially the rural bourgeoisie whose interests are basically opposed to those of landlords, submit to it only under conditions when the bourgeoisie as a class is threatened from a revolution of the working class and the peasantry below. Thus, if the bourgeoisie is so heterogenous in its internal composition as in India and caught between the scylla of foreign imperialists on the one hand, and the charybdis of the threat of an agrarian and working class revolution from below, it tends to seek collaboration with those who are its natural class allies viz. the foreign imperialists and feudal landlords, even though the latter might, in view of their narrow sectional interest, undermine the class interests of the bourgeoisie as a whole in the long run.

The grand strategy of planning, non-alignment, and expansion of public sector has run aground mainly on account of these horns of dilemma. And the dilutions of the original agrarian programme and compromises with landlords on the agrarian front have also been made for similar reasons. In this background if we review the actual course of formulation and implementation of Congress agrarian policies, it would become clear that Congress agrarian policies have been formulated largely on pragmatic considerations, on taking an empirical view of prevailing social, economic and political circumstances, alignment of class interests etc. And the upswings and downswings in agricultural activity have also been significantly influenced by these progmatic considerations from time to time.(*) In fact, for these very reasons, the entire agrarian programme of the bourgeoisie has remained in a flux and has been pushed through as and when the circumstances have dictated.

It is for that single reason that one finds such a wide variety of patterns in agrarian legislations in different States. Wide differences in the composition of the bourgeoisie in different States, especially of its rural sections, and the differences in the degree of hold of feudal interests on social economic and political life of the region of reform have largely determined the pro-peasant or pro-landlord character of the compromises in the agrarian movement by the Congress. The level of development of agrarian movements led by the Party, the degree and timeliness of their intervention at crucial points etc. have also determined the pattern of these concessions and compromises made to the landlords. And it would be a fascinating chapter of India's history, indeed, whenever, if ever, it is written, about the chronological account of the progress of these reforms, and their implementation and the various forces that have played their part in determining their shape.

Nevertheless, despite apparent differences, from state to state and region to region, there are common elements in all these reforms which delineate their general characteristics. It is necessary to evaluate these common elements with a view to grasp their full significance for leading the agrarian economy into the desired direction. It is proposed to deal with these measures in some detail.

<u>Measures for Reform of Rights in Lands and of Structure of Farms as Operational Units:</u>

The basic source of 'deep ideological and political confusion' in the Party on agrarian problems, according to the author of the present note, appears to have arisen from a failure to distinguish between two distinct aspects of agrarian reorganisation viz., the aspect of reforms in rights of ownership and tenancy in land, and the other aspect of changing the structure of the size of farms as a unit of operation for purposes of cultivation. There are separate

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(*) Even the Party and its policies and programmes have played not so unimportant a role in leading the bourgeoisie towards making compromises with feudal vested interests at several strategic points during last 15 years.

policy measures adopted for dealing with these different aspects, and all the time it appears to have been implicitly assumed that these two aspects are not inter-connected or interdependent in any significant way. For instance, the academic economists in India like Prof. V.M. Dandekar or Prof. M.L. Dantwala have largely regarded the measures for abolition of intermediaries merely as measures of changes in land revenue administration, in no way affecting the patterns and modes of cultivations nor the structure of farming units. On the other hand, the Party, while all the time emphasising upon the importance of agrarian reforms, has failed to concretely analyse as to how one aspect tends to influence the other and what concrete consequences follow from the influences of changes in rights over land (in a particular manner) upon the structure of farming, the distribution of cultivated area, and its impact on productivity of land, agricultural investment, marketed surplus, forms of employment of labour power, per acre yields, crop patterns etc. The Party has not even clearly brought out the social and political consequences of certain changes in rights over land and its consequences for the rural society. And hence the failure to spell out the logical steps involved in a given distribution of land or particular Congress agrarian policies leading to certain presumed 'natural results'.

It is necessary therefore to classify the measures of land reforms in the following two classes:-

<u>Measures for the reform of the system of land holding</u>:

1. Abolition of Intermediaries
2. Tenancy Legislation

<u>Measures for the reform of the system of land cultivation:</u>

3. Ceilings on Landholdings
4. Cooperative Farming
5. Bhoodan and Gramdan movements
6. Consolidation of Holdings

The broad contents of these reforms are well-known and do not need be repeated. Yet there are certain crucial aspects especially dealing with their inter-connections that need be brought out. Special emphasis need be given on clearly specifying the anti-feudal content of various agrarian legislations, and their limitations for promoting a rapid independent development of the Indian agrarian economy on capitalist lines at a desired rate.

<u>Intermediaries - Non-cultivating Owners of Land or Mere Zamindars</u>

At the outset, it need be clearly stated that the abolition of intermediaries in India so far has not meant abolition of non-cultivating ownership of land altogether with the exceptions provided in the laws. It amounts only to partial alienation of lands of specified classes of intermediaries, variously called as Zamindars, Jagirdars, girasdars, barkhalidars etc. On these lands, various grades of tenants were already settled, most of whom had already been enjoying rights of occupancy, security of tenure and regulated rents over a major part of those portions of the intermediaries' land. It was for that reason that abolition of intermediaries was not done in ryotwari states where there was a considerable amount of land under non-cultivating ownership but was held by the raiyats or pattadars, who, under the law, were deemed as peasant proprietors and cultivators of their owned holdings.

In a way, this was envisaged even by the Congress Agrarian Reforms Committee since it regarded abolition of intermediaries as a long-term objective which had to be phased. They wrote:-

> "The zamindari abolition bills in the various provinces which are in different stages of implementation are a first step. But even after the abolition of the zamindari, there would remain a large element of non-cultivating interests in land".

In fact the Committee had favoured immediate prohibition of leasing lands by all landholders ecept for widows, minors and disabled, while the abolition of existing rights of intermediaries were to be gradually abolished over a period of time. For the period of transition, however, the Committee had recommended a set of tenancy rights to be conferred on those who were not owners of land. But in the long run these tenancy rights were to be converted into ownership rights by enabling the tenants to purchase these rights by paying a reasonable price.

Let us now look at the land reforms proper into this background.

<u>Abolition of Intermediaries:</u>

Under the programme of abolition of feudal rights, the following principal stepshave been taken:

1. Large areas of land formerly owned and held by various classes of non-cultivating owners, regarded as intermediaries under the existing laws, and not being intermediaries merely in the economic sense as already discussed, have been taken over by the various states. This step, once for all has terminated all rights of former intermediaries including rights to fix, collect and enhance rents, freely lease out lands, evict tenants, impose arbitrary and illegal exactions and levies on the village population, take forced labour from their tenants and agricultural labourers under the pressure of their socio-economic power, take gifts and nazarannahs etc. The state has acquired full and all powers to regulate the conditions of tenure and cultivation on these lands free from all encumbrances. This means that the sphere of reudal power on such lands has been entirely abolished and the state power of the bourgeoisie has instead stepped in.

2. All rights in waste-lands, pastures, village common lands, forests, fisheries etc. and their produce, rights in the sub-soils (like rights in mines and minerals) as well as rights in ferries, hats, bazars, tolls, and on all the other economic activities connected with rural life are also vested in the State. This again has meant that the general stranglehold of feudal landlords on village economic life, exercised through ownership and control of these ancilliary productive resources of agriculture has also been entirely abolished.

3. All rights in homestead lands of village population were also vested in the occupants of the homesteads free of any charge whatsoever, including therein certain appurtenant lands used by such resitent households for keeping their cattle and pile up their farm yard manure. This again has meant the passing away of another source of feudal extra-economic power over the life and conditions of living of the working peasants and landless workers.

Let us try to examine the statistical magnitudes and economic implications of these changes before we go over to discuss the other measures taken as pet of the abolition of intermediaries programme.

Areas and types of land and Numbers and Types of Persons Affected:

These measures have affected the lives of millions of peasants and agricultural workers and covered million of acres of land in the country. Figures about the actual area affected and classified according to various types of land are not available for most states, nor are data about the number of persons classified between occupancy, non-occupancy tenants and landless workers available so far in any publication of the State or Central governments. However, in a recent book by a Soviet Economist, figures of total land area for which zamindari abolition laws had been passed and implemented upto the end of 1956 have been published for the first time. These data are as follows:

Table 1: Area of Land Affected by Zamindari Abolition Laws upto the end of 1956.

(Area in million acres)

State	Total area	Area under Zamindari tenure	Area in which Zamindari Reform Law was passed.	Area in which Zamindari Reform law was implemented.	Area that still remained under Zamindari
1.	2.	3.	4.	5.	6.
Andhra	40.7	13.02	9.77	8.95	4.07
Assam	54.4	3.26	1.63	-	3.26
Bihar	45.0	42.75	42.75	42.30	0.45
Bombay	71.2	12.82	12.82	12.82	-
MadhyaPradesh	83.4	51.71	51.71	51.71	-
Madras	38.6	7.72	6.18	6.18	1.54
Orissa	38.5	16.56	16.56	16.56	-
Punjab	23.9	-	-	-	-
U.P.	72.6	68.24	60.98	60.98	7.26
W.Bengal	19.7	18.32	18.32	18.32	-
Hyderabad	52.6	22.09	22.09	22.09	-
Madhya Bharat	29.8	17.28	16.99	16.99	0.30
Mysore	21.3	1.28	1.28	-	1.28
Rajasthan	86.3	51.21	49.45	39.74	11.48
Saurashtra	13.6	5.03	5.03	5.03	-
Cuttack	10.9	3.60	-	-	3.60
VindhyaPradesh	15.1	5.74	5.74	5.74	-
TOTAL	719.6	340.63	321.30	307.41	33.24

Source: Grigory Kotovsky, Agrarian Reforms in India, Delhi, 1964, p.71.

From these data in the table, it will be seen that the zamindari abolition legislation has affected as much as 321.30 million acres of land out of the total area of 340.63 million acres under the zamindari tenure. Only in a very small area, less than 10 % of the total zamindari area, the abolition laws were yet to be implemented or passed by the end of 1956. But most of that area must have also been covered by now.

These data include even those lands which have remained with the zamindars as their sir, khudkasht, khas, or Gharkhed lands even after abolition of zamindari and which they have been allowed to keep for 'personal cultivation' as we shall presently discuss. Even broad magnitudes of these lands are not available from any source whatsoever, since the State governments have neither bothered to collect them nor provide them to the Land Reforms division of the Planning Commission. However, if we roughly assume that the proportion of sir and khudkasht lands retained by zamindars in all States would be roughly the same as it was in U.P. (about 16.0 per cent), we would find that, roughly, about

258 million acres of land had been transferred from the zamindars to the State. If we classify this area between cultivated and uncultivated on the same basis as one finds in case of all India data, we would find that of these 258 million acres, as much as 113 million acres must be cultivated and would be in the possession of peasants, while 145 million acres would be forest land, pastures, wastes etc. and would be under the control of the State, at the village, tehsil, district and State levels.

Even more significant are the results of the sample village investigations in UP conducted by the Department of Economics, University of Lucknow, in connection with their research project relating to 'Land Reforms in UP'. According to these investigations, zamindari abolition in the State had affected the following percentages of area and village people in the sampled villages (which can also be generalised for the State as a whole).

Table 2: Households and Area covered by Zamindari Abolition in the Sample Villages.

Region	Total No.of households	Households affected by zamindari	Percentage of 3 to 2	Village area in acres	Area covered by zamindari abolition	Percentage of 6 to 5
1	2	3	4	5	6	7
Western	5233	1509	28.84	38233	23736	84.07
Central	3209	1027	32.00	11089	10709	96.57
Bundelkhand	1789	716	40.07	28182	24617	87.35
Eastern	3805	1762	46.31	13100	12744	97.28
All	14036	5014	35.72	80604	71806	89.09

Source: Baljit Singh and Shridhar Misra. "A Study of Land Reforms in Uttar Pradesh", Jan.1962, (Mimeographed), p.143.

The vast changes in the socio-economic structure of rural society bound to follow from these legislative measures are only too obvious. The abolition and elimination of vestiges of feudal power from as much as about one-third of the total cultivated area of the country and about an equal proportion of uncultivated lands would lead, and have led to many beneficial effects. Even though in monetary terms, and for immediate future, these results are not spectacular (since no reduction in rent or revenue in favour of peasants had been effected in any State), their economic significance in the long-run is very great since the cultivating peasants on these lands are relieved for ever ofthe harassments, illegal feudal levies and impositions, and arbitrary evictions under socio-economic pressures etc. Moreover, the rights of the zamindars to raise rents in cases of increases in productivity or incomes from the lands was now transferred to the State which it could exercise in a manner most conducive to facilitate agricultural development. Further, the benefits in social, psychological and moral terms were very great indeed. In a country which had been groaning under the feudal oppressions of the British and the landlords for such a long period, the tremendous sense of release from their shackles was bound to release new energy and enthusiasm amongst the working peasants and the landless population who were the worst victims of their excesses.

These reforms would have meant a much greater diffusion of ownership rights in land as well if the transfer of ownership from the zamindars to the State would have been accompanied with an early transfer of ownership rights on these lands to the tillers settled onthem. But such rights had to be obtained by payment of large sums of money, an aspect to which we shall presently turn our attention. Since not many tenants exercised these rights, the ownership of bulk of these lands remained with the State and ownership (including therein the right of free transfer) was not transferred to the rural households settled on it.*

However, if we ignore this aspect of the matter, and consider the change in the concentration of ownership of landholdings after the abolition of zamindari, it would be self-evident that concentration of ownership of landholdings after the abolition of zamindari, it would be self-evident that concentration of ownership was taken away by the State.

In this context, it has become quite common to compare the concentration of household ownership holdings, as revealed by the N.S.S. data on landholdings collected in the Eighth round (1954-55), with the concentration of household operational holdings in the same period and to come to the conclusion that even after abolition of zamindari no serious changes in concentration of landholdings, owned or operated, had come about until the year 1953-54 to which the data refer. However, this way of looking at NSS data is to make a serious error. Firstly, this method assumes that by the year 1953-54, most zamindari abolition legislation had been implemented which is not in fact the truth. Zamindari laws had been implemented over bulk of the zamindari tenure lands only towards the close of 1956,** and not earlier. But this is only a minor aspect of the error. The major source of error lies in the fact that the changes in concentration of ownership of lands after abolition of zamindari must be judged after full collection of data about the pattern of land ownership, duly classified according to the size of lands included in zamindaris of different intermediaries, as it existed before abolition. Then alone it should be compared with similar data available for the year 1956-57. In whatever data are available for the pre-abolition period, all lands taken over by the State after such abolition are usually not included in the ownership holdings of individual households as they ought to be for proper comparison. And in the data for the post-abolition period, these lands should be excluded from the data of ownership holdings of rural households except for that part of which the ownership rights might have been transferred to rural households and no longer retained in the hands of the State.

On the other hand, if ownership holdings were to be defined more broadly, as was done in the N.S.S. Survey and all other investigations about land distribution including the census of landholdings, to include within ownership holdings all lands on which peasants enjoyed rights of perpetual occupancy with or without rights of transfer, it would be obvious that such kind of data about household ownership holdings collected at any period would not reflect much change in the concentration of ownership holdings since abolition of intermediaries had not affected

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* There is a very sound economic and practical reason that suggests itself as the cause of not transferring ownership of State lands to its occupants. As for the considerations of realising compensation money from the occupants, it could also have been raised in small instalments over a long period by transferring ownership compulsorily soon after the abolition of zamindari. But the more important reasons appear to have been, though no where thus explained, that these ownership rights might again be sold up to rich moneylenders, traders, and rich landlords and peasants might once again lose them, until sufficient ground had not been prepared by strengthening the revenue administration and imposition of ceilings on landholdings, when this hazard would be considerably minimised.

** Grigory Kotovsky, op.cit., p.70.

ownership rights in that sense significantly. Quite a large number of occupants of what have now been taken over as State lands had been enjoying ownership rights over their lands in this specific sense even prior to the abolition of intermediaries. These rights were secured by them after hard struggle against the zamindars, especially in the decade before the advent of Independence. And it is only a small fraction of occupants whose rights have become secure on these lands only after rights of ownership have been vested in the State. Considerable difference in concentration of ownership holdings (even in the perpetual occupancy sense of ownership) could be visible if even fragmentary data were available about such holdings for the princely States where occupancy rights even in this sense did not exist prior to zamindari abolition. But since no such data are available, the change does not become very evident.

Other Benefits to tenants on Lands taken over by the State:

In most States, benefits of security of tenure and fixity of rent have been conferred upon all occupants of land now owned by the State except for sStates like West Bengal where bargadars settled on State lands are allowed to cultivate only from year to year. As already stated, it was only in the former British provinces that on the large bulk of these areas, security of tenure had been conferred upon the occupants. Even these were subject to certain overriding privileges of zamindars through which they could harass the tenants. But in areas of formerly princely States, no such security of tenure existed, and was conferred for the first time. Moreover, in quite a few States tenants acquired right of ownership in these lands. For instance, bhumidari rights in UP were acquired by persons over ... million acres of land. Similarly in Bombay, rights of ownership were acquired by ... persons over .... acres of land. No estimates for the whole country are available regarding the extent of purchase of ownership rights by different grades of tenants. But if the figures for UP provide some indication, the number of persons and acreage involved must have been at least between 10% of the total cultivated area and these lands have passed from the hands of the state into individual ownership.

It is of course significant that it has been usually the occupants of large holdings who have been able to purchase lands from the State more than the occupants of small parcels, For instance, in UP it was seen that there existed a close correlation between the size of land held and the proportion of total land in that size-group acquired through purchase or acquisition of ownership rights. But all these persons have formerly been tillers of land, and do include different size-groups of peasant cultivators, even holders of one or two acres. No doubt it is only a partial fulfilment of the slogan 'land to the tiller'.- which slogan never implied transfer of land to the tiller free of charge - but nevertheless it is a redemption of the pledge at least on one-third of the total cultivated area.

As regards the payments made by occupants for the acquisition of these ownership rights, their magnitude and amount would normally have been determined by the degree of social consciousness generated against the rights of landlords. The Congress was not interested in arousing such expectations since it would have meant a general and brutal attack on private property in land which could easily recoil on private property in general. Zamindari was therefore nowhere abolished without compensation except in Jammu and Kashmir. But even the Party had not been succeessful in raising the peasant consciousness to such a heightened level except in the Telengana region of Andhra where, unfortunately, the movement had also taken a violent turn against the general stream of the national movement.

At the time when there was a grand opportunity to intervene effectively on behalf of the tenants for securing for them rights of land ownership with the least amount of compensation, the Party was engaged in debunking the entire Congress programme of agrarian reforms, and Independence itself was looked upon as a mere fraud, and unreal. No wonder that no better terms could be secured for the tillers for ownership rights in their land.

Other Features of Zamindari Abolition:

However, the other important aspects of zamindari abolition pertain to its financial implications, retention of large tracts of sir and khudkasht lands by zamindars, its effects on the distribution of total cultivated area, on the modes of farming and land utilisation (including therein the forms of utilisation of labour power), on productive investment on land, and its effects on production and productivity in Indian agriculture. These aspects have been important even in raiyotwari areas where the State did not acquire ownership of any land whatever (the ownership of wastes and other uncultivated lands in these States had always been in the hands of the State unlike in the zamindari areas), but where tenancy legislation was introduced with more or less similar purposes which were sought to be achieved by taking over of zamindari lands in zamindari areas. Let us consider these aspects one by one.

Financial Implications:

In their financial aspects, the abolition of intermediaries has been a very expensive and uneconomic operation. For instance, for UP, the Study of Dr. Baljit Singh and Shridhar Misra, demonstrates that after taking account of all the increase in gross revenue collections, and deducting these from the charges to be incurred on land revenue administration, and payment of compensation, the State would be losing about Rs. 4 crores of revenue annually and to this extent would be financing the abolition of zamindari from resources derived by taking the non-agricultural sections of population in the State. Again, for India as a whole, Prof. M.L. Dantwala has provided approximate figures of the likely shortfalls in State revenues after meeting the obligations on account of increased charges of revenue administration and payment of compensation. These data are shown in the following table:

Table 3: Net impact of Zamindari abolition on State Resources: First and Second Plans.

(Rs. lakhs)

State	Net resources before compensation.	Compensation paid	Net impact.
Andhra Pradesh	- 909	372.1	-1281.1
Assam	- 84	43.7	- 127.7
Bihar	+ 840	1095.0	- 225.0
Bombay	+1590	403.0	+1187.0
Jammu & Kashmir	- 39	-	- 39.0
Kerala	- 335	-	- 335.0
Madhya Pradesh	+ 123	1234.6	-1111.6
Madras	- 312	669.6	- 981.6
Mysore	+ 731	119.4	- 611.6
Orissa	+ 20	227.4	- 207.4
Punjab	- 596	-	- 596.0
Rajasthan	+ 343	1007.5	- 664.5
Uttar Pradesh	+6877	2837.0	+4040.0
West Bengal	- 776	662.1	-1438.1
Total	+7473	8671.4	-1198.4

From these data it becomes evident that the financial burden of compensation payments are* and would remain heavy until the compensation claims of former zamindars are fully liquidated. This means that, although feudal burdens on the peasants appear to have been abolished, yet the entire burden which the peasants were carrying so far has been capitalised at such a heavy sum that agricultural sector would remain unrelieved of these burdens for as long as 30 - 40 years to come. The total burden of compensation payments is Rs.670.00 crores of which only about Rs.250 crores have been paid which will naturally be derived from compensation payments made by tenants or from general taxes raised from the non-agricultural sections of the population. Feudal burdens have thus merely changed their form into money and these have to be paid now by the entire society, a portion of the burdens having been shifted even to non-agricultural sectors. This is the price that the Indian economy had to pay, and will continue to pay for the abolition of feudalism with compensation and zamindars have successfully imposed a heavy tribute, even though once for all, on our nascent developing economy.

Nevertheless, the change in the form of these burdens into money is important, and has an economic significance. What was formerly exercised as arbitrary power, and realized year by year in terms of cash and kind income derived in the form of rent payments by individual landlords with full certainty of continuance of these powers in future years, has now been converted into capital because the capitalist mode of production in India has established its supremacy with the installation of the Indian bourgeoisie into State power. In a capitalist economy, the feudal burden on agriculture proved to be an anachronism and had to be liquidated. But those feudal bundle of rights were in substance and in ultimate analysis nothing but sources of income. And, in bourgeois order, sufficient capital which would yield an almost equivalent income to the landlord interests on the basis of current rate of interest has to be provided to them if bourgeois property itself has to be prevented from attack, and hence the financial burden imposed on the society.

These feudal burdens could be diminished only by an effective intervention at the time when the struggle for land was being waged by the zamindars in the legislatures and law courts. But, unfortunately, at that time, the party had somehow come to believe that capitalism had already made deep inroads into the agricultural sector while capitalism was only in its years of infancy, trying to rush into the Indian system and engaged in a life and death struggle with the feudal and colonial order. The threat of a proletarian proletarian revolution posed by the Party to the young bourgeois order, through its policy of armed struggle, inevitably drove the nascent bourgeoisie to make compromises with the feudal interests and grant them more concessions. Had the Party assessed the situation objectively, perhaps the bourgeoisie would have been more radical and undermined the powers of the bourgeoisie much more than it actually did under the then socio-political situation and alignment of class-forces.

Retention of Sir and Khudkasht Lands:

Apart from heavy rates of compensation payments another major concession granted to the intermediaries has been the right given to them to retain their entire lands recorded as sir and khudkasht cultivation, khas or gharkhed lands etc. In several states, under the laws prevalent the intermediaries had definite tracts of lands reserved for their personal cultivation. The extent of these lands was earmarked in official records and no occupancy rights could accrue to tenants even if these were given on least. In other States, there were no specific areas of land marked out as the sir and khudkasht lands of intermediaries but they possessed a general right to take whatever lands they liked, and in some States, an unlimited area, under their personal cultivation. The new zamindari abolition laws, permitted the zamindars to retain such lands under their own personal cultivation. If they had no land under their cultivation, the laws allowed them to resume some lands under certain conditions, by evicting tenants from a part of their lands. In certain States, like UP, Delhi, whatever portion of their sir and khudkasht lands was given on lease to tenants was not allowed to be resumed by them. The tenants were given rights of occupancy, security of tenure and fixity of rent on these for temporary periods in the early years immediately after the reform. But later they too were merged with the larger class of permanent occupancy tenants, the Sirdars, Thus, in these States, the zamindars lost even a portion of their sir and khudkasht lands. But where the States were not so solicitous about the tenants of sir lands, the zamindars indulged in evictions of such tenants and resumed areas for personal cultivation.

Similar rights of resumption were given to landlords, viz., non-cultivating owners, in raiyatwari areas also where tenancy legislation was introduced. (These we shall discuss in the next section). And there too extensive evictions took place for similar reasons, viz., that the landlords wanted to resume lands for personal cultivation. Thus, this measure is common to the entire country.

This is the most controversial and crucial provision of the zamindari abolition and tenancy reform laws. All the evils, failures evasions etc., of the laws have largely resulted from the provisions related to this single measure. But while it is undoubtedly true, it must be recalled that zamindars were not always, everywhere, entirely non-functional owners of land. While this was true for the bulk of their land, on a part of their sir and khudkasht lands they did undertake personal cultivation by engaging hired workers and maintaining a certain amount of capital stock on the farm. Thus, in some areas, the zamindars were also tillers - not in the sense in which the Congress Agrarian Reforms Committee had defined a tiller viz., one who also contributed his own physical labour by participating in agricultural operations - but in the sense of being investors of capital in cultivation, employing wage labour and supervising the productive process in agriculture. This aspect of their economic existence was identical, theoretically considered, with the economic existence of the entire bourgeoisie as a class. Under the impact of commercial agriculture developing in India, especially during the period of British rule, the zamindars had also come to assume some of the characteristics of the bourgeoisie on some portions of their land. And the emerging bourgeois class, taking advantage of this virtual identity of their own interests as well as of the zamindars, did not attack this part of their economic existence at all. In fact, it even encouraged them, and put them on the path of carving out a bourgeois economic existence for themselves, by providing these facilities to resume lands, and by providing them capitalised value of their feudal rights in terms of money. This provided ideal conditions for their transition from being a useless and parasitic social class to a useful productive class of bourgeois farmers and thus be merged in the new bourgeoisie.

The mechanism for such transition was provided in the laws themselves. Personal cultivation in all states - zamindari or raiyatwari - was defined in the laws to include cultivation with the help of supervisors and managers, by employing hired labour, and investing capital in farming operations. And while resumption of land or retention of sir and khudkasht lands for such personal cultivation was allowed, leasing of these lands again to tenants on rent was compulsorily prohibited for all zamindars, small or big, except for widows, minors and other disabled persons.

In certain states, provisions relating to tenants acquiring rights of occupancy in lands which they had been cultivating for a certain number of years uninterruptedly, further restricted the freedom of landlords to continue feudal exploitation by leasing out lands to cultivators and rack-renting them. A ceiling on further acquisition of more land by zamindars was also imposed for the same reasons, lest, if permitted to acquire land beyond a certain maximum, zamindars would naturally continue to exist as a parasitic class. This aspect of the matter may be explained at somewhat greater length.

Without imposition of some restrictions on the extent of ownership of lands, it is impossible to abolish feudal exploitation, and convert the landlords into enterprising bourgeois farmers. Feudal exploitation arises merely from the title of ownership to land, a fiction maintained by the law and supported by the might of State power; but bourgeois exploitation arises from undertaking actual productive operations with the help of investment of capital and employing hired workers. It is possible for a person to own unlimited land, and to derive feudal revenues out of that. But it is impossible to undertake and organise cultivation, even with most modern machinery and equipment and employing even the largest possible number of wage workers, over land beyond a certain maximum acreage. Therefore, promotion of self-cultivation by the zamindars even with the help of hired labourers definitely necessitated imposition of some limits on the extent of ownership of their holdings which remained with them. And hence the limit on future acquisition of land beyond what they already had as their sir and khudkasht. More recently, since the extent of sir and khudkasht also proved to be much too large for efficient self-cultivation by the former zamindars, ceilings on existing holdings have also been imposed which we shall discuss in another section.

Thus, the whole strategy of Congress governments in their programmes of agrarian reforms has been to curb the feudal sources of existence of the former feudal classes and to promote, encourage and strengthen their bourgeois features which they had come to acquire in the course of the development of commodity production in India. This means that the Congress governments have thus framed the laws as to compel them legally to shed away their feudal sources of income and power from land, but to derive their income and power like the bourgeoisie itself from the investment of money in land, and ownership of land entirely for purposes of cultivation on bourgeois lines, with hired labour.

This strategy is evidently neither against the needs of the time nor wrong in principle for a party of the bourgeoisie to implement for meeting requirements of an independent capitalist development of the Indian economy . Even in the context of the policy of 'land to the tiller', the zamindar would have qualified for being given ownership of land to the extent that he was contributing a minimum amount of physical labour in agricultural operations, if it could be found to obtain anywhere. This would be so because the Congress was opposed to the landlords not as a group of individuals belonging to a certain class but only to the feudal characteristics of their economic existence. They hated their 'sins and not the sinners'. Therefore to expect the Congress to liquidate the feudals root and branch altogether and throw them out of the body politic would, to say the least, amount to being a visionary, a romanticist. Landlordism can be liquidated root and branch only by the peasant, struggling vigorously against feudal oppression under the leadership of a party which is dedicated to end all forms of exploitation, feudal or capitalist. Peasants social consciousness against feudal exploitation of such intensity that feudals may not be allowed to continue in villages even on their sir and khudkasht cultivation, engaged in bourgeois forms of exploitation alone could be the guarantee for the abolition of feudalism in a radical peasant way. But no political party, not even the Communist Party, had reached such high levels of maturity in their struggle against the landlords. The Party may be said to have generated such consciousness in certain areas, but their role in the entire national context being limited, this understanding did not acquire any wide permeation in the national consciousness nor did it become a part of the objectives of Congress policy to abolish feudals root and branch without letting them remain even on their sir and khudkasht lands.

Since the peasant had struggled largely under the leadership of the Congress Party, it would be foolhardy, or rather naive, to blame the Congress now for having attempted to abolish the feudals by allowing them to retain large tracts of land for their cultivation. The Congress, having had a pragmatic approach to the emerging evolution of the Indian agrarian economy, has preferred to abolish feudalism in stages, gradually, by first taking over their tenanted lands, pushing through tenancy reforms, imposing restrictions on leasing and acquisition of land beyond a maximum etc., and now by imposing even further restrictions on them by means of ceilings on existing land holdings which we shall discuss in the next part of this paper.

And since the Party had wedded itself merely to a fixed idea of an agrarian revolution by distribution of land amongst landless workers and poor peasants without having either worked towards it or having prepared the country for it in terms of political and social consciousness, it has failed even to understand the measures the bourgeoisie has been taking day by day, nay hour by hour, in different states, as a part of its desperate class battles against feudalism. These battles have been political, legal, social and economic, and there have been many occasions on which the Party could have effectively intervened in these battles and, in a united front with the radical sections of representatives of the peasant bourgeoisie inside the Congress, could have secured many more benefits and concessions for the oppressed peasantry and landless workers. But since it has remained by and large, away from the scenes of this class struggle, it has failed either to expand into the peasant movement or to make its own impact felt on the agrarian question. If anything, it has only improved the advantages of the landlords.

<u>Social Consequences of Provisions for Retention of Resumption for Personal Cultivation in Land Laws:</u>

The provisions for retention of sir and khudkasht and for resumption of lands for personal cultivation sparked off the struggle for land in all its intensity. The landlerds - both zamindars and non-cultivating owners of land - naturally fought for their economic and material interests, their bread and butter, their very source of existence. And they naturally wanted to retain as much land under their control as possible by whatever means could be employed, violent or non-violent, legal or illegal, social or political, fair or corrupt, moral or immoral, or personal. They were bothered both about the provisions in laws as to how they would be able to live in the future, as well as in retaining or resuming as much land for personal cultivation as they could possibly manage to do with all their power. They resorted to eviction of tenants from their sir and khudkasht lands, and from lands under tenant's occupation by means of violence, pursuasion, fraud and all other possible devices. As the laws in different states exempted certain types of lands from being taken over like the orchards and groves, the made nesh plantings of orchards and groves. In a mad rush to prove that they cultivated huge tracts of lands personally, they rushed to purchase tractors in large numbers with the result that the number of tractors in India, in private hands, increased almost by more than 250% in a brief period of 5 years. From 6,900 tractors in 1951, the number rose to as many as 17700 by the year 1956. Significantly enough, between 1945 to 1961, this is the only quinquennium in which the rate of increase in the number of tractors has been the most rapid. And this happens to be the quinquennium in which zamindari abolition laws have been implemented in most States.

Other devices that the zamindars tried were those of sales of lands to tenants prior to take over by the state, partitions of zamindari lands and sir and khudkasht lands amongst relatives, the former with a view to qualify for more compensation as small zamindars* and the latter for retaining maximum land for personal cultivation by as many members of their families as possible. Large number of benami transfers also took place in the name of fictitious persons on the records, whose lands in reality remained in the possession of landlords.

In the matter of evictions, tenants-at-will and share-croppers suffered the maximum since they were the least protected amongst the poor peasantry.

The fantastic increase of corruption in administration which has become manifest only more recently must have multiplied at a very fast rate during this period of 1950 to 1956 when zamindars were taking recourse to all possible methods in their struggle for retaining control of land.

However, despite all these measures, the extent of the ~~xxxx~~ success of these pitiable, lawless, arbitrary methods was bound to be limited. By these means they might have succeeded in evicting a couple of millions of tenants, extended their areas retained for personal cultivation by as much as 10 to 50 per cent in different states**, or even realised a few crores more by way of compensation money by splitting up their zamindaris into smaller bits. But all the measures they took for protecting themselves against the laws, only hastened the day of their doom as landlords, as non-cultivating feudal exploiters, and would lead them to turn more ~~the~~ and more into cultivators of their own lands. Of course the transition would be marked - as it is bound to be - by many difficulties and slowness of pace. But it will inevitably lead into one single direction viz. the conversion of former landlords into capitalist farmers, cultivating huge tracts of land with the help of hired labour, engaged on very onerous terms since the feudal socio-economic power of the feudal lords in the villages still remains, and by investment of capital. All this has led and will continue to lead towards vital changes in certain economic variables during this period which we must clearly understand before we can grasp the nature of the present crisis in Indian agriculture.

Economic Consequences of transition of Intermediaries into Capitalist Farmers and its Limitations:

The economic consequences of this process of transition of former feudal intermediaries into bourgeois, capitalist farmers have been quite complex. They are both positive as well as

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*In the single state of UP, the number of zamindars, estimated as 2.02 million in 1947 in the UP zamindari Abolition Committee Report had increased to 6.64 millions.

**For instance, in UP the total area of land on which the zamindars retained their Bhumdari rights remained virtually as much as their total sir and khudkasht lands although the portions of the sir let out to tenants were not supposed to remain with them after abolition. Few States have collected data about these aspects of zamindari abolition, and virtually no statistics are available on these aspects.

negative, and that is why they have confused students of agrarian problems. On the one hand this transition has introduced certain elements of dynamism in the Indian agrarian economy and led to increase in agricultural output. The dynamism has been particularly butteressed by the simultaneous establishment of a number of development institutions like service cooperatives, and by providing various kinds of technical facilities like fertiliers, water, improved seeds and extension services. However, at the same time, it has also revealed its own limitations for a rapid and sustained process of agricultural development in future years. In fact during the first three years of the Third Plan as mentioned in the beginning of the paper, even the dynamic possibilities of this structure appear to have exhausted themselves due to which stress on imposition of ceilings on existing holdings has been considerably strengthened in Congress circles in recent years. We shall look into these aspects in some details a little later.

The most important thing to bear in mind is that the economic consequences of this process of transition have neither been similar, nor uniform in their quantitative manifestations in different states and regions of India. And this is bound to be so for obvious reasons since these economic consequences in turn are also dependent upon a large number of other natural and socio-economic factors which evidently vary within wide limits in different parts of the country. The utterly confusing patterns of regional variations in respect of productive investment in land, increase in agricultural output, forms of employment ~~is~~ of labour power, development of marketing and credit institutions etc., noted by numerous economists and students of the agrarian problem in India all point into the same direction. And each person whose observations are confined to a particular region is justifiably liable to differ from the point of view of another man who has derived his impressions on the basis of observations in a different region. And reconciliation of mutually conflicting views on the agrarian problem is often prevented by extreme paucity of data, despite so much that is available from all the sources. In fact, whatever data are available are utterly inadequate since the methods of research in Indian agriculture have not yet been geared to the social and economic purposes of agrarian policies. Neither the Congress nor the Party have devoted any attention at all to insist on collection of such statistics and in such a manner as may be directly useful for measuring the socio-economic consequences of certain measures of agrarian policy in clear and unambiguous ways. But vested interests of the classes thrive primarily on the ignorance of the masses about facts, and about the socio-economic consequences of various policies. Confusing methods, of research, ambiguous ways of defining categories of social analysis, and deliberate distortions of data in the very process of collection also serve as tools, howsoever unconsciously, to blunt the sharp edge of the class struggle in the country. However, these maladies cannot be fought in siolation from the general requirements of the mass peasant movement in different phases of the struggle. Hence it is unnecessary to dissipate more energy on them than may be strictly necessary.

However, despite these variations between regions, and paucity, and limitations of data, we shall discuss here the general nature and direction of the economic consequences emanating from this process of transition as discussed above.

The following types of effects are generally expected to follow from the nature of these changes in the rights of intermediaries and the various restrictions placed on them under the zamindari abolition laws:

Effects on Concentration:

1. Concentration of cultivated holdings (as distinct from concentration of ownership holdings) should become wor~~ds~~se than before if a fairly large part of the land is retained for personal cultivation by an extremely small number of zamindars. This would be the logical result if the concentration of ownership holdings has been more than concentration of cultivated holdings prior to abolition of intermediaries and the intermediaries are enabled to retain large blocks of land for personal cultivation, even by evicting former small cultivators. But it must be stressed once again that only concentration of cultivated holdings and not of ownership holdings would worsen when compared to the period before the abolition.

2. Effects on Techniques of ~~Barbubg~~: On large sized farms, which thus come into existence, usually one would expect investment of productive capital in machinery and equipment, and use of more capital intensive tehhniques than labour intensive techniques. In other words, the organic composition of capital on these large farms is expected to rise.

3. Forms of Employment of Labour Power: Correspondingly, the forms of employment of labour power are also expected to change on these farms and large-sized farms are expected to employ wage-labour. Moreover, since more capital intensive types of farming would be expected to be developed on these farms, the productivity per worker is also expected to rise. As regards total employment in terms of number of men, it is expected to decline although it will also depend on the types of crops grown, nature of soil, irrigation etc.

4. Marketed Surplus: Normally, when share-croppers, who pay about half or more of gross produce as feudal rent on this land are evicted and they are re-employed as agricultural workers being paid only one fifth of the gross produce as their kind wage, the proportion of total produce that would come into the hands of the large-sized self-cultivators would tend to rise, and consequently the marketed surplus of the total produce would also rise since the landlord farmers would sell the bulk of the additional share of the produce in the market. But, simultaneously, the power of the landlord farmers for hoarding produce and thereby the power to influence prices of foodgrains in the market would also tend to increase. At the other end of scale, it may only provisionally be stated that the demand of wage-workers to buy foodgrains in the market would also increase since even though a wage worker may consume less than a cultivating peasant but he buys more. Thus, there would be some expansion of home-market for agricultural commodities in the rural areas as well, apart from the expansion caused by the growth of the urban population.

5. Effects on Capital accumulation: All these factors would be normally expected to lead to an increase in capital investment and accumulation on large-sized farms.

6. Effects on Leasing out Land: Similarly, it would be expected that with the increase in area under self-cultivation of former non-cultivating owners, the proportion of area in leases would be tending to decline.

7. Changes in output and input per acre: Similarly, with the development of capitalist type of farming on large-sized farms, the output and productivity of land as well as labour would be expected to rise, and the amount of inputs applied per unit of area is also expected to rise, and the costs per unit of putput of large farms are expected to go down.

However, all these changes, enumerated above, are only desired and expected to come about by the bourgeoisie from its measures of land reform. But it fails to realise, due to its myopic vision, that even its own class interests, cannot be adequately served by creating such a narrow base for the development of capitalist agriculture in the countryside. For all these changes, mentioned above, to materialise to a significant extent, it is necessary to consider certain basic factors in the Indian agrarian situation which thwart, hinder and belie the hopes of the bourgeoisie. These factors are (i) agrarian overpopulation on the rest of the meagre land resources and lack of alternative sources of income and employment for them; (ii) continued social and political influence of the former feudal interests in the villages, since as a social class, retaining a substantial part of their economic assets and sources of income, they still remain; and (iii) continued hold of traders and moneylenders on the marketing and credit structure in the agrarian sector.

These three structural factors seriously distort the pattern of changes that follow from land reforms, and make the pace of transition of landlords' personally cultivated farms into highly productive capitalist farms extremely slow. The availability of large numbers of poor people to work on their farms for very low wages, and thus the opportunity to reduce labour cost of output without having to invest much capital, obstruct the emergence of capital intensive techniques on their farms, at least until such time as the cost of capital equipment relative to labour in India is so high. Again, the wages paid to the landless workers can neither rise nor be adequate so long as such large numbers have to seek wage-employment over so few large farms. Moreover, now that capitalist relations in agricultural production have to grow under a social framework in which the social hold and influence of the landlords on the working peasants and landless workers still remains strong, wage-exploitation of the workers would be characterised even by some elements of feudal exploitation like the arbitrariness of behaviour in fixation and payment of wages, and in observing the hours of work etc.

Further, since sources of feudal exploitation of poor peasants in trade and marketing are still available, landlords and agriculturists would tend to prefer investing their surplus capital in trade and money lending rather than in capital formation on the farm. In addition, the various institutions set up by the government for rural development and their gradual subordination to the influence of these ex-landlord or trading and money-lending interests introduce still further complications in the process of change that is unfolded in the wake of land reforms but into which it is difficult to go in detail at this stage.

It is precisely due to these difficulties that the anticipated changes proceed very slowly in Indian agriculture, in fact so slowly as to be scarcely reflected in all India figures. And, for that reason, a large section of the Party Comrades who identify development of capitalism in Indian agriculture with heavy investment of capital in land, large-scale employment of wage-labour, increase in per acre productivity of land etc. tend to draw the inference that Congress agrarian policies have not led to any changes in India's agrarian structure and its stagnant character. In fact, people even deny the validity and reliability of the figures of increase in agricultural output, compiled in government statistics, and also try to prove that per acre productivity of land has declined and capital investment has not been made. But the slowness of pace of capitalist development of agriculture in India should not beguile one into drawing negative and false conclusions, and prevent one from understanding the complexity and cleverness of the measures that lie behind Congress agrarian policies.

These doubts of comrades are further reinforced when, instead of finding the conventional signposts of capitalist agriculture developing in India at a rapid rate, they are faced with all the negative features of capitalist development developing at a much faster rate in the Indian agrarian sector. They are baffled by the large increase in the volume of unemployment and underemployment, decline in the earnings of casual landless agricultural workers between 1950-51 and 1956-57 and increase in their indebtedness, increasing dependence of small and middle peasants on subsidiary incomes and liquidation of their landed property and assets noticed in a number of surveys etc. It is perhaps unnecessary to argue that all these are the inevitable consequences of developing capitalism in agriculture. Such results would not come about until capitalism and commodity production would not have begun to affect Indian agriculture to a significant extent. But in so far as capitalist development of agriculture is being promoted on a narrow base, confined to a small section of ex-landlords and rich peasants, and not extended to the widest possible base by including in its orbit all working peasants, it is bound to happen that negative results of capitalist development will far exceed the positive results. Hence the need to consider ways and means as to how this process, which cannot be reversed because it is in the right direction, can be extended over a much wider base so that the positive results of the present course of agricultural development far outweigh or even eliminate the negative effects.

This is not to state that positive manifestations of capitalist development of agriculture are not altogether discernible. Most of these data are already and easily available in various books and articles and need not be reproduced here*. We know that the use of machines and other equipment has considerably expanded; fertiliser consumption has rapidly grown up; magnitude of fixed and working capital used in agriculture has gone up; marketed surplus has increased; and some technological progress, especially in the production of commercial crops, has been made. Even agricultural output and per acre yields of various crops have gone up. But these are all altogether too inadequate for the requirements of a developing independent economy trying to industrialise.

Tenancy Legislation:

In the sphere of tenancy legislation the studies available relate only to the effects of Bombay Tenancy and Agricultural Lands Act of 1948 which was applied in Bombay, Gujrat, Hyderabad and Saurashtra States. And they reveal that the effects of tenancy legislation in these areas have also been similar as described above. This similarity arises because tenancy reforms have also made provisions for resumption of land for personal cultivation by non-cultivating landowners, which have led to evictions of former tenants and resort to personal cultivation by former landlords in a similar way as in zamindari areas. Therefore, all the likely effects on different economic aspects of agrarian reorganisation discussed already also apply to tenancy reforms.

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* See Grigory Kotovsky, Agrarian Reforms in India, Delhi, 1964, pp.161-171. Bhewani Sen, Evolution of Agrarian Relations in India, Delhi, 1962, p.252-258. S.C. Gupta, "Some Aspects of Indian Agriculture", in Enquiry No.6. S.C. Gupta, "New Trends of Growth" in Seminar, on Indian Agriculture, Oct. 1962. Baudhayan Chatterjee, "Agricultural Labour, Land Reforms and Enterprise", in Enquiry, Nos.2 and 3.

The effects of Bombay Tenancy and Agricultural Lands Act of 1948 upto the year 1954-55 were analysed by four eminent economists and they all came to the conclusion that the Act was neither effectively implemented nor had the desired effects*. However, it was about a decade ago when these studies were made and the picture must be substantially different by now. But in the absence of any other studies, it is not possible to go into the actual effects of tenancy reforms in details.

Conclusion on the Measures for Reform of the System of Landholding:

From the foregoing, it would be evident that Congress legislation related to the reform of the system of landholding in India is formulated basically in the interest of capitalist development of Indian agriculture from which should come all the increase in agricultural output required for an independent capitalist economy. But these measures are too limited to abolish all the anti-feudal fetters which hinder India's agricultural development. Even these limited measures have resulted in a certain dynamism being introduced in agriculture. But being too narrowly based, ill-conceived in the context of overall man:land ratio in India, and far short even of the radical solution which the Congress Party itself had worked out in 1949, these have produced negative results more than the positive. We have only to think out the measures of policy, and political steps required to be enforced on the bourgeoisie, which will carry these measures forward and lead to positive results more than the negative ones.

It need also be stressed upon that measures for reform of the system of landholdings should not be considered merely as reforms in revenue administration or in processes of revenue collection only on the contrary, these measures cause and initiative vital changes in the entire agrarian organisation, and become milestones in the process of unleashing the production forces in India's agriculture.

* See V.M. Dandekar, 'A Review of Land Reforms Studies' in Artha Vijnana, Vol.4, No.4, pp.292-330.

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DEVELOPMENTS IN THE AGRARIAN ECONOMY

PART II

Measures for Reform of the System of Cultivation:

The other series of measures initiated by the Congress Governments pertain to the refom of the system of land cultivation which include (i) fixation of ceilings on existing holdings (ii) promotion of cooperative farming (iii) Bhoodan and gramdan movements and (iv) consolidation of land holdings. If all these measures are viewed purely in the context of improving the agrarian structure of farms as productive units of operation, we would find that all these steps aim at achieving several objects at the same time. Ceilings are intended to limit the size of farms in terms of acreage upto a maximum and not to let farms increase in size beyond that maximum. Cooperatives are meant to enlarge the cultivated units of operations of small peasants by bringing them together and enable them to be cultivated jointly. Bhoodan and gramdan are basically political movements, inspired by Gandhian ideas of voluntary redistribution of land to the landless by seeking for them gifts from the landed gentry, and thereafter organise them into an idyllic kind of harmonious village community in which agriculture and industry are blended together and organised cooperatively. Consolidation of holdings is a measure of policy intended to bring all the scattered fragments included in any holding of land, whether of an individual or a cooperative society, and form them as one compact block since that makes for better utilisation and more efficient management of the farm as an operational unit.

The last measure thus is applicable equally to holdings of all sizes and neutral in its distributional implications, except for whatever marginal changes may be caused in the process of consolidation itself. We shall therefore not examine it any further and state that the measure need be supported vigorously except for the struggle that may have to be waged for formulating proper principles for the assessment of the value of lands and their reallocation to different owners. We shall deal with ceilings and cooperatives in some detail and with Bhoodan and Gramdan movements only briefly.

Ceilings:

As already mentioned, ceilings on future acquisition of land holdings were provided for in the zamindari abolition of all states, of which the aim was to see that the abolished intermediaries do not resume the process of acquiring lands beyond a certain limit and reconvert themselves into rent-receiving functionless parasites once again, thus frustrating the basic objects of the legislation. However, at that time, it was little realised by the Congress governments that even the tracts of land allowed to be retained or resumed for personal cultivation under the laws were much too large for efficient cultivation in the present circumstances of Indian agriculture. Or even if they realised it, under the then prevailing environment, they did not consider it necessary to push their anti-feudal measures beyond the imposition of ceilings on future holdings*. And, consequently, no provision was made for imposition of ceilings on existing landholdings in zamindari abolition laws, despite the fact that the Congress Agrarian Reforms Committee as well as the First Five Year Plan had recommended fixation of ceilings on existing landholdings. Ceilings, according to Kumarappa Committee's recommendations, were to form an integral part of the legislation for abolition of intermediaries and tenancy reform and were to be fairly low. But since the struggle against ex-feudals was soft-pedalled, no heed was paid to these aspects of the problem.

However, in subsequent years, when the desired effects from zamindari abolition laws failed to materialise, and development agencies for rural development failed to register a significant impact on technological and productive aspects of our agrarian reorganisation, it was realised that fixation of ceilings was an urgent measure for the development of agriculture. In order to realise the full economic significance of the principle of ceilings and its vast political potential in the context of the ethos of our national movement, we must discuss it in some detail.

Ceilings today are viewed largely and essentially as a measure of land redistribution or of reducing disparities in income. As a step for development of agricultural output, productivity, investment, intensification of inputs in farming, and promotion of improved agricultural practices, it is usually considered as a derogatory step, even by economists. They see in the principle of ceilings a limitation on the principle of economies of scale, maximisation of capital investment and marketed surplus, and reduction of costs per unit of output.

This particular view of the problem in popular consciousness, even in leftist circles, persists because no consistent examination has been made of the implications of the policy of ceilings for agricultural development, and their extreme economic

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* Academicians have criticised this gap as the lack of an integrated approach towards land reform at the time of zamindari abolition. (See A.M. Khusro, Mimeographed lectures on Land Reforms).

importance in the present situation of our agriculture. The Kumarappa Committee had also conceived of the ceilings principle mainly in the context of not letting a large income accrue to the individual since, according to the Committee 'as in other sectors of the national economy, namely, commerce and industry, so in agriculture, an individual can have a high level of income only through exploitation'. And exploitation in this context was understood by the Committee as employment of wage labour on mechanised large farms run on a capitalist basis. This approach of the Committee flowed from their Gandhian roots, which were grounded essentially in the vision of building up an agrarian economy of small petty bourgeois commodity production in which the working peasant was leading force and which did not more towards a higher stage of technological and scientific development. However, despite these idealistic and romantic disguises, the Committee had also provided its own view of the economic rationale of the principle of ceilings in India in the following words:

"... the optimum size of the farm is related to the technique used and as our effort should be to find gainful employment for as many as possible on land till industries develop to absorb the surplus population, the technique which may generally be used in agriculture is only better ploughs and bullocks with occasional assistance of tractors and other mechanical devices wherever needed. We feel that with bullock and plough technique the optimum limit in the interest of proper management by the owner cultivator should not be more than three times the economic holding. It is also difficult to say with certainty if mechanised large scale farming is more efficient from the point of view of productivity than peasant farming on economic holdings assisted by cooperative better farming society."

From these observations of the Committee, it is obvious that the aims and purposes of ceilings are not merely distributive or aimed only at social justice. There are certain inherent compulsions in our agrarian economy, viz., to find gainful employment for as many as possible on land till industries develop to absorb the surplus population. And so long as this compulsion in our situation operates, the techniques which will be generally used in agriculture would be only better ploughs, and bullocks and we may add, more and more water, fertilizers, improved seeds, better agricultural practices of ploughing, sowing, hoeing, weeding, ~~xxx~~ harvesting and more valuable crops, etc. And whatever we might do, we cannot get away from this indispensable need in Indian agriculture. If we promote and establish a suitable institutional framework for this purpose, we will get a most rapid agricultural development, and fullest possible utilisation of all technical and financial resources we are pumping into our programmes of agricultural development. But when we promote other types of institutions, as has been shown in the earlier part of this paper, it is inevitable that neither the level and efficiency of farming would develop nor would the measures of State to promote agriculture would fructify.

If we look at this fundamental and integral link between ceilings and agricultural development, it will be easy to understand why the bourgeoisie ~~xxxxx~~ had accepted the principle of ceilings as early as in 1949, and why it has been so insistent upon their implementation since the Nagpur session of the Congress in 1959. Ceilings are a logical extension of the idea that the area of land that a person or a family can cultivate is much smaller than what it can own. Further, when the owner has also to participate in physical agricultural operations, on the

* Kummarappa Committee Report, pp.22-23

basis of a technique using bullocks, and ploughs rather than tractors and without exploitation of wage labour, the size of such a holding would have to be still smaller. And since the idea of ceilings was conceived in the context of prevailing techniques in Indian agriculture, and with a view to find maximum employment for maximum numbers, it is but natural that the Kumarappa Committee had recommended that ceilings would have to be fairly low.

At the present moment, the bourgeoisie is desperately interested in pushing forth its programme of ceilings precisely because its hopes about agricultural deelopment from its programme of zamindari abolition have not materialised. Nor has the boost sought to be provided by State institutions like the Community Development and National Extension Service or Service Cooperatives been of much help. This is because of the inadequate agrarian structure that has been created so far as a result of land reforms. And since the only difect means available to the State areof making inputs for agriculture widely available, it has also to pursue a programme of ceilings along with its agriculture development programme, in order to make its development programmes more effective.

Ceilings are expected to split up existing large units of ownership, which on paper, are also supposed to be the operational units, even further than has been done hitherto. By such splitting up, the units of operation that would come about would be much smaller than would be required for economic cultivation with a tractor or other heavy machinery. As a consequence, cultivation by bullocks and ploughs is expected to be resorted to. Moreover, such holdings would be far more conducive to the use of fertilizers, manures, improved seeds, water etc. on the basis of prevailing techniques of cultivation in our labour excess economy. These improved methods of cultivation and intensification of farming can, in theory, take place even on large private farms. But that will be economic and possible only at a stage of high industrial development. Until such time that our man:land ratio remains what it is, agricultural development can come about only through small holdings and intensification of farming.

In Marxist-Leninist theory, as well, a very important place has been assigned to the programme of land distribution, and breaking large ownership holdings into very small units immediately after a revolution precisely with this end in view. But, unfortunately, in the Gandhian doctrine, the principle in Marxist-Leninist writings also is couched in highly radical terms emphasising the social justice and distributive aspects more than its economic productive aspects. However, Marxian theory also provides the economic basis of such a programme which the Gandhian approach does not. Since capitalism is thwarted from transforming agriculture under a semi-feudal tenurial framework, it explains how at a particular stage of the development of commercialisation in agriculture, and capitalist relations in industry, a programme of land distribution with full ownership rights to cultivating peasants, on howsoever small units of production, will help to develop capitalist relations in agriculture even further and more rapidly under a bourgeois government by raising the sphere of competitiveness, introduction of improved standards of husbandry and expanding to market for agricultural commodities infinitely. But since the rise of the working class movement, bourgeois governments do not usually resort to a programme of land distribution in this manner. And these tasks have usually to be completed by Socialist governments whose responsibility it becomes to implement a programme of land reforms which is essential for releasing all these productive forces which remain frozen and arrested in an underdeveloped capitalist economy.

If we look at our agriculture in this context it will immediately become evident that the bourgeoisie is trying and doing what is objectively necessary for the economy. But because of its own class interest, and the nature of its compromises with the landlords and its vacillations, it is prevented from discharging its objective responsibilities in the best interests of the country. It keeps the levels of ceilings high in most parts of the country even against the recommendations of its own Committee; it grants all kinds of loopholes in the laws by which the real productive effects of the ceilings legislation are considerably undermined and production and productivity do not grow fast enough intensification of agriculture does not come about adequately etc. And it would be obvious to even the most casual observer of the Indian agrarian scene that even if the present levels of ceilings are fully and genuinely implemented, this will not solve the agrarian problem of the country altogether since a ~~consolidation~~ considerable section of landless population would still remain which will not be employed, and to absorb which, even further lowering of ceilings may become necessary as the process of intensive agriculture gathers momentum and more irrigation, fertilisers, and seeds become available to correspond to such a process. But, at the present stage, effective imposition of ceilings on operational units even at these high levels is a sine qua non for agricultural development. And if we can see the fulfilment of this programme effectively, we would have made a signal contribution to the process of agricultural development in India.

Cooperative Farming:

The bourgeoisie is further inhibited in its policies of land reform by a thought that holdings below the basic size would not be economically viable and must be brught into cooperatives and farmed jointly. Hence the programme of compulsory cooperative farming recommended by the Kumarappa Committee, for cultivators whose holdings were below the basic size,* and who according to the Committee, 'form about 40 or 50 per cent of Indian cultivators'.** This aspect of the agrarian programme of the bourgeoisie need be carefully examined since the author of this note has not been any intelligent and careful analysis of this aspect anywhere, in the Congress or leftist writings.

We must immediately be able to see that the idea of a basic holding is defined relatively to some norm of an economic holding below which the holdings would be 'palpably uneconomic from the point of view of efficiency of agricultural operations'. The Committee has defined the economic holding as one which (i) affords a reasonable standard of living to the cultivator and (2) provides full employment to a family of normal size and at least a pair of bullocks. It would be immediately obvious that this way of defining an economic holding, has nothing in common with the use of the word 'economic in economic science, in which any activity in which output is greater than input, or income is more than costs, is considered economic. The Committee, by calling a holding which it would like to see established as the norm under Indian conditions under the influence of its Gandhian predilections, has tended to create an impression that it has gone strictly by the economic criterion. While in practice, it has only proved to be a normative ideal which our various States have sought to impose in the country irrespective of any economic considerations whatsoever. Hence the state of utter confusion in the minds of Congressmen and administrators about these problems, and the force in the economic arguments of those who are trying to defend the interests of large landholders.

If we understand an economic holding to be the one in which output is greater than the cost of cultivation, including the consumption of the family labour (not at prevailing wage rates in the market but at the value of consumption of goods for his family), it will be evident that the size of an economic holding will continue to shift downwards with an intensification of agricultural production. A holding of 5 acres may not be economic if cultivated without water, fertilizers, manures, improved seeds, and ws own with poor crops like millets. But if sown with all these other inputs, and with different crops, it might easily enable the small farmer to derive some income in excess of his costs, howsoever, small the size of a holding. With changes in prices and crop-patterns etc. changes in the margins where holdings are economic or uneconomic are also likely to follow. Hence, it would be sheer folly to have a fixation in one's mind that only a holding bestowed with a pair of bullocks and a family of five members alone can be economic in the sense of providing an income more than its costs by whatever amount.

Another associated confusion in the use of the word 'economic' arises from a certain rigid technical coefficient assumed for carrying out agricultural productive activity. For instance, it is assumed that technically it is not possible for a farmer to cultivate his land efficiently if he does not have a bullock or a plough as his own property. But this technical relation is not always necessary for carrying out cultivation. If a farmer can obtain the services of a bullock on hire from his fellow cultivators, and pay hire charges for bullock services on a daily or hourly basis, he may still be able to raise some income in excess of his costs of cultivation. Similarly, for family labour subsisting on a farm, if income from cultivation is not adequate for meeting the annual consumption requirements of a peasant family, some members or the whole family may engage in subsidiary activities like wage labour, non-agricultural activities, milk selling, cattle raising etc. which will provide them sufficient income to subsist in cultivation. And yet the small income they derive from cultivation may be more than the costs they incur to raise it for which reason they may not be willing to give up cultivation also. Thus, from a strictly technical point of view, it is possible to carry on economic cultivation, under currently prevailing techniques at many levels of output. Extension of commercialisation in the agrarian economy widens and deepens these varieties further. And depending upon the market prices, cultivation on these different levels may be economic at different levels which will determine the relative disparities of these different levels which will determine the relative disparities of these different farms.

Thus, the technical and economic optima, which have become almost a fixation with Congressmen and bourgeois economists have nothing in common with the true principles of economic science and are merely normative standards laid down on the basis of certain ideals derived from Gandhian ideology. It is precisely because of these confusions that many fruitless debates are going on amongst economists as to why gross output per acre is larger on small size holdings and yet why costs are higher per unit of output when calculated by imputing a wage to family labour at prevailing market rates.

But all these debates ignore that with the gradual extension and penetration of commercial agriculture and emergence of market relations in Indian agriculture the economic competition amongst farmers beings about a process of differentiation in their land-holdings, labour and other inputs, capital resources etc. due to which holdings of some yield a greater income in excess of costs, and of others less, Various farmers try to compensate for this difference by making reduction in such costs as are within their control, the most obvious being their own consumption for family labour. By reducing their levels of consumption below even subhuman levels, these farmers try to compensate for their higher costs in other respects like bullock charges etc. and thus manage to draw a surplus income over their costs. Such of them as are not able to do even that beyond a point naturally combine other subsidiary forms of activities to be able to raise a low standard of subsistence from all occupations together rather than from a single activity of cultivation. And those who are not able to find even subsidiary forms of activity to carry on get into chronic indebtedness and gradually sell away their assets of land and bullocks and become agricultural labourers.

If this view of the process of agricultural development currently under way in India be correct, it will be obvious that promotion of cooperative farming amongst these farmers would not lead to any significant results at all so long as all the institutions that provide the basis of this process of agrarian evolution in India are not altogether done away with. So long as the market for agricultural commodities remains free, monopolised by traders, and so long as agricultural finance obtained by these small cultivators comes from moneylenders, both of whom exploit their poverty and contribute to make their small farms even more uneconomic than they would be on technical grounds, the process of intensification of agriculture on these small fans would not begin. Moreover, so long as the feudal burden of rent on these small famers remains what it is, which again works towards making their small farming uneconomic, it will not be possible to bring them into a framework of cooperative socieities. And so long as all these institutions of a free private capitalist economy in agriculture remain, and the bourgeois illusions of these small farmers with their hopes of being able to become rich from variable prices in the market etc., cannot be done away with, agriculture would continue to be in a malaise.

Nor is it easy to smash up market relations and commodity production on the basis of private ownership of land in agriculture in India at the present stage. This is because the process of commodity production has yet to grow in its dimensions which will also be conducive for rapid agricultural development at present. It would be far more wise to think out ways and means of pushing this process of growing market relations in agriculture further and deepening and widening the expansion of a home market in the agrarian sector for various commodities and factors of production. But the major obstacle in pushing it further is the persistence of numerous semi-feudal burdens and the present distribution of land holdings which itself is only an aspect of these semi-feudal characteristics of agrarian organisation. Through its policy of ceilings, the bourgeoisie is trying to make this distribution somewhat more equalitarian, but it will have to be taken down even further by pushing the levels of ceilings even lower.

It is precisely for these reasons that little success has been achieved in the promotion of cooperative farming in India. In fact, there are virtually no cooperative farming socieities of small farmers of holdings below the basic size. Wherever such societies have even been organised they have soon ended up in failure, each holder taking up his land for individual cultivation because he feels that he can raise a higher output on his own land by his individual labour than is possible within a cooperative. On the contrary, cooperatives have been organised by those who are large landholders, ex-landlords and who have formed family cooperatives either to save their lands from going over to the state, or from imposition of ceilings or to derive financial benefits from government loans and subsidies. Cooperative farming has been advocated by the bourgeoisie more as a romantic dream, concocted as a an ideal of a harmonious village community managing its life cooperatively, in isolation from concrete realities of the structure of rights in hand that persist and the deep penetration of capitalist relations in the Indian village that has already gone for and cannot be reversed. The process of differentiation of village people, and their clinging to their petty parcels of land, arises not because of their inherent love of land but because in the current economic organisation, these miserable parcels of land are like units of small cahital, their basic productive assets, with the help of which they will either swim or drown in the ocean of the capitalist peasant economy. And they do not want to give them up for the sake of an uncertain form of cooperative organisation of which the success will depend more on what others do than by their own efforts. Hence cooperative farming has proved to be a pre-mature programme, utilised more by ex-landlords and large cultivators, and has thus turned into a caricature of its own.

In this context, to support a programme of cooperative farming before completion of all anti-feudal tasks in agriculture would appear to be premature, adventurist and amount to being carried away by the escape routes opened by the bourgeoisie for the landlords. Nor will it be wise to assume that differentiation on the basis of capitalist relations in agriculture has advanced to such an extent as to provide sufficient basis for small farmers and wage labourers in agriculture to raise the demand for large farms being taken over and run as State farms or cooperative farms. For quite some time to come, the struggle of the peasant would be concentrated upon the struggle for land, and for the removal of all the feudal shackles on his productive powers. Until that aspect of his demands, generated under a specific course of historic evolution, are not satisfied and met, he would not be prepared to accept any such idealistic forms of economic organisation like a cooperative commonwealth etc. In fact, the programme of cooperative farming advanced by the bourgeoisie in the context of today's agrarian relations only tends to blunt the edge of class struggle for land raging in the countryside at present and keeps the small farmers and landless labourers out of this struggle by preaching to them illusory forms of economic organisation, which would supposedly raise their levels of living and welfare without the need for additional land. But the peasant knows better that his self-interest lies more in holding to a piece of land for individual cultivation in today's conditions than to go in for a form of economic organisation which would constrain his freedom considerably without assuring him a minimum and regular income or even the certaintity of efficient cooperative cultivation. Consequently, all these measures remain based merely on the false beliefs of the bourgeoisie which serve its own class interests and those of the landlords whom it is trying to convert into entrepreneurial farms without touching upon the vital problems of land distribution in any significant way.

Bhoodan and Gramdan Movements:

These two movements are trying to tackle the problems of land redistribution according to the postulates of Gandhian ideology. They are able to touch upon merely a fringe of the problem since the workers in these two movements do not realise the enormity of the extent of concetration in the ownership of land still prevalent nor the extent of feudal burdens that still remain on the peasant producers. Moreover, they are also inhibited by the prejudices of Gandhian ideology in favour of cooperative farming without realising how the demand of the peasant for land is frustrated and thwarted by the simultaneous imposition on him of cooperative forms of farming. Therefore, it will be sheer illusion to except much from this movement in terms of concrete achievements in the overall context.

But in so far as the movements focus attention on the need for redistribution of land in favour of poor peasants and landless workers, they do play a positive part in a psychological and moral sense.

<u>Conclusions on the Measures for Reform of the System of Land Cultivation:</u>

It will thus be seen that despite all the measures that the bourgeoisie has taken to change the size of operational units in Indian agriculture, and promote more intensive agriculture on them, it has not succeeded to any great extent in its efforts mainly because its measures for reform of rights in land have been taken in isolation from the measures for reform in the system of cultivation. The bourgeoisie and bourgeois economists have failed to see the integral connection between these two aspects of agrarian reform, even as clearly as the Kumarappa Committee had seen. And, currently, sceptical and cynical views are expressed by the right-wing spokesmen in the Congress about any further use of pushing forth land reforms any further. But from the preceding account, it would be evident that the failure and the situation of crisis on the agrarian front arises precisely because of the lack of correspondence between these two aspects of government policy on the one hand, and between the institutions set up by the bourgeoisie so far and the institutional prerequisites vitally necessary for intensification of agriculture. If by suitable measures of policy, we can make the bourgeoisie move further along in the direction in which it is wanting to go, unconsciously, without premeditation, on account of the objective compulsions of our economic situation, but in which direction it is not able to go because of its fear against the feudal ~~of~~ interests, class nature of its policies and its political institutions, we would have initiated the process of an agrarian resolution. It is by consistently exposing these contradictions between its programmes and policies, professions and performance, and its ideals and achievements that it will be possible to demonstrate to the people in general as well as to the Congress ranks how the process of agrarian revolution which the Congress in India had initiated can be taken to its successful completion.

In this view, to insist upon lower ceilings right from now would also appear to be pre-mature since the bourgeoisie must first effectively implement ~~in~~ its own ceilings. These policies properly implemented would lead to some further achievements on the agrarian front, as did the measures for abolition of zamindari, But soon again, a stage would be reached when ceilings would have to be lowered again until all available labour in the agrarian economy is fully utilised on small, intensively-cultivated farms. Of course to the extent rural and urban industrialisation would lessen the pressure of population on land, the stage of intensive agriculture would be reached much earlier. But without having promoted intensive agriculture on small sized individual farms, cooperative farms would not come into existence since they would create vary many obstacles of incentives and administration in the promotion of maximum utilisation of labour and intensive use of land.

We should look upon the current process of agricultural development in India to be in a stage where the objective requirements of development of petty commodity production and commercial agriculture are pressing the bourgeoisie for maximum possible liberalisation of the agrarian relations and the institutions of trade and money-lending as well as ~~walk~~ for reducing the burdens of taxation on small-scale agriculture. But on the other hand, the vested interests of the feudal landlords, traders and moneylenders, a bureaucratic and corrupt administrative machinery, and the political fears of the bourgeoisie of sparking off a working class or a peasant revolution are standing in its way of acting upto the objective situation. By the adoption of a correct strategy, and appropriate tactics, we can phase the demands of the peasant movement in such a way that the agrarian economy may be made to move in that direction.

Of course, it is likely that developments in the other sectors of the economy, eg., collaboration of industrial monopoly groups with the imperialists, and their joint reliance on such elements within the agrarian sector which have large holdings upto the ceilings limits might retard this course of agrarian development, and that section of the bourgeoisie which is expressing the objective economic requirements of the small peasant for ~~exapn-~~ expansion of commercial agriculture might be altogether stifled by the rightist sections within the bourgeoisie. But even in that case, the strategy of agrarian programme would not warrant a change. Only the tactics of the peasant movement will have to be changed and would be governed by a different set of circumstances.

PART III

Statistical Data and Various Other Problems of Indian Agriculture:

A vast amount of statistical data are available about Indian agriculture. But few of these are directly sueful for reaching final conclusions on the various aspects of Indian agrarian problems dealt with in the proceeding pages. Many a time, statistical data are misleading about certain crucial features of land relations (e.g., data on leasing) which might put one on an altogether wrong track. It is therefore necessary to be cautious while using these data. Such of them which throw some light on the problems we have discussed, direct or indirect, are given below;

Agricultural Area, Output and Productivity per Acre since 1949-50:

The following table shows the index numbers of cultivated area, agricultural output and productivity per acre in India since 1950-51:

Table 4: Index numbers of Area, output and Productivity per acre in Indian Agriculture (Agricultural year 1949-50=100).

Years	Area		Output		Productivity per acre	
	Food-grains	Non-food-grains	Food-grains	Non-food-grains	Food-grains	Non-food grains.
1950-51	97.9	110.8	90.5	95.6	92.4	95.6
1951-52	98.0	121.3	91.1	97.5	93.0	91.1
1952-53	103.2	116.2	101.1	102.0	98.0	89.3
1953-54	110.2	115.9	119.1	114.3	108.1	90.3
1954-55	109.3	127.4	115.0	117.0	105.2	94.9
1955-56	111.9	130.7	115.3	116.8	103.0	91.7
1956-57	112.5	134.4	120.8	124.3	107.4	97.8
1957-68	110.7	135.1	109.2	115.9	98.6	95.9
1958-59	115.9	136.5	131.0	133.8	113.0	102.1
1959-60	115.3	137.7	126.8	128.5	110.0	95.9
1960-61	114.5	138.9	135.6	139.9	118.4	106.9
1961-62	115.5	143.1	135.2	139.9	117.1	104.4
1962-63	Not Available.					
1963-64	Not Available.					

From the preceding table, it will be seen that area under cultivation, agricultural output and productivity per acre have all increased during the period of 12 years from 1950-51 to 1961-62, albeit very slowly. This increase has been achieved as a result of land reforms on the one hand and increased use of irrigation, fertilisers and improved seeds, cooperative credit as well as by means of increased use of improved machinery and equipment as will be seen from the following figures:

Table 5: Expansion of Irrigation, Use of Fertilizers, Manures and Improved Seeds in India Since 1950-51

Item	Unit	Levels reached in 1950-51	1955-56	1960-61	1961-62	62-63
Irrigated Area						
Gross Area	Million acre	55.7	63.3	74.4	77.0	80.3
Net Area	"	51.5	56.2	70.0	72.0*	75.0*
Fertilisers:						
Nitrogenous	'000 tons	89.0	122.0	200.0	280.0	350.0
Phosphatic (P_2O_5)	"	NA	NA	70.00	72.0	80.0
Potassic (K_2O)	"	NA	NA	25.0	48.0	65.0
Organic & Green Manuring						
Urban compost	Million tons	NA	NA	2.4	2.6	2.9
Rural compost	"	NA	NA	66.0	75.0	83.0
Green manuring	" acre	NA	NA	10.4	12.4	16.2
Plant protection	" "	NA	NA	16.0	16.0	17.0
Improved Seeds	" "	NA	NA	55.0	67.0	81.0
Cooperative Credit						
Short and medium terms loans advanced	Rs.Crores	NA	NA	202.6	228.1	267.0

*Approximately calculated.

TABLE 5A: Agricultural Implements and Machinery in use in India agriculture in 1951, 1956 and 1961.

(In thousand numbers)

Implements	1951	1956	1961
Ploughs:			
Wooden	31,779.5	36,615.1	38,371.8
Iron	931.1	1,366.9	2,298.2
Sugarcane Crushers:			
Operated by bullocks	519.5	545.0	590.2
Power-driven	21.2	23.3	33.3
Oil Engines	95.1	122.2	230.0
Electric pumps for irrigation	29.8	54.8	160.2
Tractors:			
Government owned	1.5	3.3	3.7
Privately owned	6.9	17.7	27.3

The preceding tables are self-explanatory. However, it will be noticed that the increase attained in input items and cooperative credit which are provided from State resources are still very slow. Amongst items of agricultural machinery, which are obtained from private resources or funds borrowed from State institutions, tractors s show a significant increase during 1951-56, the reasons for which have been explained in the earlier part of this note.

Burden of Compensation on State Resources:

However, progress in these items cannot be much faster since government finances are burdened with the payment of huge amounts of compensation as will be seen from the following table:

Table 6: Net Impact of Zamindari Abolition on State Resources: First and Second Plans.

(Rs.lakhs)

State	Net resources before compensation	Compensation paid	Net Impact
Andhra Pradesh	- 909	372.1	-1281.1
Assam	- 84	43.7	- 127.7
Bihar	+ 840	1095.0	- 255.0
Bombay	+1590	403	+1187.0
Jammu & Kashmir	- 39	-	39.0
Kerla	- 335	-	- 335.0
Madhya Pradesh	+ 123	1234.6	-1111.6
Madras	- 312	669.6	- 981.6
Mysore	+ 731	119.4	+ 611.6
Orissa	+ 20	227.4	- 207.4
Punjab	- 596	-	-596 .0
Rajasthan	+ 343	1007.5	- 664.5
Uttar Pradesh	+6877	2837.0	-4040.0
West Bengal.	- 776	662.1	-1438.1
Total	+7473	8671.4	-1198.4

It will be seen from the table thar annual resources of all States are in deficit to the extent of about Rs.12 corres on account of the payment of compensation to zamindars despite the increase in their revenue. And these dificits are met from general revenues raised from non-agricultural sectors of the economy. Thus, not only is agriculture not fully relieved of the feudal burden, on account of compensation paid and yet to be paid to zamindars but the present policies also impose some tribute on other sectors of the economy as well. Evidently, the resources of the States for agricultural development would remain considerably limited until the burden of compensation is fully liquidated.

Leasing of Land and the Burden of Rent:

However, apart from the burden of taxes, which must remain in tact in view of the above situation of state resources, the burden of rent in Indian agriculture still remains high. Unfortunately, no precise estimates of rental incomes in agriculturalare available, One scholar has estimated rental incomes to be as much as about 15.24 per cent of the total value of agricultural output while another has estimated it to be in the range of 21.3 per cent. But none of these estimates can be considered even approximately reliable because satisfactory data about the area of land under leasing and the quantum of rent paid on such area are not available.

This is because leasing of land in India, since the enactment of land reforms laws, persists in highly disguised forms and is not ascertainable through field surveys conducted by the interview method. The tenants cultivating lands on lease as well as owners giving out such leases are extremely reluctant to reveal these data. Moreover, leasing is concealed under several forms such as joint partnership cultivation, personal cultivation by hired workers paid on share-cropping basis, cultivation through bargadars, etc. And under all these arrangements, a sizeable proportion of total output would be paid as rent for land. But even rough guesses about the extent of area involved in these arrangements are not available.

These disguised forms of leasing and tenancy arise from the large number of evictions of former tenants that have taken place in the wake of zamindari abolitionand tenancy reforms legislation. And all these large number of evicted tenants could not have all been turned into landless workers overnight merely because they have lost the legal title to land. For this class of persons to be genuinely converted into agricultural proletariat would imply that the owners of these lands have suddenly decided to invest capital in cultivation and re-employ them on the same land as workers on wages. But, inevitably, these conditions come about only gradually and slowly. On the records, the status of tenants as tenants is lost but in actual practice, they would continue to be employed on the former lands on more or less similar terms except for a little contribution of the owner, unlike in the previous period, towards the cost of seeds or manure. And gradually, under the pressure of the laws and threat of the tenants acquiring tenancy rights if they are allowed to remain on the lands without the necessary change in the terms and conditions of their employment, the owners would exert themsleves to turn into entrepreneurial cultivators. It is perhaps for this reason that the results of the Second Agricultural labour Enquiry, conducted for 1956-57 as the year of reference, did not show any increase in the number of agricultural wage workers over 1950-51, which should have been the case if all evicted tenants would have become agricultural workers in real conditions. We know that all zamindari abolition laws had been, by and large, implemented by the end of 1956, and considerable eviction of tenants had taken place. And yet the number of agricultural workers in India had declined even in absolute numbers, from 17.9 million households in 1950-51 to 16.3 million households in 1956-57.

The data about the number of persons evicted in zamindari areas from Sir and Khudkasht lands are extremely meagre. Even the studies about the effects of land reforms in various states, sponsored by the Research Programmes Committee of the Planning Commission, do not all contain estimates of the number of persons evicted or of the area from which they might have been thus displaced. Hence, it is extremely difficult to know the area of land and number of persons involved in such transitional forms of cultivation for the country as a whole. Available statistics of leased out ~~loan~~ lands for the country, which are for the year 1953-54, would evidently fail to cover these transitional forms which would be generally reported as areas under personal cultivation with hired labour.

However, from one study for UP, we have indirectly tried to estimate the area of Sir and Khudkasht lands of the zamindars from which tenants must have been evicted, and by applying the proportion of such area in the total Sir and Khudkasht land to the total number of persons originally cultivating these lands as tenants, we find that as many 790,717 tenants or 19.2 per cent of all tenants of sir must have been evicted from as much as about 679.453 acres of sir and khudkasht lands in UP. And this has happened in a State where resumption of sir and khudkasht lands under tenants was not allowed in law at all and all these tenants were given rights of asamis (temporary occupancy tenancy) immediately after the enforcement of the law and were converted into sirdars a few years later. Evidently, on these lands in UP these evicted tenants must be working under devious forms of disguised tenancy.

Again, in Bombay, during the period 1948 to 1951, the number of protected tenants declined from 17.6 lakhs to 13.6 lakhs, a decline of 20 per cent. And the area held by them during the same period decreased by 18 per cent. Again in Hyderabad, during the period 1951-55, the number of protected tenants declined by 57 per cent and the area held by them decreased by 59 per cent. In both States, in a large majority of cases, tenants lost their lands as a result of 'voluntary surrenders'. And according to an official report, such surrenders had taken place even in cases where the tenant was aware of his rights a granted under the law (because a majority of tenants did not want to estrange their relations with the landholders on whom they depended for many things in their day-to-day life. Reports of the Committees of the Panel on Land Reforms, Planning Commission, 1959, pp.36-39.

The situation must be similar or worse in other states where resumption on considerable scale has been permitted under the law for the former zamindars or non-cultivating owners. And if we make even the most conservative estimate, at least as much as about 20.00 per cent of land under so-called personal cultivation of the ex-zamindars or formerly non-cultivating owners must be burdened with such transitional forms of tenants on which remnants of feudalism must be surviving in strong forms.

In addition, the estimates of area explicitly under leasing by sub-tenants and sharecroppers are about 20.0 per cent. And added to the figure of about 20-0 per cent of the self-cultivated lands of former owners, the estimates of area on which semi-feudal burden of rent would be prevalent would approximately be about 36.0 per cent of the total cultivated area in the country.

In this background, if we look at the data about leasing of land, personal cultivation, and forms of cultivation etc. from the point of view of the characteristics of labour employed in Indian agriculture, we would be in a much better position to appreciate the various statistical data available from diverse sources. It is proposed to deal with these aspects in the following paragraphs.

Extent of Leasing:

The most comprehensive figures about leasing of land are available from the data of the Eighth round of the NSS which are for the year 1953-54. In these data, occupancy tenancy, i.e. possession of land with permanent and heritable rights with or without rights of transfer have been included under ownership. Leasing of land has therefore been studied only for such lands on which non-occupancy of rights of tenancy exist, on any terms whatever. Moreover, it also needs be realised that in 1953-54, the process of abolition of zamindari was still in operation, and the process of resumption of lands for self-cultivation by non-cultivating owners or ex-zamindars had not yet been completed. This would tend to overstate the area under tenancy in the surveys. But on the other hand, the data could not have covered disguised and concealed forms of tenancy subsisting on farms reported as owned and self-operated but actually cultivated on tenancy. This would tend to underestimate the figures of leasing. With these limitations, let us look at the figures.

The following table shows the area under lease according to size of holdings:

Table 7: Area leased out and Area taken on lease according to size of Household ownership and operational holdings respectively. Major crop Season 1953-54.

Size of Holding (acres)	Household Ownership Holdings			Household Operational Holdings		
	% of households leasing out area	%age of owned area leased out	%age to total leased out area	%age of Households taking land on lease	%age of operated area leased in	%age of total leased in area
0.01 - 0.99	8.13	10.39	1.25	39.02	28.45	1.69
1.00 - 2.49	16.13	10.16	4.35	39,84	26.64	5.73
2.50 - 4.99	16.64	9.13	8.07	41.77	25.05	12.35
5.00 - 7.49	18.43	9.10	7.93	40.68	21.99	10.68
7.50 - 9.99	16.54	8.43	6.22	39.51	20.29	8.66
10.00 - 14.99	23.85	10.60	8.88	39.79	20.30	9.89
20.00 - 24.99	25.94	10.85	6.41	38.18	18.16	6.10
25.00 - 29.99	25.00	10.51	5.27	38.36	17.33	4.93
30.00 - 49.99	28.07	10.81	12.21	41.23	20.22	13.66
50.00 &above	36.26	18.18	27.92	41.40	17.84	14.97
Total	12.03	11.42	100.0	39.84	20.34	100,0

In the following table the following interesting aspects of leasing of land in Indian agriculture can be clearly seen:

1. The proportion of leasing of land by households is onlyto the extent of about 11.45 per cent of the total area owned by households. (Incidentally, these households do not include institutions such as temples etc. nor households owning land but resident in urban areas).

2. The percentage of households owning land and leasing it out tends to increase as the size of household ownership holding increases.

3. All households owning land in various size groups except those owning 50 acres and above lease out more or less equal proportions of their land owned in their respective size groups.

4. Housever, the major portion of the total leased out area is contributed by those owning lands above 10.00 acres. As much as 72.21 per cent of the total area leased out comes from them. This means that persistence of semi-feudal lease is still concentrated on large ownership holdings.

5. Nevertheless, even owners of land below 10 acres lease out land and contribute as much as 27.79 per cent of the total area leased out.

6. Necessity for leasing out in the case of small owners arises not from excess of land intheir possession which is more than sufficient for their 'personal cultivation' with intensive methods of agriculture, but from other reasons like their being engaged in other non-agricultural forms of activity etc.

7. Similarly, in respect of operational holdings, as many as about 39.84 per cent of households take land on lease for cultivation. Of these, as many as 16.94 per cent of holdings are entirely leased in, and 22.91 are partly leased in and partly owned. The bulk of entirely leased in holdings are concentrated in size groups below 5.00 acres, which contribute

as much as 53.73 per cent of all holdings entirely leased in. (These latter data are not shown here.)

8. The total area taken in lease is about 29.34 per cent of the total operated area.

9. All size-groups of operational holdings have taken significant proportions of their total operated area on lease. But these proportions are somewhat higher in holdings of small sizes, especially below 5.0 acres.

10. As much as about 60.89 per cent of the total area taken on lease is with operational holdings of 10 acres of more in size. As much as 19.34 per cent is with cultivators of lands between 5 and 10 acres. And only 19.77 per cent is with cultivators of land below 5.0 acres. Evidently, cultivators of 10 acres of more do not take lands on lease because they are short of sufficient land for their subsistence. On the contrary, they take these lands on lease with a view to increase the size of their operational holdings for commercial cultivation.

These conclusions of the preceding table are significant with a view to interpret the extent of commercialisation in Indian agriculture and the emergence of capitalist type of leasing by small bankrupt owners of land to more prosperous cultivators.

Thus, while on the bulk of leased out area, one would expect semi-feudal burdens of exploitation to persist, but a portion of these leased out lands also arises from the bankfupt of the economy of small owners. These leases must naturally be distinguished form one another, and in any programme of tenancy reforms or regulation of leases, special protection is required to be given to small owners leasing out lands. Similarly, while conferring rights of occupancy on leased in areas, it is necessary to see that large owners who have taken small parcels of land from small owners of lands do not become owners of these small bits of lands without allowing the latter to resume lands for personal cultivation, nor are small owners unduly derived in terms of rent from the large cultivators. But rights of resumption for large owners of lands held by small tenants will have to restricted, or entirely stopped and the burden of rent on small tenants will have to be considerably reduced.

Various in different States:

There are considerable variations in different States about the number of households not owning land, or leasing out land, average size of ownership holdings and proportion of operated area leased out. The following table provides these data:

Table 8: Percentage of Households owning no land, and leasing out land, average size of ownership holdings and percentage of the area leasedout in different States of India. (Major Crop Season 1953-54).

States	%age of households owning no land	Average size of household ownership holding (acres)	Average size of household operational holding (acres)	Percentage of households leasing out land.	Percentage of owned area leased out
U.P.	9.36	3.76	3.61	9.78	5.84
Bihar	16.56	3.52	3.08	12.80	6.95
Orissa	12.29	4.12	3.78	11.46	8.02
W.Bengal	20.54	3.01	2.69	10.41	15.51
Assam	41.57	5.08	4.51	6.55	14.02
Andhra	30.12	5.14	3.71	10.78	15.03
Madras	33.36	3.44	2.65	13.63	15.37
Mysore	18.12	7.50	6.08	15.19	15.89
Travancore and Cochin	36.95	2.01	1.37	14.68	15.74
Bombay	31.33	9.65	7.49	11.95	14.12
Saurashtra	28.62	21.68	14.96	5.22	3.75
M.P.	34.87	11.11	7.79	11.64	11.55
Hyderabad	14.99	10.62	9.82	11.45	12.58
M.Bharat	19.80	12.47	10.71	18.82	11.41
Vindhya Pradesh	27.34	7.94	6.36	12.23	6.07
Rajasthan	24.85	15.35	13.57	8.83	6.42
Punjab	35.51	8.44	6.47	22.87	30.82
Pepsu	41.82	11.04	7.45	24.91	29.79
J.& K.	17.32	3.59	3.17	15.77	16.13
All India	23.09	6.25	5.43	12.03	11.42

The preceding table is self-explanatory. The important thing to note is the considerably high proportion of leasing in Punjab and PEPSU contrary to popular impressions.

<u>Forms of Cultivation:</u>

APart from leasing of land, another aspect in which semi-feudal relations in agriculture persist is in the forms of cultivation. But as already mentioned, no data about disguised forms of tenancy and semi-feudal forms of exploitation of labourers (wo which we shall refer a little later) are available on an all India basis. Case studies in different areas do reveal some of these aspects. But it would be unnecessary to cite them here for lack of space.

Again, no data are available for the country as a whole as to what proportions of total cultivated area are cultivated with family labour, hired wage labour or through share croppers. But for UP, the land reform study sponsored by the Research Programmes Committee has provided data which indicate the broad magnitudes of these proportions. The table below presents these data briefly:

Table 9: Percentage distribution of the Area of Cultivating Holdings of Sample Households by Forms of Cultivation and by size of Holdings in 1959-60.

Size-Group	Personally cultivated	Labour cultivated	Share-cropped	Total
Small - less than 5 acres	94.78	1.86	3.36	100.0
Medium - 5 - 15 acres	84.85	12.52	2.63	100.0
Large - 15-40 acres	74.26	23.19	2.55	100.0
Very large - 40 acres & above	3.30	88.24	8.46	100.0
Total	68.84	27.39	3.77	100.0

Source: Baljit Singh and Shridhar Misra, op.cit., p.80

From this table, it will be seen that in UP, as much as 27.39 per centof the total cultivated area is cultivated through hired labour, while 68.84 per cent through family labour. Only 3.77 per cent of the total cultivated area is cultivated through share croppers.

This fugure of labour-cultivated area is similar to those arrived at by Kotovsky and support his conclusion that the capitalist sector has extended to about 25.30 per cent of cultivated area and h become the leading, though not the dominant, sector in Indian agriculture.*

At the same time, it also shows that semi-feudal forms of cultivation of land through share-cropping persist only on 3.77 per cent of the total cultivated area. Of course, concealed and disguised forms of share cropping prevalent on personally cultivared and labour cultivated lands are not possible to ascertain from any source whatsoever.

But this picture varies considerably in Bengal where the mode of cultivation through semi-feudal forms of share-cropping persist on much larger proportions of the area. The following table illustrates the data:

Table 10: Percentage Distribution of cultivable area by modes of cultivation.

	DISTRICTS							
Mode of cultivation	1.	2.	3.	4.	5.	6.	7.	8.
Family Labour	58	21	61	49	55	43	40	62
Barga	31	46	28	27	30	25	36	26
Hired Labour	11	33	11	24	15	32	24	12

Districts: 1. CoochBehar; 2. Jalpaiguri; 3. W.Dinajpur; 4. Maldha; 5. Murshidabad; 6. Burdwan; 7. Midnapur; 8. Parganas24.

Source: S.K. Bose and S.K. Bhattacharya, 'Land Reforms in West Bengal', Calcutta, 1963, pp.41-42.

From this table, it will be seen that only in four districts out of eight, Jalpaiguri, Maldah, Burdwan and Midnapur, mode of cultivation through hired labour has become significant. In the other four districts, this mode of cultivation is practised on a much smaller proportion of the total area under cultivation. Moreover, in all the eight districts, cultivation through bargadars, which is a well-known form of semi-feudal conditions of farming, persists on a considerable scale, even in those districts where cultivation through hired labour has advanced significantly. In fact, bargadari cultivation is much more in proportion to cultivation through hired labour. Thus in W.Bengal, there is much greater persistence of semi-feudal features of cultivation than in UP.

* Kotovsky, op.cit., p.158.

This difference between the conditions in UP and West Bengal perhaps partly goes to explain the divergent points of view held by writers on agrarian problems from these two regions. Those from W. Bengal usually believe that little has changed since the abolition of zamindari and old, semi-feudal modes of cultivation continue to persist on a large scale. Hence there is little positive content to be found in Congress agrarian legislation. But writers from UP hold that, under the impact of Congress agrarian legislation, development of capitalism in Indian agriculture has received a stimulus, cultivation through wage labour has been increasing and these two processes have gone a long way to increase agricultural output and productivity. There is a moot point in Marxist-Leninist theory of agrarian evolution which is of extreme relevance in the interprelation of such forms of cultivation as bargadari and share-cropping as semi-feudal or capitalist forms. The point is dealt with by Lenin, in his book, Development of Capitalism in Russia, (Moscow, 1956) in Chapter I, on pp.178-182. Lenin states that while it is theoretically correct to believe that capitalism requires the free landless worker, in agriculture, it penetrates in such a complex manner that it produces many diverse forms of agricultureal proletariat amongst whom are also included persons like the English cottager, small holding peasant of France or the Rhine provinces, or the knecht of Germany,. According to Lenin, the agricultural proletariat of each country bears the traces of ~~the~~ its own specific agrarian system, and the specific ~~agrarian~~ history of its agrarian relations. According to him, the juridical basic of his right to his plot of land is absolutely immaterial to clarifying a person as a number of the agricultural proletariat. In the context of these observations of Lenin, it is subject to discussion whether such forms of cultivation as bargadari and share-croppers, and vargadars and share croppers should be regarded as part of the agricultural proletariat or part of petty bourgeois peasantry for the purposes of the peasant movement. However, in the present context of removing the feudal burdens, this clarification would not make any difference to me strategy and tactics of the peasant movement. This difference is however of significance in assessing the stage of capitalist development in the agriculture of a country.

However, this is merely a guess that the difference in agrarian conditions in the two regions may perhaps be responsible for their entertaining such divergent views on agrarian questions. There must of course be many other reasons for these divergences.

Employment and Wage-Hired Workers:

Having thus seen that semi-feudal modes of cultivation, and semi-feudal leasing of land persist to a significant extent in Indian agriculture, it is also necessary to see to what extent use of hired wage labour has progressed in India, and which size-groups of cultivators employ wage-labour on what terms and conditions. Just as semi-feudal characteristics are seen to persist in the holding and utilisation of land, similarly feudal modes of payment, and of employment are also found in the terms and conditions on which wage-labour is employed, and is used. But there again, sufficiently detailed and classified data of employment of wage labour according to size of operational holdings for India as a whole are not available so as to clearly locate the size-groups in which such semi-feudal conditions prevail. Nevertheless, general data about wages (a large portion of which is paid in kind and in the form of perquisites) and wage-employment, in agricultural and non-agricultural activities and self-employment, are available from which it is possible to delineate their characteristic features. From the large number of wage workers in Indian agriculture, and from the forms of their wage payment, it is simultaneously possible to know the extent of development of capitalist relations as well as the semi-feudal conditions of their work and wages.

Table 11: Average Number of Permanent Farms Servants by size-groups of operational holdings. (Major Crop Season 1953-54)

Size of holdings (acres)	Number of permanent Farm Servants per 1000 operational holdings						
	North India	East India	South India	West India	Central India	North-West India	All India
0.01- 2.49	17	19	14	22	11	32	17
2.50- 4.99	47	85	124	35	61	34	73
5.00- 7.49	114	179	229	55	110	36	139
7.50-9.99	163	297	444	58	128	19	199
10.00-14.99	355	545	523	89	211	54	290
15.00-19.99	478	919	847	147	334	81	403
20.00&above	1083	1414	1725	386	1145	167	859
All sizes	90	122	157	109	255	59	136

From the preceding table, it will be seen that cultivators of holdings 20 acres and above in size employed on an average at least one permanent farm servant per holding in North, East, South, and Central India. But holdings in W. and North-West India did not employ so many farm servants. The largest numbers of permanent farm servants per 1000 holdings were employed in Central and South India. But again as already stated, it is not possible to determine from these data how many of such servants are employed as feudal serfs on the basis of feudal attachments and debt bonded serfdom, and how many are free workers engaged on the basis of a free contract.

As regards data about total agricultural workers in India, their wages and employment and modes of payment, these are as follows:-

	1950-51	1956-57
1. Agricultural Labour Households		
1. Percentage to total rural households	30.39	24.47
2. Percentage of households: (i) with land	49.93	42.87
(ii) without land	50.07	57.13
3. Average size of household (persons)	4.03	4.4
II. Distribution by Category (Percentage): Casual	90.3	73.37
Attached	9.7	26.63
III. Employment (Mandays):		
In agricultural labour	167	167
Men: Casual Non-agricultural labour	33	30
Self-employment	75	40
Unemployment	90	128
Men: Attached In agricultural labour	315	259
Non-agricultural labour	11	22
Self-employment	20	16
Unemployed	19	68
IV. Mode of Wage Payment (Percentage of Mandays)		
Cash	56.0	48.7
Kind	31.3	40.5
Cash and Kind	9.8	10.8

V. AVERAGE Annual Household Income (Rs.)

Casual	442.0	418.0
Attached	489.0	492.0

VI. Percentage of Annual Household Income from

Casual:	Agricultural wages	62.9	70.12
	Non-agricultural wages	12.2	8.79
	Land	14.0	7.61
	Others	10.9	13.48
Attached:	Agricultural wages	76.7	79.87
	Non-agricultural wages	7.3	6.11
	Land	7.8	5.16
	Others	8.2	8.86

VII. Percentage of Households in Debt

Casual	43.8	62.55
Attached	51.2	67.64

VIII. Average Debt per indebted Household (Rs.)

Casual	100.0	137.0
Attached	143.0	141.0

From these data presented above, it will be seen that agricultural workers constitute a very large proportion of the total rural households. As many as about half of them also possess land for cultivation which they pursue as a subsidiary source of income. More than three-fourths of them are casual labourers, who are employed only for less than six months in agricultural work on wages. As much as about one-third or more of their wages are paid in kind which suggests the under-developed character of the market for wage labour that has yet emerged in Indian agriculture. Their average household income per capita is in the range around Rs.100/- per annum, and only about two-thirds to three-fourths of its isderived from wage work in agriculture. About half of them are indebted and average debt per household forms about one-fourth of their average annual income.

From these characteristics, it is evident that considerable persistence of semi-feudal conditions must prevail under these circumstances. Unfortunately, for lack of space, it is not possible here to describe all these terms and conditions which are the ralies of feudal survivals. But primary among these semi-feudal extra-economic restrictions are on the freedom to take up employment as a free worker with other employers, due to (i) feudal social pressure (2) debt bondage and (3) provision of house sites (except in some States). Due to these pressures, attached workers cannot be still regarded as free workers and these feudal forms of dependence on their masters have to be eliminated if commercialisation of agriculture and a free market for labour in Indian agriculture is to develop at a rapid rate.*

There are of course no statistical estimates available about the extent of forced labour still exacted from agricultural workers. Nor can the degree of their exploitation be measured in precise terms, in forms of hours of work, underpayment of wages or use of their labour for domestic work of the employer. But on the whole, since the enactment of zamindari abolition laws, and with the introduction of adult franchise, the consciousness against these forms of exploitation must have considerably increased, these must be on the decline. Of course, these can disappear altogether only when either (i) redistribution of land is made in favour of landless workers or (2) capitalism and capitalist relations penetrate so deep in agriculture, and industrialisation proceeds at such a rapid rate as to create a demand for labour at a much faster rate than its supply. The latter condition cannot be expected to be achieved for a considerable time to come. But the alternative condition also can be created only by patiently building up mass organisations of agricultural workers and developing mass pressures in order to get the ceilings legislation effectively implemented and getting the surplus lands released distributed to them.

Marketed Surplus:

Data about the extent of marketed surplus for the country or even for a region are extremely meagre. Nor have any studies been made about recent changes in the proportions of agricultural produce marketed. Lack of such studies is also due to extreme difficulties in conducting them in view of the large number of factors that affect the proportions of produce of different agricultural commodities sold in the market. However, studies of some specific areas or individual villages suggest that the extent of marketed surplus has risen during the last 11 years. For instance, a study in district Ferozepur (Punjab) about the marketed surplus of wheat from 1950-51 to 1961-62 showed that while production of wheat had increased there at the rate of 6.5 per cent per annum during this period the marketed supplies of wheat had increased at the rate of 14.1 per cent per annum. The rate of increase of marketed surplus was nearly 2.25 times the rate of increase of production, and evidently commercialisation of wheat production in district Ferozepur had both deepened and widened during this period.

Similarly, in a study of socio-economic change in village Sohalpur Gara, conducted by the Agricultural Economics Research Centre, University of Delhi, it was found that the volume of marketed surplus, in a brief period of 4 years, had increased by 28.2 per cent from 1954-55 in 1958-59, which was about double of the increase in agricultural output in the village. Thus, here too, the rate of increase of marketed surplus was faster than the rate of increase of agricultural production which goes to prove that commercialisation of the agrarian economy had been increasing at a rate much faster than the rate of increase of agricultural output.

This conclusion would also be fully consistent with the data about the index numbers of area and production of agricultural commodities in Table 4. These data reveal that area under non-foodgrain crops has increased much more rapidly during the 12 year period since 1950-51 than under foodgrains, and has fluctuated much less, although productivity per acre has increased more in foodgrains than in non-food grains crops. Since most non-foodgrains crops are marketed in very high proportions, it is obvious that the extent of marketed surplus in the agrairian economy must have considerably increased during the last 14 years, which goes to prove that commercialisation of agriculture has been increasing in recent years.

Nevertheless, in respect of foodgrains there still remains much to be done in respect of increasing the proportions of produce marketed. For instance, the following table shows the extent of marketable surplus in India for various crops on the average :

Table 12: Marketed Surplus in India.

Crop	Marketable surplus as %age of production
Foodgrains:	
Rice	31
Wheat	37
Jowar	24
Bajra	26
Maize	24
Gram	44
Ragi	19
Non-Foodgrains	
Groundnut	84
Linseed	80
Potatos	73
Tobacco	97
Grapes	93
Mangoes	67
Sugarcane	85

Marketed Surplus and Size of Holdings:

Another interesting aspect of marketed surplus is that it tends to increase with an increase in the size of cultivated holdings as the following table shows:-

Table 13: Marketed Surplus in 1958-59 according to size of Holdings:

Market	Marketed surplus as percentage of production			Crops
	Small Below 10acres	Medium 10-20 acres	Big above 20 acres	
Hapur U.P.	20	22	37	Wheat
Chandaushi U.P.	12	32	30	Wheat
Moga Punjab	40	44	66	Wheat
Bhatinda Punjab	00	19	28	Wheat
Kot Kapura Punjab	3	38	37	Wheat
Itarsi M.P.	0	4	6	Wheat
Manghyr Bihar	0	16	26	Maize
Tadepalligudem A.P.	41	39	48	Paddy
Bhimvaram - do -	48	60	53	Paddy

Since a large amount of cultivated area is held in large units of operational holdings, it should follow that bulk of the marketed supplies must be coming forth into the market from large cultivators. But if these cultivators have to pay their workers in kind or get their lands cultivated through disguised forms of tenancy, it will be obvious that the marketed surplus on such large sized holdings would not increase but instead would decline since a large proportion of produce would be retained on the farm itself for the consumption of the workers or of the tenants. Unfortunately, no studies on these aspects have yet been organised by research workers in Indian agriculture precisely because they fail to go into any other method of classification of holdings except according to the acre size of the holding and do not characterise it according to the terms and conditions on which it is cultivated.

Distress Surplus:

While this aspect of marketed surplus is relevant for a discussion of the total economy, the problem of distress surplus coming from small cultivators who have to sell a part of their produce to meet their cash obligations immediately after harvesting is also very important. These producers have to sell their output, usually of foodgrains, after the harvest at low prices and repurchase it in lean months of the season at high prices. They lose in this manner on both accounts. But this cannot be avoided in view of the deficit nature of their household economy with in terms of total resources or in terms of liquid resources. Many a time, they repurchase foodgrains from funds borrowed for their household consumption.

This aspect was highlighted in a study by Dr. Dharm Narain with the help of estimates of marketed surplus arrived at by him after making a large number of calculations and assumptions which are tentative and by no means final. However, the results are the following:-

Table 14: Distribution of Marketed Surplus of Agricultural Produce by Size land of Holdings in India (1950-51) by Two Alternative Methods of Calculation.

Size of holding (acres)	Method I			Method II		
	Marketed surplus (Rs.crores)	(i) as % of value of output	(i)as % of total marketed surplus	Marketed surplus (Rs. crs).	(4)as % of value of output	(4) as % of total marketed surplus
0 - 5	266.7	20.7	24.9	564.0	33.6	26.0
5 - 10	175.8	14.1	16.4	444.8	27.4	20.5
10 - 15	54.7	9.7	5.1	170.1	23.1	7.9
15- 20	80.1	18.2	7.5	172.8	30.1	8.0
20 - 25	54.0	20.4	5.0	111.0	32.2	5.1
25- 30	65.4	28.9	6.1	116.8	39.7	5.4
30- 40	80.5	29.9	7.5	139.6	39.8	6.4
40 - 50	67.8	38.0	6.3	107.8	46.4	5.0
50 & above	228.0	44.8	21.2	339.9	51.4	15.7
Total	1073.0	21.5	2166.8	33.4		

From this table, it will be seen that cultivators of holdings from 0 to 5 acres sell larger proportions of their output than the cultivators of holdings larger than 5 acres. And the proportion of marketed surplus declines for the size of holdings larger than 5 acres. And the proportion of marketed surplus declines for the size of holdings upto 15 acres, after which we begin to get the normal relationship we have already discussed in the preceding paragraphs. Dr. Narain's explanation for this decline is the phenomenon of distress surplus which tends to disappear as the size of holding increases! It is because of the compulsions for making distress sales of produce that the proportion of marketed surplus sold by small producers also tends to fall down upto a point where these compulsions no longer remain.

Agricultural Prices:

From the discussion of marketed surplus, it will become evident why the problem of remunerative and stable prices for agricultural produce is gradually assuming a great importance for the peasants of all size-groups in Indian agriculture.

Big or small, all cultivators want prices for their commodities to be remunerative and stable because their income and levels of welfare to a very large extend depend on prices under present conditions. Hence, great struggle is being waged by large producers on the question of fixation of prices in which the middle and small farmers also join them. Obviously, since large farmers have more to sell, and they produce at smaller costs per unit of output (as has been revealed from the farm management studies) they stand to gain much more from high prices. But in so far as high prices benefit all producers, they are able to carry on the struggle in a united manner with other peasants. The middle and small producers join them because they too are beginning to have some surplus to sell now whether genuine or distress.

In the following table, index numbers for harvest prices of selected agricultural commodities are given for the years 1953-54 to 1961-62.

Table 15: Index numbers of harvest prices (Base: 1952-53=100)

Year+	Rice	Jowar	Wheat	Sugarcane* supplied to sugar factories	Gur	Ground-nut	Cotton	Jute
1953-54	93	98	106	100	112	108	110	110
1954-55	79	59	79	110	75	63	94	100
1955-56	85	73	103	110	85	76	103	103
1956-57	105	115	117	110	86	100	120	116
1957-58	111	98	112	110	95	95	114	120
1958-59	111	96	121	110	121	103	110	104
1959-60	113	107	109	124	131	109	130	105
1960-61	113	109	106	124	111	123	131	153
1961-62	115	96	113	124	100	134	130	123

+ Agricultural year - July-June
* Sugarcane is mainly used for manufacturing sugar and for making gur. Prices of sugarcane supplied to mills given above represent the prices fixed by Govt. from time to time for delivery of cane by the growers to the mills for manufacturing sugar.

From this table, it will be seen that harvest prices (prices prevailing during the three or four months after the harvesting season) for foodgrain crops have been generally lower than for non-food crops during the period 1953-54 to 1961-62. It is therefore evident why the index numbers of area and output have risen more rapidly for non-foodgrains crops than for foodgrains crops.

Again, in agricultural prices, there are large fluctuations from season to season. Prices in the harvesting season (shown above) are usually minimum and prices in lean months immediately before the new crops arrive on the market are maximum. As we have seen, because of the distress surplus phenomenon, small producers have to sell at lower prices after the harvest and repurchase at higher prices in lean months. And they lose a part of their income on both occasions. The percentage difference between maximum and minimum prices are shown in the following table:-

Table 16: Percentage difference between minimum and maximum price indices.

Year	Rice	Jowar	wheat	Gur	Groundnut	Cotton	Jute
1952-53	16.7	17.9	6.8	28.9	45.7	19.5	14.1
1953-54	15.9	14.1	17.0	49.5	41.1	6.2	21.2
1954-55	13.9	17.8	27.4	27.9	17.0	7.6	41.7
1955-56	15.4	28.6	28.1	8.1	13.1	18.3	27.5
1956-57	13.6	14.0	13.4	17.2	13.3	5.6	11.8
1957-58	19.2	19.6	2.2	24.8	20.6	11.4	5.1
1958-59	22.8	7.0	26.3	26.0	24.0	10.1	5.0
1959-60	13.3	8.4	17.8	11.9	17.5	11.9	27.2
1960-61	12.2	13.1	8.7	17.4	16.4	2.8	20.3

From this table, it will be evident that on various crops, the peasant can lose a substantial amount of income merely by selling his produce at a wrong time.

State Trading and Warehousing Facilities:

It is in this context that the problem of state trading and providing warehousing facilities to agricultural producers, with the bourgeoisie have been undertaking half-heartedly and inadequately, should be viewed. Both these measures are obviously necessary for promoting the income and welfare of the cultivating population, and providing them better incentives for greater production on the basis of a stable regulated market of agricultural produce. But the bourgeoisie is constantly hampered and opposed by the vested interests in trade which bear the imprint of marketing conditions under feudal conditions and who are not prepared to give up their exploitation of the peasants through feudal methods. To curb these characteristics of our marketing organisation, it is necessary that traders are gradually reduced into mere distributors of agricultural commodities without retaining their speculative and stocking activities. The latter must be taken over by the state through its warehouses and godowns while the scope for the former must be altogether eliminated through the policy of state trading in major agricultural commodities. The existing channels of wholesale and retail trade must be gradually brought into a net work of state distributive stores which may be organised with these traders and retailers as the nucleii of stall trading in agricultural commodities.

Agricultural Finance and Money-lending

In the sphere of agricultural credit and finance also, the bourgeoisie have been trying to weaken and eliminate the hold of semi-feudal interests and rationalise the whole structure. But here again, it meets with far greater resistence than in land or trade since here the conflict gets sharpened with members of its own class as well. The bourgeoisie is extremely divided on the method of pushing forward the cooperative movement in agricultural credit and the degree of state patronage that should be extended to the movement. Those who belong to the right wing factions within the bourgeoisie are usually for the principle of voluntariness in the formation of cooperatives, and for non-intervention by the state in agricultural credit since they know that an attack on financial interests in agriculture might also recoil on financial interests in industry. And the system of rural finance is intimately interlinked wit the urban financial system through the vital class of indigenous bankers and shroffs who serve at both ends of the chain. It is mainly for that reason that the demand for nationalisation of the banking system is opposed by urban financial interests so vehemently because they know that with nationalisation of private banks, the whole credit system will burst asunder the monopoly of financial interests on urban and rural finance which serves their class interests so fully and so well-

The broad facts about agricultural credit are only too well known. The following tables summarise the most important aspects of agricultural credit in India.

Table 17: Average amount of borrowing per Family Region-wise.

Region	Average borrowing per family (Rs.)		
	All families	Cultivators	Non-cultivators
Assam-Bengal	98.9	119.2	47.0
Bihar-Bengal	113.1	148.0	52.5
Eastern U.P.	143.3	167.0	63.9
Western UP	210.2	253.2	103.0
Punjab-PEPSU	217.6	261.7	114.9
Rajasthan	227.6	277.8	63.4
Central India	175.2	229.1	51.3
Orissa and MadhyaPradesh	68.7	90.5	23.7
Western Cotton Region	160.1	238.3	50.2
North Deccan	209.6	235.5	74.5
South Deccan	196.7	343.7	78.7
East Coast	200.6	305.0	94.1
West Coast	147.1	253.9	60.1
All India	159.9	209.5	66.1

Table 18: Purpose of Borrowings in the four Groups of Cultivators.

Purpose of Borrowing	Borrowing for the purpose as % of total borrowings				
	Big cultivators	Large cultivators	Medium cultivators	Small cultivators	All cultivators
Capital expenditure on farm	35.5	34.7	30,5	23.2	31.5
Current expenditure on farm	13.3	12.1	10.1	6.8	10.6
Non-farm business expenditure	6.4	4.9	3.3	6.0	4.5
Family expenditure	37.2	41.2	49.5	59.8	46.9
Other expenditure	7.2	6.6	6.0	3.9	6.0
More than one purpose	0.4	0.5	0.6	0.3	0.5
Total	100.0 (25.2)	100.0 (51.1)	100.0 (33.0)	100.0 (15.9)	100.0

Table 19: Average Borrowings from different Credit Agencies

(Amount in Rs. per family)

Credit Agency	Borrowings					
	Cultivators		Non-Cultivators		All Families	
	Amount	%	Amount	%	Amount	%
Government	6.9	3.3	1.0	1.5	4.9	3.1
Cooperatives	6.5	3.1	1.0	1.5	4.6	2.9
Relatives	29.8	14.2	10.3	15.5	23.0	14.4
Landlords*	3.2	1.5	3.2	4.9	3.2	2.0
Agricultirist Moneylenders	53.1	24.9	16.4	24.8	39.7	24.8
ProfessionalMoneylenders	94.0	44.8	25.1	38.0	70.1	43.8
Traders & Commission Agents	11.5	5.5	6.5	9.9	9.8	6.1
Commercial Banks	2.0	0.9	1.3	2.0	1.8	1.1
Other agencies	3.5	1.8	1.3	1.9	2.8	1.8
TOTAL	209.5	100.0	66.1	100.0	159.9	100.0

* To tenants only.

Table 20: Debt per family, debt per indebted family and proportion of indebted families - All India and Regional Averages.

Region	Debt per family (Rs.)			Debt per indebted Family (Rs.)			Proportion of indebted family (%)		
	Culti-vators	Non-culti-vators	All Fami-lies	Culti-vators	Non-culti-vators	All fami-lies	Culti-vators	Non-cul-tiva-tors	All fami-lies
Assam-Bengal	201	88	169	297	263	292	67.4	33.6	57.8
Bihar-Bengal	230	95	181	318	161	268	72.2	58.9	67.4
Eastern UP	298	113	255	406	230	377	73.4	49.2	67.8
Western UP	358	157	297	568	297	499	62.2	52.7	59.5
Punjab-PEPSU	608	302	516	1032	509	874	58.9	59.4	59.1
Rajasthan	563	276	496	780	578	745	72.2	47.8	66.5
Central India	291	76	226	415	184	368	69.9	41.5	61.3
Orissa-East.MP	132	37	101	225	100	196	58.9	37.3	51.8
W.Cotton Region	357	88	245	624	304	539	57.3	28.9	45.5
North Deccan	393	145	353	574	262	532	68.4	55.3	66.3
South Deccan	759	173	435	919	297	629	82.6	58.2	69.1
East Coast	639	197	420	750	295	552	85.1	66.8	76.1
W.Coast	391	82	220	516	135	327	75.7	60.4	67.3
Total	364	129	283	526	249	447	69.2	52.1	63.3

From these data, it will be seen that the principal problems in the sphere of agricultural credit are those of making adequate credit available at reasonable rates and to ensure its use for productive purposes. The Congress governments have been making desperate efforts since last 8 years for achieving these objectives. But according to the latest data available, their success has been only to the extent that the proportion of credit supplied by cooperative societies has icreased from 3.1 per cent in 1951-52 to 8.0 per cent in 1961-62. Of course, there are large variations in the performance of different States, Maharashtra having attained the level of about 30-40 per cent of rural credit being supplied by credit societies. But on the whole the progress has been slow and small, and the professional and the agriculturist moneylender remains virtually unshaken from his position in the rural economy. At the same time, during 1951-52 to 1961-62, the indebtedness of the cultivators has increased from Rs. 954 crores in 1951-52 to Rs. 1332 crores in 1961-62. Naturally in this increase the professional and agriculturist moneylenders have amply shared. And in view of the high rates of interest prevalent even in the urban sectors of the economy, it is quite natural that high rates of interest for the cultivators on loans from private creditors have not fallen. In fact, they might have increased, and true facts will be known when the results of the latest Reserve Bank Survey are released in details.

The basic reasons for failure in the sphere of rural credit are again the same as in land relations or trade viz. anti-feudal tasks in agriculture not having been completed. The Kumarappa Committee in 1949 had recommended (1) compulsory scaling down of debts on the basis of paying capacity and equity of loans, in case of farmers, (2) complete wiping out of all indebtedness for agricultural labourers (3) compulsory registration and control of money-lenders and (4) alternative credit agency to make credit available at reasonable rates. The bourgeoisie has placed its stakes entirely on the last measure without carrying out the other three recommendations of its own Committee. No wonder that the heavy weight of feudal burdens from agriculture is not lifted, and progress of credit cooperatives remains miserably low and tardy. And whatever progress is made also gets intertwined with stubbornly persistent feudal elements in trade and moneylending who assume control of these cooperatives and subvert their purposes, using them for their own narrow selfish interests. And the tasks here too are the same as in the sphere of land relations and trade viz., completion of anti-feudal tasks through all regulatory measures as well as by the establishment and strengthening of State institutitions in these spheres with maximum possible powers.

State Development Institutions:

In this background, it is perhaps unnecessary to go into the causes of the utter failure and collapse of various institutions started by the State for agricultural development. While these have no doubt to be established and strengthened, they would remain mere caricatures and only in form, so long as the institutional strucuture for which they have been planned and provided for is not created at the base through appropriate and speedy measures for eliminating all the vestiges of semi-feudal interests in land, trade, and finance in agriculture.

Conclusion:

They only conclusions possible to reach from this broad survey are that the Indan agrarian problem cannot be solved until the acute and crying problems of its institutional structure at all levels are not tackled effectively. The bourgeoisie, in its initial vigour and enthusiasm, has proposed or initiated action on almost all fronts, but its efforts are clogged and frustrated partly by its political fears of initiating an agrarian revolution which it may not be in its power to control from going over into a socialist revolution once it is unleashed. And the best way to eliminate these obstacles from the path of the bourgeoisie, and of the country, is by struggling for completion and effective implementation of current policies on the basis of mass campaigns and mass pressure, by driving a wedge and isolating the petty bourgeois elements within the bourgeoisie from its right faction, and by assuring the former full support with policies for the most rapid completion of anti-feudal tasks in agriculture, which it has initiated but has failed to effectively implement or complete.

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Appendix - 1

LAND UTILISATION IN INDIA

Table - 1

1 Classification of Area and Irrigated Area, 1960-61 (Provisional)

(In million acres)

Heading	1959-60	%	1960-61	%
I. Geographical area according to Surveyor General of India	806.3	-	806.3	
II. Area according to village papers (1 to 5)	735.0	100.00	738.8	100.00
(1) Forests	136.5	18.57	138.5	18.75
(2) Not available for cultivation (a & b)	116.8	15.89	120.0	16.24
(a) Land put to non-agricultural uses	34.9	4.75	34.7	4.70
(b) Barren and unculturable land	81.9	11.14	85.3	11.55
(3) Other uncultivated land excluding fallow land (a, b & c)	96.7	13.16	96.0	12.99
(a) Permanent pastures and other grazing lands	33.8	4.60	35.7	4.83
(b) Land under miscellaneous tree crops and groves not included in net area sown	13.7	1.86	13.2	1.79
(c) Culturable waste	49.2	6.69	47.1	6.38
(4) Fallow lands (a & b)	58.1	7.90	56.3	7.62
(a) Fallow lands other than current fallows	29.9	4.07	28.2	3.82
(b) Current fallows	28.2	3.84	28.1	3.80
(5) Net area sown (6-7)	326.9	44.48	328.0	44.42
(6) Total cropped area	375.8	41.61	376.2	50.09
(7) Area sown more than once	48.9	14.96	48.2	14.70
III. Net irrigated area				
(1) Canals (a & b)	24.6	-	25.4	-
(a) Government	21.4	-	22.4	-
(b) Private	3.2	-	3.0	-
(2) Tanks	11.6	-	11.5	-
(3) Wells	17.0	-	17.4	-
(4) Other sources of irrigation	5.6	-	5.9	-
TOTAL (1, 2, 3 & 4)	58.7	17.96*	60.2	18.35*
IV Gross irrigated area	67.7	18.01@	68.9	18.31@

Source: Agricultural situation in India, Monthly Journal of the Directorate of Economics and Statistics, Ministry of Food and Agriculture, Government of India.

NOTE: In the case of the following States, complete data for the years 1960-61 and 1959-60 are not available and as such earlier years' figures have been repeated provisionally as indicated against these States:-

Assam Except for 'Net area sown', 'Total cropped area' and 'Area sown more than once', 1953-54 data have been repeated for both the years.

Rajasthan.......

Rajasthan & Kerala Data in 'Net irrigated area' and 'Gross irrigated' area' relate to 1958-59

West Bengal 1958-59 data repeated for both the years.

* Percentages of Net Irrigated Area are shown to figures of Net Area Sown.

@ Percentages of Gross Irrigated Area are shown to figures of Total Cropped Area.

Appendix - 2

DISTRIBUTION OF LAND OWNERSHIP AND CULTIVATION IN INDIA

Table - 2:

Distribution of Household ownership Holdings According to Size-groups

(National Sample Survey - Data for the year 1953-54)

Size-Groups (Acres)	Percentage of holdings to the total	Cumulative percentage of holdings	Percentage of area to the total	Cumulative percentage of area
0.00	23.09	...	...	...
0.01 - 0.99	24.17	47.26	1.37	1.37
1.00 - 2.49	13.98	61.24	4.86	6.23
2.50 - 4.99	13.49	74.73	10.09	16.32
5.00 - 9.99	12.50	87.23	18.40	34.72
10.00 - 24.99	9.17	96.40	29.11	63.83
25.00 - 49.99	2.66	99.06	18.63	82.46
50.00 and above	0.94	100.00	17.54	100.00
TOTAL	100.00	...	100.00	...

Source: Report on Land Holdings (2), (Operational Holdings in Rural India) Calcutta, 1960

1. Estimated total number of household ownership holdings - 63,532,000
2. Estimated total area of household ownership holdings - 305,431,000 acres
3. Average size of a household ownership holding - 4.72 or 6.05 acres
4. Percentage of households owning land below average - 73.0 per cent
5. Percentage of area owned by households below the average - 16.0 per cent.

Table - 3

Distribution of Household Operational Holdings according to size-groups

Size-Groups (acres)	According to NSS (1953-54)				According to Agriculture Labour Enquiry (1950-51)			
	% age of HHs	Cumulative % age of HH	% age of area	Cumulative % age of area	% age of HHs	Cumulative % age of HH	% age of area	Cumulative % age of area
0.00	10.87	...	...	...	...	...	...	...
0.01 - 0.99	30.68	41.55	1.24	1.24	16.8	...	1.0	...
1.00 - 2.49	14.57	56.12	4.66	5.90	21.3	38.1	4.6	5.6
2.50 - 4.99	15.52	71.64	10.65	16.55	21.0	59.1	9.9	15.5
5.00 - 9.99	14.28	85.92	19.14	35.69	19.1	78.2	17.6	33.1
10.00 - 24.99	10.08	96.00	29.18	64.87	16.2	94.4	32.5	65.6
25.00 - 49.99	3.00	99.00	19.30	84.17	5.6*	100.0	34.4	100.0
50.00 and above	1.00	100.00	15.83	100.00				
Total	100.00	...	100.00	...	100.00	...	100.00	...

* Holdings of.......

* Holdings of 25 acres or above

1. Estimated number of household operational holdings - 63,532,000
2. Estimated area of household operational holdings - 335,711,000 acres
3. Average area of household operational holdings - 5.43 or 6.10 acres
4. Percentage of holdings below the average - 72.76 per cent
5. Percentage of area in holdings below the average - 17.35 per cent
6. Average size of holding (Agri. Labour Enquiry) - 7.53 acres

Source: Report on Land Holdings (2) (Operational Holdings in Rural India), Calcutta, 1960.

Appendix - 3

ABOLITION OF ZAMINDARI AND CEILINGS LEGISLATION IN INDIA

Table 4

Basis and rate of compensation

Name of the State	Basis of Assessment of Compensation	Rate of Compensation
1.Uttar Pradesh	net assets	8 times the net assets.
2.Bihar	net income	varies from 20 to 3 times the net income for Rs 500 to Rupees one lakh and more.
3.Orissa	net income	varies from 15 to 3 times the net income of Rs 500 to Rs.40,000 and more.
4.Madhya Pradesh	net income	10 times the net income.
5.Assam	net income	15 to 3 times the net income for Rs.1,000 to Rs.3 lakhs and more
6 Punjab	annual rent and other dues	8 times the rent and dues.
7.Madras	basic annual sum	30 to 12½ times the annual basic sum for Rs 1,000 to Rs.one lakh.
8.Mysore	(a)annual rent (b)land revenue (c)value of land	(a)varying from 20 to 75 times (b) varying from 15 to 50 multiples and (c) Rs.40 or 75 per acre
9.Saurashtra	land revenue	6 times plus 15 times the assessment of the lands.
10.Jammu & Kashmir	no compensation is payable	
11.West Bengal	net income	20 to 2 times the net income for Rs.500 to an amount exceeding Rupees one lakh.

Table 5 .....

Table - 5

Ceiling on Existing Holdings - Levels of Ceiling

State		Level of Ceiling	remarks
Andhra Pradesh		4½ times the family holding i.e. 27 to 324 acres. (A family holding varies from 6 acres of wet land bearing settlement taram No.1 or settlement classification of 15 annas and above to 72 acres of dry lands with taram above 5 and chalka soil with assessment b below 8 annas).	Allowance made for size of family - additional one family holding for every member in excess of five. There is no outside limit.
Assam		50 acres	No allowance for size of family
Bihar	(a)	Land irrigated by flow irrigation work constructed and maintained by Government: 20 acres	Allowances made for size of family subject to an outside limit of twice the ceiling area.
	(b)	Land irrigated by lift irrigation work or tube well constructed or maintained by Government : 30 acres	
	(c)	Land which is orchard and other lands not included in any other category: 40 acres.	
	(d)	Diara land: 50 acres.	
	(e)	Hilly, sandy and other lands not yielding paddy, rabi or cash crop: 60 acres.	
Gujarat	(i)	Dry crop land (including land irrigated from non-Government sources): 56 to 132 acres.	No allowance for size of family.
Madhya Pradesh		25 standard acres (a standard acre means one acre of perennially irrigated land or 2 acres of seasonally irrigated land or 3 acres of dry land)	Allowance made for size of family subject to an outside limit of 50 standard acres.
Madras		30 standard acres A standard acre means an acre of land assessed to land revenue exceeding Rs.10 but not exceeding Rs.15. In termsof ordinary acres the ceiling varies from 24 to 120 acres.	Allowance made for size of family-additional 5 standard acres for each member in excess of five subject to an outside limit of 60 standard acres.
Maharashtra	(i)	Perennially irrigated land by flow irrigation: 18 acres	Allowance made for size of family subject to an outside limit of twice the ceiling area.
	(ii)	Seasonally irrigated land by flow irrigation - (a) irrigated for two seasons: 27 acres (b) irrigated for one season: 48 acres.	

(iii) ......

	(iii) Dry lands (including lands irrigated from non-Governmental sources): 66 to 126 acres in different local areas.	
Mysore	27 standard acres (standard acre varies from one acre of wet land with assured irrigation on which two paddy crops can be raised to 8 acres of dry or garden land with less than 25 inches of annual rainfall).	Allowance made for the family-subject to outside limit of twice the ceiling area.
Orissa	25 standard acres (standard acre varies from one acre of perennially irrigated land which is assured of water supply for at least three crops in a year to 4 acres of dry land). The Amendment Bill which is before the Legislature provides for reducing the ceiling to 20 acres of class I land or equivalent area varying between 20 to 80 acres.	Allowance made for size of family-subject to an outside limit of twice the ceiling area. This is being omitted by the Amendment Bill.
Punjab: Punjab area	30 standard acres not exceeding 60 ordinary acres. In case of displaced persons, 50 standard acres not exceeding 100 ordinary acres.	No allowance for size of family.
Pepsu area	30 standard acres not exceeding 80 ordinary acres. In case of displaced persons, 40 standard acres not exceeding 100 ordinary acres. (standard acre means an acre of land yielding between 10 and 11 maunds of wheat per acre matured).	No allowance for size of family.
Rajasthan	30 standard acres (standard acre means land yielding 10 maunds of wheat or in case of lands not producing wheat, its equivalent in money value)	Allowance made for size of family subject to an outside limit of 60 standard acres.
Uttar Pradesh	40 acres of fair quality land (an acre of fair quality land means an acre of land with hereditary rate of rent exceeding Rs.6: $1\frac{1}{2}$ acres with rate between Rs.4 and Rs.6 and 2 acres with rate at Rs.4 per acre or less).	Allowance made at 8 acres of fair quality land for each member in excess of five, subject to an outside limit of 64 such acres.
West Bengal	25 acres	No allowance for size of family.
Delhi	30 standard acres (standard acre varies from 4/5th of an acre of irrigated land to 2 acres of Barani land).	Allowance made for size of family subject to an outside limit of 60 standard acres.
Himachal Pradesh	30 acres in district Chamba and land assessed to Rs.125 in other districts.	No allowance made for size of family.

Manipur.......

Manipur	25 acres	Allowance made for size of family subject to an outside limit of 50 acres.
Tripura	25 standard acres (standard acre varies from one acre of nal or lunga land to 3 acres of tilla land).	Allowance made for size of family subject to an outside limit of 50 standard acres.

Table - 6

Compensation payable & paid for abolition of intermediaries

(In crores of Rs.)

State	Compensation payable*				Compensation paid		
	Compen-sation	Rehabili-tation	Interest	Total	Cash	Bonds	Total
Andhra Pradesh	17.57(2)	...	...	17.57	14.87	..	14.87
Assam	3.75	..	1.25	5.00	0.38	..	0.38
Bihar	158.00	..	80.98	238.98	13.20	9.57	22.59(4)
Gujarat & Maharashtra	12.22	..	...	12.22	2.55	1.94	4.49(3)
Madhya Pradesh	16.58	3.54	1.98	22.10	13.57	...	13.57(5)
Madras	7.16	..	...	7.16	6.24	..	6.24
Mysore	5.95	...	...	5.95	2.20	..	2.20
Orissa	6.25	..	2.00	8.25	2.23	..	2.23
Rajasthan	24.78	18.87	6.66	50.31	7.25	18.78	26.03
Uttar Pradesh	93.43	70.00	34.93	198.36	25.05	94.24	119.29
West Bengal	70.00	..	...	70.00	7.15	..	7.15(1)
Former Hyderabad	5.52	..	...	5.52	5.52	..	5.52
TOTAL	421.21	92.41	127.80	641.42	100.03	124.53	224.56

Source: Progress of Land Reforms, Government of India, Planning Commission, Delhi, 1963.

(1) Does not include payments made in Purulia District.
(2) Amount payable in Andhra area is an estimate
(3) Includes Rs.1.29 crores paid up by Gujarat Government upto 30-9-1960
(4) Includes ad interim Compensation
(5) Amount paid upto end of March 1960.
* Does not include annuities payable to religious and charitable institutions.

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Appendix - 4 .....

Appendix - 4

AGRICULTURAL PRODUCTION, OUTPUT, PRODUCTIVITY AND EXPERT USE IN INDIA

Table - 7

Agricultural area, Output and Productivity per Acre since 1949-50

The following table shows the index numbers of cultivated area, agricultural output and productivity per acre in India since 1950-51

Index numbers of Area, output and Productivity per acre in Indian Agriculture (Agricultural year 1949-50 = 100)

Years	Area		Output		Productivity per acre	
	Food grains	Non-food grains	Food grains	Non-food grains	Food grains	Non-food grains
1950-51	97.9	110.8	90.5	95.6	92.4	95.6
1951 52	98.0	121.3	91.1	97.5	93.0	91.1
1952-53	103.2	116.2	101.1	102.0	98.0	89.3
1953-54	110.2	115.9	119.1	114.3	108.1	90.3
1954-55	109.3	127.4	115.0	117.0	105.2	94.9
1955-56	111.9	130.7	115.3	116.8	103.0	91.7
1956-57	112.5	134.4	120.8	124.3	107.4	97.8
1957-58	110.7	135.1	109.2	115.9	98.6	95.9
1958-59	115.9	136.5	131.0	133.8	113.0	102.1
1959-60	115.3	137.7	126.8	128.5	110.0	95.9
1960-61	114.5	138.9	135.6	139.9	118.4	106.9
1961-62	115.5	143.1	135.2	139.9	117.1	104.4
1962-63	NA	NA	NA	NA	NA	NA
1963-64	NA	NA	NA	NA	NA	NA

NA: Not Available

From the preceding table, it will be seen that the area under cultivation, agricultural output and productivity per acre have all increased during the period of 12 years from 1950-51 to 1961-62, albeit very slowly. This increase has been achieved as a result of land reforms on the one hand and increased use of irrigation, fertilisers and improved seeds, cooperative credit as well as by means of increased use of improved machinery and equipment as will be seen from the following figures:

Table - 8

Expansion of Irrigation, Use of Fertilizers, Manures, Imported Seeds in India since 1950-51

Item	Unit	Levels reached in				
		1950-51	1955-56	1960-61	1961-62	1962
Irrigated Area						
Gross Area	million acres	55.7	63.3	74.4	77.[illegible]	60.3
Net Area	"	51.5	56.2	70.0	72.0*	75.0*
Fertilizers						
Nitrogenous	'000 tons	89.0	122.0	200.0	280.0	350.0
Phosphatic (P20s)	"	NA	NA	70.0	72.0	80.0
Potassic (K20)	"	NA	NA	25.0	48.0	65.0
Organic & Green Manuring						
Urban compost	million tons	NA	NA	2.4	2.6	2.9
Rural compost	"	NA	NA	66.[illegible]	75.0	83.0
Green manuring	" acres	NA	NA	10.4	12.4	16.2

Plant.......

Plant Protection	million acres	NA	NA	16.0	16.0	17.0
Improved Seeds	" "	NA	NA	55.0	67.0	81.0
Cooperative Credit						
Short and medium terms loans advanced	Rs. crores	NA	NA	202.8	228.1	267.0

* Approximately calculated. NA = (figures) Not Available

Table - 9

Agricultural Implements and Machinery in use in Indian agriculture in 1951, 1956 and 1961

(In thousand numbers)

Implements	1951	1956	1961
Ploughs			
Wooden	31,779.5	36,615.1	38,371.8
Iron	931.1	1,366.9	2,298.2
Sugarcane Crushers			
Operated by bullocks	519.5	545 0	590.2
Power driven	21.2	23.3	33.3
Oil Engines	95.1	122.2	230.0
Electric pumps for Irrigation	29.8	54.8	160.3
Tractors			
Government owned	1.5	3.3	3.7
Privately owned	6.9	17.7	27.3

The preceding tables are self-explanatory. However, it will be noticed that the increase attained in input items and cooperative credit which are provided from State resources are still very slow. Amongst items of agricultural machinery, which are obtained from private resources or funds borrowed from State institutions, tractors show a significant increase during 1951-56, the reasons for which have been explained in the earlier part of this note.

However, the progress in these items cannot be much faster since the Government finances are burdened with the payment of huge amounts of compensation as will be seen from the following table:

Table - 10

Net Impact of Zamindari Abolition on State Resources: First and Second Plans

Rs. lakhs)

State	Net resources before compensation	Compensation paid	Net Impact
Andhra Pradesh	- 909	372.1	- 1281.1
Assam	- 84	43.7	- 127.7
Bihar	+ 840	1095.0	- 255.0
Bombay	+1590	403.0	+ 1187.0
Jammu and Kashmir	- 39	-	- 39.0
Kerala	- 335	-	- 335.0
Madhya Pradesh	+ 123	1234.6	- 1111.6
Madras	- 312	669.6	- 981.6
Mysore	- 731	119.4	+ 611.6
Orissa	+ 20	227.4	- 207.4
Punjab	- 596	-	- 596.0
Rajasthan	+ 343	1007.5	- 664.5

Uttar Pradesh...

Uttar Pradesh	+6877	2837.0	+ 4040.0
West Bengal	- 776	662.1	- 1438.1
Total:	+7473	8671.4	- 1198.4

It will be seen from the table that the annual resources of all the States are in deficit to the extent of about Rs 12 crores on account of the payment of compensation to zamindars despite the increase in their revenue. And these deficits are met from general reserves raised from non-agricultural sectors of the economy. Thus not only does agriculture does not fully relieve the burden on account of compensation paid to zamindars but also imposes some tribute on other sectors of the economy as well. Evidently, the resources of the States for agricultural development would remain considerably limited until the burden of compensation is liquidated.

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APPENDIX - 5

MARKETED SURPLUS OF AGRICULTURAL PRODUCE IN INDIA

Table - 11

Marketable surplus in India

Crop	Marketable surplus as percentage of production
Rice	31
Wheat	37
Jowar	24
Bajra	26
Maize	24
Gram	44
Ragi	19
Groundnut	84
Linseed	80
Potatoes	73
Tobacco	97
Grapes	93
Mangoes	67

Source: Agricultural Price Policy in India, Government of India, Ministry of Food and Agriculture (Mimeographed), 1963.

Table - 12

Marketed surplus during 1958-59 according to size of land holding

Market	Marketed surplus as percentage of production			
Size groups	Small (Below 10 acre)	Medium (10-20 acres)	Big (above 20 acres	Crops
Hapur (Uttar Pradesh)	20	22	37	Wheat
Chandausi (U.P.)	12	32	30	Wheat
Moga (Punjab)	40	44	66	Wheat
Bhatinda (Punjab)	0	19	28	Wheat
Kotkapura (Punjab)	3	38	37	Wheat
Itarsi (Madhya Pradesh)	0	4	6	Wheat
Monghyr (Bihar)	0	16	26	Maize
Tadepalligudem (Andhra Pradesh)	41	39	48	Paddy
Bhimavaram (Andhra Pradesh)	48	60	53	Paddy

Source: Ibid.

Table - 13

Seasonal patterns of market arrivals of wheat and gram

Quarter ending	Quarterly marketings as percent of annual marketings Year	Wheat	Gram
June	1960-61	48.3	55.9
	1961-62	51.2	55.2
September	1960-61	14.6	16.2
	1961-62	17.1	14.8
December	1960-61	15.6	13.4
	1961-62	16.4	15.9
March	1960-61	21.5	14.5
	1961-62	15.3	14.1

Source: Ibid.

Table - 14

Seasonal pattern of market arrivals of paddy and jowar

Quarter ending	Quarterly marketings as percent of annual marketings Year	Paddy	Jowar
December	1960-61	25.3	19.2
	1961-62	28.5	20.8
March	1960-61	33.7	41.1
	1961-62	33.5	35.3
June	1960-61	24.0	27.6
	1961-62	22.8	31.5
September	1960-61	17.0	12.1
	1961-62	15.2	12.4

Source: Ibid.

Table - 15

Percentage of market arrivals brought by various agencies in regulated markets

State	Agencies					
	Growers	Coopera-tives	Village merchants	Traders	Others	Total
Andhra Pradesh						
Telangana (14)	77	-	14	6	3	100
Maharashtra (51)	72	3	16	8	1	100
Gujarat (24)	49	12	21	18	-	100
Madhya Pradesh (10)	83	2	3	12	-	100
Madras (2)	55	6	11	21	7	100
Mysore (3)	62	5	20	12	1	100
Punjab (32)	65	1	13	17	4	100
Average for all markets (167)	65	4	16	13	2	100

Source: Ibid. Figures in brackets indicate number of markets.

Table - 16.......

Table 16

Producer's Share and Marketing Margins of Rice during 1962-63

(Expressed as percentage to consumer's price)

Particulars	Andhra Pradesh	Madhya Pradesh	Madras	Maharashtra	Mysore	U. P.	Average
Producer's share	80.5	76.2	80.1	69.3	73.7	75.2	75.4
Wholesaler's Margin	2.9	3.0	4.1	11.6	5.5	11.4	6.8
Retailer's Margin	4.4	7.2	3.1	12.4	9.5	4.1	7.2
Cost of Marketing	12.2	13.6	12.7	6.7	11.3	9.3	10.6
Consumer's Price	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ibid.

Table - 17

Percentage Distribution of Marketing Margin into its components during 1962-63

States	Margin of Intermediaries			Cost of Marketing	Total
	Whole-salers	Retailers	Total		
Andhra Pradesh	19	28	47	53	100
Madhya Pradesh	24	26	50	50	100
Madras	42	10	52	48	100
Maharashtra	44	36	80	20	100
Mysore	23	37	60	40	100
Uttar Pradesh	41	22	63	37	100
Average	30	26	56	44	100

Source: Ibid.

A p p e n d i x - 6

PRICES AND MARKETING

Table - 18

Index numbers of harvest prices (Base: 1952-53 = 100)

Year @	Rice	Jowar	Wheat	Sugarcane** Supplied to sugar factories	Sugarcane** Gur	Ground-nut	Cotton	Jute
1953-54	93	98	106	100	112	108	110	110
1954-55	79	59	79	110	75	63	94	100
1955-56	85	73	103	110	85	76	103	103
1956-57	105	115	117	110	86	100	120	116
1957-58	111	98	112	110	95	95	114	120
1958-59	111	96	121	110	121	103	110	104
1959-60	113	107	109	124	131	109	130	105
1960-61	113	109	106	124	111	123	131	153
1961-62	115	96	113	124	100	134	130	123

Source: Agriculture Price Policy in India, Government of India, Ministry of Food and Agriculture, (Mimeographed), 1963.

@ Agricultural year - July-June.

** Sugarcane is mainly used for manufacturing sugar and for making gur. Prices of sugarcane supplied to mills given above represent the prices fixed by Government from time to time for delivery of cane by the growers to the mills for manufacturing sugar.

Table - 19.....

Table - 19

Percentage difference between minimum and maximum price indices

Year	Rice	Jowar	Wheat	Gur	Ground-nut	Cotton	Jute
1952-63	16.7	17.9	6.8	28.9	45.7	19.5	14.1
1953-54	15.9	14.1	17.0	49.5	41.1	6.2	21.2
1954-55	13.9	17.8	27.4	27.9	17.0	7.6	41.7
1955-56	15.4	28.6	28.1	8.1	23.1	18.3	27.5
1956-57	13.6	14.0	13.4	17.2	13.3	5.6	11.6
1957-58	19.2	19.6	2.2	24.8	20.6	11.4	5.1
1958-59	22.8	7.0	26.3	26.0	24.0	10.1	5.0
1959-60	13.3	8.4	17.8	11.9	17.5	11.9	27.2
1960-61	12.2	13.1	8.7	17.4	16.4	2.8	20.3

Source: Ibid.

Appendix - 7

AGRICULTURAL CREDIT IN INDIA

Table - 20

Average Borrowings From Different Credit Agencies

(Amount in Rs. per family)

Credit Agency	Borrowings					
	Cultivators		Non-cultivator		All Families	
	Amt.	%	Amt.	%	Amt.	%
Government	6.9	3.3	1.0	1.5	4.9	3.1
Cooperatives	6.5	3.1	1.0	1.5	4.6	2.9
Relatives	29.8	14.2	10.3	15.5	23.0	4.4
Landlords*	3.2	1.5	3.2	4.9	3.2	2.0
Agriculturist Money/Lenders	53.1	24.9	16.4	24.8	39.7	24.8
Professional Money Lenders	94.0	44.8	25.1	38.0	70.1	43.8
Traders and Commission Agents	11.5	5.5	6.5	9.9	9.8	6.1
Commercial Banks	2.0	0.9	1.3	2.0	1.8	1.1
Other agencies	3.5	1.8	1.3	1.9	2.8	1.8
Total	209.5	100.0	66.1	100.0	159.9	100.0

*To tenants only.

Source: Studies in Indian Agriculture Economics, Edited by J.P. Bhattacharjee, Bombay, 1950.

Table - 21

Debt per family, debt per indebted family and proportion of indebted families - All India & Regional Averages

Region	Debt per family Rs.			Debt per Indebted family (Rs.)			Proportion of Indebted family (%)		
	Cultivators	Non-Cultivators	All Families	Cultivators	Non-Cultivators	All Families	Cultivators	Non-Cultivators	All Families
Assam-Bengal	201	88	169	297	263	292	67.4	33.6	57.8
Bihar-Bengal	230	95	181	318	161	268	72.2	58.9	67.4
Eastern U.P.	298	113	255	406	230	377	73.4	49.2	67.8
Western U.P.	253	157	297	568	297	199	62.2	52.7	59.5
Punjab-PEPSU	608	302	516	1032	509	874	58.9	59.4	59.1
Rajasthan	563	276	496	780	578	745	72.2	47.8	66.5
Central India	291	76	226	415	184	368	69.9	41.5	61.3

Orissa-Eastern M.P........

Orissa-Eastern M.P.	132	37	101	225	100	196	58.9	37.3	51.8
Western Cotton Region	357	88	245	624	304	539	57.3	28.9	45.5
North Deccan	393	145	353	574	262	532	68.4	55.3	66.3
South Deccan	759	173	435	919	297	629	82.6	58.2	69.1
East Coast	639	197	420	750	295	552	85.1	66.8	76.1
West Coast	391	82	220	516	135	327	75.7	60.4	67.3
Total:	364	129	283	526	249	417	69.2	52.1	63.3

Source: Ibid.

Table - 22

Average Amount of Borrowing Per Family - Region-wise

Region	Average Borrowing per Family (Rs.)		
	All Families	Culti-vators	Non-Cultivators
Assam-Bengal	98.9	119.2	47.0
Bihar-Bengal	113.1	148.0	52.5
Eastern Uttar Pradesh	143.3	167.0	63.9
Western Uttar Pradesh	210.2	253.2	103.0
Punjab-PEPSU	217.6	261.7	114.9
Rajasthan	227.6	277.8	63.4
Central India	175.2	229.1	51.3
Orissa and Madhya Pradesh	68.7	90.5	23.7
Western Cotton Region	160.1	238.3	50.2
North Deccan	209.6	235.5	74.5
South Deccan	196.7	343.7	78.7
East Coast	200.6	305.0	94.1
West Coast	147.1	253.9	60.1
All India	159.9	209.5	66.1

Source: Ibid.

Table - 23

Purpose Of Borrowings In The Four Groups Of Cultivators

Purpose of Borrowing	Borrowing for the purpose as % of total Borrowings				
	Big culti-vators	Large culti-vators	Medium culti-vators	Small culti-vators	All culti-vators
Capital expenditure on farm	35.5	34.7	30.5	23.2	31.5
Current expenditure on farm	13.3	12.1	10.1	6.8	10.6
Non-farm business expenditure	6.4	4.9	3.3	6.0	4.5
Family expenditure	37.2	41.2	49.5	59.8	46.9
Other expenditure	7.2	6.6	6.0	3.9	6.0
More than one purpose	0.4	0.5	0.6	0.3	0.5
Total:	100.0 (25.2)	100.0 (51.1)	100.0 (33.0)	100.0 (15.9)	100.0

Source: Ibid.

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15

COMMUNIST PARTY OF INDIA

Central Office
-------------------------------- 7/4 Asaf Ali Road, New Delhi

Information Document No.3 May 1964

For National Council Members only

THE PROBLEM OF INDIAN MONOPOLY

- Growth of Concentration in the Private Sector-Industries & Banks

*

(This Information Document has been compiled from the Mahalanobis Committee Report, Central Statistical Org. Report on National Income Distribution, FICCI Report on the contribution of private sector to Indian Industrialisation, and the official reports and papers and the press cuttings.

It is only a first rough draft, dictated in great hurry. It will be worked up more and discussed further.

It is being circulated with the hope that the National Council members will find it useful as reference material for the problems of the Party Programme.

Any criticism and suggestions will be welcome.

- P.C.Joshi)

*

I. INTRODUCTION

The National Aim and its Distortion

In April 1964, the Mahalanobis Committee has highlighted the problems of concentration of economic power thus:

" There can be no doubt that, in part at least, the working of our planned economy has encouraged the process of concentration of economic power by facilitating and aiding the growth of big business in India.

" How far this is an inevitable part of the process of economic development.

" How far it can be justified in terms of economy of scale and/or full utilisation of scarce managerial and entreprenneurial resources?

" How far it is consistent or is in conflict with the declared objectives of our planned economy?

" How far the growth which has taken place is unhealthy and anti-social in its consequences? And what precisely are its implications in the operation of democracy? "

And, if we may be permitted to add: Have not the recent fiscal and economic policies of TTK-Boothlingam axis exposed

our...

our country to the danger os surrender to economic imperialism of US-UK Big Business in addition?

All these are vitally connected with the growth of Big Business and are posed for a serious study. Let us address ourselves to these fundamental questions with a view to understand the problem and solve the problem to the extent possible on the basis of accepted national policies. Otherwise, India will be a different India.

The questions posed require serious examination since they involve a study of reversal of the hopes and aspirations that inspired the people of India to fight for freedom and make the freedom real.

We achieved independence in 1947. The Congress Election Manifesto of 1945-46 had attempted to give a concrete shape to the items formulated in the Objectives Resolutions of the All India Congress Committee. Laying down the framework of thenationalisation of private sector, Shri Jawaharlal Nehru wrote in 1946:

A

> ["New undertakings, which in the nature of monopolies or in view of their scale of operations, serve the country as a whole or cover more than one Province, should be run on the basis of public ownership... In respect of existing undertakings, the process of transfer to public ownership should commence after a period of five years. In special cases, a competent body may, after proper examination, decide on an earlier transfer. The first five years should be treated as a period for preparation, during which arrangements should be made to take over and run these undertakings efficiently."]A

Who sabotaged the nationalisation of existing undertakings after 5 years, if not earlier? It is pertinent to remember the strong warning struck by Prof. K.T.Shah on November 22,1948 in the Constituent Assembly:

B

> " The civilised cannibal of our time, the blood-sucker, is the exploiter who is highly honoured, who is often titled,who is very fully represented in this House also, and is, therefore, able to dictate to you, and inspire you in innumerable ways,as to how you shall provide for his safety in the Constitution itself, so that he could get a new lease of life and go on in a variety of ways, multiplying, diversifying, increasing and intensifying his monopoly to the prejudice of the common people, to the prejudice of the country's defence, to the prejudice of all those who have been looking forward to this age as an age in which real power is supposed to be vested in the representatives of the people in this House, to be able at least to obtain the immediate necessaries of life without paying the toll of the profiteer, and as such , to be able to lead a life a little above the level of the beasts...
>
> " The monopolies I have in mind are represented much more by Trusts, by interlocking directorates, by a variety of ways by which banks, insurance companies, transport concerns, electricity concerns, power corporations, utility corporations of all kinds,etc. yet all combined horizontally, vertically, angulraly, sideways, backways and frontways, so that if you take up the totality of them all, you will

find...

find that this country is in the grip of between 300 to 500 people or families so far as economic life of this country is concerned. They may have their nephews and their nieces functioning in various capacities. One may work in a factory, another may shine in sports, a third may flirt with Art, and fourth may endow Science and Learning. One may be a Manager, and another may be a philanthrophist, and yet another may be a religious teacher, but that does not change the complexion.

" There are a few hundred families in this country which held us all in slavery of a kind that the slavery in the Southern States of America has no comparison. If you do not open your eyes even now, then you are inviting with open eyes the kind of revolution in a form which none of us might desire but none of us would be able to resist."

No apology is necessary for this long quotation since it is a picturesque description of what has followed since independence. But in 1948 it was stated by the Economic Programme Committee of the AICC:

" All resources available for investment should be subject to the control and direction of the State. The State should set up Finance Corporation for financing industries. Banking and Insurance should be nationalised."

Obviously, Finance Corporations, then conceived, were intended to finance industries in the public sector and banks were sought to be nationalised to place the savings of the nation at the disposal of the State.

But in 1964, on the eve of the Bhuvaneshwar session, Prime Minister Jawaharlal Nehru was still struggling to be permitted to put in the Resolution on "Democracy and Socialism" a clause for extending the area of nationalisation to banks and general insurance, the State Bank and Life Insurance having been nationalised already.

However, TTK, acting under dictates of US monopolies and the instructions of capitalists at home vetoed this weak, half-hearted attempt of the Prime Minister. And here we are.

After 16 years of independence, a declared national objective has been surrendered for the time being to woo and appease the economic imperialism across the Atlantic and satisfy the man-eaters at home. And the warning given by Prof. K.T.Shah has come true. It has received an authoritative affirmance through the Mahalanobis Committee and the fiscal and economic policies advocated by theFinance Minister are universally accepted as betrayal of the dreams of a just social order.

The vision and dreams which inspired the freedom struggle had come to be sanctified in the Constitution on January 26, 1950 in these words:

" We, the people of India, having solemnly resolved to constitute India into a SOVEREIGN DEMOCRATIC REPUBLIC and to secure to all its citizens;

JUSTICE...

" JUSTICE, social, economic and political;

" EQUALITY Of status and of opportunity;

" declare the principles fundamental in the governance of the country and cast a solemn duty that the State shall, in particular, direct its policy towards securing:-

(a) that the ownership and control of the material resources of the community are so distributed as best to subserve the common good;

(b) that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment."

The State was expressly commanded, under the Constitution, to make laws in accordance with these principles and to establish a social order in which justice, social, economic and political, shall inform all the institutions of the national life; but we, citizens, were denied the right to enforce these principles in Courts of law. The result is that a Government headed by no other than Pandit Jawaharlal Nehru has ended in making laws that have paved the way for concentration of vast economic power in a few hands and corruption, instead of justice informs institutions of national life.

Though we have built a splendid public sector in practice it is precisely the opposite that has been achieved during the last fifteen years after independence. How is it that the State has violated the command of the Constitution? How has it trampled underfoot the dreams of the nation? How has a State committed to build a socialist society, placed large funds out of the tax-payers' hard-earned money at the disposal of the "indigent" "poor" private sector, to build the Big Business in India?

It is common knowledge that if large funds were not made available to the organised private or corporate sector, by the State and by the credit and other allied institutions of the State and by the big banks in India, capitalism in this country would not have assumed this menacing proportion.

The central thesis of this study of the private industrial corporate sector is that our exploiters were too poor and they had not the means to assume responsibilities of national development to meet the needs of the country. Their financial resources or their technical know-how was meagre to warrant favours that were bestowed on them in defiance of the fundamental principles of governance of our country declared by the Constitution.

(2) The business talent or their financial strength did not justify an orientation of economic and fiscal policies to facilitate and aid the growth of Big Business in India and set at naught the declared national policy of nationalisation of existing industries.

(3) The total growth of Big Business in India is a result of large borrowings from the State, Industrial Finance Corporation, State Finance Corporations, National Industrial Development Corporation, LIC. Big banks controlled by industrial houses, of course, had no compunctions to divert large funds of the deposits' money without the consent of the deposits for the growth of Big Business.

(4) The State has facilitated this growth by deliberate policy decisions:

a. To maintain inflationary policies to guarantee the sellers' market;

b...

b. To give considerable tax concessions in the form of direct subsidies, handsome development rebates and tax exemptions to companies.

During 6 years from 1955-56 to 1961-62 total income exempted under these provisions is 95 crores and thus the State has contributed at least 47.5 crores to the coffers of private capital by denying it to the exchequer.

Our capitalists admit that in 1950-51, the contribution of organised industrial sector to national income was 5.8 per cent. They claim in 1960-61 it is 10.5 per cent. The Mahalanobis Committee disputes this claim and asserts that industrial production in private sector accounts for 16 per cent of the net national production and about half of this production is in the corporate form. Industrial Corporations are, therefore, not responsible for more than 8% of the total national production. But in this sector, the extent of growth of control of the monopoly groups from 1951 to 1958 is obvious from the following analysis:

Table No.I
Percentage share of 20 Groupls complexes in share capital, net capital stock and gross physical stock of all non-government public companies only

S. No. groups	share capital:		net-capital:		gross capital stock:		Difference in %age share between 1958 and 1951		
	1951	1958	1951	1958	1951	1958	Share capital	Net capital stock	gross capital stock
1	2	3	4	5	6	7	8	9	10
1. Total non-govt. Companies	100.00	100.00	100.00	100.00	100.00	100.00			
2. 20 complexes gross	38.97	47.96	36.48	45.05	37.05	45.84	8.99	8.37	7.8
3. 13 "	33.44	40.50	31.61	38.45	32.28	38.26	7.06	6.84	5.9
4. 10 "	29.35	44.53	26.99	32.62	27.21	31.83	5.18	5.63	4.6
5. 4 "	22.13	26.75	20.55	26.60	21.20	25.20	4.62	6.05	4.0
6. 1 "	9.35	12.29	9.60	14.28	10.86	13.86	2.94	4.68	3.0

It has increased further from 1958 to 1964. And these twenty monopoly groups do not necessarily hold majority shares in the Industrial complexes they control.

Their holdings are as follows:

Table No. II

controlling blocks in public companies of
20 inner-circles(majority shares or 50:50 share)
percentage of share capital

S. No.	group	ordinary 1951	ordinary 1958	preference 1951	preference 1958
	(1)	(2)	(3)	(4)	(5)
1.	Tata	19.5	18.0	4.5	2.2
2.	Birla	61.0	61.1	55.4	28.0
3.	Martin Burn	25.9	23.7	7.4	3.1
4.	Dalmia-Sahu-Jain	65.2	54.8	36.3	24.2
5.	Bird Heilger	34.7	40.5	10.6	8.2
6.	Andrew Yule	43.3	45.7	43.0	43.1
7.	Bangur	79.8	68.8	46.5	25.4
8.	Thapar	57.6	61.1	11.8	23.7
9.	JK	72.8	74.7	46.0	36.4
10.	Shri Ram	46.3	43.9	58.2	26.9
11.	Shapoorji	72.3	35.5 *	-	99.2
12.	Khatau	67.2	68.6	16.4	17.7
13.	Walchand	69.8	67.0	17.1	6.3
14.	Mafatlal	78.5	69.5	2.7	7.4
15.	Kasturbhai	23.4	20.1	36.2	34.3
16.	Seshasayee	8.7	6.1	4.9	2.7
17.	Ramkrishna	26.5	24.4	18.3	11.9
18.	Indra Singh	62.6	40.6	-	41.0
19.	Mahindra	8.0	37.8 **	22.5	5.3
20.	Kirloskar	27.9	27.9	-	1.7
	total	48.0	43.1	22.7	17.3

* decline due to acquisition of Brady Group in 1958
** increase mainly due to the conversion of the principal company from private to public

The Reserve Bank of India has recently analysed the balance sheets of 1834 companies. According to this study, profits, after payment of taxes were fairly above 10 per cent of their net worth in 1960 and 1961. The British Board of Trade revealed that British investments in India earned a return of 9.5 per cent which was claimed to be higher than similar return on US investments in India. But the US Department of Commerce, which presumably does not follow the sophisticated methods of accountancy was more frank. It admitted that earnings of US direct investments in India were 20.6 per cent in 1962 against 18 per cent in Pakistan- a SEATO and CENTO ally and 12.7 per cent in Philippines.

All this should normally be enough to prove that shameful colonial exploitation of India has not ended. It continues, aided and abetted by Boothlingams and TTKrishnamacharis who pride themselves for wooing the US Big Business with a "beautiful" record of guaranteed exploitation.

Mr. TTK ...

Mr.T.T.Krishnamachari is also reported to pride in the "phenomenal growth of Indian Big Business concerns in recent years and he invites the big foreign monopolists to join first Indian big business partners, failing which the Indian Government would be too willing to join in this loot. This is the pattern of official understanding of the dispensers of economic and fiscal policies. Is it at all compatible with the dream of an independent India?

An examination of the growth of big business in India must address itself to the following fundamental questions:

1. Is the State, professing to build socialism, entitled to place the tax payers' hard earned money at the disposal of big business to subsidise inadequate financial resources of the "indigent" Indian capitalist to facilitate its phenomenal growth?

2. If not, must this policy not be repudiated forthwith? What economic justification can there be to pour in the large resources of the State to fill in the empty coffers of the private capital, on the false pretext of ensuring production to usher in an era of prosperity in this land?

3. Must the depositers' money held in trust be allowed to be touched by individuals tormented by lust for limitless profits ? Must not the citizen forbid the State to permit the private sector to draw on the total accumulations of the nation and to that extent restrict the growth of a still more powerful public sector in fields reserved as the exclusive preserve of the big business to continue its rapacious loot and grow out of all proportions?

4. Even if the country is willing to allow the private sector to continue for some time more on its own resources, can the private sector claim the right to assume economic power and wield political influence out of all proportion to its inadequately small size compared to the big country it aspires to control ?

5. Is the Government not endangering the freedom of this country by inviting the participation of foreign equity capital to intensify the colonial exploitation?

Questions Nos. 1,2 and 3 need moral and political answers which need not wait for the findings of the Monopolies Commission.

No Government can tell its citizens that it would tax the common man to pay Tatas and Birlas in order to build "socialism".

No Government can permit depositers' money to be diverted into channels intended to satisfy the insatiable lust of private capital for limitless profit. If these answers are natural andinevitable, the trend to build capitalism in India can be reversed:

The only question that will then survive is: How to clean up the private corporate sector? Its capacity for enormous crime and immense mischief has been demonstrated by the Vivian Bose Enquiry Commission Report. Naturally, the Monopolies Commission will have to address itself to the questions posed by the Dalmia Jain Group Report and carry forward the further probe.

But the Monopolies Commission cannot be a pretext for postponing decisions which brook no delay.

The myth...

The myth must be exploded that the public sector is incapable of doing as well as the big business can be trusted to do or that the expertisation that big business could bring in was indispensable. It is a surrender of national pride to say that the guaranteed existence and limitless growth of Indian capitalism was the only means, aided and abetted by foreign capital, of fulfilling the building of a self-reliant, self-sufficient strong and prosperous independent India. Independence and surrender to foreign equity capital do not go together. Prosperity of the millions is not to be hoped for by concentrating wealth in the hands of a few big business houses. It does not even inspire even rapid industrialisation, which is conditioned, restricted and even sacrificed at the alter of "profits" the sole driving force of capital.

The country has suffered under illusions long enough. This problem cannot be solved by the Monopolies Commission. The Commission can be trusted to do a modest job. It cannot give us national policies nor the courage to execute these policies. We won our independence on the basis of national policies. Let us restore those policies to their place of pride and work to make them a success, after 16 years what we promised to do infive years.

Reforms are imperative to rid the existing private sector of its capacity for evil but the policy decisions not to place the resources of the State at the disposal of the private capital is a matter of a moral decision that brooks no delay. It is breach of trust that the Nation has reposed in the powers that be. We have laboured for these 15 years under an obsession that the Finance Minister of this country must be the man of big business. The total contribution of industrial corporate sector in the national economy is only 8 per cent of the national income. Neither the sheer size nor the magnitude of production commanded by the private sector compared favourably with the colossal industrial structure built by theState. It is state within the State industrial sector that is sustaining capitalism in our country operating solely on profit motive with its extremely limited sources. The disproportionate influence big business houses wield in the determination of national policies is not warranted either by its existing contributions to national life nor its promise of assuming future responsibility unless the State unhesitatingly places practically all its resources at its disposal and denies them to the public sector.

This country has suffered on account of too much dependence on private capital. It is time that we leave capitalism to grow or perish on its own and turn to it only to nationalise those sectors of industry that are needed to be nationalised to serve the country better.

We have much to learn from countries that have recently won their independence. Examples of Burma, Ceylon, UAR, Algeria are inspiring enough to give us courage to deal with our big business firmly and finally.

A conference of Afro-Asian countries convened at the highest level to discuss the non-capitalist path of development of the newly-liberated countries is the need of the hour. This will strengthen the correct policies at home and restore India's place in the family of Afro-Asian countries struggling to make their freedom real as much as we are doing here.

The present study proposes to analyse the growth of big business under the following heads:

1. Capacity...

1. Capacity and growth of private corporate sector;
2. Sources of finance that facilitate the growth;
3. Deliberate State policies initiated to build big business;
4. Concentration of control-its technique;
5. Anti-social consequences of concentration of economic power;
6. Immediate steps necessary.

*

II. EXISTING CAPACITY OF CORPORATE SECTOR

A [There are 164,577 shareholders who own the entire issued capital in the private sector. Out of them, only 101,051 share holders are assessed to income tax. In 1951-52, 29,183 companies had piled up capital of Rs.809.4 crores. In 1960-61 this number was reduced to 26,009 but paid-up capital was increased to 1269.7 crores of rupees. The concentration of wealth in a few hands is obvious from the following table:

Table No.III

No. & Account of paid-up capital of non-govt. Companies at work by size classes of paid-up capital, 1951-52 and 1960-61

size of paid-up capital (Rs.lakhs)	companies Number		P.C. of total		paid-up capital amount(Rs. crores)	
	1951-52	1960-61	1951-52	1960-61	1951-52	1960-61
1. Below 5	26785	22363	91.8	86.0	202.0	185.1
2. 5- 50	2170	3222	7.4	12.4	337.2	409.7
3. 50-100	148	239	0.5	0.9	107.6	157.9
4. 100 & above	80	185	0.3	0.7	162.6	517.0
all classes	29183	26009	100.0	100.0	809.4	1269.7

Source: Report on Distribution of Income & Wealth and Concentration of Economic Power

This table shows that 1.6 per cent companies own 53% of the total paid up capital, whereas 86 per cent of the companies own only 14.6 per cent.

During 1956-59, 3612 companies, which were defunct werestruck off the registers of companies. 1431 companies went into liquidation during the same period. Half the number of the companies are not assessed to income-tax. This is the total picture of our private corporate sector.] A

The total investment in Government corporate sector in the year 1949 was an insignificant 49 crores. In the first Five-Year it suffered from utter neglect and struggled to grow to mere Rs.66 crores. But during the second five-year plan it received a place of pride. In 1960-61, it was 468.4 crores of rupees. In 1960-61 it had grown further to Rs.699 crores.

To this must be added large Government investment in departmentally managed undertakings and undertakings incorporated under statutes other than the Companies Act. These are connected

with the...

with the fiscal overheads in railways, power, fuel, transport or basic industries which require heavy investments on a scale entirely beyond the capacity of Indian private capital.

[Rs.2,000 crores are invested in railways(including factories and workshops),Rs,100 crores in aircraft construction(repairs and operation), Rs,450 crores in generation and distribution of electricity and manufacture of heavy electrical equipments, Rs.500 crores in steel production and Rs.200 crores in coal, oil, chemicals and fertilisers.]

Investments in industries directly connected with the requirements of Defence are considerable.

It is obvious that these are all vital items which constitute the infra-structure of the economy and sustain the industrial sector. The public sector, taken in its totality, commands a dominating position in our economy, but the ungrateful private sector and its press leaves no stone unturned to run it down.

The State has an industrial investment to the tune of Rs.3250 crores in departmentally managed undertakings and Rs.689 crores in Government corporate sector even if the Defence industries are treated apart. It is an impressive figure indeed. A comparison should be enough to cut private corporate sector to its size and there is no warrant for an attitude of psychophancy towards the private sector. Our Ministers will do well if they begin thinking that future of India can be safely trusted to the public sector .

Truly, the size and potentiality of the private sector does not justify its claim to a place of pride or a dominating position in our national life. In 1950-51, its paid-up capital was only Rs.775.4 crores and in 1960-61 it increased to Rs.1269.7 crores only.

In the First Five-Year Plan, the organised private sector could afford a modest investment of far below Rs.450 crores,which included the investment on small industries and oil. In the Second Five-Year Plan, it had a target of investment of Rs.725 crores and in the Third Five-Year plan, it proposed to mobilise Rs.1100 crores plus Rs.150 crores for replacement and modernisation. This figure included a transfer of Rs.200 crores from the public sector,which was not necessary and could well be avoided if we had the necessary confidence.

The insignificance of the organised industrial private sector is obvious from the admissions made by the Federation of Indian Chambers of Commerce and Industry(FICCI) in its pamphlet "Contribution of Private Sector Industries During the Plans", which reads:

> " Our contribution to national income went up from 5.8% in 1950-51 to 10.5% in 1960-61. The contribution of small enterprises tonational income went up by 24% during the last decade."

The Mahalanobis Committee gives a lower figure of 8%. 16 per cent is the total contribution of the entire industrial sector, including the non-corporate small and mexium industrial undertakings and the share of organised sector is not more than half.

Therefore, the question that arises is: With its meagre contribution to our national life, is it legitimate for the private sector to dominate our national life? Leave aside percentage, the FICCI has traced the growth from 1950-51 to 1962-63 in its most prominent sectors in a tabular form which gives a clear picture of their total capacity: Table IV

Table No. IV

Growth of selected items of Base Metals and Products during the plans

Items	Unit	1950-51	1960-61	1962-63
Pig iron	M. tons	0.35	0.3	0.24
Finished steel	"	0.98	1.8	2.2
Ferro- manganese	000 tons	-	89.3	108.00
Aluminium	000 tons	3.70	18.2	41.97
Copper	"	6.60(a)	8.8	9.50
Lead	"	0.8	3.7	3.4
Steel castings	"	21.6	34.0	43.6
Steel tubes & pipes	"	-	96.0(a)	155.8
Steel forgings	"	N.A.	35.0	53.0
Bolts, nuts & rivets	"	2.4	15.4	N.A.
Brass sheets & circles	"	11.2	26.5	23.3

Note: N.A. - Not Available: (a) Calendar year

Table No.V

Growth of selected items of transport equipment during the plans

Items	Unit	1950-51	1960-61	1962-63
Passenger coaches	Nos	N.A. (479 total)	N. A. (1466 total)	N.A. (1849 total)
Wagons	"	2924	13826	25969
Steam locomotives	"	N.A.	N.A. (258 total)	N.A. (246 total)
Truks & Buses)	'000	(16.5	27.5(a)	27.7
Cars & jeeps)	"	(	24.6(a)	28.3
Bicycles	Mil.Nos.	0.1	1.06	1.1
Motor cycles & scooters	'000	-	17.6	23.6
Lifts	Nos	-	140	N.A.
Cranes	'000 tons	N.A.	1.6	N.A.

Note: N.A. Not available; (a) Calendar Year.

Table No.VI...

Table No. VI

Growth of Selected Items of Machinery & tools industry during the plans

Items	Unit	1950-51	1960-61	1961-62
Cotton textile machinery	Rs.crores	0.5	10.4(a)	13.0(b)
Sugar machinery	"	-	4.2(a)	6.4
Cement Machinery	"	-	0.6(a)	0.7(b)
Paper machinery	"	Neg.	Neg.	0.85(b)
Tea processing machinery	"	33.0(c)	1.2(a)	1.5
Industrial boilers	"	-	0.53(a)	2.22
Machine tools	"	0.34	3.75(a) (7.24 total)	N.A. (11.48 total)
Diesel engines	Nos'000	5.50	43.2	45.3
Power driven pumps	"	34.0	105.0	131.1

NOTE: (a) calendar year; (b) 1951; (c) Estimated

Table No.VII

Growth of Selected Items of Electrical equipment during plans

Items	Units	1950-51	1960-61	1962-63
Electric motors (200 HP & below)	'000 HP	99	73	103
Electric trans-formers(330 KV andbelow)	Mil.KVA	0.18	1.39	2.40
VIR & PVC cables	Mil. Yds.	39.40	214.20	306.70
ACSR	'000 tons	1.7	23.06	30.47
Fans	Mil Nos.	0.19	1.06	1.16
Radio Sets	'000 Nos.	49	280	360
House Service meters	Lakh Nos.	-	5.05	8.78(a)
Refrigerators	'000 Nos.	-	5	13 (a)

NOTE: (a) Calendar Year

Table No.VIII

Growth of selected Items of chemicals & Pharmaceuticals during the plans

Items	Unit (1)	1950-51 (2)	1960-61 (3)	1962-63 (4)
Industrial gases				
-Oxygen	Mil.c.ft.	145	717 (a)	671(a)
-Acetylene	"	30	89 (a)	117(a)
-Fertilisers nitrogenous	'000 tons	-	5	N.A. (175.2 total)
Phosphatic	"	9	42.0	N.A. (78.9 total)

contd-

	(1)	(2)	(3)	(4)
Heavy chemicals				
- Sulphuric acid	'000 tons	99	264	N.A. (474 total)
- Soda Ash	"	45	143	N.A. (230 total)
- Caustic soda	"	11	97	N.A. (125 total)
- Alcohol	Mil.Gls.	8.6	20.4	37.5
Paints & Varnishes	'000 tons	28	52.0	61.6
Soap	"	106	140 (a)	148(a)
Dry cells	Mil.Nos.	136.5	214.2	251.0

NOTE: N.A.-Not available; (a) calendar year

Table No. IX

Growth of selected items of mining and crude oil during the plans

Items	Unit (1)	1950-51 (2)	1960-61 (3)	1962-63 (4)
Crude	Mil.tons	0.25	0.4(a)	N.A.
Coal	"	34(a)	44.9	52.2
Iron Ore	"	3.7(a)	N.A. (109 total)	N.A. (13.0 total)(a)
Manganese Ore	"	1.3(b)	1.2(a)	N.A.
Copper Ore	'000 tons	3.69(b)	8.8	9.48
Salt	Mil.tons	2.7 (b)	3.44(a)	N.A.
Mica	'000 tons	24 (b)	29 (a)	N.A.
Bauxite	"	94 (a)	387(a)	N.A.

Note: N.A.-Not available; (a) calendar year;(b)figures for 1951

Table No. X

Growth of selected items of non-metallic minerals during the plans

	(1)	(2)	(3)	(4)
Oil refining	Mil.tons	0.2	5.6	N.A.(6.5 total)
Cement	"	2.7	7.8	8.8
Refractories	"	0.24	0.55	0.66
Asbestos cement sheets	'000 tons	86 (a)	208(a)	230(a)

NOTE: N.A.- Not available; (a) Calendar Year

Table No. XI

growth of selected items of leather & rubber products during the plan

	(1)	(2)	(3)	(4)
Automobile tyres	Mil.Nos.	0.73	1.5	1.8
" tubes	"	0.67	1.4	1.6(a)
Bicycle tyres	"	4.18	11.15	12.42
Footwear-				
(a)Leather	Mil.pairs	5.0	9.2	11.8
(b)Rubber	"	18.0	40.0	49.8

Table No. XII

Table XII

Growth of selected items of paper,wool products

	(1)	(2)	(3)	(4)
Paper & Board	'000 tons	114.0	343.0	393.2
Newsprint	"	-	-	-
Hardboard,fibre-board etc.	Mil.sq.ft.	-	18.0	25.9
Matches	'000 cases	578(a)	650	559 (b)
Plywood	Mil.sq.ft.	53.8	160.7	181.7

Note: (a) 1951; (b) Calendar year

Table XIII

Growth of selected items of textile industry during plan

	(1)	(2)	(3)	(4)
Cotton textiles				
Fabrics	Mil.yds.	3718	5078	4921
Yarn	Mil lbs.	1179	1737(a)	1885
Woollen textiles				
Woollen & worsted yarn	Mil.lbs.	17.1(b)	27.8	43.1
Woollen cloth	Mil.yds.	12.1(b)	15.3	20.6
Jute	'000 tons	892	1022	1175
Staple fibre	Mil.lbs.	-	48.0	71.5
Artificial silk piecegoods	Mil.yds.	-	412 (a)	460(a)
Viscose yarn	'000 tons	2.04	18.9(a)	25.8(a)
Acetate yarn	"	-	1.9(a)	1.4(a)

Note: (a) figures for calendar year;(b)Figures for 1951

Table XIV

Growth of selected items of food products during plan

	(1)	(2)	(3)	(4)
Sugar	Mill.tons	1.12	3.0	2.3
Tea	Mill.lbs.	629	694	755
Coffee	Mill.tons	20.5(a)	50.7(a)	47 (a)
Vanaspati	"	153.0	350.0	360.2
Cigarette	Mill.Nos.	21449(b)	38334(a)	40947(a)
Biscuit and confectionery	Mill.tons	28 (b).	41 (a)	48 (a)

Note: (a) Calendar year; (b) 1951

At the risk of exhausting the patience of the reader but oppressed under a sense of responsibility that nothing should be omitted which can be claimed an achievement these figures have been taken from a bulletin of theFICCI.

Do these figures impress those who wish to see in them the era of prosperity? The sugar industry does not produce enough sugar;textile industry does not produce enough cloth; in short, no industry can claim to have assumed the responsibility to meet the needs of the country and all of them are sustained by t an inflationary policy to guarantee the market to them.

Once...

Once we realise the State has built a powerful steel sector, an impressive Chittaranjan, various heavy machine-tool and aircraft factories, and set up heavy electricals, sindri fertilisers and an oil industry, invested a huge amount of Rs.690 crores to build the public sector, it will be preposterous to suggest that the future of free India should be left in the hands of the private sector which depends on the resources of the State and the depositors savings to increase its paid up capital even to a limited extent.

Can it be seriously suggested that if the State were to pursue a sound, independent economic and financial policy and employ all the financial resources that made available to the private sector it could not have achieved far better results. We could at least have public sector in every industry challenging the private sector and securing the consumer against the toll of fabulous profits claimed by the private sector. And soon the boast of the FICCI would have been exposed.

The Mahalanobis committee highlights an aspect of far-reaching importance that perhaps the scarce and meagre financial and entreprennial talent of the private sector does not justify either the confidence placed in the private sector of the place of pride that seems to have been carved out for it in the minds of those trusted with the governance of the country.

III. FINANCIAL SOURCES RESPONSIBLE FOR GROWTH OF NON-GOVERNMENT INDUSTRIAL CORPORATE SECTOR

The FICCI admits frankly that the real stimulus to industries was received after the emergence of a strong national government at the Centre. Though the industry claims that the greatest contribution to financing the organised industries during the first two Plans came from the internal resources of the private industry, figures given by the FICCI do not make it out. They show the following:

TABLE XV. Financing of Industries in the Private Sector

(rupees in crores)

	First	Second	Third Plan (anticipated)
1. Loans from Institutional Agencies	18	80	130
2. Direct loan participation by Central and State Governments and other assistants	26	20	20
3. New Issues	40	150	200
4. Internal resources(net of payment liabilities)	211	400	600
5. Foreign capital(including suppliers credit)	45	200	300
	340	850	1250

These clearly...

These clearly show that items 1,2 and 5 are loans from institutional agencies, central and state governments and finally foreign credit. Item No.4-Internal resources(net of payment liabilities) do not come entirely from the reserves and includes other borrowings and liabilities. It is significant that item 3,which constitutes the new issues,had been extremely low. It was Rs.40 crores out of 340 crores in the First Plan, Rs.150 crores out of 850 crores in the Second and Rs.200 crores out of 1250 crords in the Third.

The FICCI boasts that during the third plan,its contribution of internal resources is expected to be 48 per cent. It only means that 52 per cent of its resources will have to come from outside and the question of questions is why should the growth of the private corporate sector be not confined to whatever sources it can mobilise on its own?

The FICCI could not be presumed tohave told the whole truth and it has naturally not told it either. Mahalanobis Committee report gives the following picture as regards the sources of growth:

1. Borrowings 56% (loans 32%;liabilities 24%)
2. Share capital- 16%
3. Depreciation- 19%
4. Reserves- 9%

For a proper appreciation of the whole situation, it will be better to analyse the growth of the private corporate sector under two heads: (1) growth of working capital available to private sector; (2) growth of paid up capital.

TABLE NO. XVI

Year	No.of Cos.	Paid-up capital (crores)	No. of Government companies	Total paid up capital in Govt.cos.
1950-51	28,532	775.4		
1951-52	29,223	885.8		
1952-53	29,312	897.6		
1953-54	29,493	941.2		
1954-55	29,625	969.6		
1955-56	29,874	1024.2	61	66.0
1956-57	29,357	1077.6	74	72.6
1957-58	28,280	1306.3	91	256.8
1958-59	27,479	1509.8	103	424.2
1959-60	26,921	1593.2	125	468.4

It is thus clear that with the advent of public sector in the Second Five Year Plan, the rate of investment each year in the public sector was about four times of the private sector. Despite lucrative incentives, the private sector had not the resources to increase its paid up capital to a significant degree. Its appeal to the investor did not attract sufficient money and the big business groups controlling the industrial complexes had no money of their own to invest.

If, on attaining independence in 1950 the State had spared about Rs.100 crores each year it could have neutralised the growth of the monopolies and laid the foundations for a just social order free from the menacing influence of big monopolies.

During...

During the second five year plan the public sector has grown from Rs.49 crores to Rs.468.4 crores and the private sector has grown from Rs.775.4 crores to Rs.1124.8 crores.

The uneven development in the private sector is demonstrated by the fact that 218 of the largest companies, each with a paid up capital of more than Rs.50 lakhs had total paid up capital of Rs.394 crores. It accounted for 57 per cent of the entire paid upcapital of all public companies at work and 90% of all public companies with a paid up capital of Rs.50 lakhs and over (excluding banking, insurance, investment and government companies in 1958-59).

A [The private corporate sector has drawn on the following sources for borrowing: (1) Government; (2) LIC; (3) Industrial Finance Corporatipn; (4) State Finance Corporation; (5) World Bank (Rs.160 crores- 34.4 per cent); (6) Debentures Rs. 44.7 crores-9.5%. Thus it is clear that 44% of the increase in the total paid up capital can be attributed to borrowings from State, the allied institutions of the State and against debentures.] A

If the state and allied institutions of the State, instead of advancing loans, had chosen to purchase shares in the private sector, it would have been the owner of one-third of the new enterprises started during the last ten years. On the basis of its one-third holdings, it certainly had a better claim to control the undertaking than the 20 groups whose holdings are sometimes as low as sixteen per cent. If the State were more enterprising to open its own undertakings, the debentures issued by the State would have been subscribed to far larger extent than a mere Rs.44.7 crores or 9.5 per cent of their total strength of the private sector. Credit of the State cannot be compared with that of businessmen of doubtful integrity.

As regards the rest of the 66 per cent of the growth in the paid up capital new issue of ordinary shares accounts for only 7.2 per cent and bonus shares account for 48.9 per cent. It means that companies have converted their reserves into bonus shares but their attempt to raise additional funds by issuing new shares do not go beyond raising 7.2% of the total planned development.

B [Big companies have generously drawn on IFC, National Industrial Development Corporation and State Finance Corporations. On June 30, 1963, IFC had advanced Rs.127.7 crores to 244 companies. The concentration of wealth was facilitated by the IFC. It advanced Rs.94.9 crores to 101 companies with a paid up capital of over Rs.50 lakhs, whereas 143 companies with less than Rs.50 lakhs each could secure a loan of Rs.32.7 crores only from the IFC.] B

C [Companies with a paid up capital of Rs.1 crore secured a loan of Rs.34.8 crores but 32 companies with a capital below Rs.10 lakhs secured a mere 1.8 crores of rupees. It is thus clear that IFC converted itself into an institution to add to the strength of big corporations and starve small and medium scale industries and even companies with a paid up capital of less than Rs.10 lakhs to feed big business houses.] C

D [Similar was the approach of the National Industrial Development Corporation (NIDC) an institution of recent origin. In March 1963 it had advanced Rs.3 crores to big companies. The State Finance Corporations had advanced Rs.49.8 crores to corporations upto March 31, 1962.] D

To these...

To these must be added the investments of the LIC which is the biggest conscious investor in the private corporate sector, despite the Mundhra deals.

Among the State loans the Tatas received a handsome Rs.20 crores to augment Rs.70 crores it had received from the World Bank.

This policy of advancing huge loans to big corporations was pursued contrary to the declared objectives in the Constitution. In the 3rd Annual Report of the Working and Administration of Company Act, a noteworthy feature of some of these loans has been pointed out. In view of its relevance to the subject of concentration of economic power, it is quoted below:

> " Cases have come to notice where companies with large reserves have invested heavy amounts in shares of other companies in the same group while borrowing heavily from the Government and quasi-government institutions. While these companies appeared to be financially sound and could have apparently met their needs for expansion or modernisation of their plant and machinery by converting their investments into cash, they have preferred to borrow from outside bodies. Presumably companies have, on balance, decided to keep their voting power in tact in the companies in which shares were held by them or possibly, in some marginal cases, the realisation of the investments might have resulted in losses. In some cases, however, the investments in industrial holdings have been found to be of the order of half a crore of rupees matched by an overdraft from State Bank of India for a like amount."

This is presumably true of the loan of 20 crores advanced to the Tatas.

The CSO Committee report gives the sources of Finance of companies as follows:

> "Information about the sources from which this expansion has been financed is given by the following table based on an analysis of companies' balance sheets by the Reserve Bank of India. The figures give the percentage of expansion which was financed from each of the four sources:

TABLE XVII

Sources	'51	'52	'53	'54	'55	'56	'57	'58
1. Paid-up capital	6	10	12	4	8	8	12	13
2. Depreciation and other reserves	53	91	84	51	56	37	28	48
3. Borrowing	29	30	1	30	24	37	43	26
4. Trade Dues and other current and miscellaneous non-current liabilities	12	29	3	15	12	18	17	13
	100	100	100	100	100	100	100	100

The results of the analysis of the balancesheets of 218 big companies (with paid-up capital exceeding Rs.50 lakhs each) by

the company...

the Company Law Administration(Department of Statistics and Research) published in July 1961 also showed that borrowings are the main source of finance, the share in total funds being 53.6% in 1957 and 42.4% in 1958; of the latter, borrowings from banks accounted for 29.4%, debentures 5.1% and borrowings from managing agents 1.3%only. The contribution of free reserves(which do not presumably include depreciation reserve) was 14.9% in 1958.

Dealing with dependence of private industry on the banking system, the TREND AND PROGRESS OF BANKING IN INDIA FOR 1960- a Reserve Bank of India publication said:" A purpose-wise analysis of advances by scheduled banks showed that industrial credit rose by Rs.144 crores in the year 1960 as compared with Rs.20 crores and Rs.14 crores respectively in 1959 and 1958. In the first five years, upto 1955, roughly covering the First Plan period, advances of scheduled banks rose by Rs.169 crores, of which only Rs 69 crores or 41% was accounted for by credit extended to industries.

In the next quinquennium, bank credit swelled by Rs.451 crores, of which as much as Rs.342 crores or 75%of the total constituted increase in advances to industry. Taking the decade upto 1960, industries got Rs.410 crores more by way of bank accommodation and their share of total increase in bank credit worked out to two-thirds.

In this process, while industries' share of total bank advances was placed at 32 per cent in 1951, the relative ratio had risen to 51% in 1960(Indian Finance dated 24-6-61,p.1067). The report also shows that the financial assistance provided by commercial banks to small-scale industries (i.e.industries with assets less than Rs.5 lakhs) was insignificant.

In spite of a guarantee scheme under which any losses arising out of advances to small industries would be shared by the Reserve Bank of India had conducted two ad hoc surveys with a view to ascertain the extent of finance provided by banks in the form of ' term credit' to industries as on December 28,1956 and June 30,1960. The first survey was carried out on a sample basis covering all scheduled bank offices operating in 30 leading industrial centres in the country. The second survey covered all the offices of 29 selected scheduled banks as on June 30,1960. The definition of 'term credit' as adopted in the second survey included all credits granted by banks to industries in the form of loans, overdrafts, cash credits and bills purchased and discounted and repayable in part or in full after a period of one year. The results of the survey real that the total term credit outstanding as on June 30,1960 in respect of the 29 selected banks amounted to Rs.297.1 crores and formed 29.6% of the total bank credit of these banks and 54% of their industrial advances. About one-half of the total term-credit to industries was made available to four industries (viz. cotton textiles-24%, light engineering -8%; sugar and gur - 11% and plantation 8%) Public limited companies were the largest borrowers of term credit from banks accounting for about 70% of the total term credits. Cash credits, overdrafts and bills formed 88.4% of the total term credit. In view of the fact that loans formed only 11.6 per cent of the total term-credit to industry it appears that banks have renewed beyond a one-year period the bulk of their cash credit and overdrafts granted to industries."

These huge loans by banks were advanced to the industries at the cost of drying up rural credit, which was less than 1%

both...

both in 1951 and 1958. If the banks were State-owned, neither the agrarian sector nor the small and medium scale industries would have been starved forcredit and concentration for economic power in the industrial sector could be kept under control so as not to assume menacing proportions.

It is in this context that Mr. C.Subramaniam, Union Minister for Steel,Mines & Heavy Engineering has pleaded for a study of the possibilities of social ownership of financial institutions. On May 15,1964, he is reported to have said: "It is common knowledge that those who are already in the industrial field are in command of large resources,which arise from the operation of those industries. It is only these persons who can in today's society, command credit facilities from banking and other institutions. This requirement of what is commonly called a 'good signature' literally bars many good technicians and organisers from even entering the field of industrial development. In a sense, therefore, in the present context, new industries can be started, if at all, only by people who are already in the industry or by those who can for a consideration get the assistance and blessings of these persons. Thus, inequality of opportunity today is inherent in the very structure of our financial and industrial practices."

Shri Subramaniam went on record: "While it might be true that in many industries monopoly might be more efficient than the comparatively small industrial units, the question to be considered is the consequences of such growth of monopolies for a democratic society committed to the concept of equality of opportunity. Those in charge of 'monopolies' or large industrial houses have the wherewithal to grow further. If we mean to build up a socialist society with equality of opportunity, then we have to think of taking concrete action to avoid these monopolies and concentration of economic power in the hands of a few. Perhaps, it is at this stage that the idea that the State should itself own large monopolies, especially industrial monopolies, and get control of the commanding heights of the economy appears to take on new significance." (<u>Economic Times</u> 16.5.64)

The extent of credit advanced by 29 big banks to industry wasRs.297.1 crores on June 13,1960. It constituted 29.6% of the total banking credit. The advance by 29 banks constituted 54% of the entire industrial advance made by all banks taken together.

The sectors of industries that drew heavily on industrial advance are- cotton textiles 24%; Gur & Sugar-11%; Plant 8%; Light engineering - 8%. Amongst the number of large companies the various sectors of industries divided their share of big business. Following table gives number of large companies in the various sectors of industries:

Textiles	57
Engineering	21
Jute	17
Matches (?)	16
Cement	13
Automobiles	10
Chemical	10
Paper	9
Sugar	9
Plantation	7
Steel	2
Miscellaneous	30

The following statement gives relevant data on producer concentration in selected industries controlled either by a small number of groups or a small number of units:

TABLE NO. XIX ...

TABLE NO.XIX: Producer Concentration in selected industries

Industry	Year	%age share of topmost unit/group in total production/capacity	%age share of top few units/groups in total production/capacity	No. of units/groups under column (4)
(1)	(2)	(3)	(4)	(5)
1. Finished steel	1958	63.70	93.36	2 groups
2. Pig iron	1958	54.63	90.08	2 groups
3. Electric lamps	1960	40.00	88.70	14 units
4. Sewing machines	1960	88.00	88.00	1 unit
5. Soda Ash	1958	52.25	84.68	2 groups
6. Electric fans	1961	51.00	82.00	4 units
7. Paper and paper board	1958	23.50	77.90	5 groups with 8 units
8. Bi-cycles	1959	20.00	72.72	4 units
9. Cement	1960	45.00	71.90	3 groups
10. Soap	1957	30.75	69.11	4 groups with 8 units
11. Superphospate	1958	14.76	53.04	5 groups
12. Hydrogenated oil	1958	14.01	47.09	6 units
13. Paints and varnishes	1957	11.40	45.90	6 units
14. Ceramics	1957	17.29	39.72	4 groups with 6 units
15. Jute textiles*	1958	12.29	37.61	4 groups
16. Matches	1960	60.00	60.00	1 group with 5 units
17. Caustic soda	1958	14.76	28.51	2 groups
18. Coal	1958	11.09	24.70	3 groups
19. Cotton textiles *	1958	4.10	11.49	3 groups
20. Sulphuric acid	1958	16.89	23.72	2 groups
21. Sugar	1958-59	2.36	4.56	2 units

* Percentage of looms installed.

Source: " A Note on Industrial Concentration" by NCAER April 1962- mimeographed)

But it must be remembered that the growth of the monopolies in industry has not been horizontal in every sector. As a result of monopoly groups diversifying their investments in numerous sectors, the production control by some of the biggest units has been considerably reduced. Following are a few examples:

The ACC in 1951 controlled 64% of the total output of cement; by 1960, its share had declined to 39% and is expected to decline further to 25% by 1965-66.

WIMCO was more or less the sole producer of matches in 1951; in 1960, it is reduced to 60%.

Titaghur paper in 1951 had 25% and was reduced 15 per cent in 1960..

Metal

Metal Box in 1951 enjoyed almost monopoly and in 1960 its share has been reduced to 20%
Hind Cycles accounted for 90% in 1951 and its share in 1960 was about 15 per cent.

Soap and Vanaspati, Electric Cable manufacturing, Aluminium Industries, soda ash and other chemicals, and several other areas of industry also show a decline in localised industrial concentration on account of other monopoly groups entering new fields. This diversification shows that we in India did not have the advantages of growth of monopolies leading to concentration of experience of talent or experience of talent or experience of talent or experience we had only to put up with that concentration of power and control of industrial potential.

If the corporate private sector had not been permitted to draw on the resources of the State, or allied institutions of the State or big banks controlled by big business houses and, above all, the foreign monopoly capital, concentration of economic power would have been impossible. If the State or the Reserve Bank of India had not opened its doors to rural credit banks, the rural credit would have been nil. Small and medium scale industries would not have been rendered impossible if this deliberately mad policy had not been pursued. Localised concentration of economic power has no justification either in the managerial or the entreprennial talent of the private capital.

The State has violated the mandate of the Constitution in abandoning its duty to make concentration of economic power in a few hands impossible.

The Nehru Committee Report on Fundamental Rights contained several provisions that find place in the Chapter on Directive Principles and all fundamental rights, including the directive principles were declared enforceable in Courts of law by the Committee. But the Constituent Assembly was deceived presumably by the representatives of big business who were present in the Constituent Assembly and received the attention of Prof.K.T.Shah in his references to the Monopolies. And we find that Sardar Patel Committee, contrary to the recommendations of the Nehru Committee, divorced the Directive Principles from the Fundamental Rights and rendered them unenforceable in Courts of Law. These principles were imprisoned in a separate chapter and what was intended to be a blueprint of the new India, was reduced to mere pious declarations.

If Courts had a duty to examine all laws and all executive action on the touchstone whether or not they led to concentration of economic power in a few hands, andhaving found that such result was inevitable, Courts had the duty to strike down all executive or legislative action designed to increase the concentration of economic power , Justice-social, economic and political- would have informed all institutions of our national life. By one stroke of ' , genius, the representatives of the man-eaters present in the Constituent Assembly seem to have robbed the people of India of their dream and made it possible for a government constituted under the Constitution to pursue policies designed to pervent fundamental principles which people of India gave unto themselves for the governance of this country.

* * *

Investment companies and managing agency companies are the biggest holders providing Rs.38 crores. They are followed by banks and insurance with nearly Rs.16 crores.

Industrial...

Industrial companies hold blocks of Rs.15 crores and remaining Rs.25 crores come from trading companies.

Intercorporate holdings: A study of 5 groups controlling the industrial complexes shows that their total share capital aggregates to Rs.154.5 crores. Of this 77% is equity and 23% preference. These five groups control 491 companies. The percentage-wise distribution of share capital is as follows:

	equity	pref.
Indian coys.	37.3	25.0
Foreign coys.	2.6	0.6
LIC	3.2	8.8
Government	1.2	10.4
Indian Individuals	51.8	50.4
Trusts	3.2	4.5
Individuals abroad	0.7	0.3
	100.0	100.0

The break up of the ownership of 5 groups in 228 public companies and 263 private companies is as follows:

(see appendix)

The proportionate importance of industrial companies as shareholders is greater in the larger groups. About 70 per cent of the Indian corporate holding comes from public companies and the rest from private companies. Investment of LIC, Government and foreign investors are wholly or predominantly in public companies.

Shares valued at Rs.9 crores and Rs.2 crores in Tata and Walchand public companies are registered in the names of banks and insurance, mostly banks.

Big business groups have investment companies and trusts. Foreign companies, LIC and Government hold shares in Investment and Managing Agency Companies of the Tata 'complex'.

Industrial Companies raise nearly 55% of their share capital from individuals in India and another 32% from Indian companies. Foreign investments in them amount to Rs.4.6 crores only Government and LIC together have invested Rs.13 crores or nearly 8% of aggregate share capital of which one-half is preference. Trusts have invested about Rs.4 crores. These observations are confined to a study conducted by Dr.R.K.Hazari in relation to the industrial activities of 5 groups mentioned above.

The Mahalanobis Committee based itself on a study of 20 groups controlling their complex asset of inner and outer circles. Findings of this committee are that non-government public companies financed the greater part of their substantial expansion during the Plan periods from external resources. In the case of 20 complexes, about 32% of the gross total funds raised during the period came from loans and another 24% from their short-term liabilities,making a total of 56% for borrowings. About 9% came from reserves and 19% from depreciation and only 16% came from share capital. This insignificant 16% shows the outer limits of the appeal of charms of big corporate sector advertised out of all proportions.

The Chairman of the LIC is under heavy pressure to make funds available for public sector. Estimates Committee had recommended it. But Government has rejected its recommendations. LIC Chairman welcomed the decision of the Government reversing the Estimates Committee. He has asked for unrestricted authority

to make...

to make investments in the private corporate sector out of the LIC Funds. LIC seems to have fallen prey to the greed which it shares with the big business and its lust for profits finds support from T.T.Krishnamachari who had to quit the Cabinet for the responsibility in Mundhra deal.

IV. DELIBERATE STATE POLICIES TO BUILD BIG BUSINESS

Mahalanobis Committee has observed:

" Government policy during the plan period has been responsible in other ways as well for the growth of the private sector and in the process specially of big companies. "

It has afforded a protected market in addition to the necessary overhead facilities. It has maintained a budget policy with an inflationary situation favourable to industry. The Govern ent has been promoting the growth of private industry by extensive tax concessions.

Under Section 150 of the Income-Tax Act, new ventures are given a tax holiday for five years. Profits upto 6 per cent of the capital employed are exempt from income-tax and super-tax. Under Section 10(2)(vi) of the Act, new companies set up after 31st March 1954 are allowed to deduct 25% of the actual investment towards depreciation of plant and machinery. Under Section 56-A of the Income Tax Act, dividends received from companies engaged in certain specified industries are exempted from super-tax; for inter-corporate investment in these industries, this concession meant that such dividends were totally exempt from taxes. In addition there is Development Rebate of 20 per cent.

There is no indication of the total tax rebate given to industries in this manner but the amount should be quite considerable. Recently, the Dhebar admitted that an income of Rs.950 million has escaped taxation during the period of six years by the existence of these concessions. It means that the State has contributed Rs.47.5 crores which ought to have had gone into the Exchequer.

These tax concessions and rebates promoted a climate favourable to investment by both small and big enterprises but it is evident that the latter received the maximum advantage of these concessions.

Big business gratefully acknowledges the benefits received in unequivocal terms and says: "The real stimulus to industry was received after the emergence of a strong national government at the Centre with the objective of rapid industrialisation of the economy."(FICCI)

In 1962, Indian Investment Centre, presided over by G.L.Mehta, Chairman, Industrial Credit and Investment Corporation of India, Bombay, who was incidentally former Indian Ambassador in U.S. and also Chairman of the National Shipping Board says: "Since 1948, a series of tax concessions have been made with a view to promoting rapid industrialisation in the country... These incentives cover a wide field. They are important in computing the ultimate net yield of capital invested in an industrial undertaking in India."

Explaining the incentives provided to industries, the Indian Investment Centre , refers to the tax concessions thus:

"The total...

" The total tax burden on an undertaking is determined by two factors, viz. (1) how much of the income is subject to tax; and (2) what rates apply to this income. In India, there are several tax incentives based on these two factors. Result is that effective rates of taxation on new industrial enterprises are substantially lower than the general rates prescribed, specially in the formative period of an enterprise."

Describing the nature of development rebate as a direct subsidy by the State, the Chairman said: "The development rebate is in effect a direct subsidy to industries equal to the tax on this amount and the accompanying requirement for creation of a reserve equal to 75 per cent of the allowance acts as a direct incentive for the formation of reserves."

The tax concessions were summarised by the Industrial Investment Centre as follows:

1. Tax holiday for new industrial enterprises for 5 years;
2. Corresponding exemption in respect of dividends of new industrial enterprises for 5 years;
3. Depreciation of 20% per year(a very high figure indeed!);
4. Development rebate of 20% in addition to depreciation in the first year(direct subsidy of 20% by the State);
5. Tax-free interest on loans(it augments incomes of investment units controlled by big business houses);
6. Tax rebate on income from exports to industrial manufacturing for export(intended to subsidise the exporters);
7. Expenditure on scientific research spread over for 5 years (Amounts to subsidy by State to promote research);
8. Set off and carry forward of losses to reduce the annual profit(makes the fate of revenue hang on future future losses of the business);
9. Concessional rates on intercorp rate dividends(resulting in chain breeding process);
10. Exemption of super-tax on dividends of companies in specified industries(jealously protecting the preserve in the area carved out for growth of big business);
11. Concessions to foreign technicians(to create a privileged class of foreigners);
12. Exemption to employees temporarily in India serving a foreign enterprise;
13. Leave passages; and
14. Concessional tax on royalties received by a company.

The Centre declares to the world- "In short, the tax structure in India is very favourable for promotion of new industrial enterprises as well as for technical and financial collaboration between Indian and foreign entrepreneurs."

The climate for foreign investment has been made still more favourable by surrender of sovereignty to the economic imperialism of US and UK Big Business. (see appendix for detailed concessions held out by T.T.K., Boothalingam & Co.) The American Bank has opened its branches in India and it will be a centre for all anti-national deals carried out to intensify the colonial loot. Until 1964, the Government had been consistently refusing permission to the American Bank to open its office on our soil. But 1964 made the difference.

It can be easily seen that if development rebate is allowed in addition to the depreciation in the first year, the total amount

deductible,..

deductible over the life of depreciable machinery and plant, which qualifies for the development rebate is 120 per cent and in the case of a ship 140 per cent of its cost. This tax concession amounts to a direct subsidy to the same extent on the new machinery and plant.

These extensive concessions are an inevitable drain on the exchequer. One is tempted to ask what difference it makes to the tax payer if a huge amount goes out of the exchequer to big business or it is prevented from coming to the exchequer when normally it ought to have been allowed to come. Therefore, Mahalanobis Committee wanted to ascertain the extent of the contribution made by state to big business by way of these concessions. But the material was then not available. It had to remain content with pointing out that there was no indication of the total tax rebate given to industries but the amount must be quite considerable. It has now been admitted by the Government that Rs.950 crores have gone tax free as a result of these concessions.

The mid-term appraisal report of the Third Five-Year Plan shows that private sector has not at all justified the confidence reposed in it. The shortfall in production targets of the private sector is collossal despite the huge concessions offered. Mr. T. T. Krishnamachari in his broadcast to the nation attributed this shortfall to the State's inadequacy to find liberal credits for the private sector. Further relaxation of controls of banking credits has since been announced as a major policy decisions. It has been followed by establishment of the Industrial Development Bank.

All big business newspapers have euologised Finance Minister TTK for the recent shift in Government policies. The budget of 1964-65 heavily oriented in favour of big business at home and opens the door wide for participation of the foreign equity capital on its own terms. The terms offered are humiliating for any self-respecting nation and inconsistent with the trend in the non-aligned countries fighting for their economic independence. The invitation thrown to foreign monopolies has drawn an immediate response from a powerful delegation of American big business which paid a visit to this country. Its blueprints for economic domination of our country is being finalised.

This anti-national unashamed advocacy of private sector has not been altogether without counterveiling advantage. It has angered the nation to rise in revolt against concentration of economic power in the hands of a few and surrender to economic imperialism. In responsible circles the performance of the Finance Ministry evoked the memories of Mirzafar and the East India Company. This was not a poetic exaggeration born out of a patriotic inspiration. It was a shrewd awareness of the dangers inherent in a deliberate policy of building the big business at home and asking it to find bed fellows from the monopolists abroad. The Indian national life is thus being polluted. The resources of Indian big business are poor. It cannot resist the pressure of foreign monopolies. It will have no hesitation to surrender national interests to more powerful foreign equity capital.

The Industrial Development Bank with an initial capital of Rs.100 crores is intended to be a monumental reservoir to provide the financial resources for the private sector. Is it building a socialist State as was declared at Jaipur? If not, why not stop the practices inconsistent with declared national policies.

... No stone

No stone was left unturned to provide big business with sufficient incentives but the return is no more than additional employment to a mere million people out of a growing population of above 400 million. The private sector's capacity to provide additional employment or to guarantee equitable distribution of even the barest necessities of life has been totally disproved in the two Five-Year plans and the mid-term appraisal report on the third.

It is necessary that dependence on the private sector is given up. The State must boldly uphold the national policies of declaring its independence of the private sector and save every penny and save every ounce of energy to strengthen the public sector as a serious competitor of the private sector in fields hitherto reserved for the cruel sport of big business.

V. CONCENTRATION OF ECONOMIC CONTROL - ITS TECHNIQUE

Itslooks cruel but it is true all the same that State policy of taxation is responsible for the chain breeding process in the development of the private corporate sector.

Let us have a look at the rate of taxation on individuals and compare it with the rate of taxation on corporations. Corporations with total income exceeding Rs.25,000 have to pay income tax at a flat rate of 25 per cent and super tax 25 per cent. The total comes to 50% only. But the rate of tax on the individual is as follows:

Total income	Tax amount
10,000	572.25
20,000	2,409.75
30,000	6,399.75
40,000	11,334.75
50,000	17,319.75
60,000	24,144.75
70,000	31,494.75
80,000	39,107.25
90,000	46,719.75
100,000	54,332.25
150,000	96,019.75
200,000	137,707.25
300,000	221.082.25
400,000	304,457.25
500,000	387.832.25

Therefore,it is clear that if an individual has a choice he will not like to have an earning of Rs.5 lakhs because he would have to pay Rs.387,832.25 as tax excluding the surcharge which is in addition. But if he chooses to join a few of his relations and call it a corporation with its entire assets under his personal control, he could easily dodge the revenue by paying only Rs.250,000 and pocketing Rs.137,832.25 which he was bound to part with. The result is that instead of individuals holding shares in their own names or acting as managing agents, we find investment corporations and managing agency corportions. Dividends do not normally go to individuals but they are earned by corporations. The income-tax statistics show that out of total dividends distributed individuals share is fairly low.

A study...

A study of the economic control of big corporations involves a study of small groups having authority to make decisions in respect of prices,profits,investments,production, purchases and sales of a large number of big companies. It is by no means easy to identify groups operating as a single unit. Various devices are resorted to in order to coneal the identity of the same mind operating through various hands.

It is no longer necessary that a group in control, of larger number of concerns must own majority shares either in all or many of these concerns. Common technique is that group X owns majority shares in Company A and acquires control of Company A. It exercises its authority to invest the funds of Company A, to acquire control of company B and in turn invests the funds of Company B to acquire control of Company C and the chain goes on increasing.

The picture would not be complete unless it is realised that the initial investment of group X in Company A is also not drawn from its own resources. It comes out of depositors' money in big banks controlled by group X itself. Group X has no difficulty to draw loans against security of its shareholdings in Company A. Shortly put, it is easy for a Group to assume control of a large number of companies without being required to make even a small investment provided it has access to a bank .

That is precisely the reason why the demand for nationalisation of banks,which has become a national demand today is sabotaged through a conspiracy of silence. Government only answer appears to be that it has not the power to refuse to nationalise the banks . No other answer is attempted, but the real reason is known that big business resents it and it is powerful enough to frustrate the will of the prime Minister who expressed himself in favour of nationalisation of banks.

Twenty leading groups were selected for study by the Mahalanobis Committee. They were selected with an eye on the size of their physical assets,age,occupation, pattern of controlling blocks and techniques of control and even caste and provincial origin. The concentration of economic power in the hands of these 20 groups is a matter of very recent development. The Committee reports as follows:

" Twenty selected groups have increased their share of all corporate private capital,including both public and private companies, from 29.2 per cent to 32.4 per cent, during the eight years ending with 1958. The share capital of the companies controlled by the 20 groups in 1958 stood at Rs.352 crores, net physical assets at Rs.501 crores,net capital stock at Rs.814 crores, and gross capital stock at Rs.1102 crores. Their share of net physical asset was 37 per cent, of net capital stock 34.7 per cent and of gross capital stock 34.3 per cent. The figures reveal an impressive picture of concentration of economic power in the entire corporate private sector. The picture makes an even more massive impact if one considers the share of the largest 13 of these twenty groups. Their share of the paid up capital of the entire corporate prigate sector increased from 27.9 per cent in 1951 to 30.6 per cent in 1958. Their share of net fixed assets stood at 35.2 per cent in 1958, of net capital stock at 32.2 per cent and of gross capital stock at 31.9 per cent.

" The picture of economic concentration that has been presented above gains added significance when one makes a further break up of the 13 largest groups that have been dealt

with...

with . Thus ten groups had an interest of one kind or other in 876 companies with a share capital of Rs.205 crores in 1951 and 929 companies with a share capital of Rs.297 crores in 1958. They accounted for more than 25 per cent and 27 per centof the share capital of non-government companies in 1951 and 1958 respectively. Among these ten groups,the top four showed a still higher degree of concentration, the companies controlled by these complexes accounting for a share capital of Rs.147 crores in 1951 and Rs.225 crores in 1958 or 18.2 per cent and 20.8 per cent respectively of the share capital of entire corporate private sector. The topmost group controlled a share capital of Rs.66.8 crores in 1951 and Rs.108.2 crores in 1958 or 8.3 per cent and 10 per cent respectively of the share capital of the entire corporate private sector.

" The following statement gives the percentage shareof the total for all non-government public companies in share capital, net capital stock, and gross physical stock for the twenty complexes taken together , 13 largest of these, ten largest and four top complexes. " (see table No. I on page 5) .

"The data given in the table(on page 5) makes it quite clear that concentration of economic power exists to a significant extent in the public non-government corporate sector and also that it has increased significantly between 1951 and 1958."

Percentage of share capital they control is given by the Mahalanobis Committee is as follows:

Table No.XX

Controlling blocks in public companies of 20 inner-circles

(percentage of share capital)

	group	Ordinary 1951	Ordinary 1958	Preference 1951	Preference 1958
1.	Tata	19.5	18.0	4.5	2.2
2.	Birla	61.0	61.1	55.4	28.0
3.	Martin Burn	25.9	23.7	7.4	3.1
4.	Dalmia-Sahu-Jain	65.2	54.8	36.3	24.2
5.	Bird Heilger	34.7	40.5	10.6	8.2
6.	Andrew Yule	43.3	45.7	43.0	43.1
7.	Bangur	79.8	68.8	46.5	25.4
8.	Thapar	57.6	61.1	46.0	[illegible]
9.	J.K.	72.8	74.7	46.0	36.4
10.	Shri Ram	46.3	43.9	58.2	26.9
11.	Shapoorji	72.3	35.5*	-	9.9
12.	Khatau	67.2	68.6	16.4	17.7
13.	Walchand	69.8	67.0	17.1	6.3
14.	Mafatlal	68.5	69.5	2.7	7.4
15.	Kasturbhai	23.4	20.1	36.2	34.3
16.	Seshasayee	8.7	6.1	4.9	2.7
17.	Ramkrishna	26.5	24.4	18.3	11.9
18.	Indra Singh	62.6	40.6	-	41.0
19.	Mahindra	8.0	37.8**	22.5	5.3
20.	Kirloskar	27.9	27.9	-	1.7

* decline due to acquisition of Brady Group in 1958
** increase mainly due to the conversion of the principal company from private to public

The figures for 1964 are fantastically higher. Birlas, Tatas and Dalmias have increased their industrial empires fourfold if not more during the last 15 years. Tatas are the oldest. Birlas

have ...

have grown during the second world war and after. Dalmias are of still newer origin. Their crime is playing too fast with too little money to get rich quick and ousted their more powerful rivals.

The Mahalanobis Committee has gone on record to say that intercorporate investment is the main instrument and increasingly important one, for the control of companies. It has given 4 tables analysing the working of these 20 groups in relation to their development from 1951-58 with respect to share capital, net fixed assetsl net capital stock, gross capital stock of the inner-circle of the group and the complex(inner and outer taken together) of the group. (Tables 4.10, 4.11.,4.12). Table 4.13 gives the figures showing the share of 20 groups in corporate private capital(public companies only). Table 4.14 gives the number of managing agents, managing companies and subsidiary companies and paid up capital thereof for 25 leading business houses. Table 4.16 gives a picture of distribution of directorships amongst a number of directors in 1956-57. Table 4.17 gives common directorship among 288 large sized public non-government companies in 1959-60. Table 4.12 to 4.17 gives common di ectorship among 288 large sized public non-government companies in 1959-60. Table 4.12 to 4.17 are annexed as Appendix I- VI.

Inner-circle consists of companies in the sole control or under the majority control of a group. Companies with 50:50 holdings or minority share holdings but having an influence in the concern constitute the outer circle. The inner-and outer- circle together constitute the complex.

These 20 groups in 1958 controlled 1073 companies with a total paid up capital of 352 crores of rupees which constituted 32.4% of the total paid up capital of the private sector. In 1958, 10 groups controlled 876 companies with a total paid up capital of Rs.205 crores, the smallest 7 groups controlled only 1.8 per cent of the paid up capital.

Control by managing agencies was sought to be controlled by an amendment in the Company Act in 1956. A study of 1001 companies carried out by the Reserve Bank of India disclosed that the number of managing agents declined from 407 in 1955 to 355 in 1959, with the number of companies they managed falling from 715 to 597. Their control declined from 73.3% to 68.5% in terms of total assets.

But enormous concentration in the managing agency system is obvious from the analysis of the control of 3 biggest managing agents, viz. (1) Tata Industries (P) Ltd; (2) Martin Burn Ltd.; and (3) Birla Brothers(P) Ltd. These 3 managing agents managed 25 companies in 1959 which accounted for 20% in terms of total assets of 1001 companies, while in 1955 these three units controlled 31 companies which accounted for nearly 16% of the total assets of 1001 companies. Thus it is clear that in 1959, the three biggest managing agents reduced their number of cos. under their control but increased their financial strength and corr spondingly the influence has also strengthened.

The Amendment in the Companies Act has not achieved the result of controlling the strength of the Managing Agents.

The 'Managing Agents' are, however, an obsolete mode of control. More modern is the control by the Board of Directors.

INTERLOCKING OF DIRECTORS

A study of 331 companies carried out by the Company Law Administration with paid up capital exceeding Rs.50 lakhs each and owning 60% of the entire paid up capital of the non-government

private...

private corporate sector in 1956-57 disclosed the following facts. The total directorships on these companies are 2419 held by 1502 persons. These 1502 persons, in addition, held 7366 directorships in companies other than these 331. 75 directors are directors of more than 20 companies each. A break up of directorships held by 1502 persons gives the following picture:

% of total persons holding directorships	No. of directorship held
26.6%	1
53.2%	2 to 10
14.4%	11 to 20
5.8%	more than 20

The Central Statistical Organisation conducted a study of 282 large companies. It found 1158 persons held 1800 directorships in these companies.

The directors holding in companies managed by the managing agents is only 3 per cent of the stocks but in companies managed by the Board of Directors their share was slightly more, it being 9 per cent. Reasons as to why groups having insignificant holdings are able to control big corporations are not far to seek.

It is common knowledge that financial institutions of the State, private trusts, banking companies, LIC and other investing institutions are not interested in acquiring control of corporations. Similarly, corporations which make investments to carry out wishes of the group controlling these corporations have no independent will of their own. Their voting strength is in the pocket of the controlling group anxious to extend its control to ever newer and newer companies.

Besides, there are large number of "friends", "relatives" and "benamidars willing to oblige the big business groups since they are either mere name lenders or indifferent to the acquisition of control for themselves. Therefore, without difficulty big business groups can manipulate to acquire control without need for substantially large investments.

A block controlling the voting strength of 9% is thus in a position to acquire control of big corporations with large reserves. They acquire authority to play with these reserves as they like.

Having assumed control of corporations and their large reserves with power to manipulate the stock exchange market and do whatever they like with its funds it is not even necessary that individuals should earn incomes or own property in their own names and run the risk of being subjected to heavy rate of taxes and in the event of death part with property by way of Estate Duty. Corporations never die and they never pay death duty. They can be used as handmaids of individuals who control them and leave these individuals immune from the demands of revenue.

Thus the development of Company Law in our country has opened up an era of divorcing individual income and ownership from the growth of the sector. But corporations exist only to serve the lust and the ambitions of a few individuals who control them.

The result...

The result is that owners of an insignificant 9% of the total stocks in the private corporate sector, accounting for not more than a portion of 8% of the national income have assumed power to dictate the policies to a democratic nation of 400 millions. It is fantastic that 1502 persons holding numerous directorships should dominate not only the industrial sector, banks, newspapers, the marketing companies, but also this sovereign democratic Republic of India.

This study would not be complete without having a close look at the technique of their control of banks and newspapers and the extension of their tentacles to Government companies which are dealt with immediately hereafter.

(a) Control of Banks by Business Houses

The Central Statistical Organisation has studied the existing interlocking between directors and managing directors 14 selected leading banks and 296 large-sized non-government public companies with a paid up capital of Rs.50 lakhs or more in 1959/60. 14 banks had a total number of 148 directors. Their connections with major industrial undertakings were as follows:

No.of Directors	No.of undertakings
73	Nil
24	1
37	
14	more than 6

The following table shows the number of directors interested in the number of industries in each of 14 major banks.

TABLE NO.XXI

	Nil	only one industry	2-4 industries	5 industries	Total No. of directors	% of industrial directors to total
1. Bank of India	1	2	6	2	11	91
2. Central Bank of India	2	-	7	1	10	80
3. Punjab National	3	1	4	1	9	66
4. United Commercial	3	5	5	-	13	77
5. Bank of Baroda	2	2	4	4	12	83
6. Allahabad Bank	2	1	1	1	5	60
7. Indian Overseas	1	4	1	-	6	83
8. United Bank	4	2	4	1	11	64
sub-total	18	17	32	10	77	77
9. State Bank of India	11	5	1	4	21	48
10. Indian Bank	10	1	1	-	12	17
11. Canara Bank	8	-	-	-	8	-
12. Union Bank of India	5	1	3	-	9	44
13. Canara Industrial & Banking Syndicate	10	-	-	-	10	-
14. Bank of Maharashtra	11	-	-	-	11	-
grand total	73	24	37	14	148	51

The dominance...

The dominance of industrial directors was maximum in the first 8 big banks. Even in the State Bank of India, Industrial Directors are ten out of 21. Such is the powerful grip of big business of the banks.

Banks advances to concerns in which directors of the banks concerned are interested, accounted for Rs.184 crores in 1962. The advance by 14 banks constituted 12.4% of the total advances given by all scheduled banks taken together; in the top 15 banks, the proportion was 14.1% It is significant that this proportion is the highest for the State Bank, presumably because, despite nationalisation, the directors are persons having large interest in corporate industrial undertakings. The extent of such advances by 15 top banks is shown below:

	Advances to Co.s in which directors are interested (Rs. crores)	Percentage to total advances
1. State Bank of India	72.8	26.9
2. Allahabad Bank	1.6	4.1
3. Bank of Baroda	17.6	20.8
4. Bank of India	31.2	24.5
5. Canara Bank	0.8	3.0
6. Central Bank of India	9.9	5.6
7. Chartered Bank of India	5.5	10.8
8. Devkaran Nanjee Banking	0.5	1.7
9. Indian Bank	2.1	6.8
10. Indian Overseas Bank	1.6	6.6
11. National & Grindlays	7.9	6.6
12. Punjab National Bank	2.9	2.9
13. Union Bank of India	3.4	7.8
14. United Bank of India	3.4	7.8
15. United Commercial Bank	12.3	17.3
total for 15 banks	171.8	14.1
All scheduled banks	183.5	12.4

15 top banks having deposit of Rs.25 crores and over control 78 per centof the total deposits.

The Mahalanobis Committee came to the conclusion that there is an intimate relation between the growth of big banks and big business during the Plan period.

Shri Raghunath Singh, M.P., Secretary of the Congress Parliamentary Party, who is not known for being a Leftist amongst Congressmen, has demanded a Commission of Enquiry into the functioning of the banking system in India to throw light on banks used as instrument of concentration of economic power contrary to the declared national policies. This demands support from a study conducted by the Reserve Bank of India "On the Trends in Banking" and various analysis carried on by other agencies. But no study is necessary for nationalising the banks which is long overdue. The Governor of the Reserve Bank of India observed in August 1960:

" One of the structural features of Indian banking is this concentration of power, which, in some cases, is enormous in relation to the capital actually employed. From time to time, we come across cases in which a family or group has a controlling interest in a bank and it has become a major task of inspection to prevent the exercise of this interest inundesirable way."

The big...

The big banks help not only the big industrial complexes in which their directors have an interest but also other industrial houses which might in turn reciprocate through the banks under their control. It is, therefore, imperative that the total credit of banks is handled and controlled by the State so that the link between the growth of big business and big banks is snapped and savings of nation are made available to the nation for the growth of the nation.

It must be declared once and for all that growth of 'big business is not the growth of the nation and the resources of the nation shall no longer be utilised for growth of big business. That is what is involved in the simple demand for nationalisation of banks. That is precisely why this proposal is resisted and sabotaged by Ministers who are spokesmen of big business in the Cabinet despite Prime Minister Nehru's support for nationalisation. On the contrary Bank of America has been invited to open its offices in India to exploit this biggest "free Asian market" in the interests of American monopolies.

Our government should be ashamed that the State Bank should top the list amongst banks making advances to industrial houses in which 10 out of its 21 directors have a major interest. It is not the State Bank alone that exists to serve the private sector. The CSO report has condemned LIC also for the same crime for which commercial banks are responsible.

" The LIC is one of the largest investors in private industry, its investments in this sector amounting to about 46% of its investments in stock exchange securities (or 20% of its total investments). The total investments of the LIC in the private sector amounted to Rs.81 crores as on 31-12-59. This amount represented the book value of the investments on that date and included debentures and preference shares. The actual paid-up capital represented by this investment, out of nearly Rs.1100 crores of paid up capital in Government joint stock companies is not clear but the share would probably be of the order of 6% or so."

The ChairmanLIC has submitted a strong note defending this stand. The report goes on:

" Commercial banks also hold considerable blocks of shares in joint stock companies including some private and narrowly owned public companies. In the case of 497 companies studied by R.K.Hazari, it was found that out of a share capital of Rs.190/- crores, shares estimated roughly at Rs.12 crores at par were registered in the names of Banks (five industrial groups in India's study of ownership and control by R.K.Hazari) . It has been stated that a larger part of these share holdings is held by the banks on behalf of their clients in various capacities and that bank holdings are used in several cases to conceal the true pattern of share holdings and control. Suggestions have been made that the extent of such investments by banks on behalf of other persons as beneficial owners should be reduced and that the Banks should be required to disclose information regarding such investments." Besides banks, private and charity trusts of different kinds of Investment Companies and benamidars have large holdings of shares.

The following table shows the development of banking business in India from 1955-62:

XXII...

Table No. XXII Development of Banking Business in India

Category	Paid Up Capital 1955	Paid Up Capital 1962	Total Deposit 1955	Total Deposit 1962	Investment Total 1955	Investment Total 1962	Investment Govt. Securities 1955	Investment Govt. Securities 1962	Loans and Advances 1955	Loans and Advances 1962	Bank Credit 1955	Bank Credit 1962	Profits 1955	Profits 1962
1. All Scheduled Banks	32.85	39.97	1071.73	2262.18	435.87	774.57	332.21	644.53	533.83	1261.08	665.12	1480.38	8.28	13.36
2. State Bank of India	5.63	5.63	219.80	563.66	116.98	269.28	104.96	241.14	89.01	254.54	105.81	270.48	1.36	2.69
3. Foreign Banks*	-	-	194.48	260.55	49.67	46.78	46.01	44.69	136.07	216.62	167.95	258.20	1.68	1.79
4. Other Scheduled Banks	27.12	34.34	657.47	1438.17	269.22	458.31	231.24	358.70	308.75	789.90	391.36	950.61	5.24	8.88
5. Five Major Banks	9.51	13.42	404.13	820.21	157.37	217.18	132.44	171.00	169.30	464.49	217.46	557.71	1.00	1.49
6. Bank of India	2.50	4.05	64.74	158.77	20.49	30.36	14.97	22.04	37.49	107.82	46.09	127.19	0.41	0.70
7. Central Bank of India	3.14	3.15	127.08	229.11	56.21	65.95	45.16	47.72	58.81	149.53	71.24	175.16	0.37	0.009
8. Bank of Baroda	1.00	2.00	40.51	133.89	12.23	26.85	10.29	13.58	20.54	72.49	30.41	84.77	0.01	0.19
9. Punjab National Bank	0.87	1.99	90.12	164.05	45.63	57.13	43.51	51.80	34.48	35.89	42.12	99.53	0.09	0.35
10. United Commercial Bank	2.00	2.23	81.63	159.39	22.16	30.16	18.51	30.16	18.07	44.26	27.30	61.06	0.11	0.24

* For Foreign Banks there is no paid-up capital required to work in India

This growth led to collossal increase in loans advanced to companies and firms in which directors are interested. This is demonstrated by the following:

Table No. XXIII -Showing debts due and loans advanced to companies and firms in which directors are interested *

	Debts 1955	Debts 1962	% increase	Loans 1955	Loans 1962	% Increase
All Scheduled Banks	51.19	183.47	258.4	67.45	197.43	192.8
State Bank of India	15.13	72.81	381.2	21.43	76.21	255.6
Foreign Banks	6.80	13.85	100.7	11.23	17.86	59.0
Five Major Banks	-	51.96 (1961)	-	-	58.26 (1961)	197.3

* Reserve Bank of India, Statistical Tables relating to Banks in India- 1955-62.

In short today all the scheduled banks with a paid up capital of Rs.39.97 crores only command deposits of no less than Rs.2226.18 crores. This constitutes 66% of our total currency despite inflation.

The banks are in a position to make loans and advances to the tune of Rs.1261 crores. Their total credit is Rs.1408.28 crores. Out of this the companies and firms in which directors are interested owed Rs.183.47 crores as debts and Rs.197.43 crores as loans in 1962. The increase in debts from 1955 to 1962 is Rs.258.4% and the corresponding increase in loans from 1955 to 1962 is 192.8 per cent. It is in this context important to note that the industrial credit by all the scheduled banks in 1961 increased from Rs.477 crores to Rs.722 crores and Industrial Finance Corporation had advanced a handsome sum of Rs.127 crores to organised industrial sector.

It is absolutely necessary to nationalise the banks. State has no duty to find funds for the private sector either from the State exchequer directly or through Industrial Development Bank floated recently or IFC or National Industrial Development Corporation or the State Finance Corporations or the LIC. All these institutions belong to the same family and they have justification under the Constitution if they exist to smash the concentration of wealth in the hands of a few and to strengthen the public sector. Their interest in the private sector and its growth is of illegal and unconstitutional origin. Those who assumed office under an oath to bear true faith and allegiance to the Constitution cannot legitimately resist the demand for nationalisation of banks and imposing curbs on the State and the allied institution to extend further credits to the private sector.

Big Business Control of Newspapers

Big business controls big newspapers. Newspapers constitute a power ancillary to big business group interests, big business and newspapers are interlinked through ownership as well as membershipof board of directors. Indirect control on newspapers is exercised by adding strings to advertisement revenue. The Press Commission had observed:

"In the ...

" In the matter of control, it would appear that in the earlier days a considerable measure of managerial control was left to the editor, while today the tendency is towards transfer of even editorial control to the management. While this trend is noticeable in the exercise of control there has been no ostensible change in the forms of control except by way of increasing adoption of the institution of 'Managing Editors' who exercise on behalf of the owners the functions of managerial control, while acting in many cases only as nominal editors.

" Instances have been reported to us of the news policy of a paper having been dictated by the proprietors. One instance was given where a particular paper had been directed to support certain named candidates at the elections. In another, the proprietor had given instructions that no photographs or life-sketches of any candidate standing for elections at Delhi should be published.

" It would be rather naive to expect a newspaper or periodical run by a leading light of a Chamber of Commerce to advocate communism or support a proposal for expropriation of capital." These observations find support from recent statement of the Editor Hindustan Times in the cases filed against R.K.Karanjia, E.M.S.Namboodiripad and H.D.Malaviya made on oath in Court that the Hindustan Times never campaigned against concentration of economic power. In fact, the editor went on record that he would not say that there was such a thing as economic power.

The newspapers controlled by big business blatantly boost the activities of their proprietors or their friends. With reference to a Bombay paper the Press Commission observed: " Witnesses from business circles have told us that there is strong suspicion of the news in the financial columns having been manipulated in order to assist the stock market operations of the proprietor though we could not get specific instances. We cannot sufficiently condemn such practices wherever they may exist."

The Commission also went on record that political pressure was far more serious on the newspapers when they adopted policy to suit the views of foreign governments and when this government exerted political pressure.

It is in this context that the support of big business news papers to the Anglo-US line on Kashmir is important. No wonder Mr. Bhutto, Foreign Minister of Pakistan, had no difficulty in quoting from the Hindustan Times in support of pak's lust to grab our territory in Kashmir.

The status of editors in the chain newspapers has suffered considerably owing to the control of big business. According to the Press Commission, the editor's position was comparable to that of an inmate of a harem. It stated that different editors vied with each other in order to seek favours with the proprietor.

The Commission found that out of a total of 313 dailies, five owners controlled 54 newspapers and 50.1% of the circulation.

An analysis of the ownership of newspapers shows that newspapers under common ownership are represented by chains, groups and multiple units which are defined as follows:

1. CHAINS: Publication of more than one newspaper under common ownership from more than one centre.
2. GROUPS: Publication ofmore than one newspaper under common ownership from the same centre.

...

3. MULTIPLE...

3. MULTIPLE UNIT: Publication of more than one newspaper of the same title, language and periodicity under common ownership from different centres.

Out of a total circulation of 46.10 lakh copies of dailies the share of 17 chains, 115 groups and 27 multiple units was 31.10 lakhs. 5 chains (Express, Times of India, Hindustan Times, Amrit Bazar Patrika, Jugantar and Anand Bazar Patrika), 3 groups (Malayala Manorama, Free Press and Hindu) and two multiple units (Thanthi and Statesman) published 37 dailies-had a circulation of 18.11 lakhs and controlled 39.3 per cent of the total cirulation of daily newspapers in this country. 5 chains, 3 groups had 23.8 per cent and 2 multiple units 9%.

In 1960 the number of chains increased from 14 to 17, groups from 99 to 150 and the number of multiple units remained the same i.e. 23.

The Communist Party is publishing 34 newspapers but their total circulation is 101,810. These 34 papers are not controlled by common authority of a business group and, therefore, they are not treated as a chain by the Mahalanobis Committee.

In our country, vast multitudes of our population have no education, not even literacy. The total circulation of newspapers is a mere 46.10 lakhs daily. It is obvious that all these papers taken together do not and cannot touch a sizeable portion of our population. But they influence the middleclass readers who constitute the most vocal section of the popularand our Government is hypersensitive to criticism in the big business press. The monopoly press compelled the exit of Krishna Menon and K.D.Malaviya and demanded of the Prime Minister to step down in favour of a war-time leader.

It is surprising that despite their humble ciruulation, the capacity for mischief of big business press is limitless. They carry on systematic campaign to serve the interest of big business to change political decisions and economic policies and dictate composition of Cabinets.

The Hindustan Times carried on a systematic campaign for the big business point of view against Nehru and his Government. It is no exaggeration to say that when the nation was fighting Chinese aggression, this newspaper was fighting the Nehru Government. The role of the paper on the question of Kashmir has inspired universal indignation since it had no hesitation in supporting Anglo-US policies in relation to Kashmir. And Hindustan Times is no exception. Today big business controls the biggest newspapers.

The press commission had observed:

" The proprietor of one of the biggest newspapers in this country volunteered the statement that he had committed every crime short of murder (Not knowing whether to take this as an attempt at humour, we put to him the specific question whether he had committed dacoity. His answer was more or less to the effect that spirit was willing but flesh was weak! While we would not like to make too much of such statements, we must admit our concern at the possibility of unscrupulous men entering the field of journalism."

This only heightens the need to deal with the unscrupulous business world firmly in every sphere they enter.

Penetration of Industrial Directors into Public sector companies

The evil influence of the private sector which originates in the control of economic power at the disposal of the private capital does...

does not end with the control of private capital alone. There is interlinking of directorships between Government and non-government companies. A study of 49 Government companies with a paid up capital of Rs.620 crores which constitutes 95% of the entire paid up capital in the public sector today shows the following picture:

13 out of the 49 companies do not have a non-official director on Board. Only one of them has a foreign collaborator as a director on the Board. The total number of directorships in these 49 companies is 428. 311 persons hold all the directorships. 86 directors in government companies are non-officials. 42 out of these 86 do not hold directorship in any of the non-government companies.

The other 44 non-officials are industrial directors. They hold 50 directorships in 27 Government companies in addition to 334 directorships in 308 non-government companies. The following figures give a picture of the number of directorships held in non-government companies by non-official directors of the government companies.

	No.of non-govt. companies in which"non-official"director of a govt.company is a director	No.of "non-official" directors-
1.	below 5 companies	20
2.	5 to 10 companies	10
3.	10 to 15 companies	5
4.	15 to 20 companies	5
5.	20 and above	4
	total ...	44

This picture accounts for the State Bank topping the list in the matter of advances to big business houses in which the directors were themselves interested. Ten out of 21 of State Bank directors had interest in private industrial undertakings.

The association of the private sector men with public sector undertakings reveals a psychology of utter dependence prevailing in Government circles which leads to inferiority complex in the minds of public sector men. Private sector uses it as a declaration from housetops that the private sector talent was indispensable for public sector. What happens is pernicious in the extreme. Their influence makes public sector a hand-maid of the private sector and vast resources are spent out of the public exchequer to develop public sector is ultimately utilised for sustaining and guaranteeing growth of the private sector. Now this evil influence is sought to be extended further with the participation of foreign or equity capital in the public sector.

TTK in his recent budget speech opened the doors for foreign equity capital in a field hitherto exclusively reserved for the public sector. It simply means that where private sector was denied access so far, the foreign monopolists are being welcomed.

A big delegation of US businessmen was given a red carpet treatment not only by the Ministers but in the PM's own house. The Government declared a policy of full repatriation of foreign capital and guaranteed free remittance of huge profits earned by US big business.

This....

This morning's papers(May 19,1964) has front paged the expected arrival of a big business delegation from UK,which was due here when the US delegation arrived.

It was also indicated in the same news item that our missions would go to European countries to explore similar possibilities of inviting foreign equity capital participation.
[illegible]

[illegible]

It is tragic that at the same time when the AICC was discussing the Dhebar Committee report at Bombay in May 1964, U.N. Dhebar was declaring to the delegates assembled that participation of foreign equity capital was a delicate matter involving serious hazards and needed to be watched carefully. V.K.Krishna Menon in a frontal and forthright manner attacked this policy as a policy of surrender to economic imperialism . The Prime Minister who happened to be present had not a word to say in defence of the policy of his Finance Minister giving a red carpet treatment to the foreign equity capital.

It is also significant that TTK was absent from the AICC meet in Bombay .

VI. ANTI-SOCIAL CONSEQUENCES OF CONCENTRATION OF ECONOMIC POWER

The anti-social consequences of growth of big business can be summarised in the following categories:

1) Reversal of Objectives of theConstitution.
2) Establishment of an unjust order disruptive of equality of status and equality of opportunity.
3) Opening the floodgates for corruption at all levels.
4) Corrupting and corroding the foundations of democracy.
5) Inevitable commission of enormous crimes on an unprecedented scale in the big business world.
6) Open purchase of political parties,creation of big business lobbies inside the legislatures, influencing the choice of Chief Ministers in States and vetoing continuance of Ministers in the Cabinet at the Centre.
7) Conscious surrender to economic imperialism of US & U.K.
8) Utter destruction of growth of medium and smallscale industry.
9) Starving the rural credit to the point of extinction.

These are various heads under which volumes can be written and have been written.

The Monopolies Commission will have to turn the searchlight on the functioning of at least 20 big business groups if not more and trace their growth and development from insignificance to the vast power and influence they command today.

It is natural enough for those who wield political power to yield to the influence of big business since without the aid and abetment of those in power big business on its own resources is not capable either to earn collossal profits or to own huge industrial empires. The temptation to share fruits of joint efforts is often too strong.

VII...

VII. IMMEDIATE STEPS NECESSARY

The findings of the Mahalanobis Committee, though modestly claiming to be based on limited material, sufficiently lay bare a national pattern of the functioning and growth of organised private sector. The Committee report compels following immediate decisions which brook no delay:

1) It must be declared that public sector is sufficiently mature and organised to enter the field reserved so far for the private sector. It shall be a serious competitor and guarantees far better results than private sector. Functioning of the public sector has been impressive and its success ,despite its failings, far outweigh successes of the private sector.

2) Private sector cannot be trusted to discharge its responsibilities to meet the needs of the nation. Its own resources are inadequate;it has no legitimate claim to funds from the exchequer.It has no moral right to divert the savings of the nation and use the banks for drawing gigantic advances.

3) State shall not act contrary to the Constitution and will not facilitate the concentration of economicpower. It will not place large funds at the disposal of private sector. All existing advances and loans by State or the Credit Institutions of the State would be immediately converted into share holdings and the State will claim its share in the control of the private sector on the basis of its investments.

4) Banks must be nationalised and put under the exclusive control of official directors not connected with business world even remotely.

5) No person connected with business undertakings would be allowed to function on the Board of Directors of Government Corporations.

6) Control of newspapers by big business would be subjected to restrictive legislation. It is important to note that corporations are not citizens of India and hence they do not have the fundamental right of speech guaranteed in Article 19(1)(a) as was declared in a recent decision of the Supreme Court. The Parliament has power to make laws controlling activities of big business corporations controlling newspaper industry. Such laws would not be required to satisfy Article 19(2) which does not permit State to restrict freedom of speech of citizens except in the interest of law and order and security of State.

7) The Monopolies Commission would be vigorously assisted to throw the search light on the functioning of all the industrial groups separately and comprehensively.

8) Inter-corporate investments would be declared unlawful by legislation.

9) Control of big industrial complexes by small groups would be rendered impossible.

10) Banks would have to disclose their investments. Investments by Investment Companies and Trusts would be controlled and regulated by appropriate legislation.

11) Discrepancy between the rate of taxation for the individuals and the corporate sector should be removed.

12) Nationalisation of food processing industries and textiles would not be delayed any further.

13...

The possibilities of a new healthy non-capitalist development in future must be seriously explored. The experiments carried out in Burma, UAR, Algeria and other Afro-Asian countries in this regard in this regard will be highly instructive.

A conference of Government representatives of these countries along with our economists and legislators dedicated to build a strong self-reliant independent India free from dependence on capitalism is the need of the hour. It will indeed go a long way to restore the inspiration that once gave us the finest values in the freedom struggle before we won our independence. The new orientation in our foreign policy of non-alignment calls for working out its logical implications in the field of economic . and fiscal policies.

The country is beginning to realise that 1947 gave us political freedom from British rule but in 1964 the nation has to prepare itself to fight the monstrous monopoly within the country and the advancing dragon of economic imperialism.

APPENDIX I

Share capital and physical assets (Rs. Crores) of twenty groups
(public companies only)

Ser. No.	Groups	Circle	Share Capital 1951	Share Capital 1958	Net Fixed Assets 1951	Net Fixed Assets 1958	Net Capital Stock 1951	Net Capital Stock 1958	Gross capital stock 1951	Gross capital stock 1958
1	Andrew Yule	Inner	10.38	9.26	8.81	10.29	15.45	15.97	24.13	28.53
2		Outer	1.15	1.45	1.22	0.51	3.91	1.97	6.21	2.46
3		Complex	11.53	11.41	10.03	10.80	19.36	17.94	30.34	30.99
4	Bangur	Inner	6.46	13.82	2.94	14.08	6.64	25.75	8.24	33.66
5		Outer	0.34	3.73	0.59	5.56	0.68	9.13	0.82	18.14
6		Complex	6.80	17.55	3.53	19.64	7.32	34.88	9.06	51.80
7	Bird Heilger	Inner	10.36	10.38	7.91	13.47	15.82	21.91	29.42	35.95
8		Outer	0.15	0.29	0.05	0.45	0.14	0.72	0.19	1.30
9		Complex	10.51	10.67	7.96	13.92	15.96	22.63	29.61	37.25
10	Birla	Inner	36.75	61.26	23.28	61.15	49.34	107.41	62.55	143.44
11		Outer	0.99	3.01*	0.95	2.64*	2.07	5.51*	2.70	7.63*
12		Complex	37.74	64.27	24.23	63.79	51.41	112.92	65.25	151.07
13	Dalmia Sahu Jain	Inner	20.14	24.58	13.77	38.13	22.11	54.11	29.70	71.58
14		Outer	1.51	0.63	0.55	1.20	0.89	1.58	1.48	1.78
15		Complex	21.65	25.21	14.32	39.33	23.10	55.69	31.18	73.36
16	Indra Singh	Inner	1.55	1.39	1.38	2.21	2.22	4.13	3.66	7.30
17		Outer	-	0.17	-	0.15	-	0.29	-	0.39
18		Complex	1.55	1.56	1.38	2.36	2.22	4.42	3.66	7.69
19	J.K.	Inner	6.28	8.98	3.88	7.43	7.46	14.04	9.55	20.05
20		Outer	0.77	1.35	0.45	1.32	0.53	3.33	0.59	5.11
21		Complex	7.05	10.33	4.33	8.75	7.99	17.37	10.14	25.16
22	Kasturbhai	Inner	2.73	4.97	2.95	7.43	7.41	13.05	10.04	19.79
23		Outer	0.05	0.03	-	0.02	-	0.02	-	0.02
24		Complex	2.78	5.00	2.95	7.45	7.41	13.07	10.04	19.81
25	Khatau	Inner	0.70	0.90	0.43	0.93	2.31	2.65	3.69	5.05
26		Outer	13.87	21.96	11.01	25.80	18.85	48.24	26.05	63.33
27		Complex	14.57	22.86	11.44	26.73	21.16	50.89	29.74	68.38
28	Kirloskar	Inner	0.81	1.30	0.64	1.38	1.62	3.86	2.26	5.35
29		Outer	0.01	0.01	neg.	0.01	0.01	0.01	0.01	0.01
30		Complex	0.82	1.31	0.64	1.39	1.63	3.87	2.27	5.36
31	Mafatlal	Inner	3.07	3.89	2.75	4.92	6.93	9.35	11.02	16.63
32		Outer	1.95	14.27	1.23	26.54	4.06	32.15	5.75	43.38
33		Complex	5.02	18.16	3.98	31.46	10.99	41.50	16.77	60.01

APPENDIX I
Page Two

34	Mahindra	Inner	0.57	2.68	0.86	2.06	0.97	6.54	1.05	7.19
35		Outer	-	0.13	-	0.06	-	0.17	-	0.17
36		Complex	0.57	2.81	0.86	2.12	0.97	6.71	1.05	7.36
37	Martin Burn	Inner	14.09	19.42	17.22	48.29	26.97	72.95	39.25	89.90
38		Outer	0.38	0.52	0.65	0.50	0.67	0.91	0.92	1.38
39		Complex	14.47	19.94	17.87	48.79	27.64	73.86	40.17	91.28
40	Ramkrishna	Inner	0.98	1.69	0.97	5.19	2.01	7.92	2.34	9.27
41		Outer	0.10	0.30	0.02	0.60	0.11	0.93	0.11	1.17
42		Complex	1.08	1.99	0.99	5.79	2.12	8.85	2.45	10.44
43	Seshesayee	Inner	1.42	2.41	1.79	2.48	2.32	4.01	2.83	6.36
44		Outer	0.52	-	0.42	-	1.14	-	1.85	-
45		Complex	1.94	2.41	2.21	2.48	3.46	4.01	4.68	6.36
46	Shapoorji	Inner	0.28	2.01	0.03	1.09	0.03	3.38	0.03	5.49
47		Outer	11.81	22.14	9.88	28.72	15.97	47.22	22.56	64.81
48		Complex	12.09	24.15	9.91	29.81	16.00	50.60	22.59	70.30
49	Shri Ram	Inner	3.79	5.63	4.02	8.29	9.85	19.02	13.02	27.98
50		Outer	0.39	0.24	0.96	0.26	1.13	0.66	1.24	0.90
51		Complex	4.18	5.87	4.98	8.55	10.98	19.68	14.26	28.88
52	Tata	Inner	34.88	65.60	39.24	161.60	64.95	220.47	105.23	287.22
53		Outer	20.38*	28.42	15.07	34.56	28.77*	58.86	46.37*	83.50
54		Complex	55.26	94.02	54.31	196.16	93.72	279.33	151.60	370.72
55	Thapar	Inner	5.32	9.06	3.50	9.94	6.68	17.68	8.60	25.15
56		Outer	0.02*	-	0.02*	-	0.03*	-	0.03*	-
57		Complex	5.34	9.06	3.52	9.94	6.71	17.68	8.63	25.15
58	Walchand	Inner	4.63	4.67	2.59	3.70	6.87	12.60	9.14	16.32
59		Outer	10.65*	13.78	15.42*	25.21	19.02*	32.71	24.45*	41.68
60		Complex	15.28	18.15	18.01	28.91	25.89	45.31	33.59	58.00
61	Total	Inner	165.19	254.60	138.96	404.06	258.06	636.80	375.75	862.21
62		Outer	65.04	112.45	58.49	158.91	97.98	244.41	141.33	337.16
63		Complex (gross)	230.23	367.03	197.45	557.97	356.04	881.21	517.08	1199.37
64	less overlap		27.54	56.74	21.99	79.15	38.58	121.76	54.51	165.55
65	Total	Complex (net)	202.69	310.29	175.46	478.82	317.46	759.45	462.57	1033.82

* Excluding Government companies

Source: "The Structure of the Corporate Private Section - A study of Concentration, Ownership and Control" Report to the Government of India, Research Programmes Committee, Planning Commission, By R.K. Hazari, assisted by A.N. Oza and others (1963)

APPENDIX II

Share of twenty groups in corporate private capital (public companies only)

Ser. No.		Group	Circle	Share Capital 1951	Share Capital 1958	Net Fixed Assets 1951	Net Fixed Assets 1958	Net Capital Stock 1951	Net Capital Stock 1958	Gross Capital Stock 1951	Gross Capital Stock 1958
1	1	Andrew Yule	Inner	1.76	1.30	1.90	0.86	1.58	0.82	1.73	1.07
2			Complex	1.95	1.49	2.16	0.90	1.98	0.92	2.17	1.16
3	2	Bangur	Inner	1.09	1.81	0.63	1.17	0.68	1.32	0.60	1.26
4			Complex	1.15	2.29	0.76	1.64	0.75	1.78	0.65	1.94
5	3	Bird Heilgers	Inner	1.75	1.36	1.70	1.12	1.62	1.12	2.11	1.34
6			Complex	1.78	1.39	1.72	1.16	1.64	1.16	2.12	1.39
7	4	Birla	Inner	6.22	8.01	5.02	5.10	5.06	5.49	4.48	5.36
8			Complex	6.39	8.40	5.22	5.32	5.27	5.77	4.67	5.65
9	5	Dalmia Sahu Jain	Inner	3.41	3.21	2.97	3.18	2.28	2.77	2.12	2.68
10			Complex	3.66	3.30	3.09	3.26	2.37	2.85	2.23	2.74
11	6	Indra Singh	Inner	0.26	0.18	0.30	0.18	0.23	0.21	0.26	0.27
12			Complex	0.26	0.20	0.30	0.20	0.23	0.23	0.26	0.29
13	7	J.K.	Inner	1.06	1.17	0.84	0.62	0.76	0.72	0.68	0.75
14			Complex	1.19	1.35	0.93	0.73	0.82	0.89	0.73	0.94
15	8	Kasturbhai	Inner	0.46	0.65	0.64	0.62	0.76	0.67	0.72	0.74
16			Complex	0.47	0.65	0.64	0.62	0.76	0.67	0.72	0.74
17	9	Khatau	Inner	0.12	0.12	0.09	0.08	0.23	0.14	0.26	0.19
18			Complex	2.47	2.99	2.47	2.23	2.17	2.60	2.13	2.56
19	10	Kirloskar	Inner	0.14	0.17	0.14	0.12	0.17	0.20	0.16	0.20
20			Complex	0.14	0.17	0.14	0.12	0.17	0.20	0.16	0.20
21	11	Mafatlal	Inner	0.52	0.51	0.59	0.41	0.71	0.48	0.79	0.62
22			Complex	0.85	2.37	0.86	2.62	1.13	2.12	1.20	2.24
23	12	Mahindra	Inner	0.10	0.35	0.18	0.17	0.10	0.33	0.08	0.27
24			Complex	0.10	0.37	0.18	0.18	0.10	0.34	0.08	0.28
25	13	Martin Burn	Inner	2.38	2.54	3.71	4.02	2.76	3.72	2.81	3.36
26			Complex	2.45	2.61	3.85	4.07	2.83	3.78	2.88	3.41
27	14	Ramakrishna	Inner	0.17	0.22	0.21	0.43	0.21	0.40	0.17	0.35
28			Complex	0.18	0.26	0.21	0.48	0.22	0.45	0.18	0.39
29	15	Seshasayee	Inner	0.24	0.31	0.39	0.21	0.23	0.21	0.20	0.24
30			Complex	0.33	0.31	0.48	0.21	0.35	0.21	0.34	0.24

31	16	Shapoorji	Inner	0.05	0.26	neg.	0.09	neg.	0.17	neg.	0.21
32			Complex	2.05	3.16	2.14	2.48	1.64	2.59	1.62	2.63
33	17	Shri Ram	Inner	0.64	0.74	0.87	0.69	1.01	0.97	0.93	1.05
34			Complex	0.71	0.77	1.07	0.71	1.12	1.01	1.02	1.08
35	18	Tata	Inner	5.90	8.58	8.46	13.47	6.65	11.27	7.54	10.74
36			Complex	9.35	12.29	11.70	16.35	9.60	14.28	10.86	13.86
37	19	Thapar	Inner	0.90	1.18	0.75	0.83	0.68	0.90	0.62	0.94
38			Complex	0.90	1.18	0.76	0.83	0.69	0.90	0.62	0.94
39	20	Walchand	Inner	0.78	0.61	0.56	0.31	0.70	0.64	0.65	0.61
40			Complex	2.59	2.41	3.88	2.41	2.65	2.32	2.41	2.17
41		Twenty groups total	Inner	27.95	33.28	29.95	33.67	26.44	32.56	26.92	32.23
42			Complex (gross)	38.97	47.96	42.56	46.50	36.48	45.05	37.05	44.85
43		less overlap		4.67	7.40	4.75	6.60	3.95	6.22	3.91	6.20
44			Complex (net)	34.30	40.56	37.81	39.90	32.53	38.83	33.14	38.65
45		Thirteen large groups	Inner	26.78	31.67	28.64	32.40	25.25	30.89	25.78	30.52
46		Total	Complex (gross)	33.44	40.50	36.64	40.62	36.61	38.45	32.28	38.26
47		less overlap		0.35	2.09	0.33	2.49	0.44	1.79	0.59	1.91
48			Complex	33.09	38.41	36.31	38.13	31.17	36.66	31.69	36.35
49		All non-govt. public companies	p.c.	100.0	100.00	100.00	100.00	100.00	100.00	100.00	100.00
50		All non-government companies	Rs Crores	591	765	464	1200	976	1956	1396	2673

Source: "Structure of the Corporate Private Sector - "A Study of Concentration, Ownership and Control", Report to the Government of India, Research Programmes Committee, Planning Commission by Dr. R.K. Hazari, assisted by Shri A.N. Oza and others (1963)

APPENDIX III

Number of managing agents, managed companies and subsidiary/holding companies and paid-up capital thereof (Rs lakh) for 25 leading business houses, 1960-61.

Ser. No.	Name of business house	managing agents/secretaries and treasurers		managed companies		subsidiary/holding companies		total	
		No.	Paid up Capital	No.	Paid Up Capital	No.	Paid up capital	No.	Paid Up Capital
1	Tata	5	454	22	7146	15	846	42	8446
2	Biral	5	140	45	5531	21	244	71	5915
3	Martin Burn	1	207	20	1944	-	-	21	2151
4	Killick	1	100	7	1349	4	19	12	1468
5	Sahu-Jain	1	5	7	1343	-	-	8	1348
6	Bangur-Somani	6	125	17	738	6	359	29	1222
7	Andrew Yule	1	180	28	770	4	234	33	1184
8	Walchand	2	21	9	1112	3	5	14	1138
9	Bird Heilger	2	110	22	899	29	43	53	1052
10	Thapper	2	258	24	695	1	27	27	980
11	Goenka (Ramdut Ramkrisen das, Duncan & Octavies)	3	195	39	677	3	19	45	891
12	Mafatlal	5	6	6	579	4	183	15	768
13	I.C.I.	-	-	-	-	3	741	3	741
14	Chinai	2	6	2	734	-	-	4	740
15	Dalmia (Jaydayal)	3	5	5	733	-	-	8	738
16	Macneill & Parry	1	250	26	378	8	106	35	734
17	Surajmull Nagurmall	5	143	39	575	2	8	46	726
18	Jardino Henderson	1	250	10	355	6	94	17	699
19	Shri Ram	5	50	5	575	-	-	10	625
20	B.T.C.	1	406	6	173	2	40	9	619
21	Juggilal Kamlapat (JP)	4	33	11	567	1	2	16	602
22	Nowrasjee Wadia & W.H. Brady	2	75	11	484	-	-	13	559
23	Kasturbhai Lal Bhai	8	-	9	524	2	2	19	526
24	Sheshasayee	4	5	8	454	-	-	12	459
25	Shaw Wallace	2	150	11	246	8	58	21	454
26	Total	72	3174	389	28581	122	3030	583	34785

Note: Paid Up capital taken from Annual Accounts with closing dates July 1960 & 30 Jun 1961

APPENDIX IV

Distribution of number of leading business houses by paid up capital and by number of managed companies* 1960-61

Ser. No.	Classes in No.of managed companies	Classes in paid up capital in Rs Crores of managed Cos. less than 1	1-2	2-5	5-10	10-15	15-25	25-40	40-55	55-75	total No. of business houses	Names of the business houses managing more than 26 companies
1	upto 5	-	-	-	3	-	-	-	-	-	3	
2	6 - 10	-	1	2	2	3	-	-	-	-	8	
3	11 - 15	-	-	2	1	-	-	-	-	-	3	
4	16 - 20	-	-	-	1	-	1	-	-	1	3	
5	21 -25	-	-	-	2	-	-	-	-	1	3	
6	26 - 30	-	-	1	1	-	-	-	-	-	2	i. Macneill & Parry ii. Andrew Yule
7	31 - 35	-	-	-	-	-	-	-	-	-	-	
8	36 - 40	-	-	-	2	-	-	-	-	-	2	i. Surajmull Nagurmull ii. Goenka (Ram-dutt Ramkrisendas Duncan & Octavias)
9	41 - 45	-	-	-	-	-	-	-	-	1	1	i. Birla
10	total	-	1	5	12	3	1	-	-	2	24	

* Excluding subsidiaries and holdings
Source: Department of Company Law Administration

Distribution of directors by number of directorships held in 1956-1957

Ser. No.	number of directorships held by a director	persons holding the directorships: number	persons holding the directorships: percentage of total number	total directorships held: number	total directorships held: percentage of total number
1	1	399	26.6	399	4.0
2	2	168	11.2	336	3.4
3	3	139	9.2	417	4.3
4	4	108	7.2	432	4.4
5	5	80	5.3	400	4.1
6	6	71	4.7	426	4.4
7	7	65	4.3	455	4.6
8	8	67	4.5	536	5.5
9	9	49	3.3	441	4.5
10	10	52	3.5	520	5.3
11	11	33	2.2	363	3.7
12	12	32	2.1	384	3.9
13	13	26	1.7	338	3.5
14	14	23	1.5	322	3.3
15	15	19	1.3	285	2.9
16	16	21	1.4	336	3.4
17	17	17	1.1	289	3.0
18	18	13	0.9	234	2.4
19	19	15	1.0	285	2.9
20	20	18	1.2	360	3.7
21	21 to 40	87	5.8	2227	22.8
22	total	1502	100.00	9785	100.0

Note: All India covering 331 big companies having paid up capital of Rs 50 lakhs or above each.

Source: "All India survey of company directorships pertaining to big sized companies" by R.K. Nigam and N.D. Joshi (Mimeographed)

APPENDIX VI

Ser. No.	Number of directorships	number of directors holding directorship*
1	1 industrial house	892
2	2-4 industrial houses	215
3	5-7 industrial houses	37
4	8-10 industrial houses	11
5	11 or more industrial houses	3
6	total	1158

* Before adjustment for repetition of individual directors.
Source: Paper prepared by Central Statistical Organisation (unpublished.)

APPENDIX VII

LIC Investment Policy

(Economic Times, May 19,1964)

The Chairman of the LIC in a special communication to the Planning Commission has strongly pressed that the LIC must be free to make investments in private corporate sector. He has declared his defiance against what he calls "artificial curbs on the corporation's investment policies".

He has protested against Industrial Finance Corporation drawing money from LIC at lower rates of interest to make investments in the private corporate sector at a far higher rate of interest.

He has patted the Government for its decision to reject the Estimates Committee's recommendation that the Government should take over the funds of the LIC as an unfunded debt.

He has also protested against the suggestion that LIC should restrict its investments in private sector to new capital issues which could not obtain adequate public support. The Chairman wants a carte blanche to invest wherever he likes and whatever he likes in any of the big business corporations.

The Chairman's view is that the LIC must make investments to improve the yield on its investments. According to him LIC must be a profitable organisation in order to attract larger number of policies with a promise for larger profits to the policy holders. He says openly fabulous profits are possible in private sectors only.

He admits that LIC was nationalised to augment the resources available for achieving the objectives of the Plan. But he rejects the argument that LIC has no business to go about purchasing shares of companies in the private sector and thus lend support to the stock exchanges which are looked upon as "dens of speculators and a negation of all that the Government of the day has accepted to stand for." According to him no answer is necessary to this argument because the need for investment in the shares of existing companies should be obvious. He has thus claimed a right for the LIC to be choosy.

He admits that the need for an activity is not necessarily proportional to its profit-earning capacity and it is necessary to subsidise such activity in the initial stages. But he argues that such subsidy should be a charge on the country as a whole and met by the State rather than passed on even partly to an institution like the LIC. The ambition of the LIC to become a partner in the handsome profits of big business concerns is not even concealed by the Chairman of the LIC. His apology is "if the party can make handsome profit by utilising the LIC money it is difficult to see what is wrong in the LIC seeking to reduce the excessive profit slightly. The LIC's so-called greediness, after all, benefits a larger section of the people and it imposes no unfair burden on those who seek the use of LIC funds. He finally comments:

" LIC should be enabled to continue to make more profitable investments in the private sector and the percentage thereof should not be sought to be reduced with a view to provide a higher percentage for the public sector."

This is an open revolt by the Chairman of the LIC against the very purpose for which LIC was nationalised.

Our...

Our economic policies have led an institution taken out of the hands of the big business has to declare with pride and without shame that it is aspiring to be the handmaid of private big business in order to earn more profits. It renounced its responsibility to find larger funds for the public sector even though it admits that public sector needs funds and profits cannot be decisive.

He has declared that the LIC should be absolved of its duty to share responsibilities in this regard with the State.

The argument of the Chairman, if accepted today, must be true for all credit institutions tomorrow. If banks are nationalised the same will be claimed by the nationalised banks. The result would be inevitable that all attempts by the society to assume ownership and control of large funds belonging to the people will end in nothing but serving the interest of the big business.

It must not be forgotten that larger profits come out of the pockets of the citizen and to that extent they hit the people. The greed of the LIC for ever larger profits cannot be too strongly condemned.

It must also not be forgotten that the growth of the public sector is necessary to broaden the base on which the entire structure of industrial sector is expected to grow and flourish to attain newer and newer dimensions.

The slavish dependence on the private sector, on a superficial short-sighted view that it would yield larger profits needs to be banished from the minds of our executives. It can be banished only when the growth of big business is rendered impossible and growth of public sector alone becomes the order of the day.

Dutta whose ~~do~~ executive discipline could not be responsible for greater regard for values declared fundamental by our people in the Constitution.

Such is the spell of the magic of the monopolies that we feel we are being robbed by big business in our own interest.

It's clean forgotten that this country had won its ~~[illegible]~~ independence after a bitter struggle against the vested interests — both foreign and Indian. ~~Under the leadership of Mahatma Gandhi and Jawahar Lal Nehru, wrote in 1946~~

~~def~~ ~~The indep~~ Our independence was ushered with a declaration in the ~~Congress~~ Congress Election Manifesto of 1945-46

"New undertakings, which in the nature of monopolies or in view of their Scale of operations, serve the country as a whole or cover more than one province, Should be run on the basis of public ownership.... In ~~the spoo~~ respect of public undertakings the process of transfer to public ownership Should

Sector to make India self reliant or to provide additional employment or to guarantee equitable distribution of even the barest necessities was disproved in the three five years plans and they have done nothing to command a new confidence in the ~~face of~~ fourth to ~~meet~~ fulfill the tasks that face us today.

The private Sector has a whole history of licenses remaining ~~and~~ unutilised, of playing havoc with public funds placed at their disposal, of letting loose corruption in administration at all levels and corroding the vitals of our body politic at the source.

The other day a former Chief Minister of a State came in panic to Kamraj and ~~drew his attention~~ warned him ~~that~~ money would flow in the election for the Prime Minister of India. Kamraj is reported to have ~~asked~~ stated: "Who would pay the money? After all there are not more than 10 men in India who can spend this money? It will not be difficult to know who they are. Surely we know how to deal with them. We will nationalise the Banks" The warning to nationalise the Banks given ~~or~~ by the President of the Indian National Congress indicates the direction in which the country has to think if democracy is to survive in this Country. ~~But~~

But instead of taking this Country in that direction we are merely appointing Monopolies Commissions to declare a liquidation of ~~our nation~~ the rich legacy of our national movement, to make a mockery of our Constitution and to convince the country it is inevitable that the poor man must deprive his child of the mother's milk to pay the taxes. So ~~that~~ millions of money flow out of the Exchequer to feed the Big Business which is starving for what is the due of the common man.

What justification is there for twenty or seventy five Big Business house to strangle our economy, ~~and make the~~ control the public funds in the Banks, ~~in the State~~ the Life Insurance Corporation, Industrial Finance Corporation, Investment Corporation and above all the State itself which are ~~treated as if they have the duty~~ the pipelines to keep the flow of the capital to keep the private sector alive.

The only justification for these policies, according to the Monopolies Commission, was that Big Business was at an advantage: a) for raising large funds for setting up a modern plant; b) ~~see~~ for inspiring confidence to expand and proliferate ~~to~~ in view of their past successes c) for attracting foreign collaboration and d) for providing the necessary technical know how.

But we have it from the Monopolies Commission itself that a leading industrialist who led one of the ~~2~~ important Chambers of Commerce, was very bitter about the part foreign collaboration was playing in the industrialisation of the country and the price paid for it. It is, indeed, sickening to note that the Monopolies Commission had not the intellectual honesty to spell out the disastrous consequence for our independent planned development in view of our humiliating growing dependence on Foreign aid and foreign collaboration.

Monopolies are the cesspools of Indian Civilisation which will ~~may~~ ~~attract~~ tend to ~~extend an invitation to~~ attract the "American East India Companies" to rule us once again and it is unfortunate but true that there are quite a few Mir-Jaffars in the Government who will surrender national interest to the foreign masters, sometimes for a few loaves and fishes, but often enough without them. Such is the paucity of self-respect and ~~our~~ lack of ~~our~~ awareness ~~too~~ of the dangers so well defined by those who fought for our freedom.

It will be proper after ~~sixteen~~ eighteen years of our independence to ~~remind ourselves~~ repeat the warning struck by ~~B~~ Prof. K.T. Shah on November 22, 1948 in the Constituent Assembly:

" Quote Pages 2-3 BEB.

~~No apolog~~ What is worse is that this having happened we are not hesitating to evolve a philosophy to justify this as the best and the inevitable course of our history.

This Monopoly Commission Report must be rejected as a fraud on ~~the~~ all that this nation stands for. We can have no quarrel for allowing the private sector to exist and if possible grow on its own resources.

But we must here and now declare on this Republic Day that people of India are not the slaves of Big Business and they do not have not the duty to feed the private Sector ~~and~~ with the fruits of their hard labour.

Our Government should be ashamed that the State Bank should top the list among the Banks advancing large funds out of the depositors moneys to the private corporations ~~Controlled~~ in which 10 out of the 21 directors of the State Bank were interested.

The CSO report says:

Quote p 34A to A

The Directors controlling the private sector control the Banks and also the newspapers. The survival of independent sources of information is thus rendered almost impossible. ~~[illegible] Ministers,~~ Inconvenient Ministers in crucial moments are hunted out of office by virulent campaigns in the press to pave the way for a take over by a Government which will not hamper, the unrestricted loot of our people.

The immediate steps necessary appear to be: —

Quote

1.

2.

3.

4.

5.

8. = 6

9 = 7.

10 = 8.

These alone will guarantee the independent growth of our economy on healthy lines and ensure that justice social economic & political will not be denied to our citizens. ~~[illegible]~~

COMMUNIST PARTY OF INDIA

Central Office
-- 7/4 Asaf Ali Road, New Delhi.

Information Document No.4

For National Council Members only

GOVERNMENT POLICY TOWARDS FOREIGN INVESTMENTS

A major shift in Government's approach and policy towards foreign private investments in Indian economy has been indicated since the assumption of Finance portfolio by Mr T.T. Krishnamachari

Mr. Krishnamachari publicly announced his intentions in this regard in a speech at the close of last year in Bombay, before a gathering of economists - "stage has come when we (the Government) would be justified in opening the doors wider to private foreign investments" (The Economic Times, 26-12-1963). He embodied this approach in his Budget proposals and has been pursuing it with vigour in his dealings with foreign business interests, particularly American and West German.

India, after Independence, did not close the door on foreign investors. The quantum of their investments nearly doubled during the first twelve years after independence. Still, as the idea of planned development gained ground, and the need to build an independent economy began to be felt the Government was impelled to adopt a more cautious policy regarding foreign private investments. The advent of government-to-government aid, especially from the socialist countries, offered an alternative source to get external resources and this factor too played a part in this direction. The First Five Year Plan laid down "the flow of equity capital from abroad has great advantages but it will be necessary at the same time to obtain fixed interest capital through official or quasi-official institutions". (page 438).

T.T.K. is trying to reverse this approach. Foreign credits, he now argues, entail a heavier burden of repayment than private investments from abroad He no longer is willing to concede that private holdings in our key industries can have any adverse effect on our independent economic development Besides, the stipulation in the Industrial Policy Resolution of 1956 about reservation of certain industries for development only in the public sector is beginning to be undermined so that private foreign investments will get a chance to enter every field.

Mr. Krishnamachari's approach to foreign investments is determined of his understanding about the current state of the economy. He appears to equate the economy with the private corporate sector which must be accorded every facility to grow and develop. The foreign private investments from an essential part of this process, He said in his Budget speech "the efforts that we make through our fiscal and other devices to encourage savings, to invest them soundly need to be sustained by the inflow of foreign exchange in the form of external capital".

His favourite....

His favourite slogan of "revitalisation" of the capital market too is similarly linked with the foreign private investments The need for "revitalisation" and for encouraging the flow of rupee finance, he has said, is for increasing participation in industrial ventures with foreign collaboration. (The Economic Times, Dec. 6,, 1963). T.T.K. has taken quite a few steps in the light of this approach.

The first step was to go back on the established policy of not permitting the opening of branches of banks of a country which itself does not give such permission and allowed the Bank of America National Trust and Savings Association (NTSA) to start operations in Bombay. He also took the lead in opposing modifications in the law relating to patents It is an established practice with foreign manufacturers to get their products 'patented' in the less developed countries and thereby keep the indigenous elements out of their manufacture. In this manner they succeed in not only perpetuating their monopoly and charging exorbitant prices for their products but also in impeding the training of indigenous technicians. They also charge very high royalty rates for parting with their technical know-how. According to a report in the <u>Financial Express</u> (April 20) the royalties paid even on non-essential items like tooth pastes, face creams, balms, laxatives etc. varied between 12 and 15 per cent. Evidently on essential items they were even higher Health Ministry had asked for abrogation of patents in respect of goods and drugs and the Government, after considerable hesitation and needless investigation by expert committees, decided to take a few steps in this direction. But the Finance and Industry Ministries opposed these steps and as the latest reports indicate have succeeded in considerably watering down the original measures The reason given by these Ministries for their opposition was that any radical step in this direction will act as a disincentive to foreign investments. Mr. Krishnamachari followed his opposition to modifications in the patents law by the abolition of price controls of sixteen commodities including caustic soda, tyres, rayon yarn, staple fibre, sheet glass, paper board, etc. and the freeing of new ventures and expansions upto Rs.2.5 million from industrial licensing and capital issues control. the timing of these two measures to activise the private sector was significant. A few months earlier the World Bank had suggested in a report on India that she should relax controls and liberalise procedures impigning on industrial expansion. It is obvious that the Finance Minister had accepted this advice.

The foreign business circles were then appeased by a ready acceptance of the recommendations of the Swaminathan Committee on Licensing and related procedures The direction of these recommendations is towards "simplifying" these procedures to facilitate a quick clearance of schemes for collaboration The Committee specifically recommended 22 industries as deserving of such treatment. These are: pig iron, alloy steel, ferro chromme and other ferro alloys except ferro manganese and ferro silicon, malleable iron castings, steel castings, steel forgings, structurals (heavy), industrial machinery, cranes, machine tools including small tools, dies, jigs and fixtures, automobile ancillaries, coated abrasives, electric winding wires, fertilisers, sulphuric acid, caustic soda and soda ash, rubber, chemicals, petro-chemicals including synthetic rubber, pesticides, paper and paper board, cement and pulp (cellulosic).

These measures were just the opening moves in the gamut which was made clear by the Budget for 1964-65. The assessment of the "incentives" provided to the foreign private capital was made by the <u>Eastern Economist</u> (April 17). According to this assessment "the full effect of the tax rate on the earnings of

foreign......

foreign investments, if all earnings are remitted and no surtax is due, would stand reduced as a result of the budget proposals from 62.5 per cent for favoured industries to 56.8 per cent and from 67.5 per cent or more for other industries to 65.3 per cent". The favoured industries which have been provided special rebates in taxation under the Budget include basic metals like steel, copper and aluminium, mining of coal, lignite, iron ore and bauxite, industrial machinery and machine tools, cement, fertilisers and tea, coffee and rubber. It is no secret quite a few of them are already open to foreign investors and as the Eastern Economist implies, it may not be long before all of them are similarly thrown open to them.

Other attractive features for the foreign investments provided in the Budget might also be assessed from what the Eastern Economist had to say about them. In its April 17, 1964, number it proclaimed that the budget proposals had made "a more favourable impression abroad than at home". The reason given was that the new surtax, after lowering the rate and broadening the base, could mean that the "normal firm with a debt - equity ratio of approximately 2:1 will not have to worry about it at all." Again, regarding the new 7.5 per cent tax on distributed profits, it emphasised that "the tax will come into effect only after a firm has paid dividents of 10 per cent or less for five years and that it will apply to distributors greater than 10 per cent in any year." Among other measures attracting specially favourable notice abroad, the journal mentioned the cut in the tax rate on earnings from technical assistance rendered by a foreign firm from 63 per cent to 50 per cent and the liberalisation of the terms of special tax exemptions upto three years available for foreign technicians

A spokesman of Finance Ministry spelled out on March 1 - the day after the Budget was presented - that the Budget "marked a decisive effort to remove disincentives for the flow of external private capital" and indicated that Government might allow foreign equity participation in the development of several heavy industries, including oil, petro-chemicals and machinery manufactures, particularly electrical equipment (The Indian Express, March 2, '64) He also said that foreign capital participation in heavy industrial undertakings of the public sector would not be contrary to the Industrial Policy Resolution

It would not be without interest to note that doors are opened wide for private foreign investments precisely on those lines in which the private sector had been earlier tried and found wanting. Fertilisers, aluminium and pig iron, in which the private sector was permitted entry at the time of launching the Third Plan, in violation of the Industrial Policy Resolution, had to be substantially reverted to the public sector later because of the private licencees' capacity (or unwillingness) to deliver the goods. In encouraging foreign participation in these industries, the Government was again resiling from the stand it had taken after mid-term appraisal.

It is in this context that the visits of a series of delegations from Western countries before and after the Budget and their talks with the Government leaders in New Delhi acquire much significance. The first to visit the Indian capital in this period was the West German Minister for Economic Affairs, Walter Schoel. The purpose he had in view was to conclude an agreement with the Indian Government which could facilitate the inflow of West German capital into India. He was, however, not content with an agreement of a type which other Governments, including the US, had concluded, but wanted it to incorporate a clause which would permit third party arbitration about the amount of compensation payable in the event of nationalisation of West German capital. The Indian

Constitution.....

Constitution has, however, explicitly laid down that the amount of such compensation, while being just and fair, cannot be questioned even in the country's own courts How could it then be subject to third party arbitration?

But this provision notwithstanding, the Finance Minister carried on negotiations with the West German Minister. These negotiations have not yet ended, but the visiting Minister indicated while leaving India, there was no reason to believe that they would not result in West Germany getting something out of them

The second important delegation to come to India in the post budget period was from Vancouver Board of Trade Mission, Canada. After a series of talks with the Indian officials the delegation was reassured about investing in India and held out promise of participation in a number of industries including paper and pulp

The next to visit was an 'economic delegation' from France which was also assured facilities for private investments This delegation showed particular interest in petro-chemicals.

The latest and most important to arrive and leave with a bagful of proposals for industries ranging from fertilisers to heavy electricals was, of course, the US businessmen's delegation. Drawn from 27 US corporations, many of which are already participating in Indian industry, these businessmen were accompanied by the US Under-Secretary of Commerce, Mr. Franklin D Roosevelt Jr and US Assistant Secretary of Commerce for International Business, Mr. Jack Behrman They were led by the Vice-President of the Un Union Carbide Corporation, Mr J.R. Galloway. Sponsored by the Business Council for International Understanding, an organisation representing 36 major US companies with international interests the visit of these businessmen was at the initiative of the Indian Investment Centre which is in a sense the Indian counterpart of this Council. The US Businessmen had been attracted by "the message in the budget" (The Economic Times, April 14), Mr Roosevelt said on the arrival day. "The question of percentages in equity participation" he said "would depend on the particular project". T.. (and)...would vary from industry to industry and would subject to discussion". They are reported to have put foreward proposals about the forms of "collaboration", which should be noted. A proposal they put forward (Patriot, April 16) envisaged the sale in open market of a fixed percentage of their shares in joint ventures leading to complete Indianisation of these ventures over a certain period. And as their share had in any case to change hands, there would be no harm done if they were permitted to come in even as a major partner. By the same reasoning, they suggested it was meaningless to deny them opportunity to collaborate in any industry for they, after all, were not interested in seeking a permanent niche. They were, however, not prepared to sell their shares to the public sector which made it clear that all they were interested in was to promote a class of industrialists in India who would be prepared to serve as their compradors.

The full implications of this and other proposals of a similar nature, which the members of the delegation made to the Government and Indian businessmen would be unfolded only in the future. But the prospects of private investments from USA are generally held very high here after the delegation's visit. Its members are believed to have carried with them for further processing a number pf deals of collaboration in important industries like heavy machinery, fertilisers, petro-chemicals, electronics and machine tools. FICCI President even held out to them the prospect of considerable profits by investment in industries which could sell their products to neighbouring countries

Some of the ....

Some of the deals concluded by the members of the mission like the one relating to the Coromandal Fertilisers, a venture organised jointly by E I.D. Parry Ltd , Madras and California Chemical Company and International Minerals and Chemicals Corporation, USA are already out, while others being in final stages of negotiations, may take some time to be made public Another delegation is coming here in September-October.

An interesting report going round the capital in those days was that the Finance Minister who had announced the formation of the Monopolies Commission a little earlier had assured the visitors that the new body "would not cut into large private enterprises". Mr. Krishnamachari, of course, denied this report, saying "No assurance was asked for and none was given". The Century April 25, had, however, no hesitation in dismissing the denial as meaningless because the visitors' experience of their own country's anti-trust legislation must have left them in no doubt about the innocuousness of the proposed Commission.

Other reports (The Economic Times, April 28) spoke of the visiting businessmen being impressed with the "pragmatic" approach of the Indian Government. They were particularly satisfied at the assurance that "they need have no concern about rupee capital participation". The Government they were told would take "quick action to arrange rupee finance" in the event of any American investor coming forward with specific proposals". This is an evidence of the fact that the massive entry of US and other foreign private investment into the Indian scene was a necessary concomitant of the development of Indian private sector. The Government also assured them that the mere fact of its agencies' underwriting the rupee capital of joint ventures would not mean that it would want to control their management. The example of the Cochin refinery in which the Government owned nearly 70 per cent of the shares and yet did not interfere in the management which was controlled by the Phillips Petroleum was offered as a symbol of its earnestness in this respect.

The US businessmen have not confined their interest to large-scale industries alone. They are eager to extend their tentacles into "small business" According to Statesman(April 29) a private Corporation, the American Partners Incorporated has planned to enlist support throughout the USA in fostering small business firms abroad India is reported to be among the first countries where they would want to foster such enterprises.

T T.K. has been argueing that since this country had already attained a fair level of growth (Economic Times, December 20 stage had come for opening the doors wider for foreign private investments. This gives an insight into the prevent nature of collaboration between Indian monopolists and foreign investors which T.T.K. is trying to promote. The progress in building "infra structure" through State enterprise during the past decade with substantial assistance from the West - has reached a stage where it has created a potential for industrialisation The West now wants to reap its benefit in the form of profitable investments. Mr. Roosevelt had obviously this in mind when he said that India's potential for the future, which he called "mighty" had "now reached the "developmental stage where investment has been attracted" (The Economic Times, April 14).

Investments in India offer high profitability According to a study based on official statistics of India and United States the average rate of profit of US companies in India was 15.7 per cent on net worth during the period 1957-1960 as against 8.5 per cent in the case of Indian companies (The Eastern Economist, April 17). The study also showed that the rate of profit after

tax . . .

tax made by American companies in India was even higher than that made by giant US companies at home. According to statistics relating to 12 US controlled companies in India published in the "Company News and Notes", journal of the Division of Company Law, Ministry of Finance (December 2, 1963) two companies declared a dividend exceeding 25 per cent as compared to the highest dividend of 17.4 per cent paid by a US giant in the USA. In short, the US controlled companies in India had made a higher rate of profit than some of their parent companies in the USA and the Indian companies in India. Obviously with such bright prospects within their reach, the American investors should be expected to look forward to investments in India, if favourable conditions are provided to them.

The Finance Minister's explanation for the shift in policy which he is prompting is that it is necessary to attract foreign investments which "in the shape of equity capital ... has the special advantage of not adding to the heavy and growing burden of debt repayment" (The Budget speech). This, however, is a mistaken argument for debt repayments which even when they are hard are redeemable over a period of time but the drain caused by repatriation of profits etc. cannot be stopped until the undertakings are taken over after paying adequate compensation.

In this context the remarks made by Mr. Mathew J. Kust (The Economic Times, April 20) are pertinent. In an article on 'Policies on Foreign Collaboration' he writes: "Foreign equity investment is unquestionably the most costly or potentially costly development finance in terms of foreign exchange. In India or in other underdeveloped country a project is not considered attractive for foreign investors unless it promises to yield the subsidiary company at least twenty per cent profit after tax. Thereafter, the local company is expected to pay a 10 per cent or greater dividend and retain the balance for expansion every three to five years. Such foreign investment can only be attracted if the underdeveloped country's law and policies together with a record of performance, permit free remittance of the dividends and repatriation of capital including the capital gains thereon. The under-developed country must therefore be prepared to repatriate each dollar of foreign investment 3 to 5-fold, depending upon the profitability of the enterprise, within 10 years after start of production. The repatriation burden on foreign loans by contrast would be only 1 60 dollar per dollar even on the basis of the harsh World Bank loans.

T.T.K.'s approach has come up against strong criticism from not only the Left Opposition, but also progressive Congressmen. He has had to often cover his tracks, explain away many a thing and maintain that no departure from Industrial Policy Resolution was either made or intended to be made. But the facts speak otherwise and a powerful campaign against the approach and policy of TTK in this important field is necessary to block the downhill drift.

Appendix No.1

INTEREST IN INVESTMENT IN INDIA INCREASES
RESULT OF U.S. BUSINESS MEN'S VISIT

NEW DELHI, May 18: There is increasing evidence of American interest in investment in India following the recent visit of US business leaders to this country. The US Action Committee for International Development is sending a group next autumn for direct negotiations with Indian parties for joint ventures.

The US .....

The US team, which visited India under the leadership of Mr. J.R. Galloway, will formulate precise views on the investment market in India at a "de-briefing session" in New York on May 28.

The American Management Association plans to hold in New York a two-and-a-half day's briefing session on "investing and operating in India" during the second week of June.

The association is of the view that a fresh appraisal of investment opportunities has become necessary in view of the recent steps taken by the Government of India "to widen US business participation in India's industrial growth and the eagerness of some of the U.S. companies to have a closer look at free Asia's biggest market."

Meanwhile, the Indian Investment Centre, which sponsored the visit of the US team, today published the first official detailed account of the discussions. These related to the general investment climate, taxation policy, role of public and private sectors, price control, approval procedures and size of units.

Here is a gist of the views expressed on various topics:-

INVESTMENT CLIMATE: Indian spokesmen said that India was a good risk both politically and economically. The Government was willing to collaborate with foreign private investment in case private Indian capital was not forthcoming. They justified the selective approach to projects and indicated that in exceptional cases, foreign collaborators could be allowed majority participation.

TAXATION POLICY: U.S. businessmen were apprehensive about the high level of taxation, but it was explained to them that the rate of profitability of investments in India was substantially higher than in many other countries. The cumulative effect of various tax incentives was substantial.

PUBLIC AND PRIVATE SECTORS: Official spokesmen said that the two sectors were complementary to each other. Steel and fertilisers were part of the infra-structure in the present stage of India's economic development and the country needed assistance from foreign investors in both fields.

PRICE CONTROL: The Government was not waded to price control as a policy. The Government would leave price determination to the interplay of demand and supply under normal market conditions except where an article was in acute short supply. It might be possible to terminate the fertiliser pool system in two years when the supply caught up with the demand.

APPROVAL PROCEDURES: U.S. businessmen suggested the possibility of introducing the "critical path" techniques to cut short delays at various stages. The Government promised that the suggestion would be examined after the results of the present simplified procedures had been appraised.

SIZE OF UNIT: The Government would give due recognition to the economics of scale.

The Finance Minister, Mr. T.T. Krishnamachari, told the delegation that the existence of a large potential market led to considerable possibilities of industrial growth. He gave examples of Indian concerns which achieved phenomenal growth in recent years, adding that it was for the potential investors to find partners among Indian businessmen.

The Government of India was prepared to collaborate with foreign private investors in case private Indian capital was not forthcoming. Public sector projects with or without foreign collaboration were intended to earn adequate profit.

CORRECT..

CORRECT POLICY

The Finance Minister added that the industrial policy resolution, which had been reviewed from time to time, represented a correct policy for underdeveloped countries and needed no basic revision. The Government's selective approach to foreign private investments was dictated mainly by two considerations; the imperative need to fix priorities in favour of basic and heavy industries, and to minimise the burden of foreign private capital so that India could honour its commitments with regard to repatriation of capital and remittance of profit.

Mr. Bhoothalingam, Secretary, Coordination Department, made a detailed exposition of the rationale behind this policy. He emphasised that any discussion as to whether the Government wanted investment in certain fields to be in the public sector was academic in view of the immense scope that was left for private industrial development. The dimensions of the Fourth Plan were still under discussion but it was reasonably clear that the full needs of foreign exchange for the Plan were unlikely to be met by inter-governmental aid. The Government, therefore, welcomed private foreign investment as a supplementary source of foreign exchange.

The Government's approach was selective, certainly, but not highly selective as the US Businessmen seemed to imagine. The sheet-anchor of the Government's policy was the maintenance of free remittance of profit and full recognition of the right to repatriate capital. It was, therefore, necessary to keep a strict watch on the obligations incurred for future remittances.

EXCHANGE-SAVING

The selection of foreign investment proposals was, therefore, made on the basis of exchange-saving and export-earning, in order to ensure future remittances. The problem of remittances would greatly increase if foreign capital were freely allowed in the traditional industries.

Mr. Bhoothalingam, therefore, claimed that given a carefully calculated reserve to repay foreign obligations, it was the correct policy to make the best use of this in exchange-saying and export-earning industries. The field for mutually beneficial collaboration between Indians and foreign investors was large enough by itself and it was unnecessary to go into side issues about fields of investment which were restricted. India's selectivity towards foreign private investment was not as narrow as some of the US group apprehended nor was it as large as they would like it to be.

According to the Investment Centre, this explanation of the Government of India's policy appeared to carry conviction with many who took part in the talks. This should be evident from Mr. Galloway's final summing up: "This group has been so impressed with the effort your Government is making to lead India to self-sustaining growth and as individuals many of us have become so committed to your success that we intend to continue our existence as a group in the States. We will remain in close communication with our host, the Indian Investment Centre and would be available for consultations with the Centre, if so desired."

During their week-long discussions US businessmen raised a number of points which had a bearing on competitive strength of industrial enterprises in India.

Mr. Bhoothalingam explained that the various procedures for investment approval were inherent in the planning process. They sprang basically from two requirements, namely, industrial

licensing.....

licensing for implementing the Plan priorities and import control for optimal utilisation of scarce foreign exchange resources. He claimed that some delay and minor irritations were unavoidable.

In fact, the Government of India had always been conscious of tjese difficulties and attempts were being made to streamline the procedures. He referred to the steps taken by the Government following the recommendations of the Swaminathan Committee. Two important measures adopted were the practice of issuing a letter of intent and the appointment of a special officer, Mr. K.J. George, in the Ministry of Industry. The special officer was the focal point of contact for all prospective foreign investors.

KEY INDUSTRIES

So far as "key-industries" were concerned, it was now possible for an entrepreneur to make his applications simultaneously for all phases of investment approval. In addition, a number of committees have been set up for greater internal coordination and more powers have been delegated to the ministries for the disposal of applications.

Mr. Bhoothalingam promised that any suggestions from the businessmen as to how the "critical path" technique could be applied under Indian conditions would be welcome.

Mr. C. Subramaniam, Minister for Steel, Mines and Heavy Engineering, stated that one of the lessons which India had learnt during the last decade of economic planning was to give due consideration to the economies of scale. India, he added, had learned by mistakes.

Mr. Humayun Kabir, Minister for Petroleum and Chemicals, also stressed this point when he said that in the case of enterprises manufacturing multiple products in the petro-chemical industry, the Government would pay due regard to the economics of scale for each product and also to the need for flexibility in production policy of such a unit.

LIFTING OF PRICE CONTROL

That the Government was not wedded to price control as a policy was stated by Mr. Krishnamachari. The Government's attitude towards this problem was reflected in the recent abolition of price control over a number of commodities. Mr. Kabir, clarified that the present system of fertiliser pool was the outcome of shortage of fertiliser.

The discussions on majority versus minority participation ~~xx~~ underlined that the normal policy of the Government of India was to permit foreign equity participation on a minority basis primarily because the economic growth of India must primarily depend on the efforts of Indians. In exceptional cases, however, the foreign participants could be and were allowed majority share in equity.

Replying to a question whether in view of the present weak state of the capital market, the Government would allow a foreign partner to acquire temporarily the share allocated to the public issue to enable the project to go forward and then to require the foreign shareholder to sell the share to the public, Mr. Bhoothalingam said that so long as the purchase of shares by the foreign collaborator in the capital market did not exceed his share in equity participation in the interest of expediting the process of setting up the project.

In fact, ...

In fact, this had been done in the past The Government had not been meticulous about restricting foreign equity to the proportion attributable to the imported capital equipment, so long as the proportion did not exceed 50 per cent. It raised a policy issue, when such a practice led to majority participation by the foreign collaborator. Mr. Bhoothalingam, however, suggested that such an arrangement would be possible subject to definite agreement between the Government and the collaborators.

PROFITABILITY

The question of profitability of investment in India was repeatedly raised by the US businessmen in the course of their discussions with government officials. To allay their apprehensions some figures were quoted.

Mr. V.T. Dehejia, Secretary, Revenue and Expenditure, Ministry of Finance, referred to his last visit to Japan, where he had found that profits were relatively higher in India. He also referred to a recent survey conducted by the British Board of Trade, which revealed that British investments in India earned a return of 9.4 per cent in 1962 which was higher than similar return on US investments. So far as American investments in India were concerned, reference was made to a recent study by the US Department of Commerce.

This indicated that the earning of US direct investments in manufacturing industries in India was 20.6 per cent in 1962 against 18 per cent in Pakistan and 12.7 per cent in Philippines. US investment in none of the Latin American countries had yielded higher earnings than that of India.

The Reserve Bank of India had recently analysed the balance-sheets of 1,834 companies. According to this study, profits after tax as a percentage of net worth was fairly above 10 per cent in 1960 and 1961. The fact that the new surtax applied to profits after tax in excess of 10 per cent of capital base was another indication of what was regarded a fair return on capital in India.

TWO-FOLD OBJECT

The Deputy Chairman of the Planning Commission, Mr. Asoka Mehta explained the two fold object of perspective planning to US businessmen. These objectives are to achieve a stage of self-sustained growth of the economy by 1975 if possible, or at any rate by 1977 and attain a minimum standard of living for the people of India, of whom more than 100 million were at present living at below subsistence level.

Mr. Asoka Mehta explained that these twin objectives would be attained within the framework of democracy. India, unlike most of the under-developed countries, had a vested interest in "progress through stability" because of the political maturity of the Indian people.

The twin objectives called for ever-expanding targets of production in various fields such as petro-chemicals, fertilisers, machine tools, electronics and pig-iron The demand for machine tools was expected to rise from the present level of Rs.180 million per annum to Rs.1,200 million per annum by 1971. Production target for pig-iron in the Fourth Plan was placed at 4 million tons per annum.

The Government would encourage the private sector to set up pig-iron plants up to a capacity of 300,000 tons. India's requirements of electronic components and equipment would run into millions of rupees in the next decade.

STEEL TARGET.....

STEEL TARGET

The target for steel production was likely to be 17 million tons per annum by the end of the Fourth Plan. This would call for an increase in output of components required for setting up steel mills. The oil refining capacity would be 30 million tons by 1970-71. Four main petro-chemical complexes would be located at Bombay, Gujarat, Haldia and Madras. There would also be a small complex at Barauni. So far as fertiliser production is concerned, the sky is the limit.

That the public and private sectors were complementary to each other was emphasised by Mr. C. Subramaniam. Citing the case of the steel industry, which had been reserved for the public sector, he stated that the units in the private sector had been encouraged to expand and increase their profitability. The Government drew from the private sector larger number of components required to feed units in the public sector. And as the manufacturing capacity of public sector units was expanded, so also did the demand for components increase.

Machine tools was another industry Mr. Subramaniam referred to by way of illustrating his point. He explained that out of the total production of Rs.180 million worth of machine tools, the share of the private sector amount to Rs.100 million

He added that steel and fertiliser were part of the infrestructure in the present stage of India's economic development and India needed assistance and cooperation from foreign investors in these fields.

UNFAIR COMPETITION

The operation of private sector units alongside public sector projects might raise the question of unfair competition between the two. Mr. Subramaniam said that there would be no discrimination against the private sector projects in the matter of allocation of scarce resources, issue of import licences and fixation of prices. In fact, he added public sector units had been discriminated against in the matter of foreign exchange release.

As regards prices too it was pointed out that in arriving at the price of a public sector product, account was taken not only of the normal industrial fixed investment but also investment in other heads such as housing. Hence the prices of a public sector product tended to be higher.

On taxation, Mr. Dahejia explained India offered a number of incentives to new industries as well as for expansion of industries. These incentives might not be cumulative and all of them might not be available to every industrial enterprise. However, in 1961-62, as many as 1,031 undertakings had obtained tax holiday benefits out of a total of 9,000 company-assessees in India.

During the six years 1955-57 to 1961-62, the total income exempted under these provisions was about Rs.150 million which indicated a substantial relief in tax on this score. In respect of capital intensive industries having a long gestation period, development rebate was the principal incentive available. It was clarified that after April, 1967 development rebate would not be withdrawn altogether but would continue in a modified form.

Instead of a flat rate of rebate to cover all industries as element of selectivity was then likely to be introduced. The new system of development rebate might be announced during the next budget in February, 1965. Priority industries in respect of

which.....

which 10 per cent rebate in corporation tax had been allowed could evidently be considered as an important group of industries for the grant of development rebate.

The visiting delegates while referring to the retro-active application of the tax rates, said that the rates of tax on profits in a year were known only at the close of the year with the result that it was not possible to forecast accurately the net return on investment for budgeting the operations in an industry and providing the necessary cash flow. Mr. Dahejia explained the practical adminitrative difficulties in announcing the rates in advance. In India, different practices were prevalent among different business communities in respect of the year of accounts which had not been prescribed by the statute. However, care was taken to ensure that major changes in taxation were not made without adequate notice.

LIMITED IN SCOPE

It was mentioned that the present tax exemption of foreign technicians was limited in scope. Due to certain delays in the initial start up and functioning of new projects, stay for a period longer than three years became necessary in some cases. In more complex industries, it took longer to gather operational experience useful to the project. It was, therefore, suggested that the extension of the tax exemption beyond the present limit of three years should be considered. A point was also made that similar benefits should be extended to managerial personnel.

Mr. Dehejia explained the various tax incentives already available to foreign technicians and those announced in the latest budget and maintained that the cumulative effect of all these would be substantial. As regards extending the same benefits to managerial personnel, Mr. Dahejia pointed out that once such a departure was made, it would be difficult to keep out other categories of persons such as accountants and administrators. Moreover, grant of such exclusive benefits to expatriates might tend to create dissatisfaction among Indian managerial personnel.

GOVERNMENT'S ASSURANCE TO U.S. TRADE

FOREIGN CAPITAL INFLOW WILL BE FAVOURED FOR CONSIDERABLE TIME

NEW DELHI, May 19: An important feature of the recent discussions which the team of U.S. businessmen under the leadership of Mr. J.R. Galloway had with the official spokesmen in India was the specific questions put by the American businessmen and the answers elicited from official spokesmen. The questions cover the various aspects of the foreign investment climate in India, with particular reference to the state of the capital market, tax reliefs and remittance of profit from India, etc.

The following are some of the questions and answers touching the above aspects:

Q. In view of the present weak state of the capital market can the Government stimulate public buying of new issues by suitable tax incentive?

A. The problem is not peculiar to new issues of joint ventures. Recent tax measures taken to stimulate public subscriptions include the tax benefit given to unit holders and reduction of tax deducted at source on dividends from 30 per cent to 20 per cent.

The ....

The dividends received from companies enjoying tax holiday are also exempt from tax in the hands of shareholders. The under-writing institutions in any case hold the issues only temporarily.

Q. In the standard pattern of financing of joint ventures the Government insisted on 26 per cent participation by the Indian public. In view of the effects of the present budget on availability of indigenous capital would it not be difficult to float public issues upto 26 per cent?

A. The present state of stock markets is unsatisfactory. This is partly psychological. In any case, the depression of markets is likely to be a temporary phenomenon. The buoyant conditions of 1960-62 showed that public issues could be made successfully, and joint venture floations were often over-subscribed (e.g. Kirloskar Companies). The recovery of the US stock market after the 1962 collapse should also be recalled.

DOUBLE TAXATION RELIEF

Q. Has the US industry got double taxation relief and with such relief was the return on investment in India not much higher than on investment in the USA?

A. The position would be better with a double taxation relief agreement. Further, if the proposed investment allowance of 30 per cent on investments in under-developed countries became a law, it would go a long way towards encouragement.

Q. It appears that technical and engineering fees are restricted to five per cent of capital. Is this correct?

A. There is no fixed limit on technical and engineering fees. Limits are, however, laid down within which certain authorities vested with delegated powers, can approve of various payments. Higher percentages can, however, be allowed in appropriate cases.

Q. Are there no cases where Indian parties get licences for setting up industries in which they have no experience or qualifications? Are these licences not utilised merely for booking capacity and then forcing foreign parties to negotiate with the licensees?

A. It is necessary to be somewhat liberal in licensing new entrants into industries. The entrepreneurial class cannot possibly grow if licences were restricted only to parties who were already experienced in a particular field. With the introduction of the 'letter of intent' system it would not be possible for the non-serious applicants to 'book the capacity' for more than four months or so.

Q. In Australia the tax rate on expatriate personnel is related to the tax they would have paid in their respective home countries. Such a system would tend to put things on a more lasting and suitable basis. In many operating jobs, as much as eight years' experience may be necessary but under the present Indian tax law it is prohibitive to maintain such personnel for more than five years.

A. Further consideration may be given in respect of complex industries and the basis of comparison with home taxes deserves further thought.

CONDITIONS IN CANADA

Q. In South America and Canada there is some opposition to the inflow of foreign capital on account of high incidence of remittance of profit. Is such a situation likely to arise in India?

A....

A. Foreign capital should come in a country to irrigate the economy and not to inundate it. As Indian requirements of foreign private capital were very large, situation like the one in South America and Canada was not likely to arise in India for a considerable period.

Q. How are conflicting goals of preventing the concentration of economic power on the one hand and alignment of economics of scale on the other hand to be reconciled?

A. There is no real conflict between these two objectives. India is anxious to augment her entrepreneurial class by encouraging new entrepreneurs to enter small and medium-sized industries. The big business houses should, therefore, take up leadership industries and gradually give up older type of processing industries and ancillaries for the benefit of others. Further, monopoly control by the Government does not mean fostering uneconomic units.

(Economic Times, May 20, 1964)

Appendix No.2

A BRIEF NOTE (OFFICIAL) ON FOREIGN PRIVATE INVESTMENTS IN INDIA: 1948-1960

Foreign investments refer mainly to investment of long term foreign capital in the private sector (other than banking) Such long term foreign investments are measured by the aggregate of (a) net foreign liabilities of branches of foreign companies operating in India, (b) foreign held shares including proportionate free reserves and foreign held debentures of Indian Joint Stock Companies, and (c) long term loans obtained by these companies from foreign official institutions.

OUTSTANDING FOREIGN INVESTMENTS IN THE PRIVATE SECTOR

Total private foreign investment outstanding on December, 1960 amounted to Rs.690.5 crores. The following table sets out the outstanding foreign private investments from 1948 to 1960.

(Rs. crores)

End of		Total*	Of which from Private sources abroad	Of which from Official sources abroad
June	1948	255.8	255.8	-
December	1953	392.0	392.0	-
	1955	456.1	453.4	2.7
	1956	493.0	478.2	14.8
	1957	543.0	496.1	46.9
	1958	572.6	500.4	72.2
	1959	610.5	511.5	99.0
	1960	690.5	566.4	124.1

* Includes valuation changes; these are, however, excluded in the computation of inflows.

INFLOW OF.....

INFLOW OF FOREIGN INVESTMENT IN THE PRIVATE SECTOR:

Net inflow of foreign investment in the private sector amounted to Rs.14.9 crores (annual average) during 1954 and 1955. It increased to Rs.53.3 crores in 1960. The inflow in 1960 was higher by Rs.42.3 crores as compared to the net inflow of Rs.11.0 crores in 1959. The increased inflow in 1960 was mainly due to the increased investment in the petroleum industry.

The following table sets out the inflow of foreign investment in the private sector giving details of retained earnings, cash inflow, non-cash inflow, outflow and net private inflow.

(Rs. crores)

Inflow from	1954 & 1955 (Annual average)	1956	1957	1958	1959	1960
A. Private sources (not inflow)	14.9	24.9	17.9	2.4	11.0	53.3
1. Gross inflow	19.9	31.2	26.9	26.8	25.8	62.4
(a) Retained earnings	12.0	19.5	9.5	9.8	15.3	14.5
(b) Cash inflow	1.5	3.1	5.9	4.8	3.3	6.2
(c) Non-cash inflow	6.4	8.5	11.4	12.3	7.2	41.8
2. Outflow	5.0	6.3	9.1	24.4	14.8	9.1
B. Official sources (not inflow)	1.4	12.1	32.1	25.3	26.9	25.1
1. Gross inflow	1.4	12.1	32.1	25.3	29.5	*32.8
2. Outflow	-	-	-	--	2.6	7.7
C. Gross inflow into the private sector	21.3	43.3	59.0	52.1	55.3	95.2
D. Gross outflow	5.0	6.3	9.1	24.4	17.4	16.8
E. Net inflow into the private sector	16.3	37.0	50.0	27.7	37.9	78.4

* Revised.

N.B.: 1. Figures exclude foreign investments in the banking system.
2. The inflow has been computed wherever possible by eliminating valuation changes; to this extent the figures in this Table will not compare with those given in Statements III and IV.
3. Totals in this Table as well as in other tables may not add up because of rounding.

It will be seen from the above table that in 1960, gross inflow amounted to Rs.62.4 crores. Of this, retained earnings amounted to Rs 14.5 crores, cash inflow Rs.6.2 crores and non-cash inflow Rs.41.8 crores. The increase in non-cash inflow in the year 1960 is mainly due to investment in petroleum industry.

INFLOW BY FIELD OF INVESTMENT

The following table sets out the industry-wise inflow of foreign investment:

Industry Group	1956		1957		1958		1959		1960		Outstanding investments at the end of 1960
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	
Petroleum	12.5	12.5	17.6	17.5	6.2	-15.7	15.4	2.5	37.8	31.5	152.4
Manufacturing	18.1	15.8	38.8	36.4	35.9	34.6	35.2	34.3	47.5	38.8	239.4
Others	12.7	8.7	2.6	-3.9	10.0	8.8	4.7	3.7	9.9	8.1	248.7
Total	43.3	37.0	59.0	50.0	52.1	27.7	55.3	405	95.2	78.4	690.5

It will be seen from the above table that net inflow in petroleum industry increased from Rs.12.5 crores in 1956 to Rs.31.5 crores in 1960. The total outstanding investment in petroleum industry at the end of 1960 amounted to Rs.152.4 crores. There has been considerable increase in net inflow of foreign investment in manufacturing industries. The net inflow in manufacturing industries was Rs.15.8 crores in

1956 which......

1956 which increased to Rs.36.4 crores in 1957 and maintained the level of Rs.34 cro crores during 1958 and 1959 amounting to Rs.38.8 crores in 1960. Total outstanding investment in manufacturing industries at the end of 1960 amounted to Rs.239.4 crores. Inflow under the head 'others' industries fluctuated considerably from year to year. The outstanding amount of investment in other sectors amounted to Rs.248.7 crores.

Appendix I annexed sets out the industry-wise break down of outstanding foreign business investment in India.

The following table sets out the inflow of foreign investment by countries:

(Rs. crores)

	1956		1957		1958		1959		1960	
	Gross inflow	Net inflow	Gross inflow	Net inflow	Gross inflow	Net inflow	Gross inflow	Net inflow	Gross inflow	Net inflow
U.K.	20.5	15.7	15.2	6.3	20.1	-2.0	16.2	1.5	49.8	44.5
Private capital	20.5	15.7	15.2	6.3	20.1	-2.0	14.8	0.1	48.0	42.7
Official capital	-	-	-	-	-	-	1.4	1.4	1.8	1.8
U.S.A.	7.4	7.3	10.5	10.5	4.6	2.6	24.2	24.2	33.5	23.5
Private capital	7.4	7.3	10.5	10.5	4.6	2.6	7.6	7.6	8.8	5.0
Official capital	-	-	-	-	-	-	16.5	16.5	24.7	23.5
OTHERS	15.4	14.0	33.4	33.2	27.4	27.1	14.8	12.2	11.9	5.4
Private capital	3.5	1.9	1.3	1.1	2.1	1.8	3.4	3.4	5.6	5.6
Official capital	12.1	12.1	32.1	32.1	25.3	25.3	11.5	8.9	6.3	-0.[illegible]
TOTAL	43.3	37.0	59.0	50.0	52.1	27.7	55.3	37.9	95.2	78.4
Private capital	31.2	24.9	26.9	17.9	26.8	2.4	25.8	11.0	62.4	53.3
Official capital	12.1	12.1	32.1	32.1	25.3	25.3	29.5	26.9	32.8	25.1

Country-wise the United Kingdom re-emerged as the principal supplier of capital in 1960. Of the total capital net inflow (Rs.78.4 crores), the share of the U.K. was more than half viz., Rs.44.5 crores. Next important country supplying foreign private investment is the United States. Net inflow of private foreign investment from U.S.A. has shown a continuously rising trend. The net inflow amounted to Rs.7.3 crores in 1956, Rs.10.5 crores in 1957, Rs.2.6 crores in 1958, Rs.24.2 crores in 1959 and Rs.28.5 crores in 1960.

(Rs. crores)

	As at the end of							
	June 1948	1953	1955	1956	1957	1958	1959	1960
I. PLANTATIONS	52.2	71.5	87.2	87.9	86.6	96.0	95.1	99.5
II. MINING	11.5	8.4	9.6	10.8	9.8	12.4	13.0	13.7
III. PETROLEUM	22.3	77.1	104.0	116.4	134.1	118.4	120.9	152.[illegible]
IV. MANUFACTURING	70.7	124.1	131.8	147.6	184.0	218.6	250.6	289.4
1. Foods, Baverages, etc.	10.1	31.3	29.3	30.0	30.4	30.7	31.8	34.5
2. Textile Products	28.0	25.2	21.8	21.9	21.1	21.1	24.5	29.1
3. Transport Equipment	1.0	5.4	4.1	5.2	5.6	5.4	13.9	21.8
4. Machinery and Machine tools	1.2	2.7	5.0	5.4	5.6	6.0	8.3	11.0
5. Metals and Metal Products	8.0	8.5	11.1	20.5	51.5	76.2	85.0	93.8
6. Electrical Goods and Machinery	4.8	12.0	14.6	15.8	16.5	17.1	18.4	20.5
7. Chemicals and Allied Products	8.0	18.9	21.9	22.7	23.5	26.5	32.1	38.2
8. Miscellaneous	9.6	20.1	25.0	26.1	29.8	34.6	36.5	40.6
V. SERVICES	99.1	110.9	123.5	130.3	128.5	127.2	130.9	135.5
1. Trading	43.0	27.7	27.1	29.3	27.4	30.0	28.4	30.2
2. Construction, Utilities and Transport	31.5	40.8	42.7	48.9	52.6	50.0	52.3	54.1
3. Financial	6.9	14.7	27.8	27.5	24.2	22.9	25.1	25.8
4. Miscellaneous	17.7	27.7	25.9	24.6	24.4	24.3	25.1	25.3
Total:	255.8	392.0	456.1	493.0	543.0	572.6	610.5	690.5

@ Revised

Appendix - 3 VITAL LABOUR STATISTICS

(1) INDEX NUMBER OF (WORKING CLASS) CONSUMER PRICES

Base 1949 = 100

	1951	1955	1961	1963	June 1964
Food	104	92	126	140	152
General	105	96	126	140	150

Source: Indian Labour Journal. The July and August General Indices are 154 and 156 respectively.

(2) INDEX NUMBERS OF REAL EARNINGS OF PERSONS EMPLOYED IN FACTORIES EARNING LESS THAN Rs.200 p.m., 1951-62

(Base: 1951 = 100)

Year	Index Number of money earnings	All-India Consumer Price Index No. (Base shifted to 1951:100)	Index of real earnings Col.2 x 100 / Co.13
1951	100.0	100.0	100.0
1952	107.1	98.1	109.2
1953	107.7	101.0	106.6
1954	107.7	96.2	112.0
1955	113.1	91.4	123.7
1956	115.4	100.0	115.4
1957	120.8	105.7	114.3
1958	118.8	110.5	107.5
1959	121.7	115.2	105.6
1960	130.1	118.1	110.2
1961	137.6	120.0	114.6
1962	143.1 (P)	123.8	115.6 (P)

(P) Provisional.
Source: Indian Labour Statistics, 1964.

(3) NUMBER OF DISPUTES RESULTING IN WORK-STOPPAGES, WORKERS INVOLVED AND MAN-DAYS LOST, 1951-1963

Year	Number of disputes	Number of workers involved	Number of man-days lost
1951	1,071	6,91,321	38,18,928
1952	963	8,09,242	33,36,961
1953	772	4,66,607	33,82,608
1954	840	4,77,138	33,72,630
1955	1,166	5,27,767	56,97,848
1956	1,203	7,15,130	69,92,140
1957	1,630	8,89,371	64,29,319
1958	1,524	9,28,566	77,97,585
1959	1,531	6,93,616	56,33,118
1960	1,583	9,86,268	65,36,517
1961	1,357	5,11,860	49,18,755
1962	1,491	7,05,059	60,20,576
1963	1,394	4,57,855	32,68,000
1964 (January to May) (P)	--	--	25,91,000 (P)

(P) Provisional. Source: Indian Labour Statistics, 1964, and Reports of the Ministry of Labour.

APPENDIX - I

Page 1

PROGRESS DURING 1961-64 : SELECTED TARGETS

Item	Unit	1960-61	1961-62	1962-63	1963-64 (target)	1961-66 Plan target/ estimate	1961-66 Likely achievement
1	2	3	4	5	6	7	8
Nitrogenous fertilisers (consumption)	000 tons of N	200	280	350	450	1,000	800
Irrigation Major & Medium							
Potential ...	million acres (gross)	12.09	12.81	14.27	16.34	29.47	23.16
Utilisation ...	million acres (gross)	8.59	9.40	10.60	13.08	22.77	18.60
Power Installed capacity ...	million KW	5.58	6.03	6.72	7.75	12.69	12.50
Production of							
Steel-ingots ..	million tons	3.3	4.27	5.39	5.74	9.2	7.8
Aluminium ..	000 tons	18.2	19.4	41.97	50.0	80.0	68.0
Machine tools..	value in Rs. crores	7.24	8.50	11.48	14.50	30.0	25.0
Sulphuric acid	000 tons	354.0	428.2	474.0	539.0	1,500.0	1,200.0
Cloth:							
Mill-made	million yards	5,048	5,100	4,921	5,200	5,800	5,550
handloom and khadi	million yards	1,995	2,320	-	-	2,960	2,750 to 2,810
Minerals:							
Iron ore	million tons	10.7	12.6	-	-	30	25
Coal	million tonnes	55.5	55.2	63.8	69.04	98.6	89.9
Index number of industrial production	1950-51 = 100	195	206	222	-	329	-
Railways:							
Freight carried	million tons	153.8	158.0	174.7	191.5	245.0	241.3
Road transport:							
Commercial vehicles on roads	000	210	-	270	-	365	33[illegible]

1	2	3	4	5	6	7	8
Shippoing tonnage	lakh GRT.	8.6	9.1	10.6	-	10.9	15.0
General Education:							
Students in schools	million	44.7	49.9	54.4	58.8	64.4	68.2
Technical Education:							
Engineering and technology-							
degree level (annual admission)	000	13.8	15.9	17.2	20.4	19.1	23.1
diploma level (annual admission)	000	25.8	27.7	30.9	36.3	37.4	47.5
Health:							
Hospital beds	000	185.6	193.3	202.0	214.0	240.1	240.1
Doctors (in practice or in service)	000	70.0	74.5	77.8	80.0	81.0	85.0

APPENDIX-II THIRD PLAN : MID-TERM APPRAISAL - PRODUCTION AND DEVELOPMENT

Item	Unit	1960-61 Position	1961-62 Achievement	1962-63 Achievement	1963-64 Target	Third Plan 1961-66 Target/ Estimate	Third Plan 1961-66 Likely achievement
1	2	3	4	5	6	7	8
1. Consumption of Fertilisers							
(a) Nitrogenous	000 tons of N	200	280	350	450	1,000	800
(b) Phosphatic	000 tons of P_2O_5	70	72	80	160	400	250
2. Cooperation: short and medium term loans advanced	Rs. crores	202.8	228.1	267.0	331.0	530.0	-
Irrigation							
1. Major and medium irrigation							
(a) Potential	million acres (gross)	12.09	12.81	14.27	16.34	23.47	23.16
(b) Utilisation	million acres (gross)	8.59	9.40	10.60	13.08	22.77	18.60
2. Minor irrigation(additional potential)	million acres (gross)	2.5	1.8	2.1	3.0	12.8	13.8
Power							
1. Installed capacity	million KW	5.59	6.03	6.72	7.75	12.69	12.50
2. Towns and villages electrified	number	24,209	27,632	31,979	-	43,000	43,000
Industry							
1. Iron and steel							
(a) Steel ingots	million tons	3.3	4.27	5.39	5.74	9.2	7.8
(b) Saleable steel	million tons	2.4	2.9	4.0	4.3	6.8	5.8
(c) Pig iron for sale	million tons	1.1	0.97	1.06	1.06	1.5	1.2
2. Alloy, tool and stainless steel (finished)	000 tons	-	-	-	-	200	50
3. Aluminium	000 tons	18.2	19.4	41.97	50.0	80.0	68.0
4. Non-ferrous metals - Copper	000 tons	8.8	9.0	9.48	9.5	20.0	17.4
5. Industrial machinery							
(a) Sugar mill machinery	Rs. crores	4.2(a)	4.6(a)	6.42	10.0	14.0	14.0
(b) Cement machinery	Rs. crores	0.6(a)	0.9(a)	0.7	1.2	4.5	4.5
6. Machine tools	Rs. crores	7.24(a)	8.5	11.48	14.5	30.0	25.0

1	2	3	4	5	6	7	8
7. Railway rolling stock							
(a) Locomotives	number	1,291(c)	248	246	250	1,470(c)	1,470(c)
(b) Wagons (in terms of four wheelers)	number	69,130(c)	19,164	25,969	32,000	117,144(c)	157,133(c)
(c) Passenger coaches	number	7,332(c)	1,610	1,849	1,850	7,879(c)	7,879(c)
8. Automobile and ancillary industries							
(a) Passenger cars	000 numbers	19.1(a)	21.78	20.84	21.0	30.0	25.0
(b) Commercial vehicles	000 numbers	27.5(a)	25.50	25.7	27.0	60.0	54.0
(c) Jeeps and station wagons	000 numbers	5.5(a)	7.3	7.44	8.0	10.0	10.0
9. Motor cycles and scooters	000 numbers	17.6	19.13	23.62	30.0	50.0	45.0
10. Ball and roller bearings	million numbers	3.2	3.3	4.0	5.5	15.0(b)	15.0
11. Agricultural implements and machinery							
(a) Diesel engines (stationary)	000 numbers	43.2	43.02	45.28	50.0	66.0	66.0
(b) Tractors	000 numbers	Neg.	0.88	1.6	4.2	10.0	10.0
12. Bicycles	million numbers	1.06	1.0	1.1	1.2	2.0(d)	1.6
13. Sewing machines	000 numbers	297.3	323.0	330.0	400.0	700(e)	600
14. Electric transformers (33 KV and below)	million KVA	1.39	1.98	2.40	2.5	3.5	3.5
15. Electric motors (200 HP and below)	million HP	0.73	0.86	1.03	1.20	2.5(f)	2.5
16. A.C.S.R. conductors	000 tons	23.6	24.8	30.47	34.00	44(g)	55
17. Fertilisers							
(a) Nitrogenous (in terms of N)	000 tons	97.2	140.0	175.2	240.0	800	500
(b) Phosphatic (in terms of P_2O_5)	000 tons	53.0(a)	61.9	78.9	111.5	400	200
18. Heavy chemicals							
(a) Sulphuric acid	000 tons	354.0	428.2	474.0	539.0	1,500	1,200
(b) Soda ash	000 tons	145.0	177.9	229.9	284.0	450	350
(c) Caustic soda	000 tons	97.0	120.8	125.5	210.7	340	340
19. Drugs and pharmaceuticals							
(a) Sulpha drugs	tons	145(a)	156.0	196.3(a)	200.0	1,000.0	1,000.0
(b) D.D.T.	tons	2,786(a)	2,768	2,568(a)	2,790	2,800	2,800
20. Plastics (Polyethylene, P.V.C., etc.)	000 tons	9.5	14.7	19.0	24.0	74.0	69.5

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1	2	3	4	5	6	7	8
21. Rubber manufactures							
(a) Automobile tyres	million numbers	1.48	1.59	1.76	2.50	3.00(h)	3.8
(b) Bicycle tyres	million numbers	11.15	11.33	12.42	14.00	30.9	18.0
22. Paper and paper board	000 tons	343.0	365.0	393.2	425.0	700.00	580
23. Cement	million tons	7.8	8.2	8.8	9.3	13.0	12.0
24. Cotton cloth (mill made)	million yards	5,048	5,100	4,921	5,200	5,800	5,550
25. Rayon filament	million lbs	47.0	52.9	65.0	75.0	140.0	110.0
26. Sugar	million ton	3.0	2.7	2.3	3.3	3.5	3.5
Mineral Development							
1. Coal	million tonnes	55.51	55.23	63.83	69.04	98.6	89.88
2. Iron ore(c)	million tons	10.7	12.6	-	-	30.0	25.0
Village and Small Industries							
1. Khadi	million yards	64.8	76.2	N.A.	N.A.	160	100-110
2. Handloom	million yards	1,930	2,244	2,250	2,352	2,[illegible]00	2,650-2700
3. Sericulture (a)	lakh kilograms	15.0	16.6	17.8	-	23,03	21.00
4. Industrial estates(completed)	number	66	89	105	-	366	200
Transport and Communications							
1. Railway freight(originating tons)	million tons	153.8	158.0	174.7	191.5	245.0	241.3
2. Roads							
(a) Surfaced including national highways	000 kilometres	230.4	240.8	248.0	-	270.4	would be exceeded
(b) Commercial vehicles on road	000 numbers	210	-	270.0	-	365	330
3. Shipping							
(a) Total tonnage	lakh GRT	8.57	9.08	10.59	-	10.9	15.0
(b) Handling capacity of major ports	million tons	37 (33.16 actually handled)	33.16 (actually handled)	(present level of traffic-36 million tons)	-	49	49
4. Post offices	000 numbers	77	82.4	87.8	-	100	100
5. Telegraph offices	000 numbers	7.0	7.1	7.4	-	9.0	9.0
6. Number of telephones	000 numbers	463	512	591	-	760	780

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1	2	3	4	5	6	7	8
Education							
1. General Education: Student in schools.							
(a) Classes I-V	lakh numbers	349.9	389.8	420.9	452.1	496.4	519.7
(b) Classes VI-VIII	lakh numbers	67.1	74.8	83.3	92.2	101.7	109.3
(c) Classes IX-XI	lakh numbers	29.6	34.3	39.4	44.2	45.6	52.6
2. Technical Education							
Engineering and Technology							
(a) Degree level-annual admission	number	13,824	15,850	17,232	20,430	19,137	23,130
(b) Diploma level-annual admission	number	25,801	27,701	30,919	36,320	37,390	47,546
Health							
1. Institutions							
(a) Hospital beds	000 numbers	185.6	193.3	201.9	214.0	240.1	240.1
(b) Primary health units	number	2,800	3,000	3,442	3,900	5,000	5,000
(c) Family planning	number	2,136	2,557	3,005	4,500	8,200	8,200
2. Personnel							
(a) Medical colleges(intake)	number	5,800	7,100	7,280	9,219	8,000	11,500
(b) Doctors (i)	00 numbers	70.0	74.5	77.8	80.0	81.0	85.0
(c) Nurses (i)	000 numbers	27.0	29.4	32.2	35.2	45.0	45.0
(d) Auxiliary nurse-mid-wives and mid-wives (i)	000 numbers	19.9	22.5	25.4	30.0	48.5	48.5
(e) Nurse-dais and dais (i)	000 numbers	11.5	N.A.	N.A.	N.A.	40.0	40.0
(f) Health assistants and sanitary inspectors (i)	000 numbers	6.0	8.2	11.0	N.A.	19.2	19.2
Housing (i)							
1. Subsidised industrial housing scheme scheme	number of houses	13,322	13,000	12,800	5,900	73,000	66,300
2. Low income group housing scheme	number of houses	9,968	10,400	11,500	7,100	75,000	59,000
3. Slum clearance scheme	number of houses	13,882	9,000	15,700	20,900	100,000	88,100
4. Village housing projects	number of houses	4,512	6,000	3,700	6,800	125,000	63,500

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1	2	3	4	5	6	7	8
Welfare of Backward Classes							
1. Tribal development blocks	number	43	70	119	224	450	450
2. Post-matric scholarships	number of awards in the year	48,778	57,1[illegible]	53,914	28,500	350,000	313,000

(a) Refers to calendar year.

(d) An additional 0.5 million bicycles to be produced in small-scale sector

(g) Revised to 55,000 tons.

(j) The figures given do not include the number of houses under construction.

(b) By working on three shifts.

(e) Another 150,000 would be produced in small-scale sector

(h) Revised to 4.5 million numbers.

(c) Relates to five years

(f) For 300 HP and below.

(f) In practice or service.

APPENDIX - III

AGRICULTURE AND THE RURAL ECONOMY DURING III PLAN

TABLE I

OUTLAY ON AGRICULTURAL PRODUCTION

(Rs. crores)

Sub head	Third Plan Provision	1961-62 (Actual)	1962-63 (Revised estimate)	1963-64 Plan	1961-64 Total	1961-64 As % of Col.(2)
1	2	3	4	5	6	7
Agricultural Production	226.1	21.9	31.6	45.1	98.6	43.7
Minor Irrigation	176.8	29.4	41.1	34.4	124.9	70.6
Soil Conservation	72.7	7.3	10.2	16.0	33.5	46.0
Cooperation	80.1	8.9	11.7	21.0	41.6	51.9
Community Development Agricultural Programmes (estimated)	126.0	16.4	15.5	19.2	51.1	40.8
Major & Medium Irrigation	599.3	92.0	102.0	99.0	293.0	48.8
Total:	1281.0	175.9	212.1	154.7	642.7	50.1

TABLE 2

PROGRESS OF AGRICULTURAL PRODUCTION

Commodity	Unit	1955-56	1960-61	1961-62	1962-63	1956-66 Third Plan Estimate
1	2	3	4	5	6	7
Production						
Rice	000 tons	27,106	33,658	34,257	31,512	45,000
Wheat	"	8,630	10,818	11,849	10,956	15,000
Cereals	"	54,941	67,239	68,310	66,041	83,000
Foodgrains	"	65,816	79,691	79,471	77,507	100,000
Sugarcane (Gur)	"	5,979	10,447	9,984	9,228	9,963
Cotton	000 bales	3,998	5,390	4,512		7,065
Oilseeds	000 tons	5,643	6,520	6,848		9,820
Jute	000 bales	4,198	3,982	6,347		6,181
Tobacco	000 tons	298	307	342		325
Tea	Million lbs.	628	708	781		900
Coffee	000 tons	34	67	45		80
Rubber	"	22	25	26		45
Index numbers						
Foodgrains		115.3	135.6	137.5	131.3	171
Non-foodgrains		119.9	147.6	148.9	147.7	186
All commotities		116.8	139.6	141.4	136.8	176

TABLE 3

AGRICULTURAL DEVELOPMENT PROGRAMMES

Item	Unit	1960-61	Third Plan target	1961-62 (Actual)	1962-63 (Anticipated)	1963-64 (Projected).	1961-64 Additional/net rise in level	1961-64 Col.8 as % of Plan Target (Col. 4)
1	2	3	4	5	6	7	8	9
1. Irrigation (additional area benefited)								
Major & medium irrigation	Million acres	-	12.8	0.8	1.2	2.5	4.5	35.2
Minor irrigation	"	-	12.8	1.8	2.1	3.0	6.9	53.9
2. Soil conservation and dry framing (additional area benefitted).								
Soil Conservation	"	-	11.0	1.0	1.4	2.0	4.4	40.0
Dry farming	"	-	22.0	1.9	3.0	5.5	10.4	47.3
3. Improved Seeds*	"	55	203	67	81	101	46	31.1
4. Consumption of chemical fertilisers*								
Nitrogenous (N)	000 tons	200	1,000	280	350	450	250	31.3
Phosphatic (P_2O_5)	"	70	400	72	80	160	90	27.3
Potassic(K_2O)	"	25	200	23	65	100	75	42.9
5. Organic and green manuring*								
Urban compost	Million tons	2.4	5.0	2.6	2.9	3.6	1.2	46.2
Rural compost	"	66	150	75	83	109	43	51.2
Green manuring	Million acres	10.4	41.0	12.4	16.2	22.7	12.3	40.2
6. Plant protection*	"	16	50	16	17	22	6	17.6

*Level reached.

TABLE IV

SELECTED PHYSICAL TARGETS AND ACHIEVEMENTS

Item	1960-61 Cumulative	Third Plan Target	1961-63 Achievement	1963-64 Programme	1961-64 Total	1961-64 as%age of col.3.
1	2	3	4	5	6	7
1. Key Village Blocks established.	407	79	32	16	48	60.7
2. Key Village Blocks expanded	114	64	36	16	52	81.2
3. Subsidised rearing of calves	34,791	44,440	11,601	8,500	20.101	45.2
4. Establishment of Cattle Breeding Farms	-	10	2	2	4	40.0
5. Expansion of Cattle Breeding Farms	-	35	9	5	14	40.0
6. Bull Rearing Farms	-	13	4	2	6	46.3
7. Goshalas	255	168	45	30	75	44.7
8. Gosadans	61	23	3	5	8	34.8

TABLE V

SHORT FALL IN UTILISATION OF IRRIGATION WATER

(Million acres - gross)

S. No.	Benefits	To end of Third Plan 65-66 Target	Second Plan 60-61 Actual	61-62 Actual	62-63 Estimated	63-64 Anticipated	'65-66 Anticipated.
1	2	3	4	5	6	7	8
1.	Potential at outlets	29.47	12.09	12.81	14.27	16.34	23.16
2.	Utilisation	22.77	8.59	9.40	10.60	13.08	18.60
3.	Percentage utilisation (item 2/item 1)	77	71	73	74	80	80

APPENDIX IV

VILLAGE AND SMALL INDUSTRIES

PROGRESS OF EXPENDITURE

TABLE I

Industry	Third Plan (Provisions)	1961-62 (Estimated expenditure)	1962-63	1963-64 (Budget estimates	1961-64 Total	1961-64 A% age of col.2.
1	2	3	4	5	6	7
Handloom Industry (including power-looms)	38.00	5.78	5.34	4.73	15.85	41.8
Khadi and village industries	92.40	16.19	19.31	16.45	51.95	46.1
Sericulture	7.00	0.75	1.08	1.10	2.93	41.8
Coir Industry	3.15	0.26	0.40	0.39	1.05	33.0
Handicrafts	8.60	0.90	1.03	1.21	3.14	36.5
Small scale industries	84.60	10.95	12.29	13.49	36.73	43.4
Industrial estates.	30.20	3.25	4.76	5.98	13.99	46.3
	263.95	38.08	44.21	43.35	125.64	47.6

TABLE II

PRODUCTION TARGETS

	Unit	1960-61	1961-62	1962-63
Handloom cloth	Million yards	1,930	2,244	2,250
Khadi	"	64.8	76.2	N.A.
Sericulture	Lakh kgs.	15.0*	16.6*	17.8*
Industrial estates	number	66	98@	105@

*Figures relate to calendar years.

@ Including estates set up during the Second Plan period.

APPENDIX NO. V

INDUSTRIES DURING III PLAN

TABLE I

NEW INVESTMENT PUBLIC AND PRIVATE SECTORS

(Rs. crores)

	Public sector		Private sector		Public and Private Sectors	
	Total	Foreign exchange	Total	Foreign Exchange	Total	Foreign exchange
(a) new investment						
(i) mineral development	478	200	60	28	538	228
(ii) industrial development	1,330	660	1,125	450	2,455	1,110
Total	1,808	860	1,185	478	2,993	1,338
(b) Replacement	-	-	150	50	150	50

TABLE II

REVISED ESTIMATES (ABOVE)

(RS. CRORES)

	Previously	As at present
Industrial development	1,330	1,630
Minerals	478	662
Total	1,808	2,292

TABLE III

CAPACITY AND PRODUCTION IN SELECTED INDUSTRIES

	Unit	1960-61		1961-62		Percentage increase in production over 1960-61	1962-63		Percentage increase in production 1962-63 over 1960-61
		Cap.	Prod.	Cap.	Prod.		Cap.	Prod.	
	1	2	3	4	5	6	7	8	9
1. Steel ingots	Million tons	6.0	3.3	6.0	4.27	29	6.0	5.39	63
2. Aluminium	000 tons	18.1	18.2	27.5	19.4	7	53.35	42.0	130
3. Steel Castings	"	39.0	34.0	43.5	40.0	18	52.2	43.5	28
4. Steel Forgings	"	43.0	35.0	48.0	48.0	37	56.6	53.0	51
5. Machine Tools	Rs.crores	8.0	7.24	8.9	8.50	17	11.3	11.48	58
6. Automibiles	000 nos	53.7	52.1	53.7	54.6	5	53.7	54.0	4
7. Electric Tranformers (33 KV & below)	Million KVA	1.4	1.39	1.35	1.98	43	1.96	2.4	72
8. Nitrogenous Fertilisers	000 tons of N.	158.3	97.2	238.4	140.0	44	386.6	175.2	80
9. Caustic Soda	000 tons	124.0	97	126.6	120.8	24	126.6	125.5	40
10. Paper & Paper board	"	410	343	410	365	6	483	393.2	14
11. Cement	Million tons	9.2	7.8	9.7	8.2	5	9.7	8.8	13
12. Jute	000 tons	1.2	1.0	1.2	1.05	5	1.2	1.1	10
13. Cotton Textiles (Mill sector)-									
(a) Yarn	Mill. lbs	12.7 (a)	1,737 (c)	13.8 (a)	1,900	9	13.9 (a)	1,884.6	8
(b) Cloth	Mill yds	1.99 (b)	5,048	1.99 (b)	5,100	1	2.0 (b)	4,921	-3
14. Sugar	Million tons	2.25	3.0	2.25	2.7	-10	2.67	2.3	-23.

(a) Million active spindles.
(b) Lakh looms.
(c) Relates to calendar year.

TABLE IV

IRON AND STEEL

(in 000 tonnes)

	1961-62			1962-63		
	Bhilai	Rourkela	Durgapur	Bhilai	Rourkela	Durgapur
Total pig iron	1,000	434	728	1,170	732	1,056
Pig iron for sale	376	67	282	341	81	391
Steel ingots	789	354	463	1,060	702	731
Saleable Steel	532	214	214	793	490	499

TABLE V

SELECTED PHYSICAL TARGETS AND ACHIEVEMENTS

S. No.	Industry	Unit	1960-61 Insta-lled capa-city	1960-61 Pro-duc-tion	1961-62 Inta-lled capa-city	1961-62 Produc-tion	1962-63 Insta-lled capa-city	1962-63 Pro-duc-tion	1963-64 Programmed Ins-talled capaci-ty	1963-64 Programmed Pro-duc-tion	Third Plan 1965-66 Targets Capa-city	Third Plan 1965-66 Targets Pro-duction	Third Plan 1965-66 Likely achievements Capa-city	Third Plan 1965-66 Likely achievements Produc-tion
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.	**IRON & STEEL**													
	(a) Steel Ingots	Mill.tons.	6.0	3.3	6.6.	4.27	6.0	5.39	6.0	5.74	10.2	9.2	9.2	7.8
	(b) Saleable steel	"	4.5	2.4	4.5	2.9	4.5	4.0	4.5	4.3	7.5	6.8	6.5	5.8
	(c) Pig iron for sale	"	1.1	1.1	1.1	0.97	1.1	1.06	1.1	1.06	1.5	1.5	1.2	1.2
2.	**Alloy, tool** and stainless steel (finished)	000tons	-	-	-	-	-	-	-	-	200	200	50	50
3.	**Fero-manganese**	"	157.8	89.3	157.8	103.5(c)	157.8	108.0	157.8	140	220	200	220	200
4.	**Aluminium**	"	18.1	18.2	27.5	19.8	53.35	41.97	53.35	50.0	87.5*	80.0	68.85	68.0
5.	**Non Ferrous Metals**													
	(a) Copper	"	8.8	8.8	9.0	9.0	9.0	9.48	9.0	9.5	22.0	20.0	17.4	17[illegible]
	(b) Zinc	"	-	-	-	-	-	-	-	-	15	15.0	18.0	18.
	(c) Lead	"	6.0	3.7	6.0	3.15	6.0	3.37	6.0	4.0	8.5	8.0	9.0	9.0
6.	**Cast Iron pipes**	"	270	209(c)	270	229.5(c)	270	230(d)	350	250	800	800	600	550
7.	**Steel wire ropes**	"	6.1	3.3(c)	6.27	2.55	15.0	4.8(d)	20.0	10.0	40	40	32	25
8.	**Casting and Forgings**													
	(a) Steel Castings	"	39.0	34.0	43.5	40.0	52.2	43.57	70.0	50.0	200	200	150	150
	(b) Steel Forgings.	"	43.0	35.0	48.0	48.0(b)	56.6	63.0	75.0	58.0	200	200	150	150

.....2/-

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1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
9.	Industrial Machinery													
	(a) Sugar Mill Machinery	Rs.crores	11.6	4.0(c)	11.6	4.6(c)	15	6.42	15	10	15to 16	14	15	14
	(b) Cotton Textile Machinery		12.0	10.4"	12.5	12.5	13.0	13.0(b)	15.0	15.0	22.0	20.0	22.0	20.0
	(c) Cement Machinery		1.1	0.6 "	4.5	0.9(c)	5.25	0.7(b)	5.25	1.2	4.5	4.5	8.0	4.5
	(d) Paper Machinery.		neg.	neg.	1.1	0.4(")	4.9	0.85(b)	4.9	2.0	8.5	6.5 to 7	6.5	6.5 7.0
10.	Machine tools	"	8.0	7.24	8.92	8.5	11.3'	11.48	18.0	14.5	30.0	30.0	30.0	25.0
11.	Road roller	Number	464	388(c)	464	564	6.94	668	800	700	800	700	1094	1000
12.	Boilers.	Rs.crores	3.7	0.53(c)	3.7	1.07	8.50	2.17	10.00	5.0	29.0	25.0	12.17	12.0
13.	Railway Rolling Stock	Number	300	1291(g)	300	248	300	246	300	250	360	1470(g)	360	1,47
	(a) Locomotives	"	26000	69130(g)	26000(e)	19164	26000(e)	25969	38500	32000	33500	117144"	40000	1,57
	(b) Wagons(in terms of 4 weelers)	"	2800	7332(g)	1800	1610	1800	1849	1800	1850	1900	7879	"1900	7879
	(c) Passenger coaches.													
14.	Automobile ancilliary Industries.													
	(a) Passenger cars	000 Nos.	20.2	19.1(c)	20.2	21.78	20.2	20.84	20.2	21.0	30.0	30.0	30.0	25.0
	(b) Commercial Vehicles	"	28.0	27.5(c)	28.0	25.50	28.0	25.70	29.0	27.0	60.0	60.0	54.0	54.0
	(c) Jeeps & Station wagons	"	5.5	5.5(c)	5.5	7.30	5.5	7.44	8.0	8.0	10.0	10.0	10.0	10.0
15.	Motor Cycles & Scooters	"	23.0	17.6	24.0	19.13	30.0	23.62	36.0	30.0	48 to 60	50.0	55.0	45.0
16.	Ball & Roller bearings	Mill.nos	1.7	3.2	3.5	3.3	3.5	4.0	8.4	5.5	11.0	50.0(h)	12.0	15.

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1.	2.	3	4	5	6	7	8	9	10	11	12	13	14	15
17.	Agriculture implements & machinery.													
	(a) Power driven pump.	000 nos.	128.0	105.0	137.0	128.8	146.45	131.1	150.0	140.0	184.0	150.0	184.0	1
	(b) Diesel engines (Stationary).	"	47.7	43.2	49.0	43.02	55.44	45.28	55.44	50.0	72.0	66.0	72.0	6
	(c) Tractors	"	neg.	neg.	5.5	0.88	7.5	1.6(b)	10.0	4.2	12.0	10.0	14.5	1
18.	Bicycles	mill.nos.	1.12	1.06	1.44	1.04	1.44	1.2	1.44	1.20	2.2(i)	2.0 (i)	2.2	1
19.	Sewing machines	000 nos.	267.4	297.3	267.4	323.0	341.0	330.0	445.0	400.0	700	700(i)	600	6
20.	Coated abrasibes and Grinding wheels.													
	(a) Coated aorasibes	000 reams.	200	144.5	200.0	153.4	200	194.2	230	200	500	400	400	3
	(b) Grinding wheels.	000 tons.	2.89	2.04	3.13	1.96	3.13	2.32	3.13	2.80	6.5	5.4	4.5	4
21.	Clocks & watches.													
	(a) Clocks.	000 nos.	66.0	52.3(c)	88.0	53.5	132.0	64.0	132.0	70.0	200	200	132	
	(b) Time pieces	"	60.0	Neg.	210.0	46.4	210.0	121.2	210.0	140.0	1200	1200	1200	
	(c) Watches.	"	-	-	360.0	14.4	670	21.3	670	50	1200	1200	1200	
22.	Electric transformers (33 KV & below)	Mill.KVA	1.40	1.39	1.50	1.98	1.96	2.40	1.96	2.5	4.0	3.5	4.0	
23.	Electric Motors. (200 HP & below)	Mill.HP	1.13	0.73	1.13	0.86	1.13	1.03	1.14	1.20	3.0(k)	2.5(k)	3.0	

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1.	2.	3	4	5	6	7	8	9	10	11	12	13	14	15
24.	Electric Cables & Wires.													
	(a) ACSR Conductors	000 tons.	19.3	23.6	31.4	24.8	31.4	30.47	35.9	34.0	55(x)	44(x)	68	55
	(b) VIR & PVC Cables	mill.yds.	463.2	214.2	487.2	243.0	529.2	306.7	550.0	350.0	800	600	800	600
	(c) Winding Wires	000 tons.	6.8	4.6	7.4	5.64	7.49	6.71	9.05	8.0	32	24	15	12
	(d) Paper insulated Cable.	miles.	884.0	620.0	884.0	884.0	884.0	1336.0	1028	1500	4500	40[illegible]	5000	4500
25.	Electric Fans.	mill.Nos.	0.85	1.06	0.89	1.08	1.37	1.16	1.3	1.20	2.8	2.5	2.8	2.5
26.	Electric Lamps-GLS & other.	mill.Nos.	47.6	41.8	47.6	46.6	62.6	58.29	69.3	66.0	76.0	68.0	7	8.0
27.	Dry batteries.	-do-	224.5	214.2	224.4	206.9	224.5	251.15	224.5	260.0	400	350	329.	25
28.	Storage batteries.	000 nos.	379.3	521.2	379.3	533.9	660.3	586.5	729.3	600.0	900	800	800	750
29.	Radio Receivers.	-do-	279	280	303.2	348.0	39.3	360.6	412.3	400.0	900	800	700	650
30.	Fertiliser													
	(a) Nitrogenous (in terms of N).	000 tons	158.3	97.2	238.36	140.0	386.6	175.2	386.6	240.0	1000	800	640	500
	(b) Phosphatic (in terms of PO25)	"	57.3	53.0(c)	89.7	61.9	129.6	78.9	147.4	111.5	500	400	270	200
31.	Heavy Chemicals.													
	(a) Sulphuric Acid	"	483.12	354.0	563.87	428.2	777.0	474.0	886.86	539.0	1750	1500	1500	1200
	(b) Soda Ash.	"	268.0	145.0	268.0	177.9	268.0	229.9	323.0	284.0	530	450	400	350
	(c) Caustic Soda.	"	124.0	97.0	126.6	120.8	126.6	125.5	230.28	210.7	400	340	400	340
32.	Drugs & Pharmaceuticals													
	(a) Sulphadrugs.	Tons	366	145(c)	399	156.0	399.0	196.3(c)	399.0	200.0	1000	1000	1091	1000
	(b) Pencilline.	Mill.Mg.Ut.	35.0	39.7(c)	65.0	50.18	75.0	62.3"	75.0	75.0	120	120	215	215
	(c) DDT	Tons	2800	2786"	2800	2768	2800	2568"	2800	2790	2800	2800	2800	2800

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11	12	13	14	15
33.	Plastics (polyethelene PVC etc.).	000 tons	15.5	9.5	22.3	14.7	25.7	19.0	38.0	24.0	85.0	74.0	73.8	69.5
34.	Photographic film and paper.	Mill.sq. meters.	-	-	-	-	-	-	-	-	10.0	10.0	10.0	10.0
35.	Paints & Varnishes	000 tons	85.0	52.0	85.0	60.6	100.0	61.65	110.0	72.0	160.0	140.0	140.0	100.0
36.	Soap (Organised Sector)-(m)	"	250.0	140(c)	242.7	144.5	227.2	147.5	227.2	150.0	255.0	500.	255.0	500
37.	Starch & Glucose													
	(a) Starch	"	148.6	68.5	148.6	70.6(c)	148.6	75.3(b)	148.6	78.0	158.2	120.20	158.2	120.0
	(b) Liquid Glucose	"	12.9	8.7	18.45	10.4	18.45	9.72"	18.45	11.0	15.9	14.0	18.45	14.0
	(c) Dextrose Powder	"	4.3	2.6	5.67	2.94	5.40	2.78"	5.40	3.2	10.91	10.00	10.91	10.00
38.	Rubber Manufacturers.													
	(a) Automobile tyres	Mill.Nos.	1.61	1.49	1.87	1.59	2.4	1.76	3.06	2.5	3.7(t)	3.00(t)	4.6	3.8
	(b) Bicycle tyres.	"	15.12	11.15	16.92	11.33	13.7(b)	12.42	15.33	14.0	38.6	30.9	20.0	18.0
[illegible].	Paper and Paper Board.													
	(a) Paper & Paper Bd.	000 tons	410.0	343.0	410.0	365.0	483.0	393.2	538.4	425.0	8,20.0	700.0	680.0	580.0
	(b) Newsprint	"	30.0	22.9	30.0	24.8	30.0	26.0	30.0	27.0	150.0	120.0	30.0	28.0
	Cement	mill.tons	9.2	7.8	9.7	8.2	9.7	8.8	10.4	9.3	15.0	13.0	13.5	12.0
	Refractories.	"	0.82	0.55	0.83	0.6	0.84	0.66	1.13	0.9	2.0	1.5	1.4	1.1
	Electric Porcelain (HIGH T Insulators)	000 tons	12.58	6.25(c)	13.40	8.16	13.40	9.25	22.60	17.60	30.0	24.0	30.0	24.0
	Power & Industrial Alcohal.	Mill.glns.	40.1	20.4	45.2	32.9	45.8	37.5	57.7	33.3	72.0	60.0	72.0	60.0
	Cotton Textile													
	Yarn	Mill.lbs.	12.7(a)	1737(c)	13.3(a)	1900	13.9(a)	18846	13.2(a)	2000	16.5(a)	2250	15.2(a)	2175
	Cloth	Mill.Yds.	1.99(w)	5048	1.99(w)	5100	2.0(w)	4921.0	2.0(w)	5200	2.25(w)	5800	2.11(w)	5500
	[illegible]s.	000 tons.	1200	1022	1200	1050	1200	1175	1200	1190	1218	1300	1200	1300

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1.	2.	3.	4.	5	6	7	8	9	10	11	12	13	14	15
46.	Rayon.& synthetic fibre.													
	(a) Rayon filament	mill.lbs.	52.3	47.0	69.6	52.9	76.7	65.0	76.7	75.0	140.0	140.0	110.0	110.0
	(b) Staple fibre	"	48.0	48.0	56.0	61.4	56.0	71.5	56.0	72.0	75.0	75.0	60.5	75.0
	(c) Rayon Grade pulp	000 tons.	-	-	-	-	6.6	1.2(b)	42.6	20.0	100.0	90.0	67.8	58.0
47.	Woollen Textiles													
	(a) Woollen & Worsted yarn.	Mill.lbs.	0.19(a)	27.8(c)	0.19(a)	34.65	0.19(a)	43.1	0.19(a)	46.0	0.20(a)	52.0	0.20(a)	52.0
	(b) Woolen cloth.	Mill.yds.	48.0	15.3(c)	48.00	16.02	48.0	20.6	48.0	25.0	48.0	35.0	48.0	35.0
48.	PLYWOOD Including Fibre board.													
	(a) Tea Chest	) mill.		98.2)		99.54)		98.7)		105.0)		110.0)		130.0
		) sq.ft.	140.4	)	140.4	)	152.32	)	152.32	)	168.39	)	168.39	
	(b) Commercial plywood)			62.5)		72.02)		83.0)		95.0)		90-110		90-11
	(c) Fibre board	"	30.33	18.0	47.25	25.84	47.25	25.9	47.25	40.0	125.0	180-100	103-0	65-75
49.	SUGAR:	Mill.tons.	2.25	3.0	2.25	2.7	2.67	2.3	2.67	3.3	3.5	3.50	3.5	3.5
50.	Vanaspati	000 tons	470.3	350.0	496.0	331.1	496.0	360.2	496.0	370.0	550	500	550	500

* Subsequently revised to 110.000 tons.
(tt) Since revised to 4.5 Million numbers.
(t) Since revised to 5.3 Million numbers.
(a) Million active spindles.
(b) Estimated.
(c) Calendar year.
(d) Capacity revised as per actual production performance.
(g) Relates to five years.
(h) By working the capacity on three shifts.
(j) An additional 0.5 million bicycles are expected to be produced in the small scale sector.
(k) These figures are for 300 h.p. and below.
(x) Capacity revised to 68,000 tons and production to 35,000 tons.
(e) Excluding capacity of Railway Workshops.
(m) Production ~~figures under~~ cols. 13 and 15 include small scale sector also.

APPENDIX - VI

MINERALS AND OIL

TABLE I

COAL

(million tones)

	1960-61	1961-62	1962-63	1963-64 (Anticipated)	1965-66 Target as per IIIrd Plan Report	1965-66 Likely achievement.
N.C.D.C.	8.06	6.05	8.43	11.48	31.0	24.04
Singareni	2.57	2.83	3.23	3.23	6.1	4.10
Private Sector	44.88	46.35	52.17	52.17	61.5	61.74
TOTAL	55.51	55.23	63.83	63.83	98.6	89.88

TABLE II

EXPENDITURE

(Rs. crores)

1	Plan figures	Present estimates	Estimated expenditure during the first 3 years.	Anticipated expenditure in the remaing 2 years.	Total anticipated expenditure in the III Plan.	Spill-over into the IV Plan
	2	3	4	5	6	7
Coal including lignite mining	187	244	80	121	201	43
Oil (exploration, production and distribution)	183	291	93	130	223	68
Other mineral projects	82	97	14	66	80	17
Surveys	15	17	6	.8	14	3
Mineral projects in the States.	11	13	N.A.	N.A.	11	2
	478	662	193	325	529	133

APPENDIX - VII

EDUCATION - III PLAN

TABLE I

ENROLMENT OF THE ELEMENTARY STAGE

Enrolement in Classes	Unit	1960-61 Position)	1961-62 Achievent)	1962-63 (Anticipated.	1963-64 Target	1961-64 4+5+6	1961-66 Target	Estimated)	1965-66 Position (3+9)
1	2	3	4	5	6	7	8	9	10
I-V									
Total	lakhs	349.9	39.9	31.1	31.2	102.2	153.0	169.8	519.7
Girls	lakhs	114.0	16.8	13.3	16.3	46.4	85.6	84.7	198.7
VI-VIII									
Total	lakhs	67.1	7.4	8.8	8.9	25.1	34.6	42.2	109 3
Girls	lakhs	16.3	2.1	3.2	2.9	8.2	12.8	13.8	30.1

TABLE II

ENROLEMENT AT THE SECONDARY STAGE

(Lakhs)

Year	Entolment in classes IX-XI Boys	Girls	Total
1	2	3	4
(i) 1960-61	24.07	5.48	29.55
(ii) 1961-62	27.82	6.43	34.25
(iii) 1962-63	31.82	7.53	39.35
(iv) 1963-64	35.52	8.53	44.15
(v) 1965-65(Target)	35.70	9.90	45.60
(vi) 1965-66 'Estimated)	41.46	11.16	52.62

TABLE III

ENROLEMENT - UNIVERSITIES AND COLLEGES - TOTAL AND SCIENCE

Year	Universities	No. of Arts,Science and Commerce Colleges.	Enrolement in Arts, Science and Commerce Colleges.	Enrolment in Science Classes	Col.5 as %age of col. 4.
1	2	3	4	5	6
			(Figures in 000's)		
1960-61 (Position)	45	1,076	877	300	34.2
1961-62	46	1,194	962	337	35.0
1962-63	54	1,283	1,060	386	36.4
1965-66 (Target)	58	1,400	1,300	553	42.5

TABLE IV

TRAINED TEACHERS FOR ELEMENTARY AND SECONDARY SCHOOLS

(In lakhs)

Item	1960-61	1961-62	1962-63	1965-66 (Target)
1	2	3	4	5
Primary Schools Teachers	7.40	8.22	8.90	12.66
%age of trained teachers.	64.1	66.5	67.5	75.0
Middle Schools				
Teachers	3.44	3.65	3.84	3.60
%age of trained teachers.	66.6	69.0	68.8	75.0
High/Higher Secondary Schools.				
Teachers	2.94	3.27	3.43	2.90
%age of trained teachers.	64.3	66.1	66.2	75.0

TABLE 5

EXPANSION OF TECHNICAL EDUCATION FACILITIES

Year	First degree course (annual admission)	Diploma course (annual admission)
1	2	3
1960-61	13,824	25,801
1961-62	15,850	27,701
1962-63	17,232	30,919
1963-64	20,430	36,320
1964-65	21,780	41,930
1965-66 (Original)	19,137	37,390
(Estimated)	23,130	47,546

APPENDIX - VIII

HOUSING - III PLAN

TABLE I

PROGRESS OF EXPENDITURE ON HOUSING SCHEMES

(Rs. in Lakhs)

Scheme	Third Plan provision.	Expenditure 1961-62	1962-63	1963-64	Total 1961-64
1. Subsidised industrial housing Scheme.	2,980	561	578	268	1,407
2. Low income group housing scheme	3,520	539	540	368	1,447
3. Slum clearance scheme	2,862	347	563	599	1,509
4. Village housing projects scheme	1,270	58	166	68	292
5. Plantation labour housing scheme	70	2	14	5	21
6. Dock labour housing	200	-	-	-	-
7. Middle income group housing in Union Territories	250	26	37	35	98
8. Land acquisition and development	950	475	240	150	865
9. Experimental housing, research and Statistics.	100	-	-	-	-
10. Housing schemes of State govt.	180	-	18	26	44
11. Town planning including preparation of master plans	540	34	71	47	152
12. Urban development	1,230	204	262	168	634
13. Schemes financed from LIC funds	6,000	600	1,135	1,059	2,794
Total	20,152	2,846 14%	3,624 18%	2,793 14%	9,263 46%

TABLE II

THE FOLLOWING TABLE SHOWS THE PROGRESS IN RESPECT OF CERTAIN SCHEMES (THE FIGURES IN THIS TABLE DO NOT INCLUDE THE NUMBER OF HOUSE UNDER CONSTRUCTION)

Scheme	Unit	1961-66	1961-64
1. Subsidised industrial housing scheme	No. of houses.	73,000	31,700
2. Low income group housing scheme	-do-	75,000	29,000
3. Slum clearance scheme	-do-	1,00,000	45,600
4. Village housing projects scheme	-do-	1,25,000	16,500

Planning Commission: BASIC STATISTICS RELATING TO INDIAN ECONOMY (1950-51 to 62-63) (Statistics and Surveys Division)

****

Table 1. Selected Key Indicators of Progress (Index 1950-51 = 100)

Sl.No.	Items	1955-56	1960-61	1961-62	1962-63
1.	National income at constant prices	118.4	144.1	147.9	150.8
2.	Per capita income at constant prices	108.2	118.7	119.2	118.9
3.	Net area sown	108.4	111.7	..	..
4.	Net area irrigated	109.1	118.5	..	..
5.	Area sown more than once	136.6	148.3	..	..
6.	Agricultural production	122.2	146.1	147.9	143.1
7.	Foodgrains production	127.4	149.8	151.9	145.1
8.	Value of mineral output (a)	131.8	229.8	250.8	285.8
9.	Industrial production (b)	126.4	177.8	190.8	205.5
10.	Electricity generated (c)	163.9	306.1	349.2	398.9
11.	Imports - quantum (d)	..	107.0	111.0	120.0
12.	Imports - unit value (d)	..	98.0	99.0	94.0
13.	Exports - quantum (d)	..	101.0	105.0	111.0
14.	Exports - unit value (d)	..	109.0	111.0	106.0
15.	Wholesale commodity prices	82.7	111.6	111.9	114.4
16.	Consumer prices (working class)	95.0	122.0	126.0	130.0
17.	Railways - tonne k.metres of goods carried	135.0	198.7	206.7	..
18.	Railways - goods originating	124.5	168.1	172.3	..
19.	Railways - passenger k. metres carried	93.8	116.4	122.7	..
20.	Railways - passengers originating	99.2	123.4	131.0	..
21.	Railways - net earnings	114.2	194.1	218.9	..
22.	Aviation passengers carried - internal (a)	94.8	169.1	189.5	195.7

(Contd.)

23. Aviation freight carried - internal (a)	119.2	96.9	96.9	90.3
	157.4	225.6	242.1	257.3
	123.8	138.6	144.3	155.2
26. Membership of primary cooperative societies	128.5	249.7	275.9	..
27. Working capital of cooperative societies	170.0	475.7	556.4	..
28. Students passing in matriculation & equivalent exams.	178.0	271.4	..	..
29. Students passing in degree & higher exams.in Arts & Sciece	167.3	267.8	..	..
30. Employment in Railways (a)	110.1	129.1	129.4	..
31. Employment in Mines (a)	108.6	119.9	123.3	..
32. Number of beds in hospitals (a)	124.1	178.6	117.9	..
33. Number of doctors.(a)	118.2	..	..	..
34. Central Government Revenue	118.6	216.2	255.5	330.
35. Central Government expenditure	127.1	238.3	263.1	393.
36. Money Supply	110.0	142.4	151.3	164.

(a) Figures are for calendar years with 1950 = 100
(b) Figures are for calendar years with 1951 = 100
(c) Figures upto 1956 are for calendar years with 1950 = 100.
(d) Figures are for calendar years with 1958 = 100.

Table 2: Index numbers of agricultural production (1950-51 = = 100)

S.No: Items	1955-56	1960-61	1961-62	1962-63
1. Cereals				
(i) Rice	129.9	154.9	158.1	145.5
(ii) Wheat	129.9	160.9	176.4	163.1
(iii) All cereals (a)	127.2	151.2	155.0	147.3
2. Pulses				
(i) Gram	141.7	165.6	152.6	1[illegible]9.9 (149.9)
(ii) All pulses (b)	129.1	140.2	131.2	130.5
3. Total foodgrains (cereals & pulses)	127.4	149.8	151.9	145.1
4. Oilseeds (c)	110.3	129.9	136.4	135.6
5. Fibres				
(i) Cotton	139.0	133.6	153.7	181.0
(ii) Jute	127.8	114.4	182.3	154.2
(iii) All fibres (d)	137.8	161.8	168.7	175.9
6. Plantation crops (e)	108.8	129.9	135.2	134.7
7. Miscellaneous				
(i) Sugar Cane	105.4	152.9	144.0	133.0
(ii) Miscellaneous (f)	108.9	141.3	136.7	132.9
8. Total non-foodgrains	113.2	139.7	140.9	139.8
9. General Index	122.2	146.1	148.9	143.1

(a) Includes Jowar, bajra, maize, ragi, small millets and barley besides rice & wheat. (b) Includes gram, tur, and other pulses. (c) Includes groundnut, sesamum, rape and mustard, linseed and castor seed. (d) Includes mesta (e) Includes tea, coffee and rubber. (f) Comprises sugarcane, tobacco, potato, pepper, chillies and gunger.

NOTE: The above indices with 1950-51=100 have been derived from the original series with 1949-50=100 by arithmetic conversion. The indices for 1960-61 and 1961-62 are generally based on partially revised estimates and those for 1962-63 or final estimates and are, therefore, subject to revision.

Table 3: Index Numbers of Industrial Production (a) Base: 1951 = 100*

Sl.No.	Groups	1955	1960	1961	1962
1.	Coal	111.4	150.9	160.9	..
2.	Textile	113.6	118.3	116.5	
3.	Paper and paper products	140.2	257.6	271.5	
4.	Rubber products	140.2	237.3	248.3	
5.	Chemicals and chemical products	159.0	257.4	282.9	..
6.	Non-metallic mineral products (excluding products of petroleum and coal)	134.8	245.8	246.8	
7.	Basic metal industries	112.6	199.0	236.7	..
8.	General engineering and electrical engineering	183.3	354.2	419.4	..
9.	Electricity generated	144.5	280.5	326.2	..
10.	General index	122.4	169.7	180.9	..

* Official series. This has been discontinued since July, 1962.

Source: Central Statistical Organisation (Industrial Statistical wing).

Table 3: (b) Base : 1950-51 = 100*

S.No.	Groups	1955-56	1960-61	1961-62	1962-63
1.	Cotton textiles	127.9	132.0	133.3	132.9
2.	Chemicals and chemical products	179.3	288.8	312.7	340.7
3.	Iron and steel	121.6	238.1	291.3	378.0
4.	Machinery (all types)	191.8	538.8	606.1	685.5
5.	General Index	138.6	195.1	205.9	222.1

* The comparison base of the series is 1950-51 while the ~~xx~~ weighting base is 1951. The composition of the series is the same as that of the official series.

Source: Central Statistical Organisation (Planning Division)

(c) Base : 1956 = 100*

Sl.No.	Groups	1951	1961	1962
1.	Coal	87.0	140.0	153.6
2.	Textiles	77.2	110.3	113.7
3.	Paper and paper products	66.5	181.9	190.6
4.	Rubber products	75.4	157.4	169.4
5.	Chemicals and chemical products	72.9	173.0	183.9
6.	Non-metallic mineral products (excluding products of petroleum and coal)	64.4	180.8	191.2
7.	Basic metal industries	83.5	184.3	227.9
8.	General engineering and electrical engineering	44.1	208.4	234.4
9.	Electricity generated	60.9	198.8	223.4
10.	General index	73.0	139.3	150.0

* Official series.

Source: Central Statistical Organisation (Industrial Statistics Wing).

Table : 8. Index Numbers of Wholesale Prices (revised series) 1950-51 = 100.

Sl.No.	Items	1955-56	1960-61	1961-62	1962-63
1.	Food articles	77.0	106.7	106.8	112.1
2.	Liquor and tobacco	82.3	111.8	101.7	102.3
3.	Fuel, power, light & lubricants	102.8	129.2	131.9	134.4
4.	Industrial raw materials	75.6	111.1	109.1	104.4
5.	Manufactured articles	96.5	119.1	122.7	124.8
5-1.	Intermediate products	89.1	116.1	134.5	135.2
5-2.	Finished products	97.8	(120.6)	122.4	124.9
6.	General index	82.7	111.6	111.9	114.4

Note: The above indices with 1950-51 = 100 have been derived from the original series with 1952-53 = 100 by arithmetic conversion.

Source: Ministry of Commerce and Industry (Office of Economic Adviser).

Table : 9 Consumer Price Index Numbers - Working Class
(a) General
(1950-51=100).

Centre	1955-56	1960-61	1961-62	1962-63
1. Ahmedabad	86	115	116	116
2. Ajmer	81	104	109	109
3. Bangalore	96	136	140	143(a)
4. Bombay	107	133	138 ~~[illegible]~~	141
5. Calcutta	90	111	113	120
6. Cuttack	89	~~120~~ 114	120	127
7. Delhi	99	~~127~~ 120	127	129(a)
8. Gauhati	87	x~~107~~ 104	107	112
9. Hyderabad	94	~~120~~ 125	130	134(b)
10. Jabalpur	86	~~107~~ 104	107	127
11. Jamshedpur	90	~~[illegible]~~ ~~115~~ 110	115	119(c)
12. Kanpur	86	109	112	115
13. Ludhiana	84	102	105	111
14. Madras	99	145	148	149
15. Nagpur	98	135	132	133
16. Sholapur	88	124	122	134
17. Trichur	105	129	133	134
18. All India	95	122	126	130

Note: The above indices have been derived from the original series with base 1949=100 by arithmetic conversion.

(a) Based on 11 months (April '62 to Feb. 63) average
(b) Based on 7 months (April 62 to Oct. 62) average.
(c) Based on 8 months April 62 to Nov. 62 average.

Table: 10. Consumer Price Index Numbers - Working Class

(b) Food (1950-51 = 100).

Centre	1955-56	1960-61	1961-62	1962-63
1. Ahmedabad	77	117	118	118
2. Ajmer	74	101	105	105
3. Bangalore(a)	86	131	133	134(b)
4. Bombay	106	138	137	141
5. Calcutta	90	113	114	121
6. Cuttack	87	111	115	125
7. Delhi	97	119	120	125(c)
8. Gauhati	86	107	112	117
9. Hyderabad (a)	90	134	136	142(c)
10. Jabalpur	79	92	97	111
11. Jamshedpur	87	112	117	122(d)
12. Kanpur	78	104	104	109
13. Ludhiana	79	99	101	110
14. Madras	97	138	148	149
15. Nagpur	96	136	130	133
16. Sholapur	86	133	129	149
17. Trichur	93	130	136	136
18. All India (a)	90	119	121	126

Note: The above indices have been derived from the original series with base 1949 = 100 by arithmetic conversion.

(a) The series is based on calender year 1951
(b) Based on 11 months (April 62 to Feb.63) average.
(c) Based on 7 months (April 62 to Oct.62) average.
(d) Based on 8 months (April 62 to Nov.62) average.

Rable 12: Index numbers of Industrial Profits (Revised) Base: 1955 = 100.

Sl.No.	Industry	1956	1957	1958	1959	1960	1961	1962
	Gross Profits including Depreciation							
	Public Limited Companies (All Industries)	109.7	101.1	112.0	141.2	166.1	..	..
1.	Agriculture and Allied Activities	134.0	77.5	92.7	123.6	128.2	128x2	..
2.	Mining and Quarrying	100.3	123.2	126.8	122.7	147.4	..	..
3.	Processing and Manufacture - Food-stuffs, Textiles and Products thereof	100.6	74.6	88.6	124.0	162.1	..	..
4.	Processing and Manufacture - Metals, Chemicals and products thereof	110.0	117.9	131.3	175.4	206.8	..	..
5.	Processing and Manufacture - Not elsewhere classified	119.8	123.8	138.0	148.7	149.4	..	..
6.	Other Industries	120.0	138.3	138.6	140.1	143.9	..	..
	333 Selected Private Limited Companies	119.5	131.3	144.7	165.3	200.2	..	..
	Profits before Tax							
	Public Limited Companies (All Industries)	112.0	90.4	102.9	138.7	160.9	..	..
1.	Agriculture and Allied Activities	148.9	71.7	90.9	132.8	134.7	..	..
2.	Mining and Quarrying	100.6	135.3	143.8	129.9	162.5	..	..
3.	Processing and Manufacture - Foodstuffs, Textiles and Products thereof	99.7	53.9	71.3	131.4	176.9	..	..
4.	Prodessing and Manufacture - Metals, Chemicals and products thereof	110.1	102.7	113.0	154.7	177.4	..	..
5.	Processing and Manufacture - Not elsewhere classified	122.1	116.0	131.3	139.3	133.3	..	..
6.	Other Industries	123.8	137.7	135.2	132.5	126.0	..	..
7	333 Selected Private Limited Companies	122.6	129.3	157.2	185.3	228.5	..	..

Source: Reserve Bank of India.

Table: 25. OUTPUT OF SELECTED INDUSTRIES.

S.No.	Items	1950-51	1955-56	1960-61	1961-62	1962-63
	1.	2.	3.	4.	5.	6.
	MACHINERY & EQUIPMENT, ALL TYPES					
1.	Textile Machinery					
	i. Calico looms	..	2765	5901	8156	4946
	ii. Complete ring spinning frames	274	908	1218	1446	1677
2.	Machine Tools (value)	3377	7943	62322	83868	114829
3.	Twist drills	519	882	1797	3015	4032
4.	Power driven pumps	35	37	109	131	131
5.	Diesel engines-stationary	5536	10371	44689	43390	45313
6.	Diesel engines-vehicular type	..	..	10833	9378	7229
7.	Electric motors	99	272	728	873	1035
8.	Power transformers	179	625	1413	2020	2409
9.	Bare copper conductors	5045	8672	10144	7068	4244
10.	Winding wires	259	681	4382	6009	6917
11.	Rubber cables	379	821	2146	2249	2810
12.	Storage batteries	194	258	515	534	587
13.	Dry cells	1499	1615	2142	2129	2512
14.	Refractories	237	293	567	623	674
15.	Arc welding electrodes	..	402	1145	1111	1221
16.	Conduit pipes	932	2195	3888	2955	3219 (3119)
	TRANSPORT EQUIPMENT					
17.	Locomotives	7	179	295	..	..
18.	Wagons	..	..	8.2	11.2	15.3
19.	Cars, jeeps etc.(a)	7917	15370	26623	29166	28279
20.	Commercial vehicles (b)	8602	9902	28405	25445	26510
21.	Automobiles-total	16519	55028*	54611**	54611	54789
22.	Bicycles-complete	98620	512698	1071201	1043682	1105599
	MINING INDUSTRIES					
23.	Coal	32843	39048	55519	55228	63833
24.	Iron ore	..	4332	10980	12933	13311

* 25272 ** 55028

(Contd.)

BASIC METAL INDUSTRIES					
25. Pig iron	1597	1816	4312	5058	6129
26. Direct castings	98	133	39	32	18
27. Ferro-alloys (h)	13	5	8	8	72
28. Steel ingots & metal for castings	1472	1740	3473	4316	5446
29. Semi-finished steel	1201	1489	2968	1166	1087
30. Finished steel	1041	1296	2411	3006	3998
31. Aluminium (virgin metal)	4045	7450	18317	19883	42831
32. Copper (")	7067	7574	8459	9242	9682
33. Lead (")	787	2178	3832	3177	3440
34. Gold (in term of mine's assay)	5603	5962	4921	4940	4837
NON-METALLIC MINERAL PRODUCTS					
35. Cement	2732	4665	7971	8280	8851
36. Sheet glass	1090	3688	7869	6512	5410
37. Laboratory glass	2274	2574	4617	3831	4228
38. Glass shells	131	268	495	662	680
39. Other glassware	80592	105907	170879	178807	186470
~~40x~~					
TEXTILES					
40. Cotton yarn-total	5343	7438	8012	8734	8567
41. Jute Manufactures-total	837	1071	1071	999	1199
42. Wollen yarn	8717	9838	12953	15751	19598
43. Cotton cloth-total	34014	46648	46490	46786	44981
44. Woollen fabrics	..	13400	14559	14471	18886
CHEMICALS & CHEMICAL PRODUCTS					
45. Sulphuric acid	110596	166909	367731	430422	483747
46. Caustic Soda	11543	36038	101102	123325	129536
47. Soda ash	45338	81812	151948	187623	236860
48. Bleaching powder	3601	3175	6078	7211	6902
49. Bichromates	2297	2992	4855	5626	6920
50. Superphosphates	56706	71361	313584	379202	470012
51. Ammonium					

1	2	3	4	5	6
51. Ammonium sulphate	47171	400206	397806	393624	422802
52. Chlorine liquid	4229	13203	32508	35904	36403
53. Rayon-viscose yarn	2078	6100	19813	22053	28207
54. Rayon-staple fibre	..	6233	22072	27944	32539
55. Rayon-acetate yarn	..	1150	1909	2068	1342
56. Paints and varnishes	30312	40368	52847	50673	62891
57. Alcohol industrial, rectified spirit	17747	21407	42660	52481	68905
58. Alcohol - power	21475	47592	49781	54253	51402
59. Alcohol industrial, denatured spirit	6578	13788	32330	44547	51902
60. Matches	540	619	700	737	558
61. Soap	77252	104296	144697	149537	151254
FOOD MFG. INDUSTRIES.					
62. Sugar	1061	1728	2699	2858	2581
63. Coffee	21038	29001	54120	66652	48957
64. Tea	2771	2991	3195	3522	3428
65. Vanaspati (veg.oil)	170100	279986	340242	341193	366324
RUBBER PRODUCTS					
66. Footwear - rubber	185	356	452	459	497
67. Tyres (i) Automobile	..	898	1438	1598	1449
(ii) Others (d)	..	5825	11200	11385	12492
68. Tubes (i) Automobiles	..	796	1352	1478	1765
(ii) Others (d)		5715	13321	12183	12123
ELECTRICAL GOODS AND EQUIPMENT					
69. Electric lamps-total	14008	25029	43479	48808	60735
70. Radio receivers	53952	101868	282123	345776	360613
71. Electric fans	199	287	1059	1077	1176
72. Domestic refrigerators	..	725	11668	9909	15049
73. Air conditioners.	..	..	12126	12607	13154

Contd.

	2.	3.	4.	5.	6.
OTHERS					
74. Typewriters	..	..	28.7	32.1	37.1
75. Duplicators	...	2289	4721	5079	4447
76. Screws (wood & ~~[illegible]~~ machine)	880	7732	11984	13370	12828
77. Razer blades	146	1560	6021	7347	6629
78. Plywood-total	5220	10615	15009	16030	16877
79. Paper and paper products	115862	189839	350210	367366	401235
80. Leather-tanned hides	2129	2390	3517	3537	3060
81. Footwear (leather) - Western type	(f)	3269	5447	6395	6879
82. Footwear (leather) - indigenous type	(f)	2406	3841	4533	5530
83. Hurricane lanterns	3244	5385	5333	5553	6879
84. Sewing machines	32965	111180	303448	323153	338954
85. Electricity generated	52661	87824	170373	197853	220937
86. Cigerettes	233846	236568	376400	404510	408560
87. Telephones.	4.8	~~[illegible]~~ 48.7	114.0	106.6(g)	..

(a) Included land rovers, station wagons, utilities and mobile health vans
(b) Includes both trucks and passenger buses of petrol and diesel types
(c) 50 gross boxes of 60 sticks each upto 1960-61, thereafter of 50 sticks each.
(d) Includes cycle, tractor and aero types/tubes.
(e) For calender years.
(f) Total of western & indigenous type is 5170,000 paies.
(g) From April 61 to Feb. 1962.
(h) From 1960 to August 1962 figures relate to Ferro-sillicon only.
* Provisional.

SOURCE: Central Statistical Organisation (Industrial Statistics Wing).

TABLE 28. ELECTRICITY - INSTALLED CAPACITY.

(Million KW)

Sl.No. Source	1950	1955	1960-61	1961-62	1962-63 *
1.	2.	3.	4.	5.	6.
1. Public utility undertakings					
(a) State owned	0.6	1.5	3.2	3.9	4.3
(b) Company owned	1.1	1.2	1.4	1.3	1.5
2. Self-generating industrial establishments	0.6	0.7	1.0	1.0	1.1
3. total	2.3	3.4	5.6	5.2	6.9

Table 29: Electricity - Generation. ([illegible])

(Million KWH)

1.	2.	3.	4.	5.	6.
1. Public Utility Undertakings					
(a) State owned	2,104	4,573	11,016	13,728	16,070
(b) Company owned	3,003	4,019	5,921	5,942	6,295
2. Self-generating industrial establishments	1,468	2,185	3,186	3,237	3,863
3. Total	6,575	10,777	20,123	22,957	26,228

* Provisional.

Source: Ministry of Irrigation & Power (Central Water & Power Commission, Power Wing).

Table 32: ENERGY SALES BY CLASS OF UTILISATION (Percentage Distribution)

Items	1950	1955	1960-61	1961-62	1962-63*
1. Domestic	12.6	11.9	10.7	10.3	10.3
2. Commercial	7.4	7.2	6.1	5.7	5.6 (5.6)
3. Industrial	62.6	66.1	69.4	70.2	70.2
4. Ytsvyion	7.4	5.7	3.3	3.6	3.9
5. Public lighting	1.5	1.5	1.4	1.3	1.3
6. Irrigation	3.9	3.6	6.0	6.0	5.9
7. Water works	4.6	4.0	3.1	2.9	2.8
8. Total	100.0	100.0	100.0	100.0	100.0

* Provisional.

Table: 48 JOINT STOCK COMPANIES AT WORK - NUMBER

S.No.	Industry	£ 1950-51	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
1.	Agriculture and allied activities	..	1570	1558	1486	1404	1342	1283	..
2.	Mining and quarrying	..	948	961	935	924	904	873	..
3.	Processing & Manufactures (total)	..	10488	10352	10159	10056	10050	10111	..
3.1.	Sugar	..	211	211	205	208	203	209	..
3.2.	Tobacco	..	66	66	64	63	62	58	..
3.3	Textiles*	..	1585	1572	1539	1495	1475	1433	..
3.4.	Leather & leather products	..	176	170	171	172	163	148	..
3.5.	Iron & Steel (basic manufactures)	..	342	339	360	375	433	505	..
3.6.	Chemicals** & chemical products	..	1832	1776	1724	1680	1630	1562	,,
3.7.	Products of petroleum and coal	..	28	29	30	29	34	32	..
3.8.	Manufacture of cement	..	34	32	33	33	32	33	..
4.	Construction and utilities	.~~781~~	781	762	736	710	690	669	..
5.	Commerce (Trade and Finance)	..	11989	11726	11121	10575	10138	9461	..
6.	Transport Communication and storage	..	1593	1565	1509	1466	1612	1764	..
7.	Community and business service	..	718	703	692	667	629	613	..
8.	Personal and other service	..	1787	1730	1642	1601	1532	1375	..
9.	Grand total	..	29874	29357	28380	27403	26897	26149	24757

£ The industry-wise details are not available according to the revised classification introduced in 1955-56.
* Includes textile spinning and finishing (including bleaching, dyeing and printing),
** Includes basic industrial chemicals, fertilisers and power alcohol inclding chemical products n.e.s.

Source: Ministry of Commerce and Industry.
(Dept. of Company Law Administration).

Table 49: JOINT STOCK COMPANIES AT WORK BY INDUSTRIAL GROUPS - PAID UP CAPITAL

Industry	1950-51 £	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62
1. Agriculture and allied activities	..	4153	4233	4411	4502	4613	4620	..
2. Mining and quarrying	..	3801	3902	5710	6205	9635	13442	..
3. Processing and manufactures (total)	..	57223	60437	81915	101197	107059	120383	..
3.1. Sugar	..	3125	3444	3651	3826	3954	4421	..
3.2. Tobacco	..	1933	1968	1955	1963	1967	1973	..
3.3. Textiles*	..	18881	19247	20030	20600	20953	22452	..
3.4. Leather and leather products	..	363	382	369	360	363	396	..
3.5. Iron and Steel (Basic manufacture)	..	3478	4132	20941	35918	36206	37915	..
3.6. Chemicals** and chemical products	..	6292	7054	7786	8896	10150	12809	..
3.7. Products of petroleum and coal	..	1453	1804	2125	2276	2280	2928	..
3.8. Manufacture of cement hydraulic	..	2523	2639	3179	3542	3629	4152	..
4. Construction and utilities	..	5348	5500	5682	5715	5752	5419	..
5. Commerce (Trade and Finance)	..	25934	26695	26471	27080	27593	28913	..
6. Transport, Communication and storage	..	3881	4921	4242	4617	4903	6102	..
7. Community and business service	..	682	627	741	779	794	961	..
8. Personal and other service	..	1899	1442	1457	1465	1527	1655	..
9. Grand total	..	102420	107758	130628	151561	161876	181495	187940

£ The industry-wise details are not available according to the revised classification introduced since 1955-56.
* Includes textiles, spinning and finishing (including bleaching, dyeing and printing).
** Includes basic industrial chemicals, fertilisers and power alcohol including chemicals products n.e.s.

Source: Ministry of Commerce and Industry.
Dept. of Company Law Administration).

TABLE 91. ESTIMATES OF NATIONAL INCOME

(Rs. abja*)

Items	1950-51	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62**	1962-63
1. Net national output at factor cost (national income)									
(1) at current prices	95.3	99.8	113.1	113.9	126.0	129.5	141.6	146.3	..
(2) at 1948-49 prices	88.5	104.8	110.0	108.9	116.5	118.6	127.5	130.2 (130.8)	133.
2. Per capita net output(a)									
(1) at current prices (Rs.)	266.5	255.0	283.4	279.6	303.0	304.8	326.2	329.7	
(2) at 1948-49 prices (Rs.)	247.5	267.8	275.6	267.3	280.1	279.2	293.7	293.4 (295.0)	294.
3. Net domestic product at factor cost by industrial origin (current prices)									
(1) agriculture	48.9	45.2	55,2	52.8	62.4	62.5	69.0	68.5	..
(2) mining, manufacturing and small enterprises	15.3	12.5	20.0	21.2	21.7	23.2	26.0	28.0	
(3) Commerce, transport & Communications	16.9	18.8	19.6	20.7	21.5	22.3	23.4	24.7	
(4) other services	14.4	17.3	18.2	19.3	20.6	21.8	23.7	25.7	
4. Net national expenditure at market price (current prices)	100.3	106.6	120.8	122.8	135.5	140.0	153.5	159.1	
5. Govt. share in generation of net domestic product (current prices)	7.2	9.9	10.9	11.7	12.5	13.0	14.8	16.3	
6. Government share in national expenditure (current prices)	8.3	12.9	14.8	17.5	18.5	17.4	19.3	23.4	
7. Govt. draft on private income (current prices)	7.7	9.6	10.9	12.6	13.4	14.8	16.4	17.7	
8. Gross capital formation or govt. account (current prices)	2.7	5.7	6.9	8.3	8.6	7.0	7.9	10.5	

* Abja = 100 crores. ** Preliminary.
(a) Population estimates used are based on 1941, 1951 and 1961 Census data.
(b) Provisional - Quick estimates.
( ) Figures in brackets relate to Partially revised estimates.

SOURCE: Central Statistical Organisation. (National Income Division)

ON INDIA'S TRADE WITH SOCIALIST COUNTRIES

AND BIG PROVEN SOCIALIST CAPACITY TO AID INDIA

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APPENDIX - 5-A

INDO-SOVIET TRADE

ITS GROWTH & SIGNIFICANCE

India's trade with the USSR and other Socialist countries has gone up considerably after independence. And this by itself has been an important factor in enabling India to lessen its dependence on the Western capitalist countries, both for exporting its commodities as well as importing capital goods for building heavy industries. In 1950-51, that is, at the beginning of the First Five Year Plan, the total value of India's imports from the USSR was a mere Rs.20 lakhs, while that of its exports to the USSR was Rs.1.3 crores. In 1963 the value of imports had gone up to Rs.58.16 crores and that of exports to Rs.48.57 crores. Under the latest trade agreement between the two countries, signed in June 1963, India's trade with the Soviet Union will rise to about Rs.105 crores each way by 1966, placing the Soviet Union among the first five of India's trading partners. In other words, trade between the two countries is to double by 1966 as compared to its level in 1963.

Total value of India's Foreign Trade and the share of the USSR in it

(in crores of rupees)

	1950-51	1955-56	1960-61	1963-64
Imports:				
From all countries	650.8	679.0	1122.00	1141.00
From the USSR	0.2	6.21	15.87	58.16
Percentage	0.03%	0.9%	1.4%	5%
Exports:				
To all countries	596.1	590.9	642.00	767.00
To the USSR	1.3	3.26	28.81	48.57
Percentage	0.2%	0.5%	4%	6%

An important feature of the Soviet Union's trade with India is that it is conducted mainly through State undertakings in India. In fact, the share of Indian public sector in the Soviet export of machinery and equipment to India has reached 80-85 per cent. Another significant feature which has lent considerable support to India in facing the restrictionist trade policies of the Western countries is that the Soviet Union and other Socialist countries, while continuing to import ever-increasing quantities of traditional items, have also been raising their intake of Indian manufactured and semi-manufactured products. The share of the latter type of goods in Indian exports to the USSR has now reached about 45 per cent.

As with the USSR India's trade with other socialist countries has also made rapid strides after independence. Starting from almost a negligible quantity (except with Czechoslovakia) it reached about Rs.54 crores (in imports) and Rs.55 crores in exports) in 1963.

India's imports from all the socialist countries in Eastern Europe, including the USSR totalled Rs.112 crores out of total Indian imports of Rs.1141 crores in 1963. They thus formed nearly 10 per cent of the total imports. In exports t the share of the East European countries as a whole at Rs.103 crores was nearly 13 per cent of the total exports of Rs.767 crores in 1963.

The advantages of increased trading with the Soviet Union and other Socialist countries are evident from the terms of trade which in their case are vastly fairer. The trade with them is more or less on balanced basis and is conducted in rupees. This obviates both the need for foreign exchange as well as ensures the growth of our exports.

India's Trade.....

INDIA'S TRADE WITH CZECHOSLOVAKIA

SCOPE FOR EXPANSION

(R.C. Kalra, Second Secretary (Commercial), Prague)

Czechoslovakia's trade with India is rapidly increasing; it showed a further rise during 1963. The total trade turnover amounted to Rs.3,000 lakhs during 1963 as compared to Rs.2,800 lakhs in 1962. ...

A long-term trade and payments agreement between Czechoslovakia and India was signed in November, 1963 which would remain valid for five years from January 1, 1964. The new agreement provides for the exchange of goods between India and Czechoslovakia to the tune of Rs.195 million each way in 1964, Rs.235 million each way in 1965 and Rs.245 million each way in 1966. ...

Czechoslovakia's Trade with India

(In Million Crowns)

	1953	1960	1961	1962
Total Trade	72	227	362	457
Imports	43	87	149	179
Exports	29	140	213	278
Balance	- 14	+ 53	+ 64	+99

Exchange Rate ... Re.1 = Kcs.1.5

Source: The Journal of INDUSTRY AND TRADE, May 1964.

INDIA-GDR TRADE HAS EXPANDED TEN-FOLD IN THE PAST DECADE

On the tenth anniversary of the signing of the first trade agreement between India and the GDR, October 15 this year, the ECONOMIC TIMES (October 16) printed an interview with Herr Julius Balkow, GDR Minister of Foreign Trade, among other things, said:

"Since the conclusion of the first Trade Agreement of October 16, 1954, the trade relations between our two countries have developed continuously, and particularly during the last five years - from 1958 to 1963 - the trade turnover could be increased considerably, i.e. from 76 million Rupees in 1958 to 232 million Rupees in 1963." ...

"Considering the rather smalldirect exchange of goods between our two countries in 1954 with an overall turnover of 23 million Rupees and the result of 1963 with a value of 232 million Rupees, which could only be achieved by strenuous efforts, the ten fold increase attained in trade undoubtedly reveals in the first place that the trade between our two countries is based on the principles of equality and mutual benefit." ....

Speaking about the prospects the Minister added: "The new long-term Trade and Payments Agreement for the period from 1965 to 1967 concluded in New Delhi on September 12, 1964, between the Government Delegations of our two countries provides for nearly doubling the goods exchange between the two states until 1966 as against 1963. I feel that this Agreement represents a sound basis for our mutual efforts for the deepening and expansion of the trade relations between our two countries. I am convinced that the economic relations between India and the German Democratic Republic will also in the years to come further develop continuously to the benefit of both the countries." *

* NOTE: It is significant that in the official monthly journal published by the Ministry of International Trade, there is no article on India-GDR trade even in the special number 'The Journal of INDUSTRY AND TRADE' entitled 'Trade Prospects Number', though there are articles on India's trade with all the other countries of the world, socialist, western capitalist and Afro-Asian, and including West Germany. This is now the compromising official policy reflecting

(3)

itself in action, fear of annoying West Germany though our trade with it produces a big deficit while our trade with GDR is mutually beneficial, fairly balancing and serves our national interests. This is how the logic of non-recognition of GDR under West German pressure expresses itself to our discredit and not advantage.

The feature given above from the ECONOMIC TIMES Daily (October 16, 1964), belonging to the TIMES OF INDIA chain, part of the Sahu-Jain monopoly empire, Even what the Indian monopolist interests and their important economic daily publishes in its front page is blacked out in the official journal of the Ministry of International Trade.

-: 3:-

INDIA'S TRADE WITH POLAND

(P.N. Neville, Commercial Secretary, Warsaw)

India in South East Asia is one of the most important trade partners of Poland and our share in her trade turnover with the countries of this economic region comes to about 44 per cent. According to the Polish business circles, India is considered to be the most typical of the group representing the economically developing countries and promising the best prospects for a development of trade exchange. Poland's trade with India has increased considerably during recent years. It amounted to Rs.1,697.92 lakhs in 1963. Exports from India amounted to Rs.887.46 lakhs and imports Rs.810.46 lakhs compared with Rs.1,124.90 lakhs and Rs.760.50 lakhs respectively, in 1962. With the conclusion of the new five-year trade and payments agreement (1964-68) it is expected that the trade turnover would further increase. Even during 1964, as compared to 1963, the increase would be over 30 per cent. ...
Source: The journal of INDUSTRY AND TRADE, May 1964)

INDO-RUMANIAN TRADE

(R.D. Chakravarty, Second Secretary (Commercial), Bucharest)

Rumania's trade with India is regulated under a bilateral agreement. The last agreement for five years from 1963 was signed at Bucharest in November 1962. Within the framework of the bilateral agreement, every year annual trade plans are drawn up on mutually advantageous basis and movement of goods between the two countries are effected in accordance with the said trade plans. The volume of Indo-Rumanian trade in 1959, 1961 and 1962 is as under:-

	(million lei)		
	1959	1961	1962
Rumania's exports	30.3	23.9	36.0
India's exports	23.7	28.0	44.9

(Source: The Journal of INDUSTRY AND TRADE, May 1964)

INDIA'S TRADE WITH HUNGARY

(S. Venkataraman, Second Secretary (Commercial), Budapest)

A five-year long term trade agreement was concluded between India and Hungary in 1963 and the volume of trade that is expected to move in each direction is of the order of Rs.125.00 million which is double the volume in 1962 or 1963. ... A big technical delegation from Hungary which toured India towards the end of last year admitted that India had made vast strides in the engineering field and that Hungary was interested in importing several products, but it emphasised that the Indian producers should evince a keen interest in exporting them. In order that the Hungarians know at close range about the Indian industry and its potentialities that India is again participating in the Budapest International Fair, May 1964, in a bigger way than last year. ...
(Source: The Journal of INDUSTRY AND TRADE, May 1964)

TRADE BETWEEN INDIA AND YUGOSLAVIA

(S.P. Khemani, First Secretary (Commercial), Belgrade)

The trade and economic relations between India and Yugoslavia have been regulated by recurring Trade and Payments Agreements since the year 1948. Currently, a Five-year Trade Agreement is in force since January 1, 1963. This Agreement visualises a progressive increase in the bilateral trade up to 250 million Indian rupees each way, by the end of 1966. Thereafter, the position is to be further reviewed, as is, indeed, required to be done from year to year, so as to bring about a further expansion of the trade in the light of the situation then prevailing. In 1963, the total trade amounted to Rs.195 million, almost about the same level of 1962. For the year 1964, however, the Trade Plan provides for a trade of 200 million rupees in each direction. These figures, although not so large by standards of international trade or even by the eventual expectation and possibilities of trade between the two countries, are yet quite spectacular when it is realised that the total trade between India and Yugoslavia upto 1955 was of the order of about 3 million rupees only. ... (Source: The Journal of INDUSTRY AND TRADE, May 1964)

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APPENDIX NO.5-B

BIG PROVEN SOCIALIST CAPACITY TO AID INDIA

USSR ECONOMIC COMPETITION WITH PRINCIPAL CAPITALIST COUNTRIES

The output of goods in the socialist countries continues to grow much more rapidly than in the capitalist ones. The total industrial output of the countries of the socialist camp increased by 9 per cent in 1963 as compared with 1962, and the countries of the capitalist world by 5 per cent.

The Soviet Union is successfully conducting economic competition with the principal capitalist countries which are developing at a much slower rate. In the past ten years the developing at a much slower rate. In the past ten years the United States was increasing its production three times slower than the Soviet Union. And what is especially important for appraising the perspectives of the competition is that capital investments in the USA are also growing several times slower than in the USSR. That means that in the Soviet Union a wider base is being created for a further production growth. . . . . . .

The much higher rate of growth in production has made it possible for the Soviet Union in the past ten years to substantially reduce the gap between its own level of economic development and that of the United States. In 1953 the industrial output in the USSR was 33 per cent as compared with the USA, and in 1963 roughly 65 per cent.

Givern below are statistical indices characterising the competition of the USSR with the principal capitalist countries as a whole, and by separate major items of industrial production.

TABLE I

Growth of Industrial Production
(1953 = 100)*

	1955	1956	1957	1958	1960	1963
Socialist countries	124	138	152	178	233	280
Developed capitalist countries	110	115	118	115	134	156

* Within present day boundaries.

(6)

TABLE 2

Indices for National Income

(1953 = 100)

Year	USSR	USA	Great Britain	France	FRG	Italy
1958	168	107	111	126	141	129
1960	195	118	119	135	163	149
1962	220	126	123	149	177	171
1963	230	131	127	157	183	181
Average annual rate of growth for 1954-1963 in per cent.	8.7	2.8	2.4	4.6	6.2	6.1

TABLE 3

Indices for Industrial Production

1953 = 100)

Year	USSR	USA	Great Britain	France	FRG	Italy
1954	113	94	107	109	111	109
1955	127	106	[illegible]12	118	128	119
1956	141	110	112	127	138	127
1957	155	110	114	137	146	136
1958	171	103	112	142	151	142
1959	190	116	119	144	162	158
1960	208	120	127	155	179	179
1961	227	121	128	164	190	195
1962	249	130	13[illegible]	174	199	214
1963	271	137	135	182	205	233
Average annual rate of growth for 1954-1963 in per cent	10.5	3.2	3.1	6.2	7.44	8.8

TABLE 4

Output of Agricultural Products in USSR and USA in 1958-1962

	Unit	Physical volume of production (average per year)		Unit	Per capita output (average per year)	
		USSR	USA		USSR	USA
Grain	Million tons	137.5	180.3	kgs	643	998
Meat (slaughter weight)	"	8.7	17.6	"	40.6	97.4
Milk	"	61.7	56.2	"	288	311
Butter	thousand tons	861	675	"	4.0	3.7
Granulated sugar (home production)	million tons	5.7	3.5	"	26.6	19.4

TABLE 5

Thursday, October 8, 1964.

Output of Major Items of Industrial Production

IN USSR and USA.

		1953		
	Unit	USSR	USA	USSR in % of USA
1	2	3	4	5
Electric power (sent out)	thousand million kwh	127.0	518.0	24.5
Pig Iron	million tons	27.4	68.8	39.8
Steel	" "	38.1	103.9	36.7
Coal (in terms of bitu-minous)	" "	274.0	441.9	62.0
Iron ore.	" "	59.6	120	49.7
Oil	" "	52.8	318.5	16.6
Natural gas	thousand mil-lion cubic m.	8.0	242.0	3.3
Sulphuric act (in terms of monohydrate)	thousand tons	2,919.0	2,871.	22.7
Chemical fibres	" "	62.0	654.8	9.5
Metal-cutting tools	in thousands	92.0	234.0	39.3
Diesel and Electric locomotives,		248.0	2,498.0	9.9
Tractors (in terms of 15 h.p. units)	in thousands	243.0	629.0	38.6
Harvester combines.	" "	43.1	63.93	67.3
Sawn goods (including sleepers)	million cubic meters.	72.0	86.0	83.0
Cement	million tons	16.0	45.0	35.5
Cotton fabrics (unbleached)	million cubic meters.	4,086	9,402.0	43.4
Woollen fabrics.	million li-neal meters.	209	311.0	672
Leather footwear	million pairs	238.0	532.0	44.7
Granulated sugar (home production)	million tons	3.4	3.1	109.7
Fish catch.	"	2.2	2.4	91.7

1/ 1962
2/ million tons.
3/ 1955

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1963			1963 growth in % of 1953	
USSR	USA	USSR in % of USA		
6	7	8	USSR	USA.
386.0	1,010.0	38.2	303.9	194.9
58.7	67.0	87.6	214.2	97.4
80.2	101.0	79.4	210.5	97.2
466.0	427.0	109.1	170.1	96.6
137.5	80.0	171.9	230.7	66.7
206.1	374.0	56.6	390.3	117.4
91.5	407.0	22.5	1,143.7	168.2
6,887.0	18,576.0	37.1	235.9	144.3
308.0	1,133.0	27.2	496.7	172.9
183.0	145.0 [1]	126.2	198.9	61.9
2,162.0	1,228.0 [1]	176.1	871.7	49.2
673.0	540.0 [1]	124.6	277.0	85.8
82.9	24.8	334.3	192.3	38.8
110.0	84.0	130.9	152.8	96.9
61.0	58.5	104.3	381.2	130.0
5,506	8,650.0	63.6	134.7	92.0
370.0	270.0	137.0	177.0	86.8
463.0	615.0	75.3	194.5	115.6
5.5	4.5	122.2	161.8	145.2
4.7	2.9 [1]	162.1	213.6	120.8

Physical increase of production 1953-1963		Average annual rate of growth 1954-1963		Average annual physical growth.	
USSR	USA	USSR	USA	USSR	USA
259.0	492.0	11.8	6.9	25.9	49.2
31.3	-1.8	7.9	-0.3	3.1	-0.2
42.1	-2.9	7.7	-0.3	4.2	-0.3
192	-14.9	5.4	-0.3	19.2	-1.5
77.9	-40	8.7	-3.9	7.8	-4.0
153.3	55.5	14.6	1.6	15.3	5.5
83.5	165	27.6	5.3	8.3	16.5
3,968	5,705	9.0	3.7	0.4 2/	0.6 2/
246	478.2	17.4	5.6	24.6	47.8
91	-89	7.1	-4.8	9.1	-8.9
1,914	-1,270	24.2	-7.1	191	-127
43.0	-89.	10.7	-1.5	43	-8.9
39.8	-25.1	6.75	-12.0	3.98	-2.5
38.0	-2.7	4.4	-0.3	3.8	-0.3
45.0	13.5	14.4	2.7	4.5	1.3
1,420	-752	3.0	-0.8	142	-75.2
161	-41.0	5.9	-1.4	16.1	-4.1
225	83	6.9	1.5	22.5	8.3
2.1	1.4	4.9	4.0	0.2	0.1
2.5	0.5	7.9	1.9	0.25	0.05

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TABLE 6

Output of Major Items of Industrial Production in USSR and the Principal Capitalist Countries in 1963

	Unit	Physical production				
		USSR	USA	Great Britain	FRG	France
Electric power (sent out)	thousand million kWh	386	1010	170	148	88,2
Pig Iron	million tons.	58,7	67,0	14,8	22,9	14,5
Steel	"	80,2	101	22,9	31,6	17,6
Coal (in terms of bituminous)	"	466	428	199	142	47,8
Oil	"	206	374	0,1	7,4	2,5
Natural gas	thousand million cubic m.	91,5	407	–	0,9	7,5
Sulphuric acid (in terms of monohydrate)	million tons	6,9	18,5	2,9	2,7	2,3
Chemical fibres	thousand tons	308	1133	431,5	373,2	228,4
Metal-cutting tools	in thousands	183	145[1]	...	...	...
Diesel and electric locomotives		2162	1228[1]	806[1]	1083[1]	313[1]
Tractors	in thousands	325	633[1]	242[1]	186[1]	98,3[1]
Harvester combines.	"	82,9	24,8	4,7	28,3[1]	3,2
Sawn goods	million cubic m.	110	84	0,9[1]	7,4	7,9[1]
Cement	million tons.	61,0	58,5	13,8	29,3	17,9
Cotton fabrics	million lineal metres	6617	8135	892	1306	1742
Woollen fabrics	million cubic m.	471	402,5	301,4	147	193,9
Leather Footwear	million pairs	463	615	190,4	97	106,7
Granulated sugar (home production)	million tons	5,5	4,5	0,8	2,0	2,0
Fish catch	thousand tons	4700	2900	900	170,6	371,5

1/ 1962
2/ 1961

(12)

Italy	Japan	In per cent of USSR level, taken as 100						
		USSR	USA	Great Britain	FRG	France	Italy	Japan
68,6	133,7	100	262,0	44,[illegible]	38,3	22,8	17,8	34,6
3,7	19,9	100	114,1	25,2	39,[illegible]	24,7	6,3	33,9
10,1	31,5	100	125,9	28,6	39,4	21,9	12,6	39,3
0,6	52,0	100	91,8	42,7	30,5	10,3	[illegible].1	11,2
1,8	0,9	100	181,5	[illegible],005	3,6	1,2	[illegible],9	0,4
[illegible],7,3	1,2[1]	100	445	–	1,0	8,1	8,0	1,3
4,3	5,0	100	268,1	42,0	39,1	33,3	62,3	72,5
279,1	701,6	100	367,8	140,1	121,2	74,2	90,6	227,8
...	120	100	7[illegible],2	...	...	...	...	65,6
...	237[1]	100	56,8	37,3	50,1	14,5	...	10,9
...	...	100	194,8	74,5	57,2	30,3	...	...
...	...	100	29,9	5,7	31,5	3,9	...	...
...	48[1]	100	76,4	0.8	6,7	7,2	...	43,6
22,1	29,9	100	95,9	22,6	48,0	29,3	36,2	49,0
967	3195	100	122,9	13,5	19,7	26,3	14,6	48,3
214,9	360,3	100	85,5	64,0	31,2	41,2	45,6	76,5
...	...	100	132,8	41,1	20,9	23,[illegible]	...	...
0,9	0,2	100	81,8	14,5	36,4	36,4	16,4	3,6
238[2]	6864[1]	100	61,7	19,1	3,6	7,9	5,[illegible]	146,0
...	...	...						

Source:(Mirovaya Ekonomika i Mezhdunarodnye Otnosheniya No. [illegible], 1964. In full as from Novosti, Oct 8, 1964)

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